

31 December 2012



**universal**  
coal plc

## Quarterly Activities Report

### Highlights

- Private placement of A\$13.6m concluded at 45% premium to market
- Kangala development scheduling and contracts finalised
- RMB project debt facility secured for first quarter availability
- Direct ownership of the Berenice and Somerville Coking coal projects increased to 50%
- Direct ownership of the Roodekop Thermal coal project increased to 74%

### Exploration & Development

#### Kangala – Thermal Coal

Universal has concluded its development program and associated contracts for the development of Kangala, and following the finalisation of the Debt drawdown facility will finalize these development dates and timelines. This coincides with the timing of coal in the Coal Supply Agreement (CSA) with the major South African power utility, Eskom, having been finalized in this period.

#### Berenice/Cygnus - Coking Coal

The analytical results from the second phase slim diameter drilling were captured and GEMECS, an independent geological consultancy, commissioned to update the geological model and resource estimate. The resource estimate will be reported in February pending incorporation of coking coal yield data from the large

diameter drilling test work, results of which have been delayed due to slow turnaround of analytical work by outside third parties.

Under the terms of the earn in agreement, Universal earned 50% in the Berenice and Somerville Projects on the completion of the second phase drilling and has unlocked a further exclusive option to acquire the balance of 24% (to take a maximum ownership to 74%).

The next phase of development of the Berenice Project can now proceed with a pre-feasibility study planned to commence in the third quarter of 2013.

### **Brakfontein – Thermal Coal**

The final Environmental Impact Assessment report in terms of NEMA and the Integrated Water Use Licence application were submitted to the relevant authorities during the quarter. Universal now awaits the outcome of the regulatory applications.

### **Roodekop – Thermal Coal**

The feasibility study at Roodekop was completed in December 2012 and is currently being reviewed. All regulatory applications required to obtain the necessary mining authorisation have been lodged and Universal awaits the approval thereof, expected in the first half of 2013.

Universal achieved a direct ownership of 74% in the Roodekop coal project having exercised the option it held over this asset. The option was exercised for a cash consideration of ZAR 5million (A\$530,000).

## **Corporate**

### **Eskom Agreement Update**

Following the successful capital raising the binding Coal Sales Agreement with Eskom has been finalised, with execution in line with final project documentation. All other outstanding items were previously finalised between the parties.

## Coal Development Holdings (CDH) Investment

Universal secured a private placement transaction with Coal Development Holdings (CDH) a special purpose entity of (the) African Minerals Exploration & Development Fund, SICAR (AMED), with CDH subscribing to 29.99% of the issued capital in Universal at \$0.141568 per CDI (equating to a total investment of A\$13.6m).

AMED (a member of the United Nations Global Compact) is a Luxembourg based private equity mining investment fund and will provide strategic support to Universal.

The fund focusses on investing in brown field mineral projects predominantly in Africa. Amongst the Fund's founding partners are David Twist and Rudolph de Bruin, who have a proven track record of bringing large scale African projects into production and together have over 40 years of experience in more than 20 African countries. The Fund has so far invested in 9 projects across Africa.

Through this transaction, CDH has nominated and the Board accepted two non-executive directors to join the board of Universal. Those nominees, David Twist and Carlo Baravalle were appointed on the 7<sup>th</sup> January 2013.

## Issue of CDI's

On the 31<sup>st</sup> of December 2012, the Company issued 95,840,676 new Shares / Chess Depositary Interests (CDI's) at an issue price of A\$ 0.1415 to CDH pursuant to the investment described above. The issuance of these CDI's was approved by Shareholders at the Company's Annual General Meeting.

## Project Finance for Kangala

In mid-September 2012, Universal announced a project financing arrangement with a leading South African bank, Rand Merchant Bank ("RMB") for the funding of the Kangala Project. 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 conditions precedent which are anticipated to be met during Q1 2013.

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

## Activities Planned for the March 2013 Quarter

- Execution of contractor agreements for mining, infrastructure and plant development and operation
- Project financing completion and legal contract execution
- Commencement of Kangala development
- Completion of the phase 2 large diameter test work and update of the Berenice Coking coal project resource statement
- Review and optimisation of the Roodekop feasibility study

**For further information please contact:**

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**Institutions & Media**

Anthony Ward

Head of Commercial & Corporate Affairs

Universal Coal Plc

+612 8116 8701

a.ward@universalcoal.com

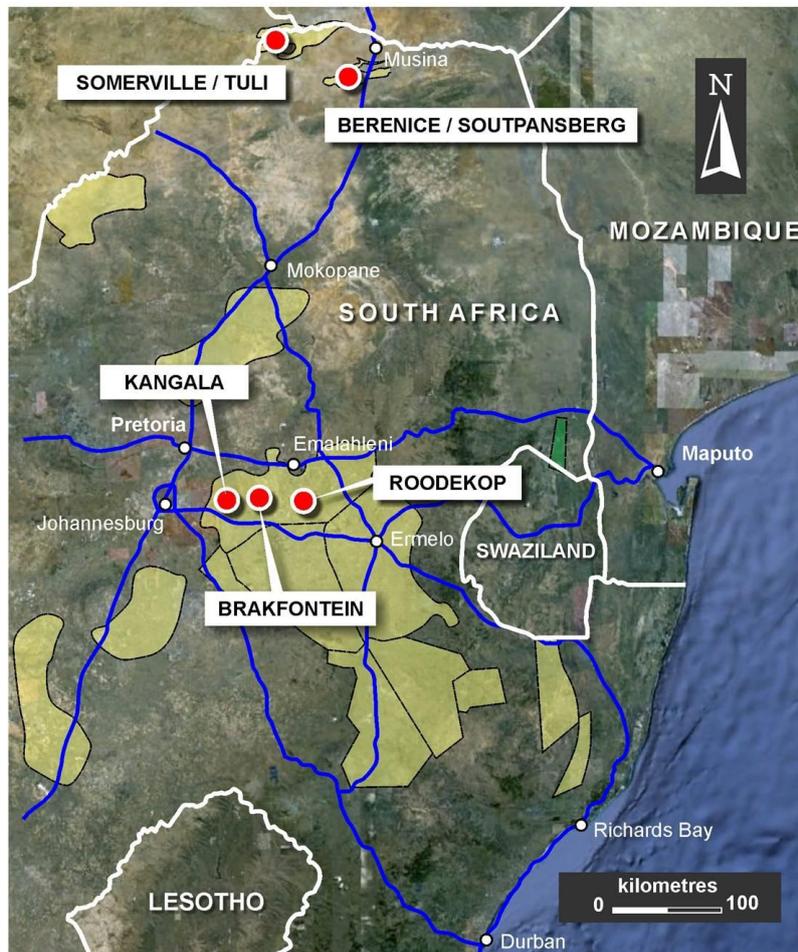
## Coal Resources Summary

<b>Project</b>	<b>Proved Reserve Mt</b>	<b>Measured Mt</b>	<b>Indicated Mt</b>	<b>Inferred Mt</b>	<b>Total Mt</b>	<b>Attributable to Universal Mt<sup>7</sup></b>
<b>Thermal Coal (Witbank)</b>						
Kangala <sup>1</sup>	19.50	74.18	19.48	33.64	146.80	103.50
Rodekop <sup>2</sup>	-	82.92	1.44	-	84.36	62.42
Brakfontein <sup>3</sup>	-	70.50	15.00	2.2	87.70	44.10
<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>210.02</b>
<b>Coking Coal (Limpopo)</b>						
Berenice <sup>4</sup> – Cygnus <sup>5</sup>		7.90	394.50	922.00	1324.40	606.83
Somerville <sup>4</sup> -Donkin <sup>6</sup>				316.64	316.64	143.47
<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>750.30</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>	<b>960.32</b>

Notes:

1. Universal has an attributable interest of 70.5% of the Kangala Project
2. Universal has an attributable interest of 74% in the Rodekop Project
3. Universal has an attributable interest of 50.29% in the Brakfontein Project and the right to negotiate to acquire up to a 74% interest upon completion of the BFS and award of a mining right
4. Universal has an attributable interest of 50% in the Berenice and Somerville Projects with an option to acquire up to a 74% interest.
5. Universal has an attributable interest of 10% in the Cygnus Project that will increase to 50% on completion of certain exploration milestones and to 74% on execution of an option
6. Universal has an attributable interest of 15% in the Donkin Project that will increase to 50% on completion of certain exploration milestones
7. Rounding (conforming to the JORC Code) may cause computational discrepancies.

## Project Locations



## 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.

## 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 who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions. Mr. Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the types 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 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.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

UNIVERSAL COAL PLC

ARBN

143 750 038

Quarter ended ("current quarter")

31 December 2012

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Receipts from product sales and related debtors		
1.1		-	-
1.2	Payments for (a) exploration & evaluation	(721)	(1,459)
	(b) development	(118)	(619)
	(c) production	(526)	(862)
	(d) administration	(2,237)	(3,422)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	62	163
1.5	Interest and other costs of finance paid	(188)	(188)
1.6	Income taxes paid	-	-
1.7	Other (Net VAT & GST refund)	190	240

	Current quarter \$A'000	Year to date (6 months) (\$A'000)
	-	-
	(721)	(1,459)
	(118)	(619)
	(526)	(862)
	(2,237)	(3,422)
	-	-
	62	163
	(188)	(188)
	-	-
	190	240
	(3,628)	(6,147)

#### Net Operating Cash Flows

#### Cash flows related to investing activities

1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(61)	(61)
1.9	Proceeds from sale of:	-	-
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	24
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (Transfer duty refund)	-	-

	-	-
	-	-
	(61)	(61)
	-	-
	-	-
	-	24
	-	-
	-	-
	-	-
	(61)	(37)

#### Net investing cash flows

1.13	Total operating and investing cash flows (carried forward)		
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	(61)	(37)
	(3,689)	(6,184)

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**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,689)	(6,184)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	13,568	15,568
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>13,568</b>	<b>15,568</b>
	<b>Net increase in cash held</b>	<b>9,879</b>	<b>9,384</b>
1.20	Cash at beginning of quarter/year to date	8,134	8,826
1.21	Exchange rate adjustments to item 1.20	(332)	(529)
1.22	<b>Cash at end of quarter</b>	<b>17,681</b>	<b>17,681</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2(d)	229
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

N/A

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

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### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,069
4.2 Development	208
4.3 Production	8,337
4.4 Administration	1,515
<b>Total</b>	<b>11,129</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	13,319	960
5.2 Deposits at call	4,362	7,174
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>17,681</b>	<b>8,134</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	None		

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**Appendix 5B**  
**Mining exploration entity quarterly report**

6.2 Interests in mining tenements acquired or increased	None		
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**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	319,575,447	319,575,447		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	95,840,676	95,840,676	14.16	14.16
7.5 <b>+Convertible debt securities</b> Converting Notes	7,000,000		Issue Price: \$1.00 for each Converting Note  Converting Notes Convert into CDI's.  Refer to the Company's Appendix 3B released to the ASX on 4/6/2012 for details of the terms of Converting Notes.	
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				

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**Appendix 5B**  
**Mining exploration entity quarterly report**

7.7	<b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
	Unlisted Options:	1,972,180		\$0.26	31 December 2013
		1,972,180		\$0.286	31 December 2013
		986,090		\$0.312	31 December 2013
		7,999,998		\$0.40	15 March 2014
		500,000		\$0.40	31 December 2014
		3,200,000		\$0.34	9 December 2015
		7,625,110		\$0.26	9 December 2015
		3,800,001		\$0.20	9 December 2015
		5,200,001		\$0.39	9 December 2015
		490,617		\$0.26	9 December 2015
		16,855,736		\$0.2628	4 June 2017
		5,618,579		\$0.2745	4 June 2017
7.8	Issued during quarter			<i>Exercise price</i>	<i>Expiry date</i>
7.9	Exercised during quarter				
7.10	Expired during quarter	599,999		\$0.39	
		599,999		\$0.20	
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 31 December 2012

Company Secretary

Print Name: Emma Lawler

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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