

ASX ANNOUNCEMENT

6 September 2011

METROCOAL ANNOUNCES SUCCESSFUL PLACEMENT OF \$24 MILLION

- **MetroCoal has successfully secured a \$24.0m placement to one of China's leading coal services groups, DADI Engineering Development (Group) Co Ltd ("DADI").**
- **DADI is one of the leading engineering groups in China specialising in coal mining including open cut and underground coal mine design, coal process plant design and engineering, procurement and construction.**
- **At completion of the placement DADI will hold 15% of the shares in MetroCoal and will nominate a representative to the MetroCoal board.**
- **The funds raised will be used to further develop MetroCoal's coal projects in particular its Bundi project and its investment in Tenement to Terminal Limited and other infrastructure solutions.**

Placement to DADI

MetroCoal has secured a placement of 32.0 m shares to DADI at \$0.75 per share to raise a further \$24.0m.

The placement to DADI is to be undertaken in two tranches:

- An initial placement of 3.2m shares (\$2.4m) will be placed to DADI (Hong Kong) on an unconditional basis (Unconditional Placement).
- The balance of the placement being 28.8m shares (\$21.6m) is conditional on MetroCoal shareholder and Chinese Government regulatory approvals (Conditional Placement).

Settlement of the Unconditional Placement is expected to occur on 13 September 2011, with the shares expected to be allotted and commence trading on ASX on 14 September 2011.

It is expected that requisite Chinese Government regulatory approvals will be received by mid to late November 2011 and MetroCoal shareholder approval will be sought at the Company's Annual General Meeting ("AGM") expected to be held 24 November 2011. It is expected the Conditional Placement will formally complete by no later than 30 November 2011. If the Conditional Placement is not completed by 30 November 2011, the agreement will terminate.

About DADI

DADI is a major Chinese coal group that offers the full range of coal services including open cut mine design, underground mine design, coal process plant design, coal processing research and development and engineering, procurement and construction projects.

DADI has over 2,000 employees and has been involved in many significant coal projects including the completion of more than 30 open cut and underground mining projects, the design and supply of over 70 coal processing plants and 3 water slurry treatment plants.

Following the completion of the Conditional Placement, DADI representative Mr Wang Dongping will be invited to join the MetroCoal Board of Directors. Mr Wang has an excellent skills, experience and reputation in the coal sector and will be a valuable contributor to the MetroCoal Board.

MetroCoal has not entered into any agreement with DADI with respect to coal services, although it is envisaged that DADI's skills and experience may be drawn upon in the future.

MetroCoal Chairman, Mr David Barwick said the MetroCoal team was looking forward to having Mr Wang join the Board. "Mr Wang's significant industry experience will be of immense benefit to MetroCoal," he said.

MetroCoal's Chief Executive Officer, Mike O'Brien, said he welcomed DADI as a cornerstone investor in MetroCoal. "The investment by such a highly skilled and experienced coal group is a great vote of confidence in MetroCoal and our key projects," he said.

DADI Chairman, Mr Meihua Xie, said DADI was very pleased to be investing in MetroCoal. "We are greatly encouraged by the growth that MetroCoal has achieved in its Surat Basin projects. We look forward to contributing to MetroCoal's continued success," he said.

Use of Proceeds

The funds raised will be used to:

- Fund the company's recently announced port investment of \$3.5m in Tenement to Terminal Limited,
- Continued infill drilling at Bundi to increase the size of the resource and delineate- \$7m;
- Repay the outstanding Convertible Note of \$1.0m to Metallica Minerals Ltd that is due to be repaid before early January 2012
- Fund a scoping study to demonstrate the indicative project economics and fund the submission of an Environmental Impact Statement for the Bundi Project - \$1.5m; and
- Establish funds to allow MetroCoal to be able to participate in planned port expansion projects, namely funds for the next stage of participation in the recently announced Tenement to Terminal Ltd (3TL) project and potentially, Surat Basin Rail; and
- Pay costs of the offer and working capital for early 2012.

For further information, please contact:

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

Key terms of DADI subscription agreement

- DADI Engineering (Group) Hong Kong Co. Ltd will acquire 3.2m shares at \$0.75c for \$2.4 million. These funds will be payable within 7 days of the signing of the agreement;
- DADI Engineering Development (Group) Co. Ltd (DADI China) will acquire 28.8 m shares at \$0.75c for \$21.6 million. These funds will be payable by 30 November 2011.
- DADI China will need to obtain all requisite regulatory and other approvals from the Chinese Government including:
 - (a) The Commerce Commission of Beijing Chaoyang District;
 - (b) The Commerce Commission of Beijing Municipality;
 - (c) The Development & Reform Commission of Beijing Municipality;
 - (d) Foreign exchange approval required from the relevant government agency in China; and
 - (e) any other approval which may be required by the entity's constitutional documents, FATA Act, the Corporations Act or the ASX Listing Rules.

after completion of the issue of subscription shares and payment of the subscription funds, DADI will appoint to MetroCoal's Board a nominee of DADI China.