

12 August 2013



universal
coal plc

FIRST DRAWDOWN OF KANGALA DEBT FACILITY

Remains on track to deliver maiden coal production in six months

Universal Coal (ASX: UNV) has successfully completed the first drawdown of its ZAR 300 million (~A\$33.5 million) Kangala Project Finance Facility. The facility with Rand Merchant Bank enables the company to remain on schedule to commence operations at its Kangala mine in six months.

Kangala, located in the Witbank coalfield in South Africa, will be the company's first coal mine, producing 2.1 million tonnes per annum (Mtpa) of saleable thermal coal.

The mine will produce two types of coal, with 2Mtpa allocated for South Africa's largest energy company, ESKOM, and 100ktpa of higher quality thermal product allocated for export with leading South African coal company Exxaro.

Universal Coal's Chief Executive Officer Mr Tony Weber commented, "With all project financing secured, we are beginning to draw down from the debt facility as we progress development activities and transition to producer status at Kangala.

"We recently started box cut activities, and remain on track to supply first raw coal delivery for stockpile build-up in October 2013.

"With Kangala set to generate cash flow for up to 16 years through our ESKOM coal sales agreement, and significant cash flow upside through expansion and export production, the mine will play a key role in achieving our goal of becoming a mid-tier producer."

Having previously fully funded the equity component of the mine with its partners, Mountain Rush, the company will continue to draw down on the debt facility until the capital development phase has been completed at Kangala.

Development activities remain on track

The box-cut is advancing according to schedule having progressed to the 15% completion level, with expected first ROM coal anticipated 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 and screening plant in December 2013. First production remains scheduled for February 2014.



Box cut development progressing on schedule

Second lift off Box-cut development underway

Topsoil removal is near complete in the box-cut, with it being placed on the designated stockpiles. Currently, the second lift in the soft overburden is being undertaken. The berms creating the buffer zone around the wetland areas have been completed, and are currently being shaped.



Development of Product hauling road with culverts completed is underway

Completion of excavation and compaction of the freshwater Dam – “Kev’s Duckpond” nearing completion

Recruitment is progressing as planned with most of the permanent mining staff vacancies currently occupied. On the job training of these new recruits is well under way on site. The mine's General Manager, Mr. Piet van Zyl joined the company on 5 August 2013.

On-site plant infrastructure development

Construction of the mine infrastructure is progressing well with 45% completion level having been reached (including design and procurement). The plant terrace has been handed over to processing operator MRD and digging of the foundations for the plant and crushing sections have begun.

Process plant off site construction ahead of schedule

Construction of the washing plant off site in Middelburg is progressing ahead of schedule. This is broken down into two sections, the DMS unit currently at a 13% completion level and the BC1/BC2 crushing and screening circuit - 75% complete, due for delivery and on site erection during September 2013.



BC1/BC2 secondary crusher section erection underway in Middelburg



BC1/BC2 Primary crusher component assembly off site at PJ Tech Middelburg

All project financing secured

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.

First drawdown of the Kangala Project Finance Facility Debt has been concluded.

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 Proven Mt	Resource Measured Mt	Resource Indicated Mt	Resource Inferred Mt	Total Mt	Attributable to Universal Mt ⁷
Thermal Coal (Witbank)						
Kangala ¹	21.55	71.93	19.35	33.64	146.47	103.25
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	21.55	225.35	35.79	35.84	318.53	209.77
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	21.55	650.26	836.71	476.77	1,985.29	1,028.31

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.

