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**universal**  
coal plc

## PROPOSED A\$24.5 MILLION STRATEGIC INVESTMENT TO ACCELERATE OPERATIONAL GROWTH

### Highlights

- IchorCoal to invest A\$24.5 million in two placements
- Capital raise at a combined weighted average issue price representing a premium of approximately 30% to the closing price on 1 September 2014
- Major shareholder Coal Development Holding B.V. to further invest A\$1 million in ordinary shares at A\$0.16 per share
- Funds raised to complete acquisition of planned second operating asset, New Clydesdale Colliery and for other purposes
- Production and processing capacity at combined NCC Roodekop expected to be enhanced significantly
- Universal Coal well positioned to become a mid-tier coal company
- A General Meeting of Universal Coal's shareholders to approve the funding package is scheduled to be held shortly

Universal Coal Plc ("Universal Coal" or the "Company") (ASX: UNV) and international coal company IchorCoal NV ("IchorCoal") (FRA: IO0) are pleased to announce a proposed strategic investment by IchorCoal of A\$24.5 million which will accelerate growth plans including the development of the Company's second operating asset and further investment by Coal Development Holding B.V. ("CDH") of A\$1 million, each subject to shareholder approval (the "Transaction").

The funds raised will complete the financing for Universal Coal's acquisition of the New Clydesdale Colliery ("NCC") from Exxaro Coal Mpumalanga (Pty) Ltd ("Exxaro"), part-fund the development of the Roodekop project in conjunction with NCC and, in respect of any balance, to fund general working capital and implement further acquisition opportunities as they arise.

Universal Coal's CEO, Tony Weber commented: "Despite tough market conditions for coal and raising capital, IchorCoal's investment highlights the quality and tremendous growth potential of our assets. We are pleased to

have IchorCoal as a cornerstone investor, especially given their experience and expertise within the South African and international coal markets.”

“The investment represents another significant milestone for the Company, and comes on the back of our first operation at Kangala achieving steady-state production and generating strong positive cash-flows further augmented by commencing export sales.”

“We are now positioned to finalise the acquisition of NCC and expedite its development with Roodekop. Together with the Kangala operation, this investment is expected to elevate total group production and coal sales significantly. In addition, the recent granting of the mining right on our proposed third mine at Brakfontein and excess capacity at Kangala could lead to further significant production growth in the near term.”

## Proposed strategic investment

IchorCoal is an internationally operating mineral resource company listed on XETRA and the Frankfurt Stock Exchange in Germany that specialises in investments in coal production in South Africa. With a market capitalisation of approximately A\$350 million, IchorCoal holds substantial equity positions in several coal mining companies with attributable coal resources of approximately 350 million mineable tons of coal and fully funded capacity expansion initiatives that will increase production to 6.1Mtpa within the next 2 years. IchorCoal’s portfolio of assets include a substantial shareholding in the Eloff project immediately south of and contiguous to Universal Coal’s Kangala operation, the Welstand project, immediately south of Universal Coal’s proposed NCC Roodekop operation and the Usutu and Welgemeend Collieries in the Ermelo Coalfields. All of these projects have granted mining rights, and the development of Eloff has commenced with first coal production anticipated for Q1 2015.

Universal Coal has agreed a funding package with each of IchorCoal and major shareholder Coal Development Holding B.V (“CDH”) which includes a subscription agreement with IchorCoal (the “Subscription Agreement”), pursuant and subject to the approval of Universal Coal’s shareholders, which would result in IchorCoal making a strategic investment of approximately A\$24.5 million comprising:

- a subscription for 80,440,000 ordinary shares of Universal Coal (and CHESS Depository Interests to which the ordinary shares relate on a one for one basis) (“Ordinary Shares”) at a price of A\$0.145 per Ordinary Share for proceeds of approximately A\$11.7 million; and
- a subscription for 71,220,000 non-voting, non-cumulative convertible preferred shares (the “Preferred Shares”) at a price of A\$0.18 per Preferred Share for proceeds of approximately A\$12.8 million.

Other components of the funding package include:

- subject to shareholder approval, Universal Coal will grant to IchorCoal warrants to subscribe for 71,220,000 Ordinary Shares, exercisable for a period of 18 months from the completion of the Subscription Agreement (“Completion”) at a strike price of A\$0.36 (the “Warrants”). The Warrants will not be transferable (other than to group companies in limited circumstances);

- subject to shareholder approval, CDH will subscribe for 6,250,000 Ordinary Shares at a price of A\$0.16 per Ordinary Share – a premium of 28% over the closing price on 1 September 2014 - for proceeds of A\$1 million; and
- subject to shareholder approval, CDH will exercise its conversion rights under its existing A\$3.25 million convertible loan note, which will convert at an effective price of A\$0.125 per Ordinary Share for the issue of 26,000,000 Ordinary Shares.

Following the subscriptions of Ordinary Shares referred to above (but before any exercise of the Warrants), IchorCoal will hold an 18.51% interest in the ordinary share capital of Universal Coal. If IchorCoal were to convert the Preferred Shares into Ordinary Shares, IchorCoal would be interested in 151,660,000 Ordinary Shares representing approximately 29.99% of the then enlarged issued Ordinary Share capital (assuming no other changes in the capital of Universal Coal in the meantime).

Under Universal Coal's articles of association ("Articles"), in the event that the UK Takeover Code does not apply to it, the Board is entitled to disenfranchise a shareholder who acquires more than 20% of the voting rights of Universal Coal if that shareholder does not make a mandatory offer to shareholders for the remainder of the issued share capital of Universal Coal on terms no less favourable (in the opinion of the Board) than they would have been obliged to offer under the UK Takeover Code (the "mandatory bid provisions"). Article 18.1(b) of the Articles also permits the Board to resolve that, in relation to a specific person, references to 20% shall be deemed instead to be references to 30% in the mandatory bid provisions. As required under Article 18.1(b)(iii) of the Articles, the Board considers, in good faith, that there exists the opportunity for a strategic relationship with the relevant person or persons to achieve growth for Universal Coal for the benefit of its shareholders as a whole or otherwise considers that it is in its best interests for the benefit of its shareholders as a whole and hereby announces that it has resolved, conditional upon Completion, to apply a 30 % threshold to the mandatory bid provisions under Article 18.1(b) of the Articles in respect of IchorCoal.

The Preferred Shares will be convertible into ordinary shares at the option of the holder based on a ratio of 1 Ordinary Share per Preferred Share, subject to customary adjustment for stock dividends, splits, combinations and similar events. If not already converted by the holder, the Preferred Shares will be subject to mandatory conversion on the fourth anniversary of Completion. The Preferred Shares will carry an annual 2% non-cumulative dividend, payable if and when declared by Universal Coal's Board of Directors. The Preferred Shares are non-voting save in certain limited circumstances.

Key terms of the arrangements with IchorCoal and CDH are:

- except in certain limited circumstances, IchorCoal has agreed not to sell the Ordinary Shares received pursuant to the Subscription, the Preferred Shares or any Ordinary Shares issued upon the conversion of the Preferred Shares or exercise of the Warrants for a period of 6 months from Completion;
- for as long as IchorCoal holds between 10% and 20% of Universal Coal's Ordinary Shares and Preferred Shares (relative to the total number of Ordinary Shares on issue), IchorCoal will be entitled to nominate one non-executive director to the Board.

- For personal use only
- For as long as IchorCoal holds equal to or above 20% of Universal Coal's Ordinary Shares and Preferred Shares (relative to the total number of Ordinary Shares on issue), IchorCoal will be entitled to nominate two non-executive directors to the Board. In line with this agreement, IchorCoal is entitled to and has nominated Andries Engelbrecht and Nonkululeko Nyembezi-Heita to be its appointed non-executive directors from Completion;
  - IchorCoal is prohibited from exercising the Warrants where IchorCoal would, as a consequence of the exercise, hold in excess of 29.99% of Universal Coal's ordinary share capital;
  - Universal Coal have agreed, in certain circumstances, to pay a break fee of A\$380,000 in the event that the Subscription Agreement is terminated because shareholder approval of the Transaction is not obtained by 31 December 2014; and
  - IchorCoal has a right to participate in any future non-preemptive share offerings that Universal Coal may undertake up to its relevant percentage shareholding (being the percentage of Ordinary Shares and Preferred Shares relative to the total number of Ordinary Shares on issue in the capital of the Company) at the time of the offering.

If Universal Coal's shareholders do not approve any one or more of the elements of the funding package that require approval at the general meeting ("Meeting"), then Universal Coal will not be able to take the benefit of any elements of the funding package.

## NCC - fast track to Universal Coal's second operation

### Acquisition

Universal Coal announced on the 4<sup>th</sup> of February 2014 that it had entered into a binding asset sale agreement with Exxaro ("Asset Sale Agreement") for the acquisition of NCC (the "NCC Transaction"). Combining NCC with Universal Coal's adjoining Roodekop project ("NCC Roodekop") will enable the Company to fast track development of its second operation. For further details on the NCC acquisition, refer to the announcement made by Universal Coal to the ASX dated 3 February 2014.

<http://www.asx.com.au/asxpdf/20140204/pdf/42mj80jhzckw5x.pdf>.

Under the Asset Sale Agreement, Universal Coal Development VIII Proprietary Limited ("NCC Co") will acquire NCC for a total consideration of ZAR170m (approximately A\$17 million), subject to certain purchase price adjustments. Universal Coal, through a related group company, will guarantee the obligations of NCC Co under the Asset Sale Agreement.

NCC Co is held 49% by Universal Coal and 51% by Universal Coal's Black Economic Empowerment partner, Ndalamo Resources (Pty) Ltd ("Ndalamo").

Funds raised from the funding package with IchorCoal and CDH have been set aside for the acquisition of NCC, funding Ndalamo's interest in NCC, recapitalisation of the existing mine at NCC, and the opening of the Roodekop open pit for processing at NCC.

The funds raised through the IchorCoal and CDH investment, together with debt funding will enable the full development of the NCC Roodekop mine complex to commence, pending:

- NCC Co providing a guarantee to Exxaro for the balance of the provisional purchase price (for which the funds being raised from IchorCoal will, in part, be used. The guarantee will be returned in circumstances where the conditions that are not within NCC Co's control are not satisfied and the NCC Transaction does not proceed;
- the exchange of board resolutions and other non-statutory approvals required to effect the NCC Transaction between NCC Co and Exarro;
- receipt of Ministerial (Section 11) approvals to the transfer of the mining rights over NCC to NCC Co;
- the granting of the Roodekop water license, now expected during the 4th quarter of 2014; and
- no material adverse change occurring before the date of completion of the acquisition, which is expected to occur, at the latest, on 26 January 2015.

Universal Coal will update shareholders as to the status of the conditions to completion of the Asset Sale Agreement at the Meeting.

The total cost of development amounts to approximately A\$23 million (ZAR230 million), a detailed breakdown of which is tabled below:

<b>NCC Roodekop Project Development Capex</b>	<b>ZAR</b>	<b>(ZAR:10:1AUD) AUD</b>
Roodekop development	R83 million	A\$8.3 million
NCC further capital development	R64 million	A\$6.4 million
Exploration and technical fees	R15 million	A\$1.5 million
General capex	R7 million	A\$0.7 million
Project costs	R8 million	A\$0.8 million
Environmental guarantees	R53 million	A\$5.3 million
<b>TOTAL</b>	<b>R230 million</b>	<b>A\$23 million</b>

Significant progress has been made in securing the debt component for the redevelopment of NCC and the development of the Roodekop open pit. The debt arrangement in the amount of ~A\$25 million (~ZAR250

million) will form part of a coal off-take agreement, with details to be made available upon finalisation of the agreement with the funder and / or off-taker.

## On the path to becoming a mid-tier coal producer

The Transaction brings Universal Coal one step closer to the realisation of becoming a mid-tier coal producer. Together with the Kangala operation, the development of NCC Roodekop is expected to significantly elevate Universal Coal's production in the short term. The recently announced increase in processing capacity at Kangala together with the granting of the mining right at nearby Brakfontein presents a further short-term production and value growth opportunity.

Universal Coal's transition from explorer to mid-size coal producer is gaining momentum and positions the Company to realise further acquisitions in the context of potential consolidation in the industry. The Company continues to actively pursue other value-accretion opportunities.

## Majority shareholder support received

Subject to shareholder approval for the funding package being received and completion of the IchorCoal investment, CDH, Universal Coal's largest shareholder, has exercised its conversion rights under its A\$3.25 million convertible loan note (the "Loan Note Conversions"), convertible at a price of A\$0.125 per Ordinary Share for the issue of 26,000,000 Ordinary Shares and, subject to shareholder approval being received, subscribe for a further 6,250,000 Ordinary Shares at a price of A\$0.16 per Ordinary Share for A\$1 million. Following the Loan Note Conversions and issue of 6,250,000 Ordinary Shares, CDH would own 128,090,676 Ordinary Shares, representing approximately 29.48% of the issued Ordinary Share capital as enlarged by the Loan Note Conversions, issue of 6,250,000 Ordinary Shares to CDH and the issue of Ordinary Shares to IchorCoal pursuant to the Subscription Agreement.

Following Completion, Universal Coal's share capital will comprise 434,465,447 Ordinary Shares and 71,220,000 Preferred Shares. On Completion IchorCoal will be interested in approximately 18.51% of the enlarged issued Ordinary Share capital. If IchorCoal were to convert the Preferred Shares into Ordinary Shares, IchorCoal would be interested in 151,660,000 Ordinary Shares representing approximately 29.99% of the then enlarged issued Ordinary Share capital (assuming no other changes in the capital of Universal Coal in the meantime).

## General Meeting

The Company intends to convene a General Meeting to be held shortly, for shareholders to consider the resolutions required for the implementation of the funding package and related matters. A notice of meeting setting out further details regarding the funding package will be distributed to the Company's shareholders in due course.

## Advisers

GMP Securities is acting as financial adviser to Universal Coal in relation to the subscription. Macquarie First South Capital is acting as financial adviser to IchorCoal. Mayer Brown and Mills Oakley are acting as legal advisers to Universal Coal. King & Spalding and Minter Ellison are acting as legal advisers to IchorCoal.

For further information please contact:

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