

31 January 2014



HOT COMMISSIONING COMMENCES AT KANGALA COAL OPERATION

Maiden coal production on track for February 2014



Panoramic view of Kangala Colliery

Universal Coal (ASX: UNV) is set to become Africa's next new coal producer as its Kangala coal mine remains on track to deliver first production in February 2014. Cold commissioning of the BC1/BC2 circuit of the processing plant was successfully completed in December 2013, enabling hot commissioning to commence recently.

First coal throughput in plant

The box-cut continues to progress well, with coal having been mined and sent to the ROM stockpiles at the plant over the past three months. The BC1/BC2 seam, which constitutes the majority of the coal at Kangala, is now being utilised to hot commission the Crushing & Screening plant.

Coal will be treated using a dual processing circuit comprising the DMS washing and the BC1/BC2 crushing and screening circuit. Following successful cold commissioning of the BC1/BC2 circuit, hot commissioning commenced on 23 January 2014, with first coal successfully passing through the

circuit. Optimisation of the plant will now continue to ensure efficient operation prior to maiden production in February 2014.



Final construction of the wing-wall at the plant



First coal tipping into the plant



First product coal tipping from the plant



First product from Kangala Colliery

Off-site construction of the DMS plant is progressing well and is ahead of schedule, with delivery and installation of the DMS plant due to begin mid-February 2014.



Off site construction of DMS plant continues

Mine development activities remain on track

The mine is now connected to the Eskom power grid and all operations requiring power are drawing from the internal power reticulation system.

The pollution control dam is functional with the lining of the dam complete. Polluted water from the pit is being pumped into the pollution control dam and dirty water cut-off drains are currently being constructed to divert any polluted water into the dam.

The paved product delivery haul road is on schedule with construction of the intersection with the R42 public road having commenced. Installation of the black top surface of the road has also begun.



Construction of the R42 intersection



Construction of the black top surface has begun



Construction of dirty water cut-off drains



Pollution Control Dam

Finance

Drawdown on the Kangala Mine Project Finance Facility provided by Rand Merchant Bank continues in line with forecasted drawdown estimates. The project remains within capital budget estimates and there are currently no indications of any potential cost over-runs.

About Kangala

Kangala, situated in the Witbank coalfield in Mpumalanga province, is Universal Coal's first operation. The mine will be a 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 are split between ESKOM and a lesser quantity of coal to be supplied to the export thermal coal market via the Company's RBCT Quattro allocation.

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 containing a 350tph crushing and screening circuit and the 200tph DMS washing plant will be owned by the company, but the operation thereof will be outsourced to Mineral Resource Development.

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Universal Coal Global Coal Resources/Reserve 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	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:

- This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
 - 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 Resource/Reserve Statement was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. . The statement also complies with 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 following map and schedule provides information pertaining specifically to the location and tenure of interests held by Universal Coal Plc in Mining Rights (MR) and Prospecting Rights (PR) in South Africa.



Project	Property	Permit Type & Number	Location	Size	Beneficial Interest Held	Change in Interest from previous Quarter
Kangala	Wolvenfontein 244IR: Portion 1 and RE of Portion 2	Mining Right: MP30/5/1/2/2/429MR	Delmas, Mpumalanga Province, South Africa	951 Ha	70.5%	None
	Middelbult 235IR: Portions 40 and 82	Prospecting Right: MP30/5/1/1/2/641PR	Delmas, Mpumalanga Province, South Africa	942 Ha	70.5%	None
	Modderfontein 236IR: Portion 1	Prospecting Right: MP30/5/1/1/2/639PR	Delmas, Mpumalanga Province, South Africa	127 Ha	70.5%	None
Roodekop	Roodekop 63IS	Mining Right: MP30/5/1/1/2/492MR	Kriel, Mpumalanga Province, South Africa	835 Ha	74%	None
Brakfontein	Brakfontein 264IR : Portions 6, 8, 9, 10, 20, 26, 30 and Remaining Extent	Prospecting Right: MP30/5/1/1/2/1879PR	Delmas, Mpumalanga Province, South Africa	879 Ha	50.29%	None
Berenice & Somerville	Berenice 548MS, Celine 547MS, Doorvaardt 355MS, Longford 354MS, Somerville 9MS and adjacent farms	Prospecting Right: LP30/5/1/1/2/376PR	Waterpoort, Limpopo Province, South Africa	39,484 Ha	50%	None
Cygnus	Cygnus 543MS and adjacent farms	Prospecting Right: LP30/5/1/1/2/1276PR	All Days, Limpopo Province, South Africa	12,299 Ha	50%	None
Donkin	Donkin 72MS	Prospecting Right: LP30/5/1/1/2/2074PR	All Days, Limpopo Province, South Africa	1,178 Ha	15%	None

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.