

31 January 2014



**universal**  
coal plc

## Quarterly Activities Report

### Highlights

- Kangala coal continues to be delivered to ROM stockpile
- Kangala crush and screen section physical installation completed
- Kangala development to meet current CSA dates on track
- ESKOM interim power supply to Kangala completed 20 December 2013.
- Kangala Mine fully funded with ongoing debt drawdowns from the RMB facility
- Grade control and pre-mining activities commenced at Roodekop Project

### Exploration & Development

#### Kangala – Thermal Coal

The following key development milestones for the quarter were achieved:

- Geology
  - Pit geology, resource optimisation and grade control procedures were finalised and implemented.
- Infrastructure and Mine Development
  - The box-cut is progressing as planned with the first ROM coal removed from the pit to the stockpiles at the processing plant.
  - Construction of the haul roads, pollution control dam and discard facility is progressing on schedule.



***Box-cut progressing according to schedule***



***Pit infrastructure complete***

- Plant Construction
  - Construction of the BC1/BC2 crushing and screening circuit of the plant on site is complete.
  - Cold commissioning of the BC1/BC2 circuit has been completed, with the exception of the slew conveyor.
  - Construction of the DMS circuit of the plant is progressing on schedule.



***Kangala plant construction***



***DMS plant under construction***

- Human Resources
  - All key in-house mine management personnel have been appointed.
- Project legal and regulatory matters
  - Implementation of the Safety Management System is on-going.

- The MoU between Universal Coal and other sponsors for the development of a Further Education and Training College in Delmas has been finalised following approval from the Minister of Education and receipt of a written resolution from the Department of Education, Mpumalanga. The MoU will be signed in February/March 2014.
- General servitudes for the road and power line have been registered.
- The renewal of the Middelbult and Modderfontein prospecting rights, submitted in July 2011 is pending.
- An independent monitoring review in accordance with the requirements of Equator Principles and the Lender was undertaken. No major findings reported.
- Environmental compliance monitoring is ongoing.

### **Berenice/Cygnus - Coking Coal**

Refinement of the geological model and resource estimate, based on the structural interpretation completed during the previous quarter is in progress.

### **Brakfontein – Thermal Coal**

The pre-feasibility study is progressing.

Environmental Authorisation in terms of NEMA was granted on 16 October 2013.

Awaiting granting of Mining Right and Integrated Water Use Licence.

### **Roodekop – Thermal Coal**

The 48-hole, 2,200m, pre-production infill drilling program was completed over the Roodekop open cast reserve area. Analytical results have been received and the geological data was captured. The geological model and reserve estimate will be updated during Q1 2014.

IWULA is still under review by the Department of Water Affairs (DWA). Approval is expected during Q1 of 2014

Discussions with the surface owner regarding acquisition of the land have commenced.

## Corporate

### Kangala development remains within budget

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.

Universal Coal is currently working with RMB to secure general working capital facilities additional to the project financing arrangements already completed. In the Appendix 5B, item 4.3 reflects production costs of in the estimated amount of A\$5.69 million, however the Company is also forecasting revenues in the amount of A\$4.5 million. The working capital facility with RMB will cater for any initial operational cash requirements over the ramp up period.

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## Activities Planned for the March 2014 Quarter

- Commence operations and conclude final installation of the infrastructure works at Kangala.
- Conclude cold commissioning and commence hot commissioning of the DMS plant at Kangala
- Ongoing Participation in the New Clydesdale Colliery disposal process.
- Update the Roodekop open cast geological model, reserve estimate and mine plan.
- Acquire all outstanding regulatory approvals for the Roodekop project.
- Continuation of the Brakfontein pre-feasibility study.
- Ongoing evaluation of investment opportunities.

**For further information please contact:**

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**Tony Weber**

Chief Executive Officer

T: +27 12 460 0805

**Robert Williams**

FCR

T: +61 2 8264 1003

## 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.

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.

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.

## About Universal Coal

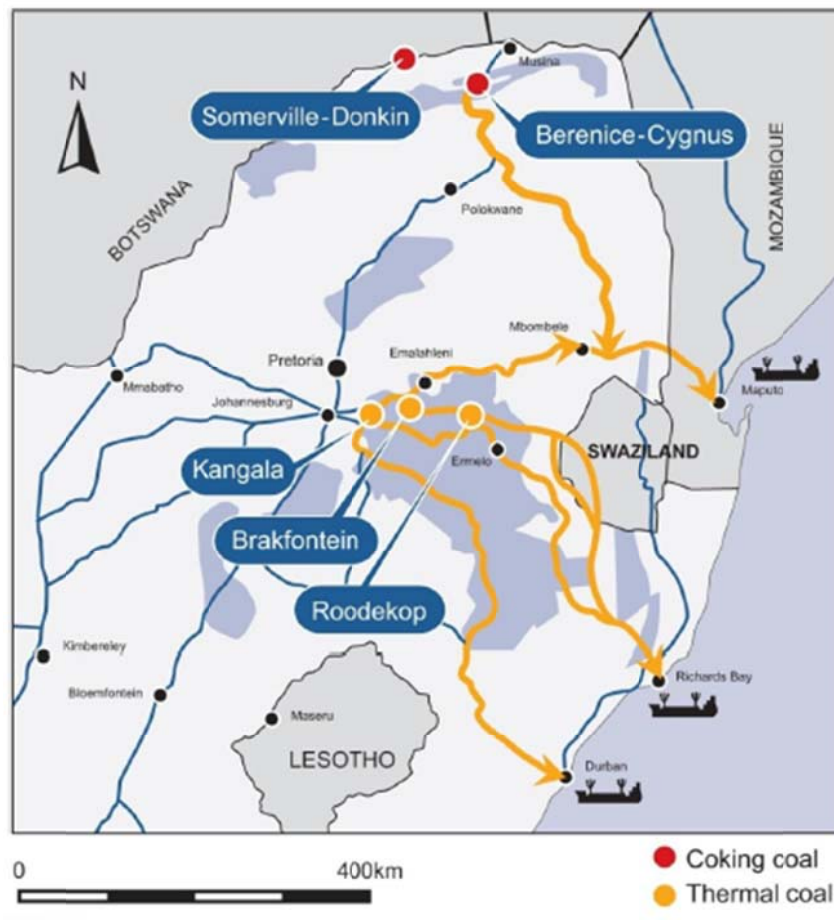
Universal Coal is an ASX-listed company with interests in five coal projects in South Africa. These projects contain in excess of 1.9 billion tonnes of JORC-compliant resources, of which over 1 billion tonnes is attributable to the company.

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.



## 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 <sup>7</sup>
<b>Thermal Coal (Witbank)</b>						
Kangala <sup>1</sup>	21.55	71.93	19.35	33.64	146.47	103.25
Roodekop <sup>2</sup>	-	82.92	1.44	-	84.36	62.42
Brakfontein <sup>3</sup>	-	70.50	15.00	2.20	87.70	44.10
<b>Total Thermal Coal<sup>7</sup></b>	<b>21.55</b>	<b>225.35</b>	<b>35.79</b>	<b>35.84</b>	<b>318.53</b>	<b>209.77</b>
<b>Coking Coal (Limpopo)</b>						
Berenice <sup>4</sup>	-	393.97	694.27	116.07	1204.31	602.16
Cygnus <sup>5</sup>	-	30.94	106.65	8.22	145.81	72.91
Somerville <sup>4</sup>	-	-	-	274.22	274.22	137.11
Donkin <sup>6</sup>	-	-	-	42.42	42.42	6.36
<b>Total Coking Coal<sup>7</sup></b>	<b>-</b>	<b>424.91</b>	<b>800.92</b>	<b>440.93</b>	<b>1,666.76</b>	<b>818.54</b>
<b>Total<sup>7</sup></b>	<b>21.55</b>	<b>650.26</b>	<b>836.71</b>	<b>476.77</b>	<b>1,985.29</b>	<b>1,028.31</b>

### 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 and 2012 editions 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 (2004 and 2012) 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.

# 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, 17/12/10, 01/05/2013.

Name of entity

UNIVERSAL COAL PLC

ARBN

143 750 038

Quarter ended ("current quarter")

31 December 2013

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) (\$A'000)
<b>Cash flows related to operating activities</b>		
Receipts from product sales and related debtors	-	-
1.1		
1.2 Payments for (a) exploration & evaluation	(108)	(337)
	(12,132)	(21,967)
	-	-
	(917)	(2,005)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	61	127
1.5 Interest and other costs of finance paid	(186)	(372)
1.6 Income taxes paid	-	-
1.7 Other (Net VAT & GST)	(818)	(922)
<b>Net Operating Cash Flows</b>	<b>(14,100)</b>	<b>(25,476)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
	-	-
	-	-
	(17)	(153)
1.9 Proceeds from sale of:		
	-	-
	-	-
	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (Transfer duty refund	-	-
<b>Net investing cash flows</b>	<b>(17)</b>	<b>(153)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(14,117)</b>	<b>(25,629)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(14,117)	(25,629)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	12,854	24,350
1.17	Repayment of borrowings	(8)	(43)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>12,846</b>	<b>24,307</b>
	<b>Net decrease in cash held</b>	<b>(1,271)</b>	<b>(1,322)</b>
1.20	Unrestricted cash at beginning of quarter/year to date	5,275	5,487
	Transfer to restricted cash	(254)	(283)
1.21	Exchange rate adjustments to item 1.20	(81)	(213)
1.22	<b>Unrestricted cash at end of the quarter</b>	<b>3,669</b>	<b>3,669</b>
	<b>Restricted cash at the end of the quarter</b>	<b>2,238</b>	<b>2,238</b>
	<b>Total cash at the end of the quarter</b>	<b>5,907</b>	<b>5,907</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)	256
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salaries and fees

**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

+ See chapter 19 for defined terms.

### 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 (note 3)	32,258	24,222
3.2 Credit standby arrangements (note 3)	1,658	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	631
4.2 Development	2,691
4.3 Production	5,690
4.4 Administration	1,043
<b>Total</b>	<b>10,055</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	2,814	3,641
5.2 Deposits at call including restricted cash	3,093	3,561
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,907</b>	<b>7,202</b>

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### 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		
6.2	Interests in mining tenements acquired or increased	None		

### 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> (description)			
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			

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

7.5	<b>+Convertible debt securities</b> Converting Notes	7,000,000		<p>Issue Price: \$1.00 for each Converting Note</p> <p>Converting Notes Convert into CDI's.</p> <p>Refer to the Company's Appendix 3B released to the ASX on 4/6/2012 for details of the terms of Converting Notes.</p>	
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> Unlisted Options:			Exercise price	Expiry date
		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
		3,800,000		\$0.20	9 December 2015
		5,200,000		\$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
		3,300,001		\$0.26	1 April 2018
7.8	Issued during quarter	nil		Exercise price	Expiry date
7.9	Exercised during quarter				

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

7.10	Expired during quarter	1,972,180		0.26	31 December 2013
		1,972,180		0.286	31 December 2013
		986,090		0.312	31 December 2013
7.11	<b>Debentures</b> <i>(totals only)</i>				
7.12	<b>Unsecured notes</b> <i>(totals only)</i>				

## 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:

Company Secretary

Date: 31 January 2014

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 Kangala Project Financing Facility and the Standby Equity Facility with Rand Merchant Bank, a division of FirstRand Bank Limited

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- 4      **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.
  
- 5      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.
  
- 6      **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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