

16 April 2012



**universal**  
coal plc

## Kangala Thermal Mine – Bankable Feasibility Study (BFS) & 100% Off-take Customer Announced

- Universal Coal has concluded its optimisation of the BFS for Kangala
- Saleable coal tonnages averaging 2.1Mtpa, from a planned 2.4Mtpa run-of-mine
- Initial pit to deliver an eight (8) year mine life from a defined and proven reserve of 19.5Mt
- Annualised EBITDA of A\$15m p/a expected
- Proposed mine located next to an additional 65Mt of Indicated and Inferred resources
- Major South African domestic customer confirmed for 100% off-take

Universal Coal Plc (“Universal”) is pleased to announce that it has concluded the optimisation of the Bankable Feasibility Study (BFS) for the Kangala Project (Kangala) following the finalisation of the commercial terms for a Coal Supply Agreement (CSA) with the major South African power utility, Eskom.

The BFS optimisation was carried out by Stefanutti Stocks Mining Services in conjunction with Mineral Resource Development (MRD) and has confirmed saleable coal tonnages averaging 2.1Mtpa will be achieved from a planned 2.4Mtpa run-of-mine (ROM) production rate over the life of the mine. The initial pit will deliver an eight year life-of-mine (LOM) from a defined and proven reserve of 19.5Mt.

Importantly, the pit is situated adjacent to properties with an additional 65Mt of Indicated and Inferred resources (June 2011), within a greater total resource base of 124Mt. These resources were drilled out in Q3 2011, with a pending resource update (to JORC Measured category) expected during the second quarter of 2012, increasing the projected life of mine for Kangala to well in excess of 16 years at BFS production levels.

**STOCK EXCHANGE LISTING**  
Australian Securities Exchange  
(Share code: UNV)

**Board of Directors**  
Antony Harwood *Executive Chairman*  
Anton Weber *Chief Executive Officer*  
Shammy Luvhengo *Executive Director*  
Hendrik Bonsma *Non-Executive Director*  
John Hopkins *Non-Executive Director*

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Universal is well advanced in finalising a binding Coal Supply Agreement Term sheet which is incorporated in a Memorandum of Understanding (MOU) with Eskom, and expects to provide shareholders with comprehensive details of these terms once Agreements have been executed in coming weeks.

After the execution of these Agreements, and the fulfilment by both Universal and Eskom of certain achievable conditions precedents (CPs), these Agreements will be converted into the execution of a Coal Supply Agreement with Eskom expected in mid-2012, where after Universal will then commence with mine development at Kangala in the 2<sup>nd</sup> half of 2012 and deliver the first saleable coal during the 2<sup>nd</sup> half of 2013.

**This therefore envisages Universal becoming a key junior coal supplier to Eskom with around 2Mtpa under an initial 8 year agreement, which will be renewable for a minimum of another 8 years as the increased resource base becomes available.**

As has been historically proposed by Universal, this mine will be an open pit operation, with a 1.7:1 stripping ratio, which allows for a low average LOM operating cost of less than A\$13.5/ROM tonne. The total additional capital required to bring this project into production is approximately A\$50m at current exchange rates (including working capital and contingencies), with an annualised projected average EBITDA of A\$15m per annum accruing to the operation. The BFS has identified positive NPV and IRR values which have been presented to the Universal Board for approval. Universal currently owns an effective 70.5% of the Kangala Project.

On 27 September 2010, Kangala was awarded a Mining Right and on 01 February 2012, the Mpumalanga Provincial Government provided environmental authorisation (NEMA) for the development of the Kangala Colliery. The award of the Water Licence (IWULA) is expected within the June 2012 quarter.

Universal has been engaging with various financial institutions and other interested funding parties for traditional forms of project funding however, in accordance with the Universal Boards' objectives to achieve limited dilution to existing equity shareholders in depressed capital markets, Universal has also actively been pursuing alternative forms of financing, of which further information and strategies will be provided to shareholders in due course as discussions progress, but indicative term sheets currently being considered by Universal indicate a favourable funding solution for Kangala.

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### **Competent Person's Statement**

The information in this report that relates to Coal Resources relating to the Kangala 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 Recognised Overseas Professional Organisation). 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 Kangala Coal Reserve estimate was prepared by Mr Ben Bruwer, who is a Principal Mining Engineer and Co-owner of VBKom Consulting Engineers who are the preferred mining consultants to Stefanutti Stocks Mining Services (Pty) Ltd. He is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and member of SAIMM. He has more than 15 years' experience in the South African coal and minerals industries. VBKom CE has sufficient experience which is relevant to the type of mineralisation and the Kangala deposit and to the activity which Mr Bruwer is undertaking to qualify as a Competent Person as defined by the SAMREC and Jorc Codes for Reporting of Exploration, Mineral Resources and Ore Reserves'.

The information in this update that relates to exploration progress for the Kangala Coal Project 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 Recognised Overseas Professional Organisation). 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.

## Kangala Coal Resource Summary

<b>Project</b>	<b>Measured Millions of tonnes</b>	<b>Indicated Millions of tonnes</b>	<b>Inferred Millions of tonnes</b>	<b>Total Millions of tonnes</b>
Kangala <sup>1</sup>	48.7	4.4	70.9	124.0

Notes:

1. Universal Coal has an attributable interest of 70.5% of these coal resources.

END