



ACN 117 763 443

ASX ANNOUNCEMENT

19 July 2012

BUNDI RESOURCE UPGRADE & PROJECT UPDATE

Highlights

- **63% Increase in Indicated Thermal coal Resource - 150.9Mt to 246.3Mt**
- **Seam continuity and thickness ideally suited to longwall mining**
- **Coal quality data indicates low ash, high yield thermal coal product**
- **Concept study for the Bundi Project well advanced**
- **Capacity commitments confirmed for WICET second stage by Surat Basin coal producers**

MetroCoal Limited (**ASX: MTE**) wishes to advise the market of a significant increase to the Bundi Project Indicated Resource and provide an update on the progress on the evaluation of the results of the exploration program on the coal seams and coal quality.

The key outcome for the 2012 exploration drilling was to increase our understanding of the geology in the Bundi Project Area with the focus on seam continuity and identification of the proposed mining section. Successful identification of the mining section has also allowed work to proceed with further analysis of the washability of the expected product and assessment of the geotechnical characteristics of the mining roof and floor.

Macalister Seam Ideally Suited to Longwall Mining

The 2012 drilling program results have significantly improved MetroCoal's knowledge of the coal deposit such that there is now a defined working section for use in our mine design study currently being undertaken.

Results have confirmed that the Bundi Project Area is highly conducive for longwall mining.

The seam continuity, thickness and depth are based on the grid model illustrated in the cross section diagrams (see Appendix 1). These highlight coal areas with an average thickness over 3 metres suitable for longwall mining extending across a strike length of approximately 23 kilometres. The current mine design is based on a mining height of between 2.75 metres and 3.65 metres. This height is ideally suited to modern high productivity longwall mining extraction methods.

Within the proposed mining areas the seam dips are generally below 4°. This relatively flat seam gradient also promotes high productivity longwall mining extraction.

Impressive Coal Quality

Float sink analysis of HQ core of 15 holes in the Bundi Project Area show that a low ash product, below 10% ash, would be produced at a yield of approximately 80%.

Data obtained from this assessment of the coal quality, highlights (as per Appendix 2) that an indicative washed product for the Bundi Project will have a Specific Energy of approximately 6,500 Gross ad (kCal/kg) confirming the Bundi washed product as an attractive low ash high energy coal. See Appendix 2 (refer also to [CEO Presentation to 2nd Annual RBS Morgans EMERGING COAL CONFERENCE](#) on the MTE website).

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Further study and coal quality analysis will be carried out following the drilling of four (4) large diameter cores, planned for the coming months. This data will assist in quantifying the material handling characteristics of the Bundi Project Run of Mine (ROM) coal and will be used to design a suitable washing and coal handling process.

Bundi Concept Study update

As reported in June 2012, MTE is currently preparing a Concept Study for the Bundi Project. The Mining component of the study is being prepared by Mining Consultancy Services (Australia) Pty Ltd and the CHPP component by Sedgman Limited and geological modelling by GeoConsult Pty Ltd.

Results of the Concept Study are now expected to be released in August 2012.

Surat Basin Infrastructure update

Capacity commitments have been confirmed with three major Surat Basin coal companies for WICET Stage 2 in a significant milestone for that port infrastructure project. WICET has announced the implementation of Capacity Commitment Deeds with Cockatoo Coal, Stanmore and Xstrata Coal for their share of 32.2Mtpa of additional export capacity to support the proposed second stage of the terminal planned for completion in 2016.

WICET is progressing engineering, early works and working with these Surat Basin producers and the associated infrastructure providers to plan and align financing and delivery of Stage 2.

MetroCoal sees the commitment in WICET of these three Surat Coal Producers as a very positive sign for the development of the Wandoan coal region.

MetroCoal Underground Resources

Resource	Norwood	Bundi	Juandah	Columboola ¹	Dalby West ²	Total Resources
Inferred	156 Mt	1,315.8 Mt	224 Mt	1,297Mt (635 Mt) #	520Mt	3,512.8 Mt
Indicated	-	246.3 Mt	24.4 Mt	-		270.7 Mt
Total	156 Mt	1,562.1 Mt	248.4 Mt	1,297 Mt	520Mt	3,783.5 Mt

1 See MTE ASX Announcement 18 November 2011 – COLUMBOOLA JV INCREASES RESOURCE BY 757 MILLION TONNES TO 1.297 BILLION TONNES

2 See MTE ASX Announcement 9 December 2011 – DALBY WEST PROJECT – MAIDEN INFERRED RESOURCE OF 520Mt

MTE JV share = 49%

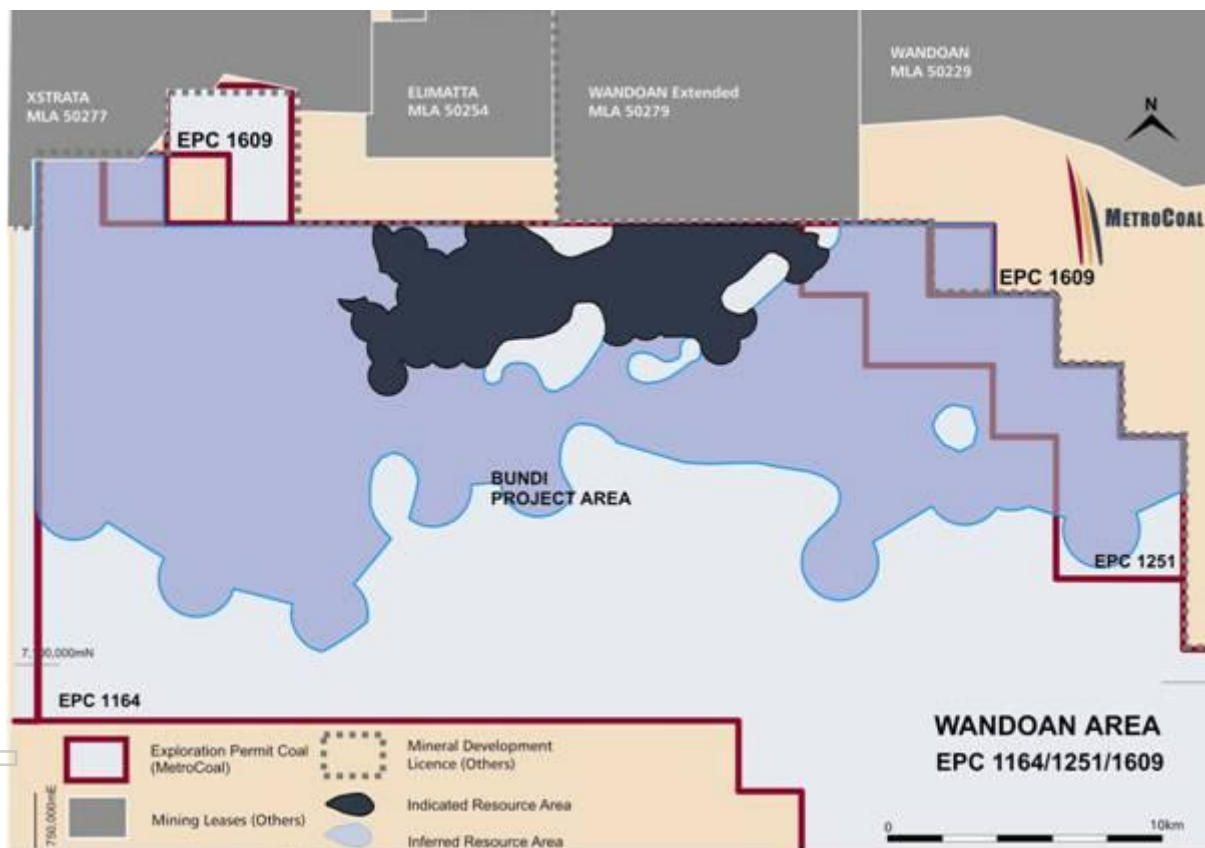
About the Bundi Project

The Bundi Project Area is located in the northern part of EPC1164 and includes several sub blocks from the adjoining EPC1251 and EPC1609. The Juandah project area is also located in EPC1164, adjacent to the south east corner of the Bundi Project. The proposed Bundi mining area is focussed on the down dip extensions of the Kogan and Macalister coal seams immediately south of Xstrata's proposed Wandoan Open Cut Mine development and New Hope Coal's proposed Elimatta Mine.

The seams will be mined underground utilising a modern high productivity longwall mining system. This will produce approximately 5 Million tonnes per year of medium ash, low sulphur thermal coal suitable for steam raising in thermal power plants. Underground development is expected to commence in 2015 with longwall production following in 2017.

The total resource for the Bundi Project area is now as follows:

Indicated	246.3 Mt
Inferred	1,315.8 Mt
Total	<u>1,562.1Mt</u>



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The information in this Announcement that relates to the Compilation of existing data and Exploration Results is based on information compiled by Mr Ed Radley who is a Member of the Australian Institute of Mining and Metallurgy (MAusIMM) (Membership No 300512). Mr Ed Radley is a fulltime employee of MetroCoal Ltd, in the role of Geological Manager, Mr Ed Radley 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 Ed Radley has consented in writing for inclusion in this announcement the matters based on the information in the form and context it appears.

With reference to the EPC1164/1251/1609 Bundi and Juandah Project Areas and Resources

The information in this statement that relates to in situ coal resources potential is based on information compiled by GeoConsult Pty Ltd and reviewed by Warwick Smyth, who is a member of the Australasian Institute of Mining and Metallurgy (CP) Geology; and the Australian Institute of Geoscientists. Warwick Smyth is a qualified geologist (BSc Geology, Grad Dip AF&I, MAusIMM (CP), MGSA, MAIG), and a Principal Consultant for GeoConsult Pty. Ltd. and has over 19 years of experience which is relevant to the style of mineralisation, the type of deposit under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2004 edition of the Australian Code for Reporting of Coal Resources.

Neither Warwick Smyth nor GeoConsult Pty Ltd has a material interest or entitlement, direct or indirect, in the securities of MetroCoal or the Projects. GeoConsult has been commissioned to provide geological services and geological modelling to MetroCoal since early 2008. Fees for the preparation of this report are on a time and materials basis. Warwick Smyth and GeoConsult Pty Ltd consent to the use of this statement and references to it and extracts from it, in the form and context in which they are included. Apart from the above, neither the whole nor any part of the statement document, nor references thereto, may be included in, or with, or attached to any document, circular, resolution, letter or statement without the prior written consent of Warwick Smyth or GeoConsult Pty Ltd.

Appendix1

Table 1 - Cross Section of Bundi Macalister Upper Seam Grid Model

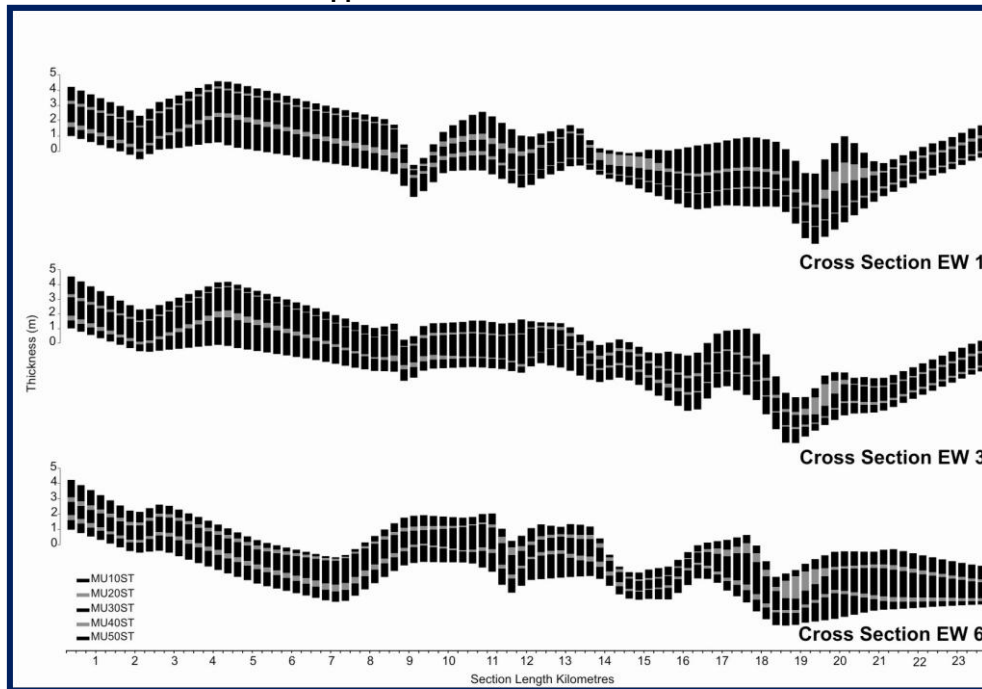


Table 2 – Bundi Project Coal Product Summary

Washed Product – based on Bundi samples to date	
PROXIMATE ANALYSIS (%ad)	
Moisture	7-8
Ash	7-10
Volatile Matter	38-44
Fixed Carbon	40-44
TOTAL MOISTURE (% ar)	14-16
YIELD (%)	75-85
SPECIFIC ENERGY	
Gross ad (MJ/kg)	27.2
Gross ad (kCal/kg)	6500
Gross ar (kCal/kg)	6070
Sulphur (% ad)	0.35
HGI	37