



ACN 117 763 443

ASX ANNOUNCEMENT

26 August 2010

METROCOAL TAKES OPTION TO INVEST IN INDONESIAN COAL PROJECTS

MetroCoal Limited (ASX-MTE) wishes to announce that it has signed an agreement with an Australian entity holding a 100% interest in Indonesian coal exploration project areas.

MetroCoal has invested \$130,000 and will hold twenty per cent (20%) of the expanded capital of this entity and has an option to increase this holding to 51% after completion of further due diligence.

MetroCoal CEO Mike O'Brien said "this is an exciting opportunity to grow MetroCoal's resource base in addition to our Surat Basin holdings."

A further announcement will be made upon completion of the due diligence review and this is expected to be made in early to mid September.

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About MetroCoal Limited (ASX code: MTE)

MetroCoal is an Australian based emerging coal and energy company focused on its 100% owned coal projects in the Surat Basin in South East Queensland. MetroCoal listed on the ASX on 4 December 2009 after closing a fully subscribed IPO raising \$10 million.

MetroCoal's vision is to build a substantial cleaner energy and coal business based on:

1. Export thermal coal from underground mining and where possible, open cut mining; and
2. Underground Coal Gasification ('UCG') with small scale power generation and an integrated gas synthesis process producing high quality, clean liquid fuel (e.g. clean diesel and jet fuel), chemicals and fertilizers.

MetroCoal holds extensive coal exploration tenements in the Surat Coal Basin covering approximately 4,000km². These tenements are down dip of well known resources including Wandoan, Elimatta, Cameby Downs and Woori. Based on the geological information from the historic drilling programs and its own drilling results, MetroCoal has an Exploration Target of between **2.5 and 3.5 billion tonnes*** with a JORC Code classification of "inferred" or better, within the next two years for evaluation for conventional underground coal mining and where more suited - UCG.

**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.*

Competent Person Statement

** The information in this Announcement that relates to the Exploration 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 announcement of the matters based on the information in the form and context it appears.*