



30 August 2011

Dear Shareholder

MetroCoal update

On behalf of the Board of Directors and management of MetroCoal Limited (ASX-MTE), we take great pleasure in presenting you with an update on recent activities in 2011.

MetroCoal continues to achieve significant milestones in 2011 and as our exploration and evaluation programs targeting the high quality thermal coal deposits of the Surat Basin continue, our focus also includes infrastructure participation and achieving a second joint venture partner for one of our exciting project areas.

Investment and Capacity Agreements with 3TL

MetroCoal recognises that participation in rail and port infrastructure projects will play an enormous role in the development of our Surat Basin thermal coal projects. MetroCoal invested in the feasibility study for the Wiggins Island port project and remains committed to that project. The investment in Tenement to Terminal Limited (3TL) is an exciting opportunity to enhance MetroCoal's ability to participate in port projects and at the same time gives us another option for port access. The combination of a 20% shareholding in 3TL, Board representation and priority allocation of up to 15Mtpa, provides MetroCoal with another path to port capacity for our Bundi Project and Columboola Joint Venture.

It is important to recognise that the 3TL project is very much in its infancy. However, the work that 3TL has completed to date, has been undertaken by leading port infrastructure consultants. In addition, 3TL has discussed its plans with the relevant government agencies, Gladstone Ports Corporation and held an initial discussion with QR National giving MetroCoal further confidence in this project. As a shareholder we intend to be proactive with its future development process.

Joint Venture marketing of the Bundi Project

MetroCoal has received Non-Binding Indicative Offers (NBIO) from a number of foreign entities. Given the number of NBIOs received, MetroCoal has elected to extend the date for announcing a preferred partner.

MetroCoal will invite potential partners to visit in one week time frames. The weekly timeframe will be needed so each party can achieve the following:

- Visit the Bundi Project area at Wandoan
- Conduct legal and commercial discussions in Brisbane
- Meet key rail and port infrastructure project leaders; and
- Visit Gladstone to inspect the Wiggins Island and 3TL port sites.

The visits are due to begin mid September and we expect them to be concluded mid to late October. MTE will then enter into a period of negotiation on Binding Offers in late October to early November. MetroCoal remains committed to announcing the selection of a preferred successful partner in 2011.

Exploration programs

The infill drilling at the Bundi Project area continues at a very positive pace. Our plan to move the JORC category from Inferred to Indicated remains on track. With our attention on achieving an Indicated resource, drilling in other areas within EPC 1164, Wandoan West, will take place later in 2011.

We are currently in the middle of a drilling program at EPC 1166, Dalby West. MetroCoal will complete three holes at EPC 1166 by mid September.

Drilling at EPC 1165, Columboola, continues with our JV partner, SinoCoal Resources Pty Ltd. This project is looking to increase the number of drilling rigs to four. MetroCoal is confident of continued positive exploration results in this exciting project area. We have completed 20 holes of a planned 55 hole program.

With the growth in exploration activities we have now increased our staff to cater for the additional work load. We have also opened a site office in Wandoan to cater for staff located near our tenement.

In conclusion we remain confident that we will continue the success achieved to date in 2011. We continue to meet our milestones. As we have mentioned in previous shareholder communication, we are extremely confident that we remain on track to meet our thermal coal exploration targets of between 2.5 and 3.5 billion tonnes* by the end of 2011 with a JORC Code classification of "inferred" or better.

We appreciate your support of MetroCoal and look forward to more exciting news in 2011.



David K Barwick
Chairman



Mike O'Brien
Chief Executive Officer

** The potential quantity and quality is conceptual in nature, and that there has been insufficient exploration to define a Mineral Resource or Ore Reserve and that it is uncertain if further exploration will result in the determination of a Mineral Resource or Ore Reserve.*

The information in this Announcement that relates to the Compilation and Exploration Results and Targets is based on information compiled by Mr Neil Mackenzie-Forbes who is a Member of the Australian Institute of Geoscientists (Membership No 2035). Mr Mackenzie-Forbes is currently the exploration manager of MetroCoal. Mr Mackenzie-Forbes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mackenzie-Forbes has consented in writing to the inclusion in this Prospectus of the matters based on the information in the form and context it appears.