

22 July 2013



universal
coal plc

KANGALA MINE FINALISES EXPORT COAL SALES AGREEMENT WITH EXXARO

Remains on track to deliver maiden production in six months

Universal Coal plc (ASX: UNV) has signed an off-take agreement with Exxaro Coal (Pty) Ltd (“Exxaro”), South Africa's largest BEE-empowered diversified resources company.

Under the agreement, Universal Coal will supply Exxaro with up to 100,000 tonnes per annum (tpa) of export quality coal from its first operational coal mine, Kangala, located in the Witbank coalfield, South Africa.

With domestic sales of 2 million tons per annum (Mtpa) to ESKOM and export allocation through Richards Bay Coal Terminal already secured, Universal Coal has finalized the API4 price linked Coal Sales Agreement with Exxaro for the higher quality thermal product.

Universal Coal is well on track to meet the previously disclosed February production timeline, having commenced box-cut development in early July, with first raw coal delivery expected in October 2013. Having previously fully funded the equity component of the mine with its partners, Mountain Rush, the company is planning the 1st drawdown on the R 300 million facility later this month, with further drawdowns on a regular basis as required over the remaining CAPEX development programme.

Mining

The box-cut commenced in the first week of July 2013 with first ROM coal scheduled for October 2013. The initial coal from the box-cut will be utilised for the base of the stockpiles to prevent contamination at a later stage with remaining box-cut coal being used to commission the Crushing & Screening plant in December 2013. First production remains scheduled for February 2014.



Mining team site office establishment

Box-cut development commenced in July

Topsoil removal is progressing well on the haul roads as well as in the box-cut, with the topsoil being placed on the designated stockpiles. Soft material from the box-cut is currently being placed in the environmental protection berms around the wetlands. Sub-base material from the box-cut is being placed as the running course on the haul roads.



Construction of the plant terrace underway

Excavation of the Pollution Control Dam

Recruitment is progressing well with many of the permanent mining staff vacancies currently filled. On the job training of these new recruits has begun on site.

On-Site Plant infrastructure development

Construction of the mine infrastructure is well underway with the removal of topsoil finalised. Plant, workshop and office terrace work is underway, with the former being readied for completion by the end of July. Excavation of the pollution control dam is progressing according to schedule. Construction of the product haul road has commenced on schedule.

Process Plant

Construction of the processing plant terrace on site has commenced and will be completed by the end of July.

Off-site construction of the plant is still underway, with off-site plant completion, including trial erection and dry testing of the plant, expected by the end of August.



Plant component erection underway in Middelburg



Plant structural component assembly off site at PJ Tech Middelburg

Finance

The Kangala Mine Project Finance Facility provided by RMB is based in South African Rand given the Rand-based off take agreement with ESKOM. As previously disclosed, the full equity component has been contributed to the project by Universal Coal and BEE partner Mountain Rush and the standby equity account has been fully capitalised.

1st drawdown of the Kangala Project Finance Facility Debt will commence in July 2013.

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\$ 46.8m, 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.

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 production February 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.

