

12 November 2018



UNIVERSAL COAL COMPLETES ACQUISITION OF THIRD OPERATING COLLIERY

- Strategic acquisition of fully-operational North Block Complex for R93 million (approximately A\$8.9 million), fully funded from cash reserves
- North Block Complex historically achieved average run of mine (ROM) production of ~3.5mtpa over the four year period commencing March 2014 with sales of ~2.7mtpa¹
- North Block Complex to be converted into a multi-product operation with the inclusion of the adjacent Paardeplaats project pending regulatory approvals
- Immediate contribution to Universal's production pipeline and EBITDA

Universal Coal Plc ("Universal" or "the Company") (ASX:UNV) is pleased to announce it has completed the acquisition of its third operating colliery ahead of schedule. Through its subsidiary, North Block Complex Proprietary Limited ("NBC"), Universal has acquired the assets that comprise the North Block Complex from Exxaro Coal Mpumalanga Proprietary Limited and Exxaro Coal Proprietary Limited (together "Exxaro") for an adjusted purchase price of R93 million (A\$8.9 million).

Noted CEO Tony Weber, "Early completion of the North Block Complex acquisition will enable Universal to benefit from additional operating months in the current reporting period. It will also enable us to apply our business and operating model to the North Block Complex and to restore production to levels achieved historically."

"The inclusion of the North Block Complex in Universal's portfolio of assets will significantly increase our projected saleable product pipeline by adding an additional production of up to 2.7Mtpa¹ to the company's production outlook. The acquisition of a fully operational colliery gives us immediate production and cash flow benefits."

NBC is 51%-owned by Ndalamo Resource Proprietary Ltd ("Ndalamo") and 49% by Universal Coal and Energy Holdings South Africa Proprietary Limited ("UCEHSA"). UCEHSA, a wholly-owned subsidiary of Universal, will have management control of NBC.

Acquisition terms and conditions

Since entering into the sale and purchase agreement (“**SPA**”) in March 2018, significant progress has been made in fulfilling the various conditions precedent to the acquisition of the North Block Complex, with all outstanding conditions under the SPA now successfully concluded.

As previously announced, the Company has received the regulatory and statutory approvals from the Competition Commission, and Ministerial approval for Section 11 of the Mineral and Petroleum Resources Development Act (“**MPRDA**”) to transfer the Eerstelingsfontein and Glisa Mining Rights to Universal. The Paardeplaats project’s Mining Right has also been granted by the Department of Mineral Resources (“**DMR**”) to Exxaro, and the parties now await the granting of Section 11 approval for the transfer of ownership of that Mining Right from Exxaro to NBC. Both parties remain committed to the positive undertaking of a successful transfer of ownership of the Paardeplaats Mining Right.

The Company had previously provided Exxaro with an irrevocable bank guarantee for R17million, which has been released to Exxaro. The outstanding balance of the purchase price will be paid to Exxaro at the later date of the granting of the Section 11 for the transfer of ownership of the Paardeplaats project’s Mining Right to NBC and 30 June 2019.

Pursuant to the SPA, NBC has agreed to relieve Exxaro of all surety provided to the DMR for all mine closure and rehabilitation requirements under local laws in respect of the North Block Complex. Exxaro has currently provided surety to the DMR (“**DMR Security**”). NBC has provided for a suitable insurance policy to facilitate the replacement of the current Exxaro DMR Security. Exxaro will provide a R200million surety as collateral to the insurance policy until the Section 11 approval for the transfer of the Paardeplaats Mining Right to NBC has been granted.

Effect of the North Block Complex acquisition on Universal’s strategy

The Company was conservative when including the North Block Complex’s contribution in the market guidance that was provided on 10 October 2018. Owing to uncertainty on the timing of the transfer of ownership, only 900Kt of saleable product was included in the forecast, with production from the colliery being included from January 2019 onwardsⁱⁱ. Short-term production from the North Block Complex will be mainly domestic thermal coal, with the more lucrative, export-quality product being included once the Paardeplaats portion has been fully regulated for mining activities.

CEO Tony Weber concluded: “Given that we have completed this transaction well ahead of schedule, Universal is on track to deliver and exceed the estimated forecast earnings before interest, tax depreciation and amortisation of A\$93.1 millionⁱⁱⁱ. We are exceptionally well placed to deliver on production and sales volume commitments for 2019. We will provide regular shareholder updates on developments at the North Block Complex as well as providing coal reserve and earnings guidance.”

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About the North Block Complex

The North Block Complex is an operational mining and minerals processing business, located proximate to Belfast in the Mpumalanga Province of South Africa. In summary, it consists of the Glisa and Eerstelingsfontein operating mines (with the related infrastructure described below) and the undeveloped Paardeplaats Mining right (adjacent to the Glisa operating mine).

The Eerstelingsfontein operating mine is near the end of its life and the Glisa operating mine has approximately two - four years of life remaining. Significant value has been placed on the Paardeplaats project (that will be developed once all regulatory approvals are granted).

The North Block Complex is an open cast operation and is located in proximity to the state-owned power generator, Eskom Holdings' ("Eskom") Arnot, Tutuka and Komati power stations. Over the past four years, the mines that comprise the North Block Complex have averaged run of mine ("ROM") production of approximately 3.5 million tonnes per annum ("mtpa"), similarly with sales of around 2.7mtpa¹.

Historically, the coal mined has been sold primarily to Eskom for power generation, with a small amount of higher value sized product sold to traders. Mined coal is partially beneficiated, with final products being a blend of both washed product and crushed raw coal.

The North Block Complex infrastructure consists of a Dense Medium Separation coal beneficiation plant and four crushing and screening plants (two of which will be transferred to NBC and two owned and operated under long-term contracts, with a water treatment facility and a rail siding that provides direct access to the Richards Bay Coal Terminal.

Universal intends to convert the North Block Complex to a multi-product operation with the gradual inclusion of the adjacent Paardeplaats project (subject to the transfer of the applicable Mining Right). This will increase exposure to higher margin export markets, whilst maintaining supply of coal to local power stations. Current facilities on site are adequate with minor modification and expansion to achieve the proposed operation of both Glisa and Paardeplaats, with a modest need for further capital investment. It is expected that NBC will be able to fund any additional capital investment from generated cash flows.

Once in operation, Paardeplaats is anticipated to be a lower quartile cost mine producing 25.1 million tonnes ("mt") (probable reserve), ROM over a life of mine of 10 years at an average stripping ratio is 1.66:1 (bcm:tonne)¹.

At the date of transfer, the North Block Complex employs more than 166 staff and 1,100 contractors and existing contracts and employees will form part of the processes going forward in achieving our operational objectives.

Resource Estimateⁱ

As previously disclosed, the North Block Complex hosts a SAMREC (South African Code for The Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2007 edition, amended July 2009) compliant coal resource of 106.71mt, inclusive of proved and probable reserves of 27.96mt. Both SAMREC

and JORC Code 2012 (“JORC Code”) are rigorous codes that deliver robust resource and reserve estimates and SAMREC compliant estimates are “qualifying foreign estimates” for the purpose of ASX Listing Rules. No major differences in the estimates would be anticipated as between SAMREC and JORC Code compliance. However, a competent person has not done sufficient work to classify the foreign estimates as mineral resources or ore reserves in accordance with the JORC Code. It is therefore uncertain that following evaluation and/or further exploration work that the foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code.

All the information in this announcement concerning the North Block Complex Mineral Resources and Ore Reserves (“Foreign Estimates”) has been compiled and reported by Exxaro in the following reports:

- *Competent Person’s Report, Resources for North Block Complex (NBC) for the period ending 31 December 2017, 28 February 2018;*
- *2017 Coal Reserves, North Block Complex - Competent Person’s Report, 28 February 2018; and*
- *Pre-Feasibility Study Report for Paardeplaats, 25 April 2016.*

The Foreign Estimates prepared by Exxaro are the most recent estimations undertaken. Universal is not in possession of any new information or data relating to the Foreign Estimates that materially impacts on the reliability of the Foreign Estimates or Universal’s ability to verify the Foreign Estimates in accordance with the JORC Code. The supporting information provided in Universal’s market announcement of 8 March 2018 continues to apply and has not materially changed.

The Mineral Resource and Ore Reserve estimates and raw coal qualities for North Block Complex are summarised in the table below

Mineral Resource Category	Tonnage (Mt)	CV (MJ/kg)	VM (%)	Ash (%)	S (%)
Measured Resource	77.31	19.6	20.3	31.6	0.9
Indicated Resource	16.20	19.3	20.9	28.6	1.0
Inferred Resource	13.20	19.1	21.6	29.4	1.2
Total Resource	106.71	19.5	20.5	30.9	1.0
Ore Reserve Category					
Probable Reserve	26.46				
Proved Reserve	1.50				
Total Reserve	27.96				

- CV – calorific value, VM – volatile matter, S – sulphur
- Coal qualities are quoted on a Mineable Tonnage In-Situ (MTIS) and on an air-dried basis
- The tonnages are quoted in metric tonnes and million tonnes is abbreviated at Mt
- Rounding-off of figures in this report may result in minor computational discrepancies

The North Block Complex hosts bituminous coal and has historically produced thermal products for supply to Eskom at CVs of between 21.5 MJ/kg and 22.0 MJ/kg and B-grade sized products (peas and duff) for traders supplying the domestic market.

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.

Sources of Information and Notes

Unless otherwise stated, throughout this announcement, an exchange rate of AUD:ZAR 1:9.16 has been utilised.

- i. Universal Coal acquires interest in third operation – The North Block Complex announcement, 8 March 2018 - <https://www.asx.com.au/asxpdf/20180308/pdf/43s8l8cd3tpb3q.pdf>
- ii. Universal Coal forecasts 29% increase in FY2019 EBITDA to A\$93million announcement, 10 October 2018 - <https://www.asx.com.au/asxpdf/20181010/pdf/43z3wtkcttz6bq.pdf>

The information required by ASX Listing Rule 5.16 or 5.17 in respect of the statements corresponding to the footnotes above that appear in the announcement were disclosed in the announcements identified above and in each case, it is confirmed that all material assumptions underpinning the production target or the

forecast financial information derived from the production target in the original announcement continues to apply and has not materially changed.

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