

25 October 2012



**universal**  
coal plc

## Quarterly Activities Report for the period 1 July 2012 to 30 September 2012

### Highlights

- Universal Coal plc (“Universal or the Company”) has executed a project finance mandate with a leading South African Bank; FirstRand Bank Limited, acting through its Rand Merchant Bank division (“RMB”) for 65% of the capital requirements for the Company’s Kangala thermal coal project (“Kangala”);
- Universal successfully completed a full due diligence by Eskom on Kangala and is in the process of executing the Coal Sales Agreement with the energy provider;
- Design, engineering and capital costing has been finalised for Kangala;
- Universal has completed an 80 hole large and slim diameter drilling programme at Berenice-Cygnus and is now awaiting assay results;
- EIA and IWULA applications submitted for Brakfontein.

### Exploration & Development

#### Kangala – Thermal Coal

Universal concluded a full due diligence for Kangala following the finalisation of the commercial terms for a Coal Supply Agreement (CSA) with the major South African power utility, Eskom.

Universal completed the detailed design and engineering of the processing plant, infrastructure phases and the preferred contractors are in the process of commencing pre-site establishment activities for the construction, erection and commencement of mining operations at Kangala.

## Berenice/Cygnus - Coking Coal

The Company completed the second phase exploration drilling at Berenice-Cygnus in August 2012.

- The drilling;
  - was undertaken to bring the Inferred and Indicated resources within the **Southern Open Pit Area** to a Measured Category (JORC).
  - totalled 80 holes, including both slim diameter and large diameter drilling.
  - confirmed the presence of a 35m - 40m thick coal zone from sub-outcrop (less than 20m depth) up to 200m below surface. The coal zone consists of inter-bedded bright coal and carbonaceous mudstone with a number of coal-rich horizons containing between 40% and 50% coal.
- analytical results were expected to be available to the company by mid October, but due to transport labour union strikes in South Africa and related flow through has meant delays to the last of the analytical results and will now only be available by the end of October and the updated geological model and resource estimate by end Q4 2012. This will mean a delayed update to the market, outside of the company's control
- the updated geological model and resource estimate will allow Universal move to 50% ownership interest of this project through its earn in right and unlock an option to acquire a further 24% in the project on commercial terms.
- a third phase of resource drilling, totalling 47 holes, is planned during 2013 to bring the Inferred and Indicated resources within the **Northern Open Pit Area** to a Measured Category.

## Brakfontein – Thermal Coal

The Environmental Impact Assessment and the NEMA application were submitted to the relevant authorities in September 2012 and the Integrated Water Use application is to be submitted by the end of 2012.

Universal awaits the outcome of the Mining Right application submitted in December 2011.

## Roodekop – Thermal Coal

Universal is progressing well with the feasibility study at Roodekop, with this set to be finalised during Q4 2012.

All regulatory applications have now been lodged and Universal awaits the approval and award thereof.

## Corporate

### Eskom Coal Sales off take Agreement

A binding Coal Sales Agreement has been finalised with Eskom and is now awaiting execution which is expected by the end of 2012. An outstanding item prior to execution was the successful conclusion of an independent due diligence conducted on Kangala that was successfully completed early October 2012.

As has been previously advised to the market by the company, the off take agreement with Eskom is for an initial period of eight (8) years, with a further extension option of eight (8) years. The pricing has been agreed and is fixed, with relevant adjustments on an annual basis for inflation, and on a monthly or quarterly basis for variable costs such as labour and diesel (where appropriate). **Universal advises that this contract and pricing is not linked to any external pricing matrixes such as coal commodity pricing. With global thermal coal prices continue to drive lower on the back of softer demand in recent months, the pricing with Eskom is not affected by this and thus the company continues with its strategy to bring Kangala to production given this secure off take agreement with a major power utility on a take or pay style contract.**

### Project & Equity Funding for Kangala

Universal completed a formal competitive debt tender process for Kangala involving seven commercial and institutional banks. The outcome of this process confirmed the strength of the Kangala project to enable greater debt carrying capacity, which has reduced the expected equity need for the project.

In mid September 2012, Universal announced a 65% project financing arrangement with a leading South African bank, Rand Merchant Bank ("RMB") for the funding of the Kangala Project. 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.

The financing arrangement is subject to several customary conditions precedent which is anticipated to be met by Q1 2013 in time for the first drawdown on the facility as anticipated by the project plan. The Project finance timing is matched with Universal's equity component currently being secured by the company.

RMB's partnership with Universal includes a Master Finance Deed for future Universal projects and a transactional banking solution for the Universal Group

Universal is currently in the capital raising process for the development of the Kangala Mine with equity and debt raising activities running in parallel. Despite difficult market conditions, Universal is exploring several funding proposals and is pursuing those that are in the best interest of shareholders and the company. Universal continues to view the off take Agreement with Eskom and its predictability of revenue and profit as being an attractive opportunity for parties currently in discussion with company.

## Power Origin Development Private Placement

On 17 July 2012, Universal entered into a binding Private Placement Deed with Power Origin Developments Ltd for up to 19.99% of the issued share capital of Universal in two tranches. The first tranche being executed on 13 August 2012 whereby 12,264,521 CDI's have been issued to Power Origin Developments Ltd at an issue price of A\$0.163072 for A\$2,000,000. The Company agreed to grant Power Origin Developments Ltd an extension to satisfy certain conditions precedent for the issue of the further tranche of CDI's, this extension has now lapsed, though the company continues talks with Power Origin to complete the proposed transaction so as to ensure deal pricing protection is preserved having regards to current market trading conditions.

## Issue of CDI's

On 2 July 2012, the Company issued 343 431 Chess Depository Interests (CDI's) at an issue price of A\$ 0.119 to Susquehanna Pacific Pty Ltd pursuant to the Converting Note Agreement dated 4 April 2012 between the Company and Susquehanna Pacific Pty Ltd. **This issue was a result of the company electing to pay the interest on the convertible note in shares not cash. Susquehanna has not converted any of the principal note into shares as it is still within a lock up period for the note.**

## Appointment of Company Secretary

Universal appointed Emma Lawler as the joint company secretary effective from 01 July 2012 upon the resignation of Daniel Robinson.

Emma has over 12 years of experience as a company secretary in the private and public sectors. Previously, Emma was company secretary for Westpac Banking Corporation where she was responsible for the day-to-day management of all corporate governance and company secretarial matters within the Westpac Group.

## Activities Planned for the December 2012 Quarter

- Execution of the binding Coal Sales Agreement with Eskom.
- Capital raise for equity component of the Kangala project.
- Project financing arrangement with RMB; completion of due diligence and legal contracts.
- Berenice Project – Completion of the phase 2 assay results and updated resource statement.
- Brakfontein Project – lodgement of the IWULA application.
- Roodekop Project – Continuation of the feasibility study commenced during the previous quarter.

**For further information please contact:**

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### **Institutions & Media**

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## About Universal Coal

Universal Coal is a South African focussed coal company holding interests in three thermal coal projects of between 50% 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 the successful completion of a Coal Sales Agreement.

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.

### 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	146.80
Roodekop <sup>2</sup>	-	82.92	1.44	-	84.36
Brakfontein <sup>3</sup>	-	70.50	15.00	2.2	87.70
<b>Total Thermal coal<sup>7</sup></b>	<b>19.50</b>	<b>227.6</b>	<b>35.92</b>	<b>35.84</b>	<b>318.86</b>
<b>Coking Coal (Limpopo)</b>					
Berenice <sup>4</sup> – Cygnus <sup>5</sup>		7.90	394.50	922.00	1324.40
Somerville <sup>4</sup> -Donkin <sup>6</sup>				316.64	316.64
<b>Total Coking Coal<sup>7</sup></b>	<b>-</b>	<b>7.90</b>	<b>394.50</b>	<b>1,238.64</b>	<b>1,641.04</b>
<b>Total<sup>7</sup></b>	<b>19.50</b>	<b>235.50</b>	<b>430.42</b>	<b>1,274.48</b>	<b>1,959.90</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

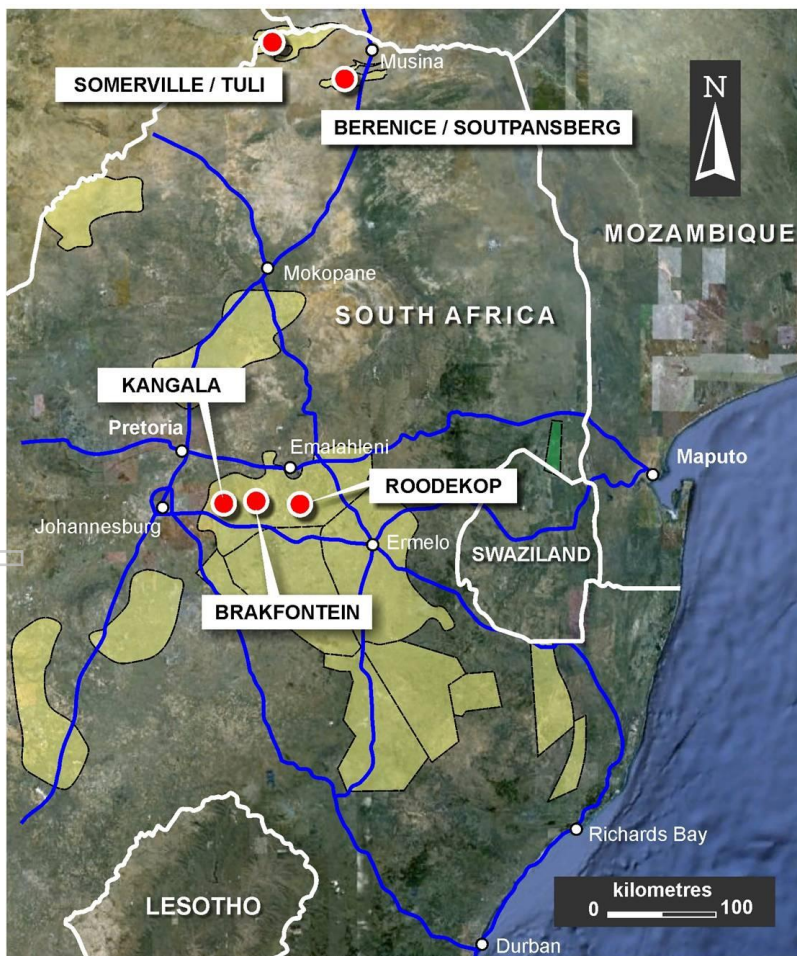


Figure 4: Project Locations

## 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.