

10 October 2018



UNIVERSAL COAL FORECASTS 29% INCREASE IN FY2019 EBITDA TO A\$93 MILLION

- ✓ **FY2019 EBITDA expected to be A\$93 million increased by 29% from prior year**
 - ✓ A\$93 million GROUP EBITDA guidance for the FY2019 (Attr A\$51.3 million)
 - ✓ Based on current international coal pricing and foreign exchange forecasts, prevailing contract prices and estimated costs for the FY2019
- ✓ **Committed to a progressive dividend policy – (45% of Attr NPAT for FY2018)**
- ✓ **Increased sales tonnages to 6Mtpa – a 28% increase on the prior year**
 - ✓ Kangala Colliery steady state sales of 2.4Mtpa
 - ✓ New Clydesdale Colliery (NCC) sales tonnes forecast 2.7Mtpa, 29% increase from prior year
 - ✓ North Block Complex (NBC) inclusion from January 2019, subject to finalisation of acquisition
- ✓ **Growth Outlook beyond FY2019**
 - ✓ Inclusion of the Paardeplaats resource at NBC post receipt of regulatory approval
 - ✓ Eloff Project development to significantly extend Kangala Colliery life of Mine
 - ✓ Eloff Project has the potential to double the Kangala Colliery current production
 - ✓ Brakfontein project development expected to deliver additional 1.2Mtpa

Operational Summary:

Universal Coal currently has two collieries, both operating at a steady state production with a third in acquisition. Both collieries have proven consistent in meeting the required off take agreement tonnages both for ESKOM and Export, allowing the Company the confidence of continued delivery on the success from FY2018, with the significant increase in production and therefore earnings in FY2019.

Universal Coal is in the process of acquiring the North Block Complex from Exxaro Coal Mpumalanga Proprietary Limited and Exxaro Coal Proprietary Limited (together "Exxaro"). Following recent developments on making the deal unconditional, the Company expects the North Block Complex assets to transfer during Q2 FY2019. Never the less, the Company has prudently included only the current rate of production from the North Block Complex for the period January to June 2019. The timeframe from transfer to the end of June 2019 will allow the Company to commence the transformation of the colliery into a 'Universal Coal Business Model', whilst increasing production back to historical levels. The Paardeplaats Extension will be included in to the production pipeline once all regulatory approvals have been received in 2019.

The current forecast does not include any production from the Brakfontein/Ubuntu project, as Universal is still in the process of finalising feasible off take agreements and production options, and due to the uncertainty of timing on this matter, the project has been excluded from current guidance. The Company will update the market once these are achieved and if the project commences development.

| Operational Summary | GROUP | | ATTRIBUTABLE | |
|---------------------|-----------------|------------------|-----------------|------------------|
| | Mtpa FC 2019 | Mtpa Act 2018 | Mtpa FC 2019 | Mtpa Act 2018 |
| Kangala Colliery | 2.4 | 2.6 | 1.6 | 1.8 |
| NCC | 2.7 | 2.1 | 1.3 | 1.0 |
| NBC | 0.9 | - | 0.4 | - |
| Total Sales | 6.0 | 4.7 | 3.4 | 2.9 |
| Total Eskom Sales | 4.7 | 3.9 | 2.8 | 2 |
| Total Export Sales | 1.2 | 0.8 | 0.6 | 0 |
| Total Sales | 5.9 | 4.7 | 3.4 | 2.9 |

Capital Requirements:

The Company has estimated A\$12 million of capital requirements for the year for the two existing Collieries and the North Block Complex, this being a combination of maintenance capex and selected mine improvement works for the current operations. For the takeover of the NBC, the Company has also estimated some capital requirements that might be required to transition the Colliery to the Universal Coal

platform. The NBC capex is included in the forecast amount and all capex will be settled by operational cash flows.

The Company also has an acquisition cashflow commitment included in the FY2019 forecast, both to finalise the Eloff Project and North Block Project acquisitions.

UNV together with Ndalamo Resources (Pty) Ltd have as previously disclosed the finalising of the 100% acquisition of the Eloff project. The outstanding amount R81 million (A\$7.7 million) to Exxaro is scheduled for payment on 31 October 2018, with the remaining 20% of the Eloff Project acquired from South32 SA Coal Holdings Proprietary Limited paid for the parties in proportion to shareholding at the end of September - acquisition price of ZAR37 million.

The Finalisation of the North Block Complex will also determine the final acquisition price for the transaction. The Company is in the process of evaluating all the remaining conditions precedent to the transactions and an update will be given once all closing conditions have been agreed with Exxaro.

Outlook and Shareholder Returns:

Export Thermal coal contracts have been concluded for the majority of the approximately 1.2Mtpa of RB1/6000Kcal specification. The Export thermal coal pricing is currently at favourable levels and the company has included these pricing in the forecast for the FY2019.

Domestic thermal coal remains in strong demand in South Africa with long term Eskom Coal Supply agreements in place. Universal is well placed to continue delivering on this demand, having recently concluded an increase in annual offtake at NCC from 1.2mtpa to 1.62mtpa.

The Company looks forward to delivering on the increased volumes for the project in FY2019, with the API4 predicted to remain strong for the period under projection, Universal forecasts an EBITDA for the GROUP of A\$93 million, representing a 29% increase on the audited FY2018 figures.

The Company has been committed to delivering and returning value to shareholders through continued value accretive production growth – both organic and through funded acquisitions, whilst maintaining regular progressive dividend payments. Universal distributed dividends to shareholders in the FY2018 to the value of 45% of Attributable net profit after tax, and the Company expects to maintain this profile.

The Company has received a conditional, non-binding indicative offer (NBIO) from a consortium of investors (Consortium) led by a private entity that is incorporated in South Africa, Ata Resources Proprietary Limited (Ata Resources). The NBIO proposes a change of control transaction by which the Consortium will acquire the entire issued share capital of the Company by way of a scheme of arrangement pursuant to Part 26 of the United Kingdom's Companies Act 2006. Ata Resources, on behalf of the Consortium, proposes to offer a cash consideration of A\$0.35 for each Universal Share.

The Company has not received any update on this matter since the market announcement on the 18th of September 2018 and will keep shareholders updated regarding any progress made

Universal will continue to update shareholders on financial and operational progress.

-ENDS-

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Forward-looking statements

This announcement contains forward-looking statements, including statements regarding production, EBITDA projections, plans, strategies and objectives of management, anticipated productive life of mines and regulatory processes. Forward-looking statements can be identified by the use of terminology such as 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue', 'annualised' or similar words. These statements discuss future expectations concerning the results of operations or financial conditions, or provide other forward-looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this announcement. Readers are cautioned not to put undue reliance on forward-looking statements. For example, future revenues from the North Block Complex mines, operations and projects described in this announcement will be based, in part, upon the market price of thermal coal, which may vary significantly from current levels. These variations, if materially adverse, may affect the timing or the feasibility of the development of a particular project, the expansion of certain facilities or mines, or the continuation of existing operations. Other factors that may affect the costs or production output and anticipated lives of operations, mines or facilities include our ability to profitably produce and transport the coal extracted to applicable markets; the impact of foreign currency exchange rates on the market prices of the coal we produce; activities of government authorities in South Africa, including increases in taxes, changes in environmental and other regulations and political uncertainty; labour unrest; and other factors identified in the risk factors discussed in Universal Coal's Annual Reports which are available at www.universalcoal.com. Except as required by applicable regulations or by law, Universal Coal does not undertake any obligation to publicly update or review any forward-looking statements, whether as a result of new information or future events. Past performance cannot be relied on as a guide to future performance.

About the Company:

ASX-listed Universal Coal (ASX: UNV) is committed to building a sustainable mid-tier coal mining company providing investors with exposure to coking and thermal coal assets with the potential to develop into projects of significance.

The company has a portfolio of producing, development and exploration assets located across South Africa's major coalfields.

Kangala Mine in the Witbank coalfield, Universal's first mine, commenced production in February 2014. Kangala produces an average of 2.5 million tonnes of saleable thermal coal per annum, primarily for the domestic market. Kangala Mine has expansion plans to both the adjacent Middlebult and Eloff Project.

The New Clydesdale Colliery (NCC) commenced underground production in 2016 and has ramped up opencast mining production, completing the company's progress towards becoming a multi-mine producer.

The Brakfontein project is a fully regulated project with Mining Right and Integrated water use license and development of this mine will commence as soon as feasible off takes agreements and surface rights have been finalised.

Besides its thermal coal projects (including Brakfontein, Eloff & Arnot South), the company has completed earn-in agreements over one coking coal project (Berenice/Cygnus) in the Soutpansberg coalfields.

Universal Coal is committed to creating shareholder wealth by distribution of generated cash flows to both project development and dividend distribution to shareholders.

The company is cash positive, generating sustainable cash flows from its diversified coal portfolio, and has limited capex requirements for expansion, which can be funded by current cash flows. Universal coal has an appetite for both organic growth and growth by acquisition, but also has a strong commitment to dividend distribution to its shareholders