

1 February 2012

## QUARTERLY ACTIVITIES REPORT – DECEMBER 2011

### HIGHLIGHTS

- DRA Mining (Pty) Ltd was appointed in early October 2011 to complete a scoping study for the Berenice/Cygnus project. The scoping study is expected to be completed by the end of the Q1 2012.
- Analyses of the core samples from the twinned large diameter drill holes taken from Berenice/Cygnus project were received. The analyses demonstrated that the coal can be classed as a high volatile, soft coking coal with good caking properties, high vitrinite content and very high maximum fluidity.
- Optimisation of the Kangala project BFS was ongoing with Universal Coal currently finalising a MoU with Eskom for off-take from this project. The additional drilling to upgrade the remaining Kangala resource base outside the planned mining area has been completed with some analyses currently still outstanding.
- The feasibility study for the Roodekop project which was commenced during the September 2011 quarter is ongoing.
- Geological consultants GEMECS completed the resource modelling from the final phase of drilling at the Brakfontein project, with a mining right application having been lodged during the Quarter.

Universal Coal continues to evaluate a number of business and corporate opportunities including potential asset acquisitions and informal approaches from strategic investors in the steel and power generation sectors.

### EXPLORATION & DEVELOPMENT

#### Berenice/Cygnus - Coking Coal

During October 2011 the company announced that the gross *in situ* resource at the combined Berenice/Cygnus project had been further upgraded from 1.2Bt to 1.32Bt (JORC). This figure includes resources of 7.9Mt Measured, 394.5Mt Indicated and 922Mt Inferred, with 479Mt (after geological losses) that was considered extractable by opencast mining.

The results indicated that coking coal product yields in the practical mining situation may be significantly higher than previously indicated. On the basis of the information currently available, practical coking coal yields of between 20% and 22% for the combined S6, S8 and S12 Plies may be realistically obtained within the targeted mining areas, compared with a yield of 16% obtained from the slim diameter exploration drilling.

|                   |        |
|-------------------|--------|
| ASX Code          | UNV    |
| Shares on Issue   | 209.7m |
| Cash (31 Dec '11) | \$7.1m |
| Share Price       | \$0.22 |
| Market Cap        | \$46m  |
| Options on Issue  | 34.6m  |

|                  |                 |
|------------------|-----------------|
| <b>Chairman:</b> | Dr Tony Harwood |
| <b>CEO:</b>      | Tony Weber      |
| <b>Director:</b> | Henri Bonsma    |
| <b>Director:</b> | Shammy Luvhengo |
| <b>Director:</b> | John Hopkins    |

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On the basis of the large diameter analysis the coking coal product has the following qualities:

| IM<br>% | Ash<br>% | VM<br>% | FC<br>% | CV<br>(Mj/kg) | S<br>% | Phos<br>% | FSI |
|---------|----------|---------|---------|---------------|--------|-----------|-----|
| 2.05    | 11.75    | 36.0    | 50.2    | 30.1          | 1.00   | 0.009     | 7   |

That coking coal could be classed as a high volatile soft coking coal with good caking properties (FSI = 7, Roga = 85, Grey King = G9), high vitrinite content (85%) and very high maximum Fluidity (+20,000 ddpm).

The coal also yields a significant secondary thermal coal fraction with the following qualities:

| Middling Type                 | Yield<br>% | IM<br>% | Ash<br>% | VM<br>% | CV<br>(Mj/kg) | S<br>% | Phos<br>% |
|-------------------------------|------------|---------|----------|---------|---------------|--------|-----------|
| <b>At 23.7CV<br/>Cut-off</b>  | 27.4       | 1.91    | 27.6     | 30.2    | 23.77         | 1.5    | 0.01      |
| <b>At 21.0 CV<br/>Cut-off</b> | 39.2       | 1.91    | 34.1     | 27.7    | 21.25         | 1.6    | 0.008     |

A complete summary of coal qualities across the company's suite of projects is detailed at Table 1.

#### **Kangala – Thermal Coal**

Universal Coal and its consultants continued during the quarter optimising the project in order to improve the already positive techno-economics and to improve the level of engineering and estimate accuracy. Universal Coal furthered its discussions with the domestic power utility, Eskom regarding off-take of thermal coal. Discussions with banks for potential debt finance are ongoing and the company is confident of securing appropriate funding once a decision to proceed has been taken.

Outside of the current feasibility study area, Universal completed drilling on areas adjacent to the planned Kangala open pit to bring 69 Mt of Inferred resources to a Measured category for inclusion into the next phase of mine development at Kangala. Forty two holes totalling 2,461 metres were completed during the September 2011 quarter. Analyses and the resource update are outstanding and expected to be finalised during the March 2012 quarter.

#### **Roodekop – Thermal Coal**

Universal Coal previously commenced with a feasibility study at Roodekop, with this set to be finalised during the current quarter – March 2012.

The EIA required for the Mining Right was lodged during July 2011 with the NEMA application lodged at the end of the December 2011 quarter.

### **Brakfontein – Thermal Coal**

All analyses from the final phase of drilling at Brakfontein was received during the quarter and submitted to Gemecs for resource modelling. Brakfontein currently contains a JORC-compliant *in situ* resource of 87.7Mt in the Measured and Indicated categories. The resource update will be forthcoming during the March 2012 quarter.

In addition, the mining right application was submitted at the end of the quarter.

### **CORPORATE**

The Company continued to leverage the substantial experience and broad relationships of the Board and senior management during the quarter and evaluated a number of business opportunities including participating in the disposal of quality assets by Majors. The market will be kept abreast of any potential transactions in this regards.

As at 31 December 2011, the Company had cash at bank of AUD \$7.1 million.

### **ACTIVITIES PLANNED FOR THE MARCH QUARTER**

- Kangala Project – Finalisation of the BFS optimisation study, conclusion of an off-take MoU for thermal coal from the project.
- Berenice Project – Finalisation of the DRA scoping study and commencement of the phase 2 drilling and exploration programme.
- Roodekop Project – Finalisation of the feasibility study.
- Brakfontein Project - report the upgraded resource estimate, and commencement of an EIA study

Table 1: Coal Quality Resources Summary

**Coking Coal Projects**

| Project           | Sub-Zone | Quality: Low Density Wash Fraction (CF1.40 g/cm <sup>3</sup> ) on an air-dried basis |     |       |         |                     |             |           |                       |                         |
|-------------------|----------|--|-----|-------|---------|---------------------|-------------|-----------|-----------------------|-------------------------|
|                   |          | Yield (%)  | FSI | Roga  | Ash (%) | Volatile Matter (%) | Sulphur (%) | Phos. (%) | Inherent Moisture (%) | Calorific Value (Mj/kg) |
| Berenice-Cygnus   | S6       | 14.7   | 5-7 | 70-80 | 12.9    | 35.2                | 1.0         | 0.009     | 2.0                   | 29.3                    |
|                   | S8       | 19.1   | 7-9 | 70-90 | 12.3    | 35.4                | 1.1         | 0.010     | 2.2                   | 29.6                    |
|                   | S12      | 11.5   | 7-9 | 70-85 | 10.2    | 34.4                | 0.9         | 0.017     | 2.2                   | 30.2                    |
|                   | Combined | 16.0   | 5-9 | 70-90 | 12.0    | 35.1                | 1.0         | 0.011     | 2.1                   | 29.6                    |
| Somerville-Donkin | Combined | 24.0   | na  | na    | 12.0    | 36.4                | 0.8         | na        | na                    | 30.0                    |

na - not analysed/insufficient analyses

| Project           | Middling                     | Quality: Middling on an air-dried basis |                         |         |                     |                       |             |           |     |  |
|-------------------|------------------------------|---|-------------------------|---------|---------------------|-----------------------|-------------|-----------|-----|--|
|                   |                              | Yield (%)                               | Calorific Value (Mj/kg) | Ash (%) | Volatile Matter (%) | Inherent Moisture (%) | Sulphur (%) | Phos. (%) | FSI |  |
| Berenice-Cygnus   | At 23.7 (CV (Mj/kg) cut-off) | 27.4                                    | 23.77                   | 27.6    | 30.2                | 1.91                  | 1.5         | 0.010     | 1-5 |  |
|                   | At 21.0 (CV (Mj/kg) cut-off) | 39.2                                    | 21.25                   | 34.1    | 27.7                | 1.91                  | 1.6         | 0.008     | 1-4 |  |
| Somerville-Donkin | At 1.74 Relative Density     | 25.0                                    | 23.0                    | 29.9    | 29.7                | na                    | 0.8         | na        | na  |  |

na - not analysed/insufficient analyses

**Thermal Coal Projects**

| Project                       | Seam       | Quality: Primary Product (Theoretical) on an air-dried basis |                         |         |                     |             |                       |           |
|-------------------------------|------------|--|-------------------------|---------|---------------------|-------------|-----------------------|-----------|
|                               |            | Yield (%)  | Calorific Value (Mj/kg) | Ash (%) | Volatile Matter (%) | Sulphur (%) | Inherent Moisture (%) | Phos. (%) |
| Kangala                       | Mid+Bottom | 33.37  | 25.5                    | 17.1    | 22.9                | 1.13        | 5.0                   | -         |
| Roodekop                      | 4Upper A   | 40.9   | 26.5                    | 15.8    | 29.5                | 1.16        | 3.0                   | -         |
|                               | 4 Upper    | 60.2   | 26.5                    | 15.8    | 27.7                | 0.75        | 3.3                   | -         |
|                               | 2 Upper    | -  | -                       | -       | -                   | -           | -                     | -         |
|                               | 2 Lower    | 38.8   | 26.5                    | 15.8    | 28.8                | 0.66        | 2.9                   | -         |
|                               | 1          | 24.2   | 27.5                    | 13.6    | 26.7                | 0.59        | 3.1                   | <0.01     |
|                               | 1A         | 37.7   | 27.5                    | 13.6    | 31.0                | 0.52        | 2.7                   | <0.01     |
| Brakfontein (excl. lean coal) | 5          | 54.2   | 26.5                    | 15.0    | 22.8                | 0.64        | 4.4                   | -         |
|                               | 4 Upper    | -  | -                       | -       | -                   | -           | -                     | -         |
|                               | 4 Lower    | 52.9   | 26.5                    | 15.5    | 22.8                | 0.84        | 4.4                   | -         |
|                               | 2          | 47.2   | 26.5                    | 15.4    | 23.5                | 0.84        | 4.9                   | -         |
|                               | 1          | -  | -                       | -       | -                   | -           | -                     | -         |

| Project                       | Seam       | Quality: Secondary Product (Theoretical) on an air-dried basis |                         |         |                     |             |                       |
|-------------------------------|------------|--|-------------------------|---------|---------------------|-------------|-----------------------|
|                               |            | Yield (%)  | Calorific Value (Mj/kg) | Ash (%) | Volatile Matter (%) | Sulphur (%) | Inherent Moisture (%) |
| Kangala                       | Mid+Bottom | 26.1   | 20.5                    | 29.1    | 19.1                | 1.06        | 4.7                   |
| Roodekop                      | 4Upper A   | 22.5   | 20.5                    | 29.7    | 20.5                | 0.98        | 2.6                   |
|                               | 4 Upper    | 6.7  | 20.5                    | 29.4    | 22.1                | 0.55        | 2.9                   |
|                               | 2 Upper    | 78.8   | 20.8                    | 28.6    | 19.8                | 0.40        | 2.9                   |
|                               | 2 Lower    | 20.3   | 20.5                    | 29.8    | 22.2                | 0.56        | 2.6                   |
|                               | 1          | 62.4   | 20.6                    | 29.4    | 19.5                | 0.71        | 2.7                   |
|                               | 1A         | 41.0   | 20.6                    | 29.5    | 23.6                | 0.58        | 2.3                   |
| Brakfontein (excl. lean coal) | 5          | 5.6  | 20.5                    | 31.7    | 15.7                | 0.78        | 4.0                   |
|                               | 4 Upper    | 50.8   | 20.5                    | 29.7    | 16.9                | 0.99        | 3.8                   |
|                               | 4 Lower    | 26.11  | 20.5                    | 29.8    | 18.4                | 0.97        | 4.0                   |
|                               | 2          | 21.9   | 20.5                    | 29.7    | 16.6                | 0.79        | 4.8                   |
|                               | 1          | 40.6   | 20.5                    | 30.7    | 16.5                | 0.48        | 3.6                   |

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**Table 2: Universal Coal Total Resources Summary**

| <b>Project</b>                               | <b>Measured<br/>Millions of<br/>tonnes</b> | <b>Indicated<br/>Millions of<br/>tonnes</b> | <b>Inferred<br/>Millions of<br/>tonnes</b> | <b>Total<br/>Millions of<br/>tonnes</b> |
|--|--|---|--|---|
| <b>Thermal Coal (Witbank)</b>                |  |   |  |   |
| Kangala <sup>1,4</sup>                       | 48.7                                       | 4.4   | 70.9                                       | 124.0                                   |
| Roodekop <sup>2,6</sup>                      | 67.2                                       | 15.6  |  | 82.8                                    |
| Brakfontein <sup>3,4</sup>                   | 70.5                                       | 15.0  | 2.2  | 87.7                                    |
| <b>Total Thermal coal<sup>4,6</sup></b>      | <b>186.4</b>                               | <b>35.0</b>                                 | <b>73.1</b>                                | <b>294.5</b>                            |
| <b>Coking Coal (Limpopo)</b>                 |  |   |  |   |
| Berenice <sup>5</sup> – Cygnus <sup>6</sup>  | 7.9  | 394.5                                       | 922.0                                      | 1324.4                                  |
| Somerville <sup>5</sup> -Donkin <sup>7</sup> |  |   | 316.4                                      | 316.4                                   |
| <b>Total Coking Coal<sup>8</sup></b>         | <b>7.9</b>                                 | <b>394.5</b>                                | <b>1,238.4</b>                             | <b>1,640.8</b>                          |
| <b>Total<sup>9</sup></b>                     | <b>194.3</b>                               | <b>429.5</b>                                | <b>1,311.5</b>                             | <b>1,935.3</b>                          |

Notes:

1. Universal Coal has an attributable interest of 70.5% of these coal resources.
2. Universal Coal has earned 50% in the Roodekop Project via the completion of an agreement with its JV partner Xakwa resources. Upon the completion of the feasibility study, Universal Coal has the option to acquire up to a 74% interest in the project.
3. Under the terms of the earn in agreement, Universal Coal is earning up to 50% in the Brakfontein Project via the completion of certain milestones (refer to Section of the Replacement Prospectus). Upon completion of these various milestones, Universal Coal's attributable interest increases and when all of the milestones are completed, Universal Coal will have an attributable interest of 50% in these coal resources (with the right to negotiate to acquire up to a 74% interest). Universal Coal currently has an attributable interest of 30% in these coal resources.
4. The Kangala and Brakfontein coal resources were estimated by Coffey Mining.
5. Under the terms of the earn in agreement, Universal Coal is earning up to 50% in the Berenice and Somerville Projects via the completion of certain milestones (refer to Section 11 of the Replacement Prospectus). Upon completion of these various milestones, Universal Coal's attributable interest increases and when all of the milestones are completed, Universal Coal will have an attributable interest of 50% in these coal resources (with the option to acquire up to a 74% interest). UCEHSA currently holds a 22% interest in UCD II. Ministerial consent to the transfer of 342/2009PR is still pending.
6. Under the terms of the earn in agreement, Universal Coal is earning up to 50% in the Cygnus Project via the completion of certain milestones. Upon completion of these various milestones, Universal Coal's attributable interest increases and when all of the milestones are completed, Universal Coal will have an attributable interest of 50% in this project (with the option to acquire up to a 74% interest). UCEHSA currently holds a 10% interest in UCD V(the Cygnus joint venture company). Ministerial consent to the transfer of 227/2008PR is still pending.
7. Under the terms of the earn in agreement, Universal Coal is earning up to 50% in the Donkin Project via the completion of certain milestones. Upon completion of these various milestones, Universal Coal's attributable interest increases and when all of the milestones are completed, Universal Coal will have an attributable interest of 50% in this project (with the option to acquire up to a 74% interest). UCEHSA currently holds a 15% interest in the Donkin joint venture company.
8. The Roodekop and Limpopo coal resources were estimated by Gemecs.
9. Rounding (conforming to the JORC Code) may cause computational discrepancies.

## PROJECT LOCATIONS

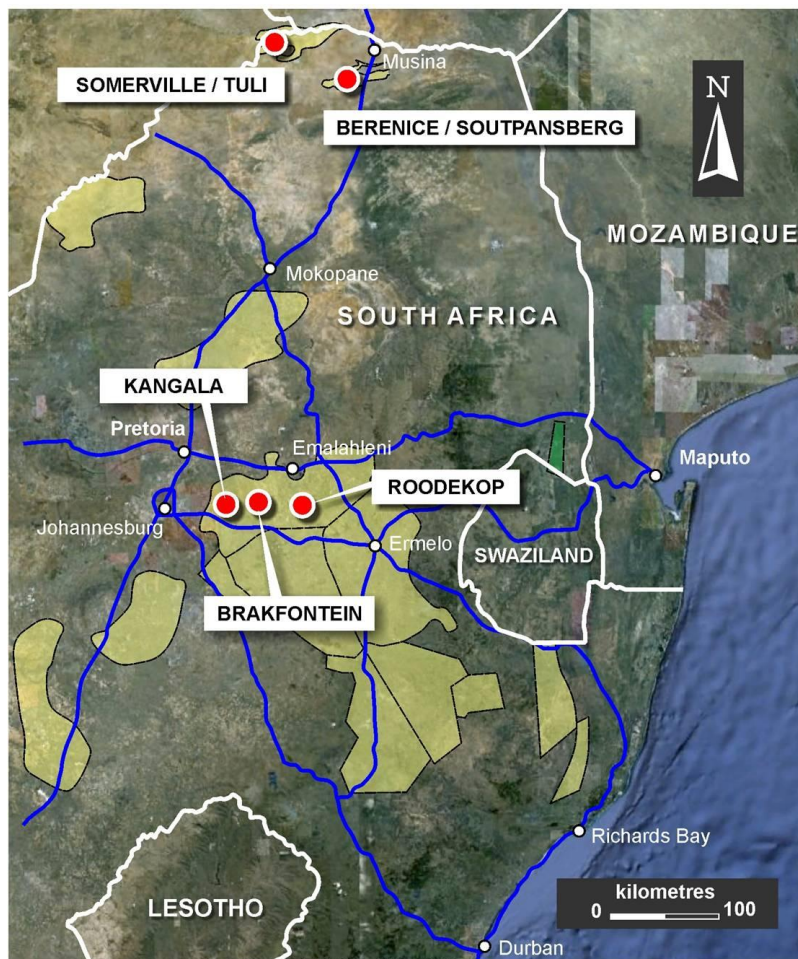


Figure 1: Project Locations

## ABOUT UNIVERSAL COAL PLC

Universal Coal is a South African focussed coal company holding interests in three thermal coal projects of between 40% and 70.5%, which currently contain over 327Mt of JORC-compliant resources.

The Company is aiming to achieve first coal production from the Kangala Coal Project in 2013, ramping up to full production by the first half of 2014, subject to regulatory approvals.

The Kangala Project is located in the Witbank coalfield in South Africa, which supplies more than 50% of South Africa's saleable export and domestic coal.

The development of the Kangala Project is planned to be followed by the development of the Roodekop Project and Brakfontein Project subject to positive feasibility studies, financing and other regulatory approvals, with both projects being planned with the object of maximising their export coal potential.

In addition to the thermal coal projects, the Company has an earn-in agreement over two coking coal projects (Berenice and Somerville) that together contain 1 598Mt of JORC compliant resources.

The Company has an experienced team of directors, senior managers and geoscientists with extensive expertise in both coal exploration and mining in South Africa and who have a proven track record of project development.



### Competent Person's Statement

The information in this report that relates to Coal Resources or Ore Reserves relating to the coking and thermal coal project is based on information reviewed and compiled by Mr Nico Denner, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions (a "ROPO"). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the 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, Coal Resources and Ore Reserves. Mr Denner consents to the inclusion in this report of this information in the form and context in which it appears.

The information in this update that relates to exploration results is based on information reviewed and compiled by Mr Jaco Malan, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions (a "ROPO"). Mr Malan is employed by Universal Coal plc and has sufficient experience which is relevant to the style of mineralisation and the 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, Coal Resources and Ore Reserves. Mr Malan consents to the inclusion in this report of this information in the form and context in which it appears.

### Reporting on exploration results

The update has been compiled in accordance with the JORC Code, the recommendations and guidelines set out in the revised 2007 South African Code for The Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the rules and guidelines relating to the independent expert's reports set by ASIC and ASX.

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