

5 June 2012



universal
coal plc

Kangala Thermal Project – Binding Term Sheet Signed with Eskom & Granting of Water Licence

- Universal Coal and Eskom have now executed a binding Coal Sales Term Sheet and MOU as foreshadowed in the company announcement of 16th April 2012
- Saleable coal tonnages averaging 2.1Mtpa, from a planned 2.4Mtpa run-of-mine
- Fixed Price Contract (for an initial 8 years) with Inflation, including variable cost pass through, and annualised EBITDA of A\$15m p/a expected
- Initial pit to deliver an eight (8) year mine life from a defined and Proven Reserve of 19.5Mt
- Proposed mine located next to an additional 65Mt of Indicated and Inferred resources
- Water Licence now approved, meaning all approvals in place
- First coal expected late 2013

Universal Coal Plc (“Universal”) is pleased to announce that it has now executed a binding term sheet and MOU for a Coal Supply Agreement (CSA) with the major South African power utility, Eskom.

It is expected that Universal will commence with mine development at Kangala in the 2nd half of 2012 and deliver the first saleable coal during the 2nd half of 2013.

This will see Universal become a key coal supplier to Eskom with around 2Mtpa delivered under an initial 8 year agreement, which will be renewable for a minimum of another 8 years as the increased resource base through Universal’s adjacent property holding becomes available.

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

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

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As previously advised, the proposed 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.

Project Approvals

The company is pleased that all the necessary approvals required for Kangala have now been granted, the last of which was the water licence received this week.

Project Funding

Universal has been engaging with various financial institutions and other interested funding parties for project funding (expected to be a minimum of 50% project finance / debt). In accordance with the Board's objectives to achieve limited dilution to existing equity shareholders in depressed capital markets, Universal has been actively pursuing alternative forms of financing for the remaining required equity component with options considered to date indicating a favourable funding solution for Kangala. These potential funding options are similar to the recent convertible note structure secured with Susquehanna Pacific Pty Ltd, where conversion is priced at a premium to market, given conversion will happen into the future. Given the timing of mine development proposed based on coal delivery requirements to Eskom, Universal will use the next calendar quarter in which to secure the most optimal funding solution, and the company is confident that this is enough time in which to achieve this.

Company Strategy

The company's first mining project is a catalyst for Universal. By securing an off-take contract, Universal is able to move from being an explorer / developer of coal projects to a producer in a low risk fashion. The Eskom contract provides secure revenue to the company, and de risks the company from a funding perspective given corporate overheads have been worked into the project costing model.

The Board believes the company's 1.93Bt of JORC compliant resource, including near term production through the Kangala project with off-take already secured, and funding to continue to develop the company's assets makes Universal a significantly undervalued company. The Board and management are committed to getting on with the program of works to further develop its coal resources and bring them to market in the most expeditious, commercially sensible and sustainable way.

Several independent broking and research houses continue to provide favourable independent coverage on Universal as the company moves closer to first coal production. The coverage is overwhelmingly positive and can be viewed on the company's website.

The Board further believes that this analyst coverage accurately reflects the company's prospects and future.

Commenting on this major milestone for the company, Non Executive Chairman John Hopkins said today "The Universal team is delighted to have achieved this outcome with Eskom. As our first mine, having off-take already secured de-risks the project for our shareholders, and generates stable and predictable cash flow for the company moving forward as we continue to develop the company's larger thermal and coking coal resources. In tough capital markets, the funding solutions being pursued by Universal are also made easier having this off-take in place. The company will now take the time to ensure we achieve the most appropriate funding solution to put Kangala into production in line with Eskom's requirements for coal in late 2013".

For further information please contact:

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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

Project	Measured Millions of tonnes	Indicated Millions of tonnes	Inferred Millions of tonnes	Total Millions of tonnes
Kangala ¹	48.7	4.4	70.9	124.0

Notes:

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

END