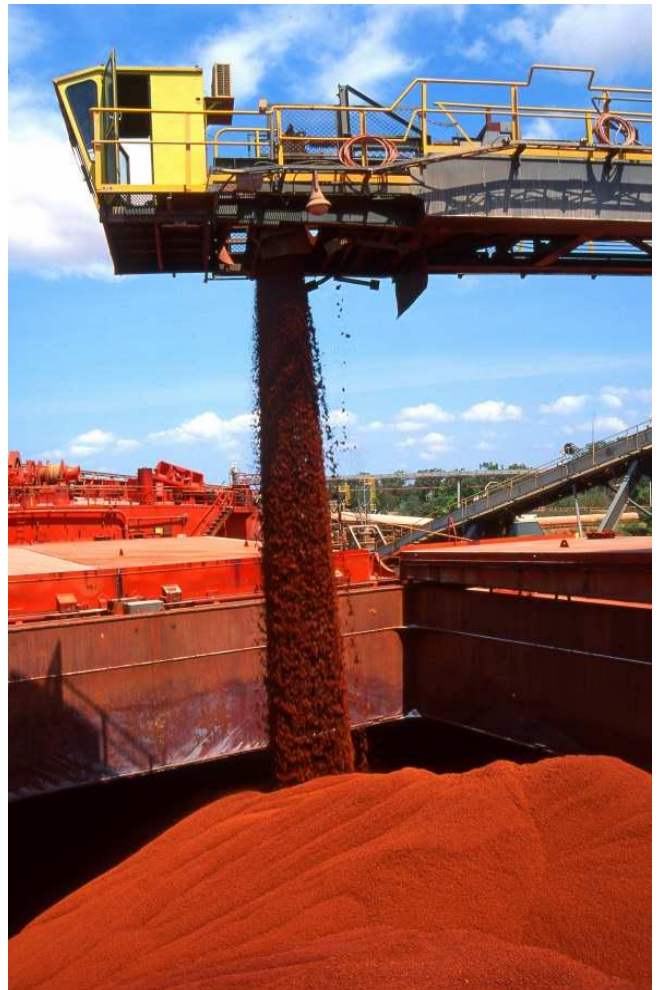




METRO COAL

2014

Quarterly Activities Report
Period Ending 30 September 2014



Corporate Details

ASX CODE: MTE

ISSUED CAPITAL (30 September 2014)

208,883,663 shares issued
2,000,000 Unlisted employee & Directors' Options
6,250,000 Other Unlisted options
1,451 Shareholders
Top 20 Shareholders hold 69.72% of listed shares

LARGEST SHAREHOLDERS

DADI Engineering Development (Group) | 22.6%
Balanced Property Trust | 19.9%
Mr. Gregory Ian Willims | 9.0%

DIRECTORS & MANAGEMENT

Mr Stephen Everett | Chairman
Mr Wang Dongping | Non-Executive Director
Mr Robert Finch | Alt NED to Mr Wang Dongping
Mr Lindsay Ward | Non-Executive Director
Mr Philip Hennessy | Non-Executive Director
Mr Mike O'Brien | Chief Executive Officer
Mr Nicholas Villa | Project Manager
Mr Scott Waddell | CFO & Company Secretary

CASH BALANCE

As at 30 September 2014 approx. \$5.7 Million



METROCOAL LIMITED | ABN 45 117 763 44

Quarter Highlights

■ MetroCoal Shareholding in Cape Alumina Reaches 76.9%

Non-associated Directors of Cape Alumina recommend acceptance of MetroCoal takeover offer to Cape Alumina Shareholders. The takeover offer has been extended to 10 November 2014.

■ Cape York Regional Plan (CYRP) clears Bauxite Hills

CYRP confirms no 'Strategic Environmental Areas' overlap the Bauxite Hills Tenements.

■ Direct Shipping Ore (DSO) Inferred Resource Declared for Bauxite Hills

DSO inferred resource opens the opportunity for the development of a low capital and low operating cost mine at Bauxite Hills. Cape York Regional Plan Supports Focus on the Bauxite Hills Project.

■ \$500K Unsecured Finance Arranged to Progress Bauxite Hills Project

Metrocoal funding keeps Bauxite Hills project on track.

MetroCoal Takeover Offer for Cape Alumina

MetroCoal was pleased to note the Non-associated Directors of Cape Alumina, being those Directors who are not associated with MetroCoal, released a Target's Statement on 15 September 2014 recommending to Cape Alumina shareholders that they accept MetroCoal's offer.

The rationale for the offer remains valid, namely:

- The attractive project pipeline with near term opportunities in bauxite, taking advantage of the current strong world demand for bauxite, and the coal projects ready for the longer term upturn in the thermal coal market.
- MetroCoal's ability to provide funding for the Bauxite Hills Project.
- Merging of the two companies will deliver significant savings in administration and compliance approaching \$500K per annum.

MetroCoal has provided Cape a total of \$500K in unsecured loans in order to keep the Bauxite Hills Project on track for approvals in 2015/2016. The terms and conditions of the loan were announced in the press release MTE ASX 27 August 2014.

Without this funding Cape would not be able to continue work on the project resulting in delays to the project time line and a significant loss of shareholder value.

At the time of writing, MetroCoal held over 76.9% of Cape Alumina.

The Bid offer has been extended to 10 November 2014.

MetroCoal continues to urge Cape shareholders to accept the offer.



Bauxite Hills

Bauxite Hills presents a positive opportunity to bring a medium size bauxite mine into production within the next few years.

In mid-August 2014, Cape Alumina announced that a 19.85 million tonne Direct Shipping Ore (DSO) JORC compliant inferred resource had been estimated for the BH6 plateau of the Bauxite Hills Project.

This resource had total alumina of 51.2% and total silica of 12.2%. Trihydrate available alumina is 39.3% (gibbsite alumina + kaolinite alumina – low temperature desilication product alumina) at 150°C. Reactive silica for BH6 DSO resource is 6.7% (at 150°C).

The production of a DSO resource avoids a number of significant costs, when compared to production of a beneficiated bauxite product, including reduced infrastructure costs as there is no requirement for a large beneficiation plant plus significantly reduced water, energy and tailings dam requirements.

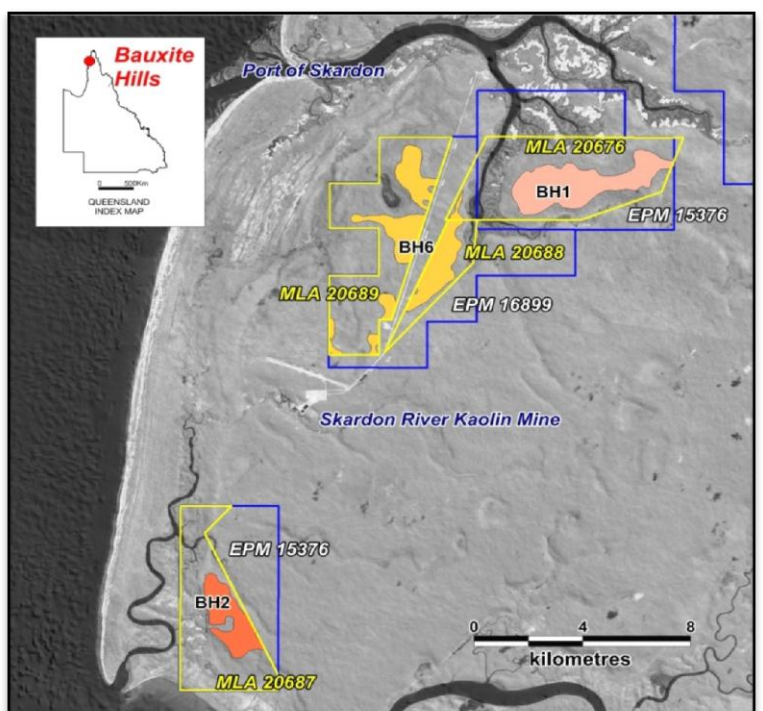
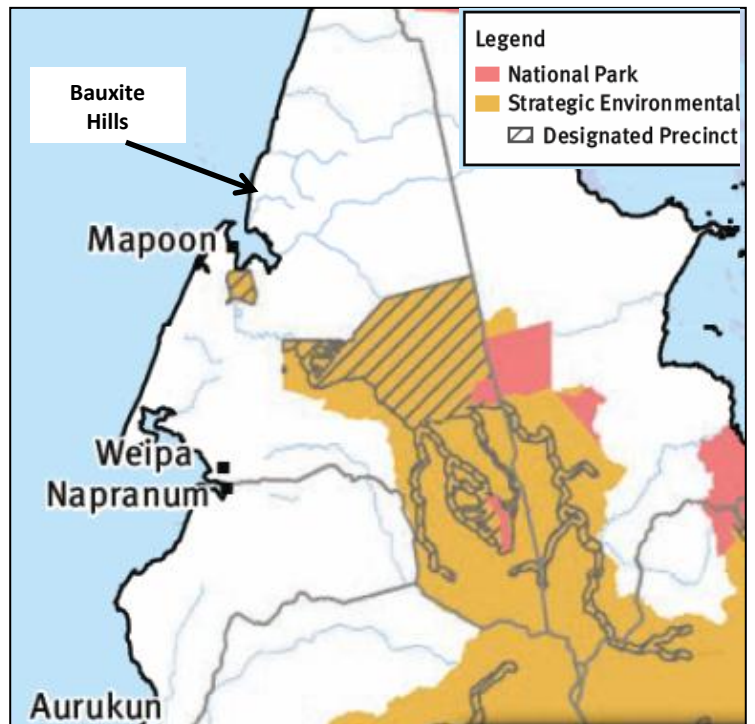
The resources at Bauxite Hills are very shallow, free-digging deposits with low strip ratios. The high alumina content with low bauxite to alumina ratios means lower shipping costs and lower overall refinery input costs compared to bauxite deposits outside the Weipa region.

In addition to the high alumina content, the Bauxite Hills resource is very close to coastal waters and international shipping routes. This further reduces transport capital and operating costs.

The Cape York Regional Plan (CYRP), announced by the Queensland Government on 21 August 2014, confirms that there is no conflicting land use in the Bauxite Hills area.

This positive announcement on the CYRP together with the announcement of the DSO inferred resource has given Cape Alumina the confidence to progress work on the Bauxite Hills Project.

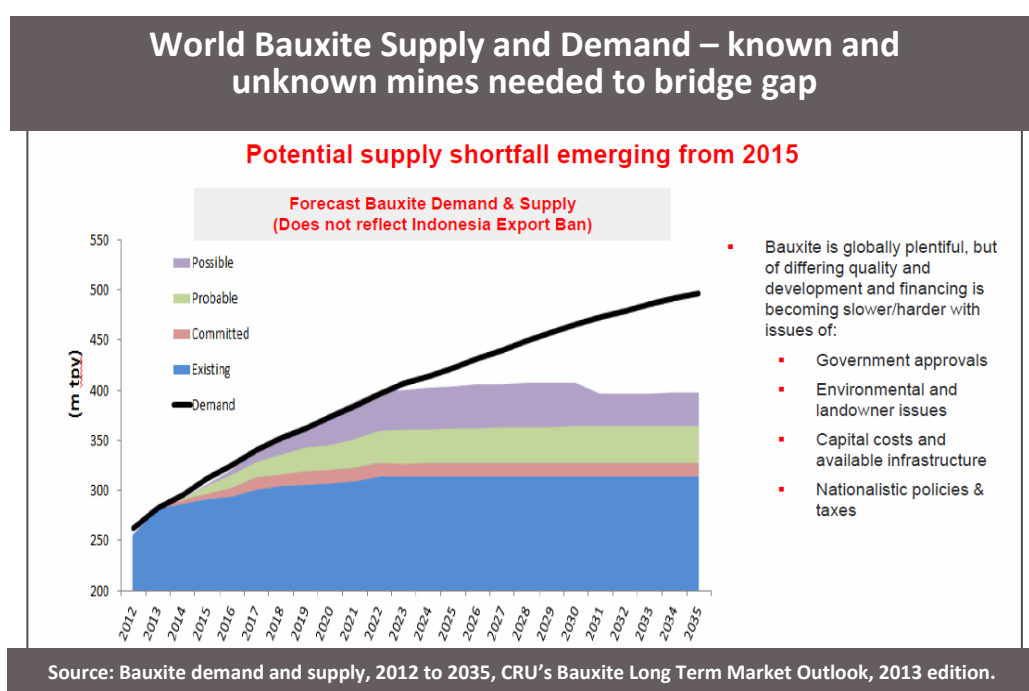
The Loan funding provided by MetroCoal has enabled Cape Alumina to maintain the Bauxite Hills project critical path and continue the work program including environmental studies, bauxite analysis and additional drilling.



Bauxite Market Continues to Strengthen

The bauxite market is continuing to benefit from the ongoing export ban implemented by the Indonesian Government.

The graph below illustrates the looming gap between supply and demand and this is expected to continue to exert upward pressure on bauxite prices.



Business Opportunities and Finance

MetroCoal continues to search review other projects and other commodities both within and outside Australia. Although a number of prospective opportunities have been identified all discussions and investigations are at a very early stage.

As at 30 September 2014 MetroCoal Limited had a cash balance of approximately \$5.7Million.

As stated in Cape Alumina's Target's Statement on 15 September 2014, in the event that the MetroCoal Offer is not successful, Cape would need to raise additional funds to progress the development of the Bauxite Hills project and repay the loan from MetroCoal.

Coal Assets

MetroCoal's coal exploration permits (EPCs) in the Surat Basin cover over 3,000 square kilometres and contain over 4.4 billion tonnes of thermal coal (see Table 1 below) one of the largest thermal coal resources in Australia (see figure below).

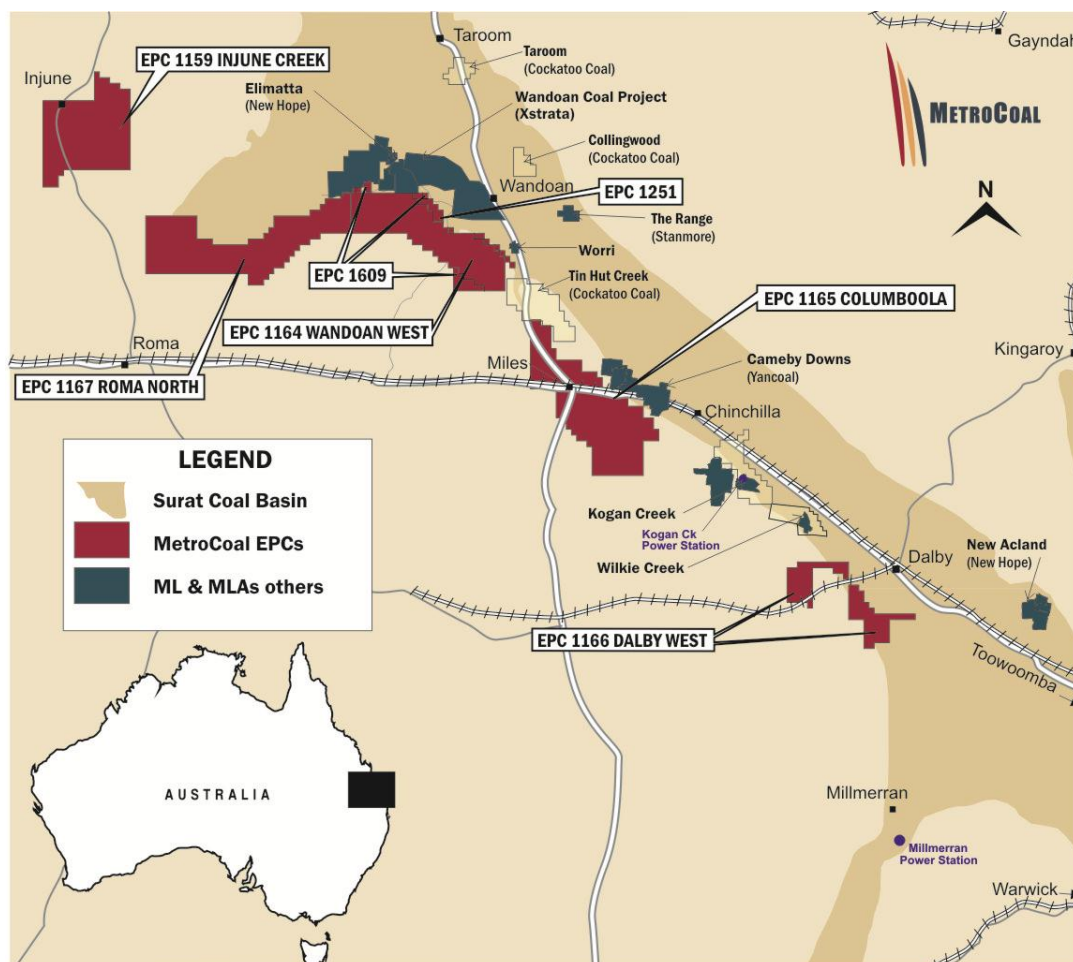


Table 1: MetroCoal's Thermal Coal Resources & Reserves

Project	MetroCoal Ownership	Resources (Mt)			Reserves (Mt)	JORC
		Indicated	Inferred	Total		
Bundi (includes Juandah)	100%	296	1705.6	2001.6		2012
Columboola	49%	242.6	1515.0	1757.6		2012
Goombi	49%	4.9	13.8	18.7	26.2	2004
Dalby West	100%		520	520		2004
Norwood	100%		156	156		2004
TOTAL		543.5	3910.4	4453.9	26.2	

MTE ASX Announcement 24 October 2013 – Bundi Project Update

MTE ASX Announcement 19 July 2012 – Bundi Resource Upgrade and Project Update

MTE ASX Announcement 9 December 2011 – Dalby West Project – Maiden Inferred Resource of 520Mt

MTE ASX Announcement 6 September 2012 – Maiden Indicated Resource for Columboola JV plus 26% increase in Inferred Resource

MTE ASX Announcement 19 December 2012 – Goombi Maiden Reserve Announced