

29 April 2013



universal
coal plc

KANGALA MINE DEVELOPMENT UPDATE

The Board of Directors of Universal Coal plc (“Universal Coal” ASX: UNV) is pleased to update the market regarding progress at its Kangala mine, located in the Witbank coalfield, South Africa.

With domestic orders of 2 million tons per annum (Mtpa) and export allocation through Richards Bay Coal Terminal already secured, Kangala is on track to become the company’s first coal mine by mid-2014.

Appointment of contractors

Universal Coal concluded the appointment of its key contractors for the various developmental, mining and processing disciplines. Strong working relationships continue to be developed with Stefanutti Stocks and Mineral Resource Development as off-site plant construction and on-site development progresses.

Appointment of personnel

The company has appointed key in-house mine development and managerial personnel to ensure the Kangala development timelines are met and budgeted capital costing is achieved. Personnel for Project Development; Engineering; Health and Safety; and Geological skills have been appointed within the group to coincide with the approved development schedule.

Off-site plant construction

- Off-site construction of the plant remains on schedule and within budget.
- The first seven conveyor structures have been completed and are awaiting quality certification.
- Detail designs of the slew conveyor and “overland” conveyor have been completed and manufacturing are due to commence shortly.
- The secondary crusher for the BC seam crushing and screening unit has been delivered. Delivery of the primary screen is expected by the end of June.

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- The Rotary Breaker for the dense media (DMS) washing plant and the two Apron Feeders have been ordered from Osborn and are expected to be delivered by mid-October.
- The Hazards and Operability Analysis (Hazop) on the control philosophy and instrumentation design for the plant has been completed.
- The plant infrastructure design is at an advanced stage with approximately 75% of drawings completed.

Photograph 1: Conveyor structure for Kangala plant under construction



Photograph 2: Primary Screen procured for the Kangala operation



Photograph 3: BC Seam secondary crusher



Infrastructure development

Surveying of the access road and power line servitudes has been completed. Site establishment by the contractor is scheduled for 2 May 2013, with full scale construction of the infrastructure commencing mid-May.

Mining

Stefanutti Stocks Mining Services is in the process of optimising the mine plan and schedule following completion of a 54-hole pre-production infill drilling programme. Opening up of the box cut is due to commence in Q3 2013 with first coal from the box cut scheduled for Q4 2013. The initial coal from the box cut will be utilised for the base of the Eskom stockpiles to prevent contamination at a later stage.

Finance

Universal Coal has a project financing arrangement with leading South African bank, Rand Merchant Bank (“RMB”) for the funding of the Kangala Project. The finance solution from RMB comprises 65% project finance - a significant debt carrying capacity for any greenfield project - and represents a strong endorsement for the project, the Eskom off-take contract, and Universal Coal’s project plan and implementation strategy. RMB’s partnership with Universal Coal includes a Master Finance Deed for future Universal Coal projects and a transactional banking solution for the Universal Coal Group.

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

The project finance facility is being directed to Universal Coal’s 100%-owned local 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 Universal Coal Development I (Pty) Ltd. This means that the company will be able to have an overarching finance deed with RMB, and future project finance needs can be added with greater simplicity.

Universal Coal and Rand Merchant Bank (“RMB”) are currently finalising the project financing legal agreements with the execution of the Coal Sales Agreement (CSA) with ESKOM and contractors agreements now satisfying some of the major conditions precedent. Further conditions precedent are within normal project financing arrangements and expected to be satisfied during May 2013, following which the first drawdown on the RMB debt facility will occur.

The company is currently well funded with A\$ 14.6m cash available, sufficient to fund the equity component of ZAR 110m of Kangala development costs. Kangala’s BEE partner, Mountain Rush HSTI, has secured ZAR 50m for its 29.5% equity share in project development costs.

About Kangala

Kangala, situated in the Witbank coalfield in Mpumalanga province, is Universal Coal’s first operation, with this being a de-risked domestic thermal coal operation supplying coal primarily to Eskom. At a capital cost of A\$ 49m, this operation is projected to supply an estimated average of A\$ 15m EBITDA per annum (100%), with both costs and profit margins locked in. With an initial projected four year payback period, coal sales of 2.1Mtpa are split between 2Mtpa ESKOM and a lesser 100ktpa ~6 000kCal coal to be supplied to the export thermal coal market via the Company’s RBCT Quattro allocation.

Operating costs will be optimised at a low A\$ 15 per ton over an initial eight year life of mine at Wolvenfontein achieving an effective >80% yield on 2.4Mtpa ROM rate. The additional resource base at Kangala potentially allows for a total mine life exceeding 20 years by means of developing a series of similar sized pits adjacent to Wolvenfontein. Furthermore, there is added opportunity to increase the resource base further and extend mine life through potential JV’s over neighbouring resources.

The operation is being run on the historically proven outsource model, with Stefanutti Stocks Mining Services supplying both the mining fleet and skill set to run the initial eight year Wolvenfontein pit, operating a fleet of 60t trucks, 85t excavators and supporting equipment. The dual circuit processing facility, a 350tph crushing and screening circuit plus the 200tph DMS washing plant will be owned by Universal, but the operation thereof will be outsourced to Mineral Resource Development.

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Universal Coal Global Coal Resources Summary

Project	Reserve Proved Mt	Resource Measured Mt	Resource Indicated Mt	Resource Inferred Mt	Total Mt	Attributable to Universal Mt ⁷
Thermal Coal (Witbank)						
Kangala ¹	20.8	72.88	19.48	33.64	146.80	103.50
Roodekop ²	-	82.92	1.44	-	84.36	62.42
Brakfontein ³	-	70.50	15.00	2.20	87.70	44.10
Total Thermal Coal⁷	20.8	226.30	35.92	35.84	318.86	210.02
Coking Coal (Limpopo)						
Berenice ⁴	-	393.97	694.27	116.07	1204.31	602.16
Cygnus ⁵	-	30.94	106.65	8.22	145.81	72.91
Somerville ⁴	-	-	-	274.22	274.22	137.11
Donkin ⁶	-	-	-	42.42	42.42	6.36
Total Coking Coal⁷	-	424.91	800.92	440.93	1,666.76	818.54
Total⁷	20.8	651.21	836.84	476.77	1,985.62	1,028.56

Notes:

Mineral resources are stated inclusive of mineral reserves.

1. Universal has an attributable interest of 70.5% of the Kangala Project.
2. Universal has an attributable interest of 74% in the Roodekop 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 50% in the Cygnus Project with an option to acquire up to a 74% interest.
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.

Competent Person's Statement

The information in this report that relates to Coal Resources 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'.

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.

About Universal Coal

Universal Coal is an ASX-listed company with interests in five coal projects in South Africa. These projects contain in excess of 1.9 billion tonnes of JORC-compliant resources, of which over 1 billion tonnes is attributable to the company.

The most advanced asset, the Kangala project, is targeting first coal sales by April 2014. Kangala is located in the Witbank coalfield, which supplies more than 50% of South Africa's saleable export and domestic coal.

Following the Kangala project will be development of the export-focused Roodekop and Brakfontein projects subject to positive feasibility studies, financing and other regulatory approvals.

In addition to the thermal coal projects, the company has completed earn-in agreements over two coking coal project areas (Berenice/Cygnus and Somerville/Donkin) that together contain 1.67 billion tonnes 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.

