



ACN 117 763 443

ASX ANNOUNCEMENT

15 September 2014

CAPE ALUMINA'S NON ASSOCIATED DIRECTORS MAKE RECOMMENDATION TO ACCEPT METROCOAL'S TAKEOVER OFFER

Highlights

- Cape Alumina Limited's (Cape) non-associated directors recommend, in the Target's Statement released today, that, in the absence of a superior proposal, Cape's shareholders accept MetroCoal's off-market takeover bid made under its Bidder's Statement dated 19 August 2014 (as supplemented on 27 August 2014) (**Offer**).
- MetroCoal's Offer represents a premium of approximately 35% to the 20 day VWAP (to 1 August 2014) for each Cape share¹.
- 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.
- If the takeover bid is successful (where MetroCoal achieves 100% ownership of Cape), the merged entity will hold extensive bauxite tenements in Cape York, including the Bauxite Hills Project, as well as an interest in over 4 billion tonnes of thermal coal in the Surat Basin and over \$6 million in cash.
- If MetroCoal achieves 100% ownership of Cape its cash reserves will be available to accelerate the pre-feasibility studies and environmental approvals for the Bauxite Hills project.
- Both the Bidder's Statement (Bidder's statement) and the Target's Statement (Target's Statement) are available on the ASX website.

Cape's non-associated Directors' state that their 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.

The non-associated Directors point out that "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."

They state also that 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. The combined cash of both companies (A\$7.9 million at 30 June 2014) will provide short term funding certainty and will better position the Company to advance the Bauxite Hills project and take advantage of the emerging favourable market conditions.

¹ Based on the implied Offer price of Metro shares of 4.09c which is the 20 Day VWAP (to 1 August 2014) for Metro shares.



The non-associated Directors also confirm that 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 (refer to section 3.6) in an environment where equity is difficult for junior exploration companies like Cape to raise and such equity would likely be priced at a significant discount to the trading price of Cape Shares. If funding was raised by means of a pro-rata rights issue, Cape Shareholders would need to contribute additional funds or otherwise have their respective shareholdings diluted.

MetroCoal wishes to reinforce the points made by the non-associated Directors in the Target's Statement regarding the benefits to Cape shareholders of accepting the offer and to highlight the challenges facing junior exploration companies seeking to raise funds.

MetroCoal urges all CBX shareholders to accept the Offer.

The Offer closes on 3 October 2014, unless otherwise extended.

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