

**11 April 2014**

**Dear Shareholder**

**Highlights**

- **Company strategy focussed on acquisition growth**
- **MetroCoal now holds 46% of Cape Alumina**
- **The depressed global minerals market presents opportunities.**
- **Cash balance \$6.86 million at 31 March 2014 (approximately 3.3 cents per share)**

It is some time since I last communicated with you directly in regard to the status of your company.

I am sure you are aware of the state of the thermal coal industry. Spot prices are at 5 year lows with coal trading in the low US\$70's, down from US\$130 per tonne in 2008. At these low spot prices many of Australia's thermal coal producers are losing money and there have been a number of mine closures over the last 24 months. The outlook for coal in the short to medium term is bleak and whilst we are still positive about the demand for global thermal coal in the longer term, we do not know when the turnaround will occur.

The depressed coal market has also caused a delay in the provision of rail infrastructure into the Surat Basin further frustrating coal development in the region.

As a result of this situation your board has been focussing on three core strategies:

1. Preserve the Company's Coal assets so that MTE can benefit when the market does turn around. This includes working with all other stakeholders in the Surat Basin via the Surat Basin Alliance to have a plan for the infrastructure requirements to enable mine development to occur in the future.
2. Continue to reduce the administration, corporate and tenement costs of the Company.
3. Investigate other opportunities in the Resources Industry that could give the shareholders some return of value in the short to medium term.

Recognising that it may be some time before the coal market turns around, we have put in place measures to reduce our costs while maintaining our tenements and pursuing infrastructure solutions. Our tenements are in good standing having already exceeded all our expenditure commitments during the period before this current down turn. This allows us to retain all our preferred target areas with very much reduced levels of expenditure going forward.

Significant cost savings have been achieved through the cessation of our exploration programs which has resulted in a reduction of our office and field staff. Savings have also been realised through the reduction in board numbers to four down from six and also through reduced board fees, as recently announced.

Board representation is well balanced comprising two directors representing the major shareholders, DADI and Metallica, and two independent directors.

We will continue to review the cost structure of the company (including board composition) on an ongoing basis.

In light of the current investment sentiment and outlook of the coal market, the Board has been looking for other opportunities with the potential to create shareholder value in the medium term.

Last year the Board identified bauxite as a commodity with attractive near term and long term fundamentals reflecting strong demand from China and assisted by Indonesia's ban on bauxite exports (Indonesia being China's principle bauxite supplier). Cape Alumina Limited (Cape) (ASX:CBX), with extensive bauxite tenements in Cape York was identified as a promising opportunity.

The proposed merger of MetroCoal with Cape in late 2013 was halted when the State Government unexpectedly banned mining within the Steve Irwin Wildlife Reserve, sterilising the Pisolite Hills Bauxite deposit. Cape is now prioritising the advancement of the Bauxite Hills project and considering a proposal to the State Government for the Aurukun Project. On 18<sup>th</sup> March MetroCoal announced that it had made an unconditional cash offer to acquire all of Cape Alumina shares at 0.6 cents per share via an on market bid. MetroCoal currently holds over 46% of Cape having increased its shareholding from 6.7% at a cost of \$0.576 million. As at 1 January 2014 Cape had approximately \$2.18 million cash at bank.

Bauxite fundamentals remain positive and the MetroCoal Board believes the investment in Cape will provide our shareholders with a substantial interest in a commodity with excellent medium term potential while preserving the longer term opportunities of the coal assets.

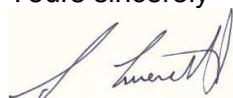
MetroCoal intends to assist Cape in the delivery of its Bauxite Hills project and will explore with Cape, further cost savings for both MetroCoal and Cape through synergies in the management and administration areas.

The generally depressed state of the mineral industry has substantially devalued most exploration resource companies creating opportunities for acquisitions at favourable prices. In addition to the investment in Cape Alumina the Company has identified several projects both in Australia and overseas that we believe warrant further investigation.

The company intends to continue to pursue these opportunities in parallel with the Cape acquisition and will keep you informed of this.

As everyone is aware our share price has suffered much the same fate as most other junior explorers listed on the ASX and remains at around the 3 cent per share level. The actions outlined above are intended to provide a base from which we can rebuild and restore shareholder value and having \$6.86 million in the bank as at 31 March 2014 puts your company in a far stronger position than most ASX junior explorers to deliver on our growth strategy.

Yours sincerely



**Stephen Everett**  
Chairman