



HopgoodGanim

30 September 2014

Australian Securities Exchange  
Company Announcement Platform

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Dear Sir/Madam

**MetroCoal Limited – off-market takeover bid for Cape Alumina Limited  
– second supplementary Bidder's Statement**

In accordance with section 647(3) of the *Corporations Act 2001* (Cth), we **attach** a copy of MetroCoal's second supplementary bidder's statement dated 30 September 2014 (**Supplementary Bidder's Statement**) to its bidder's statement dated 19 August 2014 (**Bidder's Statement**), as supplemented by its first supplementary Bidder's Statement dated 27 August 2014 and varied by its notice of extension dated 26 September 2014.

A copy of the Supplementary Bidder's Statement will today be lodged with ASIC and served on Cape Alumina Limited.

Yours faithfully

HopgoodGanim

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## Supplementary Bidder's Statement

by MetroCoal Limited ACN 117 763 443  
in relation to its Off-Market Takeover Offers for Cape Alumina Limited  
ACN 107 817 694

### 1. Introduction

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This document is a supplementary bidder's statement under section 643 of the Corporations Act 2001 (Cth) dated 30 September 2014 (**Supplementary Bidder's Statement**). It is the second Supplementary Bidder's Statement issued by MetroCoal Limited ACN 117 763 443 (**MetroCoal** or **Bidder**), in relation to its off-market takeover offers (**Offer**) for all of the fully paid ordinary shares in Cape Alumina Limited ACN 107 817 694 (**Cape** or **Target**).

Under the MetroCoal Offer, Cape Shareholders are being offered 1 MetroCoal share for every 1.3 Cape Shares held.

This document supplements, and should be read together with, the Bidder's Statement lodged with the Australian Securities and Investments Commission (**ASIC**) on 19 August 2014 (**Bidder's Statement**), as supplemented by MetroCoal's first supplementary bidder's statement dated 27 August 2014.

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with this document you should consult your financial or legal adviser as soon as possible.

Capitalised terms which are not defined in this Supplementary Bidder's Statement have the meaning given to those terms in the Bidder's Statement and the definitions and interpretation set out in Section 14 of the Bidder's Statement also applies to this document, unless the context otherwise requires.

### 2. Independent Expert: Offer is fair and reasonable

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Cape commissioned an Independent Expert's Report (**IER**) to assess whether the Offer is fair and reasonable to Cape Shareholders not associated with MetroCoal.

On 15 September 2014 Cape released its Target Statement (**Target's Statement**) together with the IER attached as Annexure A.

The Independent Expert has concluded that the Offer Price of 1 MetroCoal Share for every 1.3 Cape Shares held is **both fair and reasonable** to the Cape Shareholders. In reaching this conclusion the Independent Expert has assessed that the value range for each Cape Share is between \$0.123 and \$0.133 with a mid-point of \$0.128 and that the value of the consideration offered by MetroCoal is between \$0.114 and \$0.143 with a mid-point of \$0.129.

### 3. Cape Directors have recommended the Offer

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In the Target's Statement, the non-associated directors of Cape 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 set out below (provided on pages 4-5 of the Target's Statement):

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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) 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 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 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 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, the George Lloyd (non-executive director and takeover response committee chairman) 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."*

At the date of the Bidder's Statement, MetroCoal owns 57.23% of the issued capital of Cape. The purpose of the MetroCoal Offer is to enable MetroCoal to acquire the remaining 42.8% of Cape Shares which it does not already own. If the Offer is successful it will mean that the Cape Shareholders, other than MetroCoal, will effectively exchange their 42.8% interest in the net assets of Cape Alumina for a 27.7% interest in the net assets of Cape Alumina plus a 27.7% interest in the net non-Cape Alumina assets of MetroCoal.

#### **4. MetroCoal pro forma balance sheet**

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A pro-forma summary of the balance sheet of the Merged Group (**Pro-Forma Summary**) is contained in Annexure A to the Bidder's Statement and was prepared on the basis of the 31 December 2013 half-year reviewed financial statements of MetroCoal and Cape.

In Section 8.4 of the Bidder's Statement, MetroCoal noted that the full year statutory accounts to 30 June 2014 (**Full Year Accounts**) for Cape and MetroCoal were yet to be prepared at the date of the Bidder's Statement and that it anticipated that there would be some impairment of MetroCoal and Cape Assets in the Full Year Accounts.

MetroCoal advised that the event that the Full Year Accounts are released by MetroCoal or Cape prior to the Closing Date and are materially different to the financial information contained in Annexure A, MetroCoal would issue a supplementary bidder's statement with respect to the Pro-Forma Summary.

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On 11 September 2014, Cape released its full year statutory accounts. On 26 September 2014, MetroCoal released its full year statutory accounts.

As a consequence of asset impairments of both Cape and MetroCoal, there are material differences in the Pro-Forma Summary. Accordingly, the Bidder's Statement is updated by deleting the original Pro-Forma Summary included in Annexure A (**Original Pro-Forma Summary**) and inserting in its place the revised Pro-Forma Summary set out below (**Updated Pro-Forma Summary**).

A summary of the key differences between the Original and Updated Pro-Forma Summary, and the reason for those changes, is set out in Note 3 below.

#### **METROCOAL WORKINGS FOR PROFORMA STATEMENT OF FINANCIAL POSITION**

	Proforma MetroCoal	Proforma NCI Adjustments	Proforma MetroCoal At 100% Ownership of Cape
<b>Current assets</b>	(Refer Note 1)	(Refer Note 2)	
Cash and cash equivalents	7,522,249	(100,000)a	7,422,249
Trade and other receivables	82,111		82,111
Financial assets	-		-
Other assets	4,903		4,903
<b>Total current assets</b>	<u>7,609,263</u>		<u>7,509,263</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	-		-
Plant and equipment	72,053		72,053
Exploration and evaluation assets	9,472,006		9,472,006
Other assets	465,781		465,781
<b>Total non-current assets</b>	<u>10,009,840</u>		<u>10,009,840</u>
<b>TOTAL ASSETS</b>	<u>17,619,103</u>		<u>17,519,103</u>
<b>Current liabilities</b>			
Trade and other payables	299,864		299,864
Employee benefits	89,791		89,791
<b>Total current liabilities</b>	<u>389,655</u>		<u>389,655</u>
<b>TOTAL LIABILITIES</b>	<u>389,655</u>		<u>389,655</u>
<b>NET ASSETS</b>	<u>17,229,448</u>		<u>17,129,448</u>
<b>Equity</b>			
Contributed equity	45,149,187	3,194,000b	48,343,187
Reserves	5,586,507	(2,712,275)b	2,874,232
Accumulated losses	(34,087,971)		(34,087,971)
Non Controlling Interest	581,725	(581,725)b	-
<b>TOTAL EQUITY</b>	<u>17,229,448</u>		<u>17,129,448</u>

Note 1

The MTE Pro forma is the audited MetroCoal statement of Financial Position at 30 June 2014 as released to the ASX on 26 September 2014.

Note 2

The Pro forma Non-Controlling Interest Acquisition Adjustments comprise:

- a) Estimated transaction cost of \$100,000 to be paid in cash and offset against the reserve account recognised on the acquisition of the non-controlling interest.
- b) The issue of 79,849,988 shares to acquire the 42.78% interest in Cape Alumina not currently held by MetroCoal. It has been assumed that the fair value of the MetroCoal shares at acquisition date will be 4c, resulting in an increase in issued capital by \$3,194,000 and a reduction of the non-controlling interest in Cape Alumina to nil. The balance is taken to reserves in accordance with Australian Accounting Standards.

Note 3

The key difference between the Original and Updated Pro-Forma Summary is that MetroCoal has impaired its Exploration and Evaluation Assets from \$23.9 million to \$9.5 million. The basis of this impairment is as follows:

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon successful development and commercial exploitation or sale of the respective areas of interest. The Company resolved to impair the Columboola, Norwood and Dalby West, tenements to nil on the basis that there was unlikely to be any further exploration activity in the near term. The Company still holds title on these tenements and is of the view tenements are potentially prospective for future development.

Bundi coal tenements were partially impaired due to the delay in development and the decision to stop significant expenditure. The delay in development is due to rail and port infrastructure issues as well as the depressed coal prices. The Bundi coal tenement asset has been recorded at fair value. The basis of fair value has been derived from market values of similar assets, supported by the Independent Expert Report prepared for Cape Alumina Limited for the purposes of Cape Alumina's Target's Statement (released to the ASX on 15 September 2014).

## **5. Key Offer Terms**

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On 26 September 2014 MetroCoal extended the Offer period so that it will remain open for acceptance until 7:00pm (Brisbane time) **17 October 2014** (unless extended or withdrawn in accordance with the Corporations Act).

The Offer is subject to those Conditions set out in full in 11.2 of the Bidder's Statement.

Details about how to accept the Offer are set out in Section 1 of the Bidder's Statement.

For further details about the Offer, see in particular Sections 3 and 4 of the Bidder's Statement.

## **6. ASIC Relief**

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ASIC has published various "Class Order" instruments providing for modifications and exemptions that apply generally to all persons, including MetroCoal, in relation to the operation of Chapter 6 of the Corporations Act. MetroCoal may rely on this class order relief.

This Supplementary Bidder's Statement includes or is accompanied by statements that are made in, or based on, statements made in documents lodged with ASIC or ASX. Under the terms of ASIC Class

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Order 13/521, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Supplementary Bidder's Statement.

A list of all such documents is set out below:

Cape's announcements lodged with the ASX:

Date lodged	Announcement
15/09/14	Target's Statement in relation to the MetroCoal offer

In accordance with your right to obtain a copy of the above documents free of charge pursuant to ASIC class order 13/521, please contact Link Market Services on 1300 138 914 (within Australia) or +61 2 8767 1054 (from outside Australia).

## **7. Lodgement with ASIC**

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A copy of this document was lodged with ASIC on 30 September 2014. This document will prevail to the extent of any inconsistency with the Bidder's Statement. Neither ASIC nor any of its officers takes any responsibility for the contents of this document.

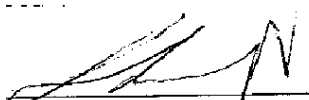
## **8. Authorisation**

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This document has been approved by a unanimous resolution passed by the directors of the Bidder.

Dated 30 September 2014

Signed for and on behalf of MetroCoal Limited ACN 117 763 443

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Stephen Everett  
Director