

METROCOAL

SURAT BASIN ENERGY POWERHOUSE EMERGES

Efficient underground mining methods, underground coal gasification technology, and the coal-rich Surat Basin of Queensland position MetroCoal as a future energy producer and supplier.

METROCOAL IS AN emerging energy company focused on coal projects in the Surat Basin.

The company's main objective is to develop an initial mining operation with an export coal capacity of more than 5 million tonnes per year.

MetroCoal listed on the Australian Securities Exchange on December 4, 2009, with \$10 million raised from its fully subscribed initial public offering and a two-pronged strategy to build a substantial clean energy and clean coal business.

Its first strategic prong is to export thermal coal from underground and, where possible, open cut mining. Mining underground will allow MetroCoal to utilise valuable coal resources that are not economic for open cast mining and will leave a very small footprint with minimal impact on agriculture and other activities in the region.

The second prong is to develop an underground coal gasification operation integrating gas synthesis processes to produce clean liquid fuel chemicals, fertilisers and syngas-fuelled power generation.

A bank balance of \$8.8 million and a recently signed joint venture agreement with a subsidiary of the

China Coal company has MetroCoal primed for growth.

The company holds extensive coal exploration tenements in the Surat Basin covering about 4000 square kilometres, down dip of well-known coal resources including Wandoan, Elimatta, Cameby Downs and Woori.

Based on geological information from historic drilling programs and its own drilling results, MetroCoal has an exploration target of 2.5-3.5 billion tonnes.

It is looking to develop a resource with a JORC classification of inferred or better within the next two years for evaluation for conventional underground coal mining and, where more suited, UCG.

A high-level desktop study of the company's resource base found conditions to be suitable for both longwall and bord and pillar mining methods.

The Macalister upper seam in MetroCoal's Surat Basin tenements was found to be capable of supporting annual longwall run-of-mine production of 6.3-6.9Mt with pithead operating costs of \$17-20 per tonne.

MetroCoal chief executive officer Mike O'Brien told *RESOURCESTOCKS* that once the company started producing coal, its

tenements would be strategically located near planned infrastructure.

"There will be nearby port capacity at Wiggins Island and MetroCoal's participation is expected in stage two of its development," he said.

"In regards to rail capacity, we are holding discussions with QR National and an expression of interest has been submitted to the Surat Basin Rail joint venture.

"There are also potential opportunities for cooperation with proposed neighbouring operations."

Exploration is ongoing to define the resource and provide the geological, coal quality and geotechnical information necessary to proceed to a concept level study.

"Following a delay due to heavy rains in the area we began a drilling program of 30 holes in April," O'Brien said.

"With the improvement in ground conditions following the exceptional wet season in the region, two drill rigs are now in place and operating.

"The drilling is focused on priority areas, predominantly in the Bundi and Norwood areas."

In January, MetroCoal announced an initial inferred resource of 58Mt for its Bundi project based on Queensland Mines and Energy drill data, data swaps with other companies, and its own earlier drilling program.

The Bundi project covers some 240sq.km within EPC 1164 Wandoan West and is down dip of Northern Energy's Elimatta and Xstrata's Wandoan mining project areas.

The inferred resource is contained within about 18sq.km and is MetroCoal's maiden underground coal mining resource.

"The results received from the eight holes drilled to date, of the planned 30-hole program, have positively confirmed continuity of the Macalister upper seam package with seam thicknesses from 3.5 metres to 6.1 metres at depths of 109 metres to 184 metres."

MIKE O'BRIEN
METROCOAL

The resource was identified while updating the geological model ahead of the planned exploration program.

The primary target is an underground mining resource in the Macalister upper seam of the Juandah coal measures.

MetroCoal has completed eight holes which all intersected the Macalister upper seam, confirming seam depths consistent with geological model forecasts.

"The results received from the eight holes drilled to date, of the planned 30-hole program, have positively confirmed continuity of the Macalister upper seam package with seam thicknesses from 3.5 metres to 6.1 metres at depths of 109 metres to 184 metres," O'Brien said.

"They also support MetroCoal's view of the Macalister upper seam as an attractive longwall mining target seam."

MetroCoal's strategic holdings in the Surat Basin, the quality of its management, and the strategy it has embarked on has attracted interest from one of China's largest coal mining companies.

In April, MetroCoal signed a joint venture agreement with China Coal Import & Export Company, a wholly owned subsidiary of China National Coal Group Corp.

Under the terms of the agreement, CCIEC acquired a 51% interest in MetroCoal's EPC 1165 Columboola in the Surat Basin in exchange for spending \$30 million on the tenement, with a minimum spend of \$4 million within the first two years.

Funds will be used for exploring and evaluating the potential for future commercialisation options within the Columboola tenement and opportunities for participation in MetroCoal's other tenements.

"Bringing CCIEC in as a joint venture partner is a significant milestone for the company as it meets its stated strategic objective, as set out in the 2009 prospectus, of developing projects with substantial partners as well as complementing its overall strategy to confirm an exploration target of between 2.5 and 3.5 billion tonnes," O'Brien said.

The transaction has Australian Foreign Investment Review Board approval; however, it is subject to approvals from several Chinese government agencies to set up an Australian subsidiary company to transfer the \$30 million.

MetroCoal's second strategic prong – underground coal gasification – is being investigated in states around Australia, including three active



pilot projects in the Surat Basin in Queensland, as a way of maximising Australia's abundant coal resources.

UCG is being heralded as a viable alternative energy source with suggestions that developments in coal-to-liquids and gas-to-liquids could play a greater role in meeting domestic demand for transport fuels and providing clean diesel and jet fuel to Asia-Pacific markets.

MetroCoal's strategy is to identify a UCG resource of at least 100Mt to support initial small-scale power generation leading to the production of high-grade, clean liquid fuels.

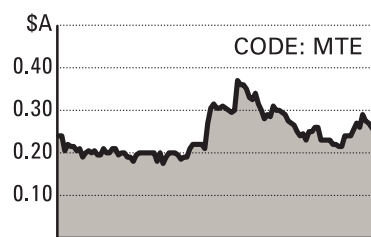
The Juandah project's inferred and indicated resource of 172Mt represents less than 1% of the company's tenure area in the Surat Basin and dips to depths of between 150m and 250m.

"The Macalister seam package presents MetroCoal with an attractive seam thickness of up to 12 metres at depths between 180 metres and 330 metres, which are ideally suited to UCG operations," O'Brien said.

MetroCoal will assess GTL and CTL technology providers and possible technology partners, and identify appropriate synfuels process technology and production opportunities. – **Lou Caruana**

Drill core from MetroCoal's recent drilling program

METROCOAL AT A GLANCE



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MARKET CAPITALISATION

\$A15.9 million (at press time)

QUOTED SHARES ON ISSUE

61,050,200

MAJOR SHAREHOLDERS

Metallica Minerals 56.46%
Bank of America 5.08%