

30 June 2012



**universal**  
coal plc

### HIGHLIGHTS

- Universal finalised a binding Coal Supply Agreement Term Sheet which is incorporated into a Memorandum of Understanding (MOU) with Eskom. The documents were executed on 31 May 2012 and are currently being converted into a binding Coal Supply Agreement for 100% off-take from Kangala with Eskom.
- Universal has concluded its optimisation of the bankable feasibility study (BFS) for Kangala. The has confirmed saleable coal tonnages averaging 2.1Mtpa will be achieved from a planned 2.4Mtpa run-of-mine (ROM) production rate over the initial eight year life of the mine.
- Universal is progressing well with the drilling being undertaken at Berenice aimed at bringing the Inferred and Indicated resources within the southern open pit area to a Measured Category, with 76 of the planned 82 holes completed to date. The company also completed an environmental risk assessment and the geotechnical and geohydrological survey/water census are proceeding according to schedule.
- Universal secured funding, from Susquehanna International Group LLP (through its subsidiary Susquehanna Pacific Pty Ltd) for up to A\$12m. Funds will be used to advance phase two drilling Berenice-Cygnus coking coal project, finalise engineering and design work on the Kangala thermal project, and provide the Company with additional working capital.
- Universal completed a resource estimate update over the Middelbult Property, immediately adjacent the proposed Kangala Mine, following the completion of a 30-hole drilling programme. The Kangala Project coal resource (inclusive of reserves) now totals 146.8Mt (JORC), up from the previous 124.0Mt.
- Universal achieved a direct ownership of 50.3% in the Brakfontein Coal Project following a mutual amendment to the Acquisition and Option Agreement. A mining right application for the Brakfontein Project has been submitted to the Department of Mineral Resources and work on the environmental impact assessment and feasibility study have commenced.
- The feasibility study for the Roodekop project which was commenced during the September 2011 quarter has been ongoing and is expected to be completed in the 3rd quarter 2012.
- Universal was awarded an additional prospecting right for coal covering 215 hectares over certain portions of the farm Goedgedacht 228 IR, located some 8km's east of the proposed Kangala Mine and situated directly between Exxaro's Leeupan Mine and Stuart Coal's Mine, immediately adjacent to Exxaro's coal load-out rail loop.

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## EXPLORATION & DEVELOPMENT

### Kangala – Thermal Coal

Universal Coal 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, carried out by Stefanutti Stocks Mining Services in conjunction with Mineral Resource Development (MRD) has confirmed that 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.

The pit is situated adjacent to properties held by Universal with an additional 65Mt of Indicated and Inferred resources, 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.

Kangala 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. 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) was granted on 25 May 2012.

During the quarter the Company completed a resource estimate update over the Middelbult Property, immediately adjacent the proposed Kangala Mine. The update follows the completion of a 30-hole drilling programme. The Kangala Project coal resource (inclusive of reserves) now totals 146.8Mt (JORC), up from the previous 124.0Mt. The coal resource is made up of 19.50Mt Proved Reserves, 74.18Mt Measured, 19.48Mt Indicated and 33.64Mt Inferred Resources.

In addition, Universal Coal continues to be engaged in discussions with third parties in the vicinity of the Kangala project which could lead to an upward revision of the potential returns identified by the current BFS.

### Berenice/Cygnus - Coking Coal

The Company is on schedule to complete the second phase of drilling at Berenice-Cygnus with 76 holes completed to date. This drilling is being undertaken to bring the Inferred and Indicated resources within the southern open pit area to a Measured Category and totals 65 slim diameter and a further 17 large diameter holes. The drilling is expected to be completed in August 2012 and the resource estimate update by end of Q3 2012. The third phase will be undertaken thereafter with completion expected during 2013. The company also completed the environmental risk assessment and the geotechnical study and geohydrological survey/water census fieldwork. The geotechnical and geohydrological reports will be completed in Q3 2012.

## Brakfontein – Thermal Coal

The mining right application submitted during December 2011 was accepted by the Department of Mineral Resources on 18 March 2012. Digby Wells and Associates, a specialist Environmental Consulting Services provider, is progressing well with the environmental impact assessment and related studies required to finalise the mining right, Nema and water licence applications.

Universal has also commenced with a feasibility study with this set to be completed in H1 2013.

## Roodekop – Thermal Coal

Universal Coal is progressing well with the feasibility study at Roodekop, with this set to be finalised during Q3 2012.

The Water licence application (IWULA) was lodged during the quarter. All regulatory applications have now been lodged.

## CORPORATE

### Eskom Agreement Signed

Universal Coal and Eskom Holdings executed a binding MOU and Coal Supply Agreement Term Sheet on 31 May 2012 for the supply of 2.1Mtpa at a run of mine rate of 2.4Mtpa with first coal to be supplied to Eskom in Q4 2013.

Universal has commenced with the detailed design and engineering of the processing plant, infrastructure phases and the preferred contractor is in the process of commencing pre-site establishment activities.

A binding Coal Sales Agreement is being drafted together with Eskom, the completion of which is expected Q3 2012.

Universal is currently in the capital raising process for the development of the Kangala Mine with equity and debt raising activities running in parallel.

### Majority Stake in Brakfontein

On 20 June 2012, Universal Coal Plc obtained a majority stake (50.3%) in the Brakfontein Thermal Coal Project.

Following on from the increase in resource announced at Kangala earlier in the month, this forms part of Universal Coal's drive to consolidate its holdings around its nodal areas, having secured off take and all the regulatory permissions required as part of its Kangala Development.

The increase in stake follows a mutual amendment to the acquisition and option agreement, entered into on 7 June 2012 between Universal Coal and Energy Holdings South Africa (Pty) Ltd ("UCEHSA"), a 100%

subsidiary of Universal Coal Plc, Unity Rocks Mining (Pty) Ltd (“Unity Rocks”) and Universal Coal Development III (Pty) Ltd (“UCDIII”).

Universal is proceeding with mine planning and engineering studies as well as undertaking the Environmental impact assessment as part of the mining right application process, with onsite geohydrological drilling and related studies in lieu of the H2 2012 water license application currently underway.

## Securing of Strategic Funding

On 10 April 2012 Universal Coal Plc announced that it had executed funding documents with Susquehanna International Group LLP (through its subsidiary Susquehanna Pacific Pty Ltd) for funding support up to A\$12m, of which it drew down an initial A\$7m on 4 June 2012. As part of a strategic roadmap developed and approved by the Board of Universal has secured a facility which provides additional capacity to the company’s Balance Sheet whilst not diluting shareholders at this time.

Since the company’s IPO in December 2010, Universal has allocated the major part of the A\$20.4m raised to advance exploration projects in both thermal and coking coal in South Africa. The A\$12m facility signed with Susquehanna provides the company with an initial draw down of A\$7m, which has terms to be converted into equity, with a non-conversion period of 7 months from the initial drawdown meaning no dilution to shareholders in the near term, and the ability for the company to grow its market capitalisation before conversion occurs. The strike price for conversion has been set at a premium to current share price. In addition, this is a converting facility which means that Susquehanna must have fully converted the note before maturity, and are incentivised to do this, based on the companies expected share performance on the back of the strategic delivery program of the companies mining development activities. The company has ensured that this facility is not an impediment to further capital raising activities the company may do for example to fund its mining projects.

In addition to the favourable conversion schedule, the conversion terms have also been carefully negotiated to match Universal’s key milestones over the coming 18 months, including the further drilling of Berenice and the commencement of mining development and the first coal expected out of the ground from Kangala.

As at 30 June 2012, the Company had cash at bank of AUD \$8.8 million.

## ACTIVITIES PLANNED FOR THE SEPT 2012 QUARTER

- Execution of the binding Coal Sales Agreement with Eskom
- Continuation of final design and engineering for the Kangala plant and infrastructure
- Project financing arrangement negotiation and capital raising activities for Kangala Mine Development
- Berenice Project – Completion of the phase 2 drilling programme
- Brakfontein Project – Continuation of the environmental impact assessment and other regulatory approvals; progress with the feasibility study
- Roodekop Project – Continuation of the feasibility study commenced during the previous quarter, progress regulatory applications.
- Growth – Continued identification and evaluation of further business growth opportunities

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**For further information please contact:**

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## COAL RESOURCES SUMMARY

<b>Project</b>	<b>Reserve Millions of tonnes</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>
<b>Thermal Coal (Witbank)</b>					
Kangala <sup>1</sup>	19.50	74.18	19.48	33.64	146.8
Roodekop <sup>2</sup>	-	67.2	15.6	-	82.8
Brakfontein <sup>3</sup>	-	70.5	14.9	2.2	87.6
<b>Total Thermal coal<sup>7</sup></b>	<b>19.50</b>	<b>211.88</b>	<b>49.98</b>	<b>35.84</b>	<b>317.2</b>
<b>Coking Coal (Limpopo)</b>					
Berenice <sup>4</sup> – Cygnus <sup>5</sup>		7.9	394.5	922.0	1324.4
Somerville <sup>4</sup> -Donkin <sup>6</sup>				316.4	316.4
<b>Total Coking Coal<sup>7</sup></b>	<b>-</b>	<b>7.9</b>	<b>394.5</b>	<b>1,238.4</b>	<b>1,640.8</b>
<b>Total<sup>7</sup></b>	<b>19.50</b>	<b>219.78</b>	<b>444.48</b>	<b>1,274.24</b>	<b>1,958</b>

### Notes:

1. Universal Coal has an attributable interest of 70.5% of the Kangala Project.
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 currently owns 50.29% in the Brakfontein Project. Universal Coal's attributable interest increases and when all of the milestones are completed, Universal Coal will have the right to negotiate to acquire up to a 74% interest upon completion of the BFS and award of a mining right.
4. 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 40% interest in UCD II. Ministerial consent to the transfer of 342/2009PR has been granted.
5. 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 74% interest). UCEHSA currently holds a 10% interest in UCD V (the Cygnus joint venture company).
6. 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. UCEHSA currently holds a 15% interest in UCD VI (the Donkin joint venture company).
7. Rounding (conforming to the JORC Code) may cause computational discrepancies.

## PROJECT LOCATIONS

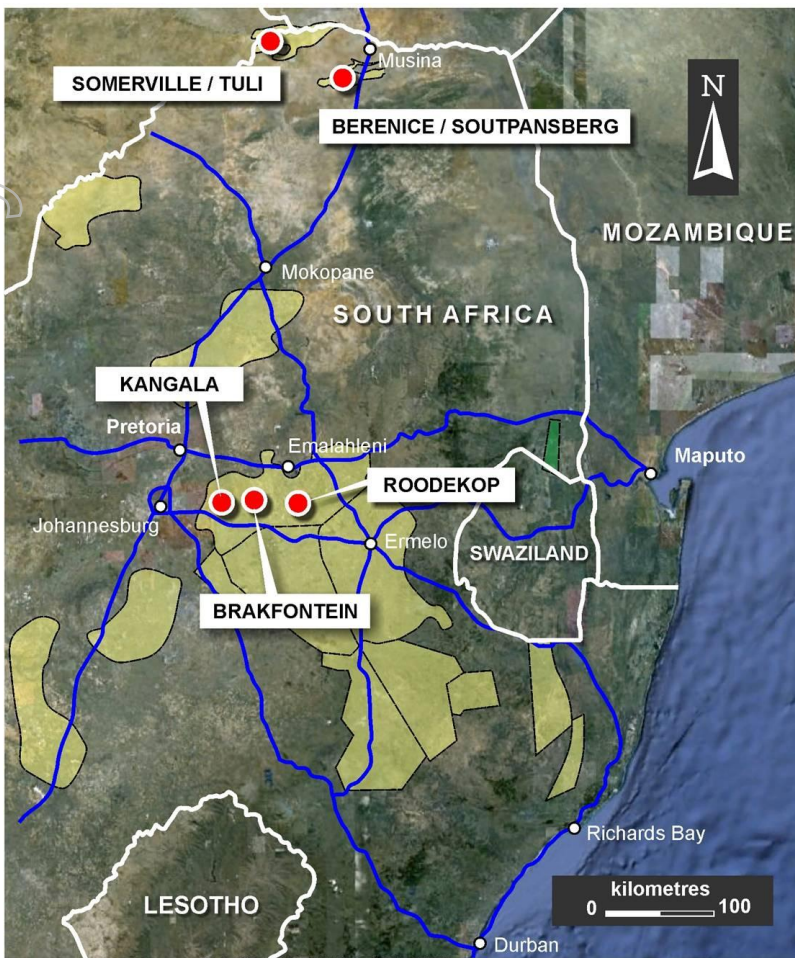


Figure 4: Project Locations

## 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 317Mt 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 1.64Bt 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 is based on information reviewed and compiled by Mr. Nico Denner (Berenice/Cygnus, Somerville, Wolvenfontein, Modderfontein and Roodekop) and Mr. Dawie van Wyk (Middelbult), who are registered natural scientists and members of the South African Council for Natural Scientific Professions. Mr. Denner is employed by Gemecs (Pty) Ltd and Mr. van Wyk is employed by Geocoal. Both has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which they are 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 and Mr. van Wyk consent 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. 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.