



14 December 2011

Dear Shareholder,

## MetroCoal Update

As 2011 comes to an end the Board of Directors and Management of MetroCoal Limited (ASX-MTE), MetroCoal would like to take this opportunity to update you on the activities and achievements of your company in 2011.

When MetroCoal listed on the ASX in December 2009, it set a target of delineating between 2.5 and 3.5 Billion tonnes\* of coal resources by December 2011. MetroCoal is very pleased to confirm that as at 9 December 2011, it had achieved this target. This is a great result for MetroCoal and establishes a solid platform to move our projects through to the development stage.

We are also very pleased to welcome DADI Engineering Development (Group) Co. Ltd (DADI) as a shareholder of MetroCoal. DADI's support of MetroCoal is greatly appreciated and importantly, Mr Dongping Wang's appointment to the MetroCoal Board and Mr Robert Finch, Managing Director of DADI's Australian subsidiary, Aury Australia Pty Ltd as the alternate director significantly enhances the MetroCoal Board. In addition to Metallica Minerals, MetroCoal now has two additional significant shareholders being DADI and Mathews Capital.

### Exploration

MetroCoal has had great success in all its key project areas within Queensland's world-class Surat Basin coal precinct this year. A total of 33,678 metres have been drilled representing an investment of approximately \$18 million (inclusive of Columboola JV expenditure), in MetroCoal's tenements. The current Resource summary is outlined below.

Resource	Norwood	Bundi <sup>1</sup>	Juandah	Columboola <sup>2</sup>	Dalby West <sup>3</sup>	Total Resources
Inferred	156 Mt	1410.9Mt	224 Mt	1,297Mt (635 Mt) <sup>4</sup>	520Mt	3607.9Mt
Indicated	-	150.9Mt	24Mt	-		174.9 Mt
<b>Total</b>	<b>156 Mt</b>	<b>1561.8Mt</b>	<b>248 Mt</b>	<b>1,297 Mt</b>	<b>520Mt</b>	<b>3782.8 Mt</b>

1. See MTE ASX Announcement 14 December 2011 – 230% INCREASE IN BUNDI PROJECT AREA RESOURCE TO 1561.8MT
2. See MTE ASX Announcement 18 November 2011 – COLUMBOOLA JV INCREASES RESOURCE BY 757 MILLION TONNES TO 1.297 BILLION TONNES
3. See MTE ASX Announcement 9 December 2011 – DALBY WEST PROJECT – MAIDEN INFERRED RESOURCE OF 520Mt
4. MTE JV share = 49%

MetroCoal's two most advanced projects are Bundi and Columboola. At Bundi the Resource is now an impressive 1.81 Billion tonnes, importantly with an Indicated Resource of 150.9Mt that confirms MetroCoal's growing confidence that this project will move through to development at some point in the future. With the onset of the rainy season the 2011 drilling program has been wrapped up and has



now stopped for 2011, but will resume, weather permitting, in Q1 2012. Our 2012 exploration program will be focussed on increasing our Indicated Resource and upgrading part of this to a Measured status. In addition, the EIS process that commenced in 2011 will continue with increased field activities aimed at gathering the data necessary for the base line studies that will underpin the Environmental Assessment.

MetroCoal's other key project is Columboola where the company is very fortunate to have a Joint Venture partner of the size, calibre and professionalism of SinoCoal Resources Pty Ltd, the Australian subsidiary of China Coal. The exploration results for the Columboola JV Project have equally been impressive as Bundi. With a resource of nearly 1.3Bt at the inferred level, we also look forward to resuming this program in 2012.

The Maiden resource at Dalby West of 520Mt is also pleasing. Not only has this significantly exceeded our target in MetroCoal's December 2009 Prospectus, but highlights the long term potential for MetroCoal to have multiple coal projects in the Surat Basin.

MetroCoal is looking forward to further resource upgrades in 2012. With planned infrastructure for the Surat Basin continuing to gain momentum, MetroCoal operates under a strategy to be ready for the planned rail and port infrastructure, hence our desire to maintain the pace of our exploration and studies.

#### **Update on the Joint Venture for EPC 1164/1251 process**

The process of seeking a JV partner in EPC1164 and EPC 1251 is continuing. Interested parties have visited both the Bundi project area and the Tenement to Terminal Project area in Gladstone and productive negotiations are underway but these negotiations are in an early non-binding stage.

MetroCoal remains committed to securing a JV partner on beneficial terms to its shareholders.

#### **Rail and Port Infrastructure**

Participation in rail and port infrastructure projects will play a vital role in the development of MetroCoal's Surat Basin thermal coal projects as they are vital for bringing coal to international markets.

The recent highlight has been the announcement of the Queensland Government's approval of the development scheme for the Surat Basin Infrastructure Corridor State Development Area (SDA) that contains the route for the Surat Basin Rail (SBR) link to the Port of Gladstone via the existing QR Network Moura rail line. The granting of the SDA for SBR is a major milestone for this vital rail project that is expected to start construction in late 2012, with coal on the rail line in 2015.

SBR will join with the existing Moura rail line and connect to the future coal industry-owned Wiggins Island Coal Export Terminal and the Tenement to Terminal (3TL) project in Gladstone. Both of these coal port projects will increase Queensland's long-term coal export capacity.

Progress continues with 3TL nearing completion of a study being undertaken by leading consultancy firm, GHD to complete all engineering and environmental advice for the Project Definition Phase works. This work is expected to be completed at the end of the first quarter of 2012.

3TL has recently conducted presentations to a large number of coal producers to outline 3TL's plans and ascertain interest in participating in the first stage of this coal port's development.

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### **MetroCoal in the Community**

During 2011 MetroCoal increased its interaction with the community, opening a site office in Wandoan and participating in a number of community initiatives at the Leichhardt Villa Residential Aged Care Facility in Taroom, the Wandoan State School and the Wandoan & District Kindergarten. We have also appointed a Community Relations Manager based in Dalby who will ensure that our land access arrangements are in place with property owners to the benefit of us all as well as to facilitate our 2012 exploration program.

In 2012 we plan to increase our community activities, building a solid foundation for our future operations.

### **Looking forward to 2012**

MetroCoal expects 2012 to be a year of significant growth not only in our key projects but most importantly, for the Surat Basin coal region. Progress on SBR, further development of Stage 2A of Wiggins Island, 3TL entering its feasibility phase, increased and more defined exploration in Bundi and Columboola, will continue to position MetroCoal as a looming coal producer.

In conclusion, 2011 has been a successful year in which your company has continued to meet its targets. MetroCoal has every reason to believe that we will continue that success in the coming year.

We appreciate your support of MetroCoal and look forward to more exciting news in 2012.



**David 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.*