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**MetroCoal Limited
and controlled entities**

ABN 45 117763 443

Interim Financial Report

**for the Half Year Ended
31 December 2012**

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METROCOAL LIMITED
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Interim Financial Report

Directors' Report

Your directors present their interim financial report on the consolidated entity consisting of MetroCoal Limited (the "Company" or "MetroCoal") and the entities it controlled at the end of, or during the half year ended 31 December 2012.

1. DIRECTORS

The names of the directors who held office during or since the end of the half-year:

- Stephen Everett (Independent Chairman) (appointed 12 July 2012)
- Andrew L Gillies (Non-executive Director)
- Michael K Hansel (Non-executive Director)
- John K Haley (Non-executive Director and Company Secretary)
- Lindsay Ward (Non-executive Director)
- Dongping Wang (Non-executive Director)
- Robert Finch (Alternate Director for Dongping Wang)

2. OPERATING RESULTS

The profit/(loss) of the consolidated entity for the period was \$1,045,717 (31 December 2011: loss of \$10,123,465). The prior period result included impairment losses of \$7,519,603.

3. REVIEW OF OPERATIONS

During the period:

- Stephen Everett was appointed as Independent Non-Executive Director and Chairman of the Company on 12 July 2012;
- The company and its Joint Venture partner, SinoCoal Resources Pty Ltd, announced a Maiden Indicated Resource of 94.7Mt at their Columboola thermal coal project and an increase in the project's total resource from 1,297Mt to 1,732Mt;
- The company announced the results of a scoping study for its Bundi project, with the results being:
 - Mine life of 28 years producing over 5 million sales tonnes on average per year during steady-state production;
 - Project NPV real, before tax, is between \$600 million and \$660 million at a 10% discount rate and the IRR, before tax of between 16% and 17%;
 - Continuous coal seam amenable to underground longwall mining;
 - Mining seam section 2.75 – 3.65m;
 - Average yield from mining study 78% at 6300kcal/kg GAD;
 - Average cost to FOB \$80.72 per tonne, excluding royalties; and
 - Initial Capital expenditure \$994 million;
- Invested \$3,062,536 in continuing its extensive drilling activities which resulted in significant increases in the consolidated entity's resources as outlined below:

Resource	Norwood	Bundi	Juandah	Columboola(49% JV)	Dalby West	Total Resources
Inferred	156.0 Mt	1,315.8 Mt	224.0 Mt	1,637.0 Mt	520.0 Mt	3,852.8 Mt
Indicated	-	246.3 Mt	24.4 Mt	94.7 Mt	-	365.4 Mt
Total	156.0 Mt	1,562.1 Mt	248.4 Mt	1,731.7 Mt	520.0 Mt	4,218.2 Mt

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4. EVENTS SUBSEQUENT TO BALANCE DATE

On 20 February 2013, the consolidated entity advised the ASX that it has received advice from the Minister for Natural Resources and Mines that PL 458, a gas tenement within EPC 1165 and held by Queensland Gas Company (QGC) has been granted but on the condition that MetroCoal and its joint venture partner, SinoCoal Resources Pty Ltd negotiate with QGC for a period of 90 days from 19 February 2013 to endeavour to reach agreement on the terms of a co-development agreement. The proposed Co-Development Agreement will lay out the terms under which a mining lease may be granted in the future. In the absence of a co-development agreement support for a future mining lease will have to negotiate with the PL holder at the time of the mining lease application. QGC have confirmed that they will enter into an Exploration Activities Agreement (EAA) under terms similar to our existing EAAs and subject to completion of that agreement exploration can continue.

5. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under Section 307C of the *Corporations Act 2001* is set out on page 3 for the half year ended 31 December 2012.

This report is signed in accordance with a resolution of the Board of Directors.

Signed:



**Stephen Everett
Chairman**

Date: 22 February 2013

DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF METROCOAL LIMITED

As lead auditor of Metrocoal Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Metrocoal Limited and the entities it controlled during the half- year.



A Whyte

Director

BDO Audit Pty Ltd

Brisbane, 22 February 2013

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Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2012

	Note	31 December 2012 \$	31 December 2011 \$
Other income		270,689	105,000
Employee benefits expense		(524,864)	(1,522,968)
Depreciation		(35,699)	(35,461)
Occupancy expenses		(56,240)	(49,412)
Advertising and promotion expenses		(32,405)	(30,404)
Listing fees and share registry expenses		(48,933)	(94,120)
Impairment of investments		-	(7,519,603)
WICET feasibility costs		-	(510,000)
Other expenses		(407,671)	(794,589)
Results from operating activities		<u>(835,123)</u>	<u>(10,451,557)</u>
Finance income		304,480	349,462
Finance costs		-	(21,370)
Loss before income tax		<u>(530,643)</u>	<u>(10,123,465)</u>
Income tax benefit/(expense)		1,576,360	-
Net profit/(loss) for the period after income tax		<u>1,045,717</u>	<u>(10,123,465)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,045,717</u>	<u>(10,123,465)</u>
		Cents	Cents
Basic earnings per share		0.50	(5.51)
Diluted earnings per share		0.50	(5.51)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Financial Position
as at 31 December 2012

	Note	31 December 2012 \$	30 June 2012 \$
Current assets			
Cash and cash equivalents		4,887,419	5,015,040
Trade and other receivables		1,932,676	1,063,199
Financial assets	2	6,294,089	10,261,962
Other		92,767	56,098
Total current assets		13,206,951	16,396,299
Non-current assets			
Plant and equipment		132,221	226,016
Exploration and evaluation assets		23,054,794	19,992,258
Total non-current assets		23,187,015	20,218,274
TOTAL ASSETS		36,393,966	36,614,573
Current liabilities			
Trade and other payables	3	271,074	1,677,420
Employee benefits		144,323	92,893
Total current liabilities		415,397	1,770,313
TOTAL LIABILITIES		415,397	1,770,313
NET ASSETS		35,978,569	34,844,260
Equity			
Contributed equity	4	45,149,187	45,149,187
Reserves		5,586,507	5,497,915
Accumulated losses		(14,757,125)	(15,802,842)
TOTAL EQUITY		35,978,569	34,844,260

The above Consolidated Statement of Financial Position should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Changes in Equity
for the half year ended 31 December 2012

	Contributed equity \$	Share-based Payments \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	45,149,187	5,497,915	(15,802,842)	34,844,260
Profit after income tax expense for the half-year	-	-	1,045,717	1,045,717
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,045,717	1,045,717
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Share-based payments	-	88,592	-	88,592
Balance at 31 December 2012	45,149,187	5,586,507	(14,757,125)	35,978,569
Balance at 1 July 2011	22,622,309	599,305	(4,947,909)	18,273,705
Loss after income tax expense for the half-year	-	-	(10,123,465)	(10,123,465)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(10,123,465)	(10,123,465)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	22,526,878	-	-	22,526,878
Share-based payments	-	4,898,610	-	4,898,610
Balance at 31 December 2011	45,149,187	5,497,915	(15,071,374)	35,575,728

The above Consolidated Statement of Changes of Equity should be read in conjunction with the notes to the financial statements.

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Consolidated Statement of Cash Flows
for the half-year ended 31 December 2012

	31 December 2012	31 December 2011
	\$	\$
Cash Flows From Operating Activities		
Receipts in the course of operations (inclusive of GST)	484,051	220,349
Payments to suppliers and employees (inclusive of GST)	(1,060,948)	(1,504,551)
R&D tax refund received	410,302	-
Interest received	243,414	330,238
Interest and other finance costs paid	-	(21,370)
Net cash used in operating activities	<u>76,819</u>	<u>(975,334)</u>
Cash Flows From Investing Activities		
Proceeds from investments	4,000,000	-
Payments for investments	-	(4,500,000)
Proceeds from sale of property, plant and equipment	61,036	-
Payments for property, plant and equipment	(2,940)	(167,336)
Payments for exploration and evaluation assets	(4,262,536)	(6,307,427)
Net cash from/(used in) investing activities	<u>(204,440)</u>	<u>(10,974,763)</u>
Cash Flows From Financing Activities		
Repayment of borrowings	-	(1,000,000)
Proceeds from issue of shares	-	24,050,000
Share issue transaction costs	-	(1,523,122)
Net cash from financing activities	<u>-</u>	<u>21,526,878</u>
Net Increase (Decrease) in cash and cash equivalents	(127,621)	9,576,781
Cash and cash equivalents at the beginning of the half-year	<u>5,015,040</u>	<u>1,587,495</u>
Cash and cash equivalents at the end of the half-year	<u><u>4,887,419</u></u>	<u><u>11,164,276</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the notes to the financial statements.

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Notes to the Financial Statements
for the half-year ended 31 December 2012

NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of MetroCoal Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year for the consolidated entity. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the consolidated entity for the year ended 30 June 2012, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

NOTE 2: FINANCIAL ASSETS

Contained in financial assets is a term deposit \$1,244,774 with St George who hold security over this cash pursuant to the Bank Guarantee detailed in Note 5.

NOTE 3: TRADE AND OTHER PAYABLES

	31 December 2012	30 June 2012
	\$	\$
Trade creditors and accruals	244,661	1,639,215
Other payables	26,413	38,205
	<u>271,074</u>	<u>1,677,420</u>

NOTE 4: CONTRIBUTED EQUITY

	31 December 2012	31 December 2011
	\$	\$
208,883,663 (30 June 2012: 208,883,663) fully paid ordinary shares	47,652,550	47,652,550
Transaction costs relating to share issues (net of tax)	(2,503,363)	(2,503,363)
	<u>45,149,187</u>	<u>45,149,187</u>

Ordinary Shares	31 December 2012		31 December 2011	
	#	\$	#	\$
Balance at beginning of the period	208,883,663	45,149,187	176,683,663	22,622,308
Shares issued during the period:				
- Share placement at \$0.75 per share	-	-	32,000,000	24,000,000
- Exercise of options at \$0.25 per share	-	-	200,000	50,000
Transaction costs recognised during the period	-	-	-	(1,523,121)
Balance at end of the period	<u>208,883,663</u>	<u>45,149,187</u>	<u>208,883,663</u>	<u>45,149,187</u>

Dividends

No dividends were declared or paid during the interim period

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for the half-year ended 31 December 2012

NOTE 5: CONTINGENT LIABILITY

The consolidated entity does not believe it has any contingent liability arising from any possible Native Title or other claims.

MetroCoal Limited has entered into a Feasibility Funding Deed with Wiggins Island Coal Export Terminal Pty Ltd (WICET) to fund a proportion of feasibility costs in return for securing terminal capacity for the planned port expansion at Wiggins Island, Gladstone. Under the requirements of this deed, on 3 December 2010 MetroCoal Limited provided WICET a bank guarantee for \$1.2M to cover their costs. In order to provide the bank guarantee, MetroCoal Limited has entered into an agreement with St George Bank to allow the bank to take security over a term deposit of \$1,244,774. MetroCoal Limited has not provided any financial guarantees to St George Bank in lieu of obtaining the bank guarantee necessary to meet the requirements of the WICET deed.

NOTE 6: SUBSEQUENT EVENTS

On 20 February 2013, the consolidated entity advised the ASX that it has received advice from the Minister for Natural Resources and Mines that PL 458, a gas tenement within EPC 1165 and held by Queensland Gas Company (QGC) has been granted but on the condition that MetroCoal and its joint venture partner, SinoCoal Resources Pty Ltd negotiate with QGC for a period of 90 days from 19 February 2013 to endeavour to reach agreement on the terms of a co-development agreement. The proposed Co-Development Agreement will lay out the terms under which a mining lease may be granted in the future. In the absence of a co-development agreement support for a future mining lease will have to negotiate with the PL holder at the time of the mining lease application. QGC have confirmed that they will enter into an Exploration Activities Agreement (EAA) under terms similar to our existing EAAs and subject to completion of that agreement exploration can continue.

NOTE 7: SEGMENT REPORTING

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The consolidated entity is managed primarily on a geographic basis, that is the location of the respective areas of interest (tenements) in Australia. Operating segments are determined on the basis of financial information reported to the board which is at the consolidated entity level. The consolidated entity does not have any products/services it derives revenue from.

Accordingly, management currently identifies the consolidated entity as having only one reportable segment, being exploration for coal. There have been no changes in the operating segments during the half-year. Accordingly, all significant operating decisions are based upon analysis of the consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 9 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations*; and
 - b) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Stephen Everett
Chairman

Dated 22 February 2013

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Metrocoal Limited

We have reviewed the accompanying half-year financial report of Metrocoal Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metrocoal Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Metrocoal Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metrocoal Limited is not in accordance with the *Corporations Act 2001* including:

- A. giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- B. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit Pty Ltd

BDO



Anthony Whyte
Director

Brisbane, 22 February 2013

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