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**universal**  
coal plc

## Kangala Project – Project Finance Secured with Leading South African Bank

- Universal Coal has executed a project finance mandate with leading South African Bank FirstRand Bank Limited, acting through its Rand Merchant Bank division (“RMB”) for the company’s Kangala project
- Subject to RMB obtaining its final internal approvals, RMB will provide project finance for Kangala at 65% debt carrying capacity
- RMB’s partnership with Universal includes a Master Finance Deed for future Universal projects and a transactional banking solution for the Universal Coal Group
- Project Finance to be in place early November 2012 with first draw down scheduled for early 2013 in line with the current project plan

**Universal Coal Plc (“Universal”) is pleased to announce that it has executed a project finance mandate with major South African bank Rand Merchant Bank (“RMB”) for its first project Kangala.**

As part of the company’s ongoing financing activities for Kangala, Universal recently concluded a formal project finance tender process involving some seven (7) major banks and finance institutions. As a result of this process, Universal has selected RMB to provide project finance for Kangala and transactional banking solutions for Universal in South Africa.

RMB’s proposal to Universal was the most inclusive of all bank’s who put forward offers to Universal, and provides for a long term partnership with Universal to not only fund Kangala, but other projects developed by the Group in the future. Previously, Universal has provided guidance that it expected Kangala to be funded on a minimum of 50% debt and 50% equity. **The finance solution from RMB is for 65% project finance; a significant debt carrying capacity for this Greenfield project demonstrating the strength of the Kangala project, the Eskom off take contract and Universal’s project plan and implementation strategy.**

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### Kangala Project Finance Guidance Summary

The project finance facility provided by RMB will be based in South African Rand given the Rand based off take agreement with Eskom.

| Equity <sup>1,4</sup>           | Senior Debt                 | Rolled Up Interest          | Tenor                                |
|---------------------------------|-----------------------------|-----------------------------|--------------------------------------|
| R143.8m / A\$16.5m <sup>2</sup> | R270m / A\$31m <sup>2</sup> | R20m / A\$2.3m <sup>2</sup> | 6.5 years from drawdown <sup>3</sup> |

Notes:

1. Universal Coal owns 70.5% of Kangala and therefore its attributable equity contribution is approximately R101m / A\$11.6m<sup>2</sup>
2. Australian dollar equivalent calculated using a published conversion rate on 13/9/2012
3. First draw down on project finance expected early 2013 in line with the current project plan
4. Excluding the requirement for standby equity (ranging between R25m and R35m / A\$2.8m and A\$4m) which is a condition of the project finance

The project finance facility is being put in place in Universal's 100% owned subsidiary and the shareholder of all the company's development projects, Universal Coal & Energy Holdings (South Africa) Pty Ltd, with finance applied into the Kangala project company UCD1. This means that Universal will be able to have an overarching finance deed with RMB, and future project finance needs can be added with greater simplicity.

### Kangala Equity Guidance Summary

As previously advised to the market, Universal is required to raise 100% of the equity for this project, even though the company's direct ownership is only 70.5%.

Under the terms of the shareholder agreement between Universal and the company's Black Economic Empowerment (BEE) partner in Kangala, Universal will fund the BEE's partner's equity contribution on commercial terms (a loan with accruing interest), with Universal to recover this loan on a preferential basis from the project. With the project finance being progressed to the mandate stage, Universal has been able to firm up its equity needs, and a process is well underway for the raising of the balance of funds required.

This process is expected to be complete in line with the availability of the project finance in early November 2012. **Universal remains confident given the advance stage of the securing of debt, that the now reduced equity contribution will be able to be finalised in the near term.**

As at the time of this announcement, Universal's cash in hand position is A\$8.5m. Universal is still to draw A\$5m from the converting note held with Susquehanna Pacific Pty Ltd and is advancing discussions with

Power Origin Developments BVI for their completion of the private placement agreement entered into with Universal.

This confidence is on the back of the off take agreement with Eskom for an initial 8 years (with further 8 year extension at customer option) which includes a fixed price contract (with inflation), and variable inflation pass through (for items such as labour and diesel) giving Universal funders and shareholders forward visibility of revenue and profitability for the life of agreement with Eskom in what are volatile coal markets.

**Henk Deist, the Head of Resource Finance for RMB** comments *“We are delighted to be working with the Universal team to provide a project finance solution for Kangala and the company’s other projects in future. The strength of the off take contract with Eskom has enabled the bank to put forward a finance proposition we believe is competitive and will assist Universal put this project into production expeditiously”.*

**Anthony Ward, Universal’s Head of Commercial and Corporate Affairs** said *“RMB put forward a very attractive whole of banking proposal to Universal. As we transition from an explorer and developer of coal projects to a producer having a pro active bank working with us at multiple levels is important, and with RMB’s track record, we look forward to a long term relationship with the RMB Group. The funding package being applied at a Group level will also benefit Universal in bringing our other projects in the future into production with the support of one bank with core terms agreed and in place”.*

#### About RMB



Rand Merchant Bank (RMB) is the investment banking arm of FirstRand, one of South Africa’s largest, listed financial services groups. It is active in fixed income, currency and commodities trading, debt capital markets, structured, corporate and infrastructure finance mining and natural resources and selected international activities. RMB has a considerable underwriting capacity due to its ability to trade off the FirstRand Group balance sheet. Seeing unprecedented growth since its formation, RMB has developed a reputation for combining innovation and entrepreneurship and has pioneered the introduction of many new financial instruments to the local and African markets, in support of its philosophy of Traditional values and Innovative ideas. Rand Merchant Bank is an Authorised Financial Services Provider. Further details of the credentials of RMB can be found at [www.rmb.co.za/aboutdeals.asp](http://www.rmb.co.za/aboutdeals.asp)

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