UPDATE ON PROPOSAL TO ACQUIRE 100% OF UNIVERSAL COAL BY WAY OF SCHEME OF ARRANGEMENT

Universal Coal Plc (**Universal** or the **Company**) refers to the Australian Securities Exchange (**ASX**) announcement released on 18 September 2018 (the **Initial Announcement**), stating that Universal had received a conditional, non-binding indicative offer (the **NBIO**) from a consortium of investors (the **Consortium**) led by a private entity incorporated in South Africa, Ata Resources Proprietary Limited (**Ata Resources**).

By way of update to the Initial Announcement, Universal advises that it has received a binding, conditional commitment to make an offer (the **Binding Commitment**) from Ata Resources on behalf of the Consortium under which, the Consortium, through a special purpose bidding company (**BidCo**), proposes to acquire the entire issued, and to be issued, share capital of Universal (each a **Universal Share**), for a cash consideration of AUD0.35 per Universal Share, to be effected by means of a scheme of arrangement pursuant to Part 26 of the United Kingdom Companies Act 2006 (the **UK Companies Act**) (the **Scheme**) and subsequently delist Universal from the ASX (the **Proposed Transaction**).

In the Binding Commitment Ata Resources has advised that it has satisfied certain of the conditions to which the NBIO was subject as referred to in the Initial Announcement, specifically that Ata Resources has obtained conditional commitments to fully finance the Proposed Transaction through a combination of debt and equity funding (with the debt funding having received credit committee approval and binding transaction agreements having been entered into in respect of the equity funding) and that confirmatory due diligence by Ata Resources and its financiers has been completed.

The making of a binding offer for Universal Shares remains conditional upon the negotiation and execution of a transaction implementation agreement (**TIA**) between the parties. The completion of the Proposed Transaction would be conditional upon:

- the approval by a majority in number of shareholders who vote, representing not less than 75% in value of the Universal shares voted, either in person or by proxy, at a meeting of shareholders to be convened in accordance with section 896 of the UK Companies Act (the **Scheme Meeting**);
- the receipt of all required regulatory and statutory approvals, including approvals by the relevant competition authorities; and

- the conclusion of certain ongoing commercial transactions including completion of the North Block Complex and Eloff acquisition transactions (details of which were announced on 8 March 2018 and 12 July 2017 respectively, with an update on each transaction provided in the Company's September 2018 Quarterly Report announced on 23 October 2018), and the receipt of a mining right in respect of Eloff.

In the Binding Commitment, Ata Resources has also advised that in addition to the irrevocable undertaking received from Coal Development Holding B.V. (**CDH**) (representing 27.5% of the issued share capital of Universal) as described in the Initial Announcement, it has received a further irrevocable undertaking from Ichor Coal N.V. (**Ichor**) (representing 29.0% of the issued share capital of Universal) to vote in favour of the Proposed Transaction other than in limited circumstances.

Of the current Universal Board:

- Nonkululeko Nyembezi and Andries Engelbrecht are nominee directors of Ichor;
- David Twist and Carlo Baravalle are nominee directors of CDH; and
- Shammy Luvhengo is a director and shareholder of Ndalamo Resources (Pty) Ltd (**Ndalamo**).

Ata Resources has advised that it has agreed terms pursuant to which post-completion of the Proposed Transaction, Ndalamo will contribute assets in exchange for a 51% interest in Universal Coal and Energy Holdings South Africa Pry Ltd (**UCEHSA**), with BidCo holding the remaining interest of 49%.

Universal confirms that it has formed a committee of directors that are considered to be independent with respect to the Proposed Transaction, which is comprised of Tony Weber, John Hopkins and Henri Bonsma (the **Committee**), to assess the merits of the Proposed Transaction. At this stage, the Committee considers that it is in the best interests of the Company's shareholders to continue to engage with Ata Resources and the Consortium in respect of the Proposed Transaction. In this regard the Committee:

- has engaged Ernst & Young Advisory Services (Pty) Ltd (the **Independent Expert**) to prepare an Independent Expert Report (**IER**) in order to determine whether the Proposed Transaction is fair and reasonable to Universal shareholders;
- proposes to engage with Ata Resources and the Consortium to verify and confirm the deliverability and financing of the Proposed Transaction;
- intends to commence a review of and negotiate the TIA; and
- progress work in respect of documentation relating to the proposed Scheme.

Following the receipt of the IER, the Committee will consider the results of the IER and whether it is able to provide a recommendation in respect of the Proposed Transaction and whether Universal will proceed to enter into the TIA. The IER is expected to be finalised in approximately six weeks' time.

There is no certainty that the Committee will recommend the Proposed Transaction, the terms of the TIA will be agreed, that the Proposed Transaction will become unconditional or that the Scheme will proceed.

The Committee recommends that Universal's shareholders and CHESS Depositary Interest holders (**CDI Holders**) take no action and make no decisions in respect of the Proposed Transaction at this stage.

Universal will keep shareholders and CDI Holders informed of all material developments relating to the Proposed Transaction.

Universal has appointed Tamesis Partners LLP as financial adviser, Mayer Brown International LLP as UK legal adviser and Mills Oakley as Australian legal adviser in respect of the Binding Commitment and the Proposed Transaction.

The Consortium has appointed Rand Merchant Bank as financial adviser, Bowmans as its South African legal adviser, Addleshaw Goddard LLP as UK legal adviers and Gilbert + Tobin as Australian legal adviser in respect of the Binding Commitment and the Proposed Transaction.

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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