



**Multi-mine, cashflow positive  
producer**

**Second mine – opencast in ramp-up phase**

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## **Competent Person Statement**

The information in this report that relates to Exploration Results, Minerals Resources or Ore Reserves relating to the Kangala, NCC, Roodekop, Brakfontein, Arnot South and Berenice Projects is based on information reviewed and compiled by Mr Jaco Malan, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions. Mr Malan is contracted by Universal Coal plc 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 2012 edition of the Australasian Code for Reporting of Exploration Results, Coal Resources and Ore Reserves. Mr Malan consents to the inclusion in this report of this information in the form and context in which it appears.

# 1. EXECUTIVE SUMMARY

*...multi-mine producer, low-cost operations & strong cash flows...*

## Financial strength

- 1H FY2017 operating cash flow A\$8.1m
- 1H FY2017 underlying after-tax profit A\$5.3m
- Reducing debt profile

## Two operating mines

### Kangala Colliery (Kangala)

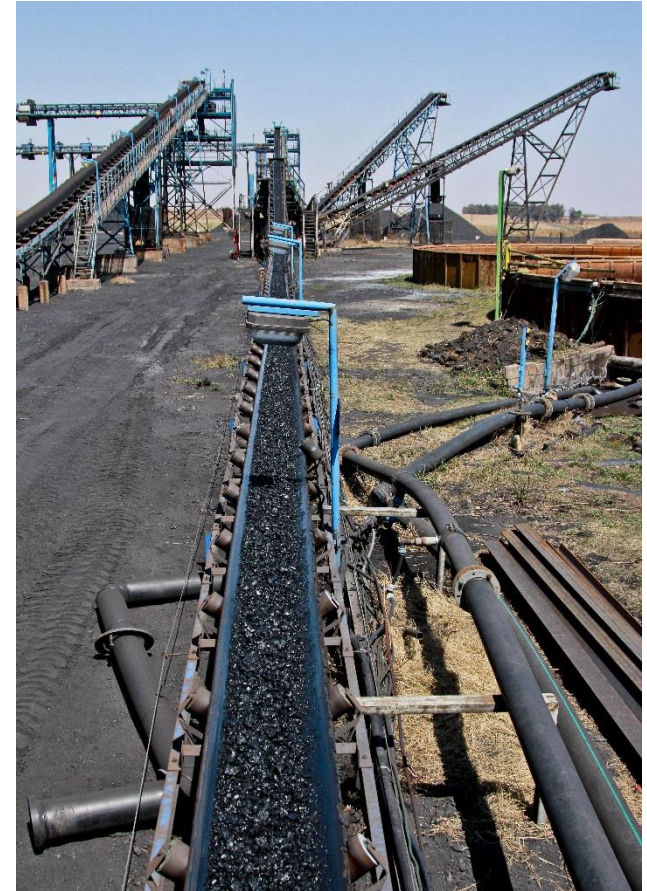
- 1H FY2017 production 2Mt
- 1H FY2017 sales 1.2Mt
- Cash flow positive, exceeding debt obligations

### New Clydesdale Colliery (NCC)

- 900ktpa underground mine operational, with first coal delivered February 2017
- 2.4Mtpa open pit ROM production expected to start late April 2017
  - 100% equity funded to date
  - Export contract secured – 650ktpa for 5 years
  - Domestic offtake contract secured – 1.2Mtpa for 7 years

## Opportunities:

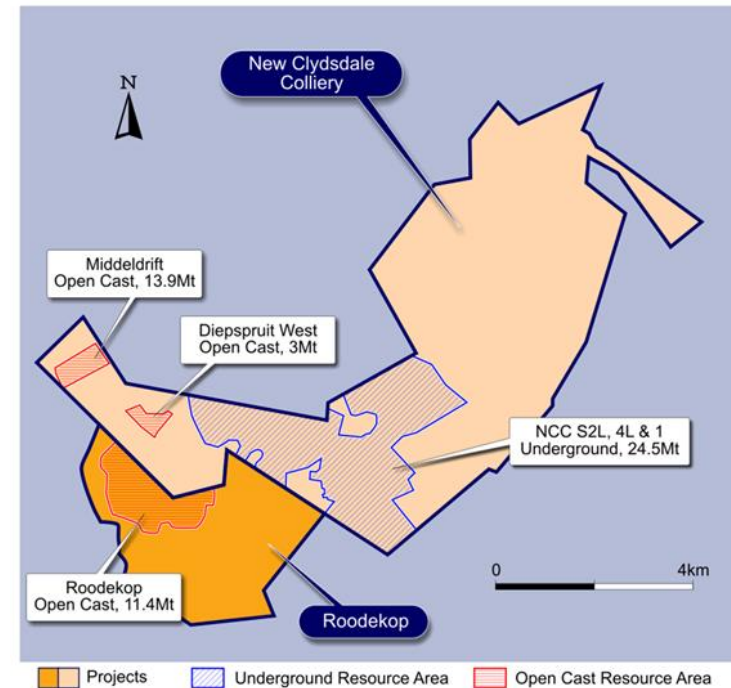
- Commercialising of Brakfontein, Arnot South and Berenice projects
- Expand coal production portfolio by type and geography
- Dividends once NCC is profitable



## 2. NEW CLYDESDALE COLLIERY (NCC)

...3.3Mtpa ROM thermal coal mine with export market focus...

- NCC acquired from Exxaro 2015 – mothballed mine with equipped underground sections, 3.3Mtpa nameplate processing facility and rail load-out.
- Consolidated with Roodekop project: Resource (JORC 2012) 144Mt including Reserves of 29.3Mt.
- Underground sections recommissioned September 2016 and steady state achieved 1Q2017.
- Two of the three CHPP units recommissioned, refurbishment of third planned for completion May 2017 - ability to produce a variety of products simultaneously.
- Two offtake contracts concluded:
  - 5 year 650ktpa 6000Kcal export thermal coal contract
  - 7 year 1.2Mtpa domestic thermal coal contract
- 100% equity funded to date.



### 3. NCC – UNDERGROUND OPERATION

Current Diepspruit underground



#### Operation

- ~900ktpa ROM production capacity for export thermal coal market
- Room & Pillar – three sections
- Contract miner
- Fully funded from internal cash flows

#### Milestone Dates

- ✓ 8 September 2016 - 1<sup>st</sup> coal from underground
- ✓ 12 September 2016 - Plant re-commissioning
- ✓ 31 October 2016 - First full month of sales
- ✓ 1Q2017 – Steady state mining achieved at first two sections



## 4. NCC – OPENCAST DEVELOPMENT

NCC opencast development



### Operation

- 2.4Mtpa ROM production capacity for domestic & export markets:
  - High quality thermal product
  - Low phos metallurgical product
- Truck & shovel - Contract miner
- Boxcut funded from internal cash flows to date

### Milestone Dates

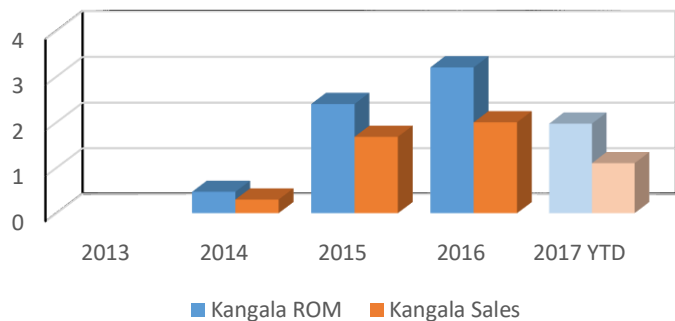
- ✓ January 2017 - Boxcut commenced
- ✓ March 2017 - First coal exposed
- End-April 2017 - First ROM production planned



# 5. KANGALA MINE

...steady growth in production and cash flows...

**Kangala Colliery ROM and Sales Tonnes growth (mtpa)**



## Operation

- Truck & Shovel, low strip ratio (~2:1)
- 3.2Mtpa ROM

## Performance

- First 9 months of FY2017:
  - ROM production of 2.3Mt, up 60% from prior period
  - Sales tonnes of 1.3Mt, up 26% from prior period
    - ✓ Domestic 1.2Mt, up 20%
    - ✓ Export 100Kt, up 175%

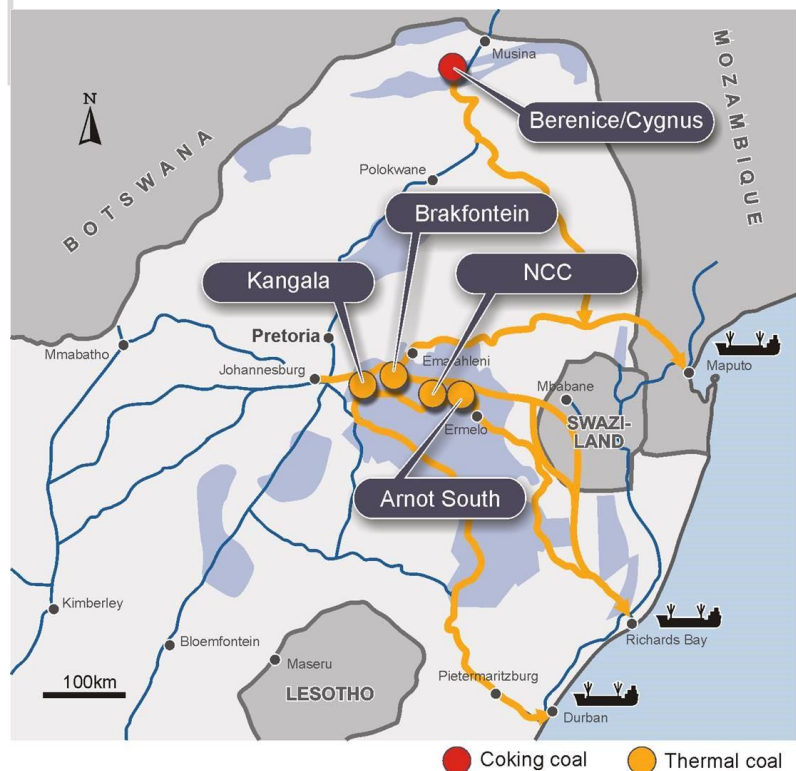
## Off-take Agreements

- Domestic sales:
  - 2 – 2.4Mtpa thermal coal to Eskom
  - 8 year off-take contract, renewable for 8 years
- Export sales:
  - 100Ktpa export sales via RBCT Quattro scheme

## Resources & Reserves

- 16.3mt JORC Reserve
- 131.7mt JORC Resource
  - \* Resources are stated inclusive of reserves
- Remaining LOM stripping ratio of ~1.7:1

## 6. LARGE, WELL-DRILLED RESOURCE BASE



Project	Resources mt				Reserves
	Measured	Indicated	Inferred	Total	Proven/ Probable
<b>Thermal Coal (Witbank)</b>					
Kangala (domestic/export)	78.7	19.4	33.6	131.7	16.3
NCC (domestic/export)	96.8	41.8	6.0	144.7	29.3
Brakfontein (domestic)	31.7	39.4	4.7	75.8	9.1
Arnot South (domestic/export)	2.3	65.3	139	206.6	-
<b>Subtotal</b>	<b>209.5</b>	<b>165.9</b>	<b>183.4</b>	<b>558.8</b>	<b>54.7</b>
<b>Coking Coal (Limpopo)</b>					
Berenice-Cygnus	424.9	800.9	124.3	1,350.1	-
<b>Subtotal</b>	<b>424.9</b>	<b>800.9</b>	<b>124.3</b>	<b>1,350.1</b>	<b>-</b>
<b>Total</b>	<b>634.4</b>	<b>966.8</b>	<b>307.7</b>	<b>1,908.9</b>	<b>54.7</b>

### Notes:

1. Mineral Resources and Ore Reserves as stated in announcement titled "Annual Mineral Resources and Ore Reserves Update – June 2016" released to the market on 26 September 2016
2. The Resource/Reserve estimates were prepared and disclosed under the JORC Code 2012
3. Mineral resources are stated inclusive of mineral reserves and on a gross in situ basis
4. Universal has an attributable interest of 70.5 per cent. of the Kangala Project
5. Universal has an attributable interest of 49 per cent. in the NCC Project
6. Universal has an attributable interest of 50.29 per cent. in the Brakfontein Project and the right to negotiate to acquire up to a 74 per cent. interest upon completion of the BFS and award of a mining right and associated regulatory approvals
7. Universal has an attributable interest of 50 per cent. in the Arnot South project
8. Universal has an attributable interest of 50 per cent. in the Berenice & Cygnus Projects with an option to acquire up to a 74 per cent. Interest



# 7. PROJECT PIPELINE

*Growing, diversified coal portfolio*



## Brakfontein

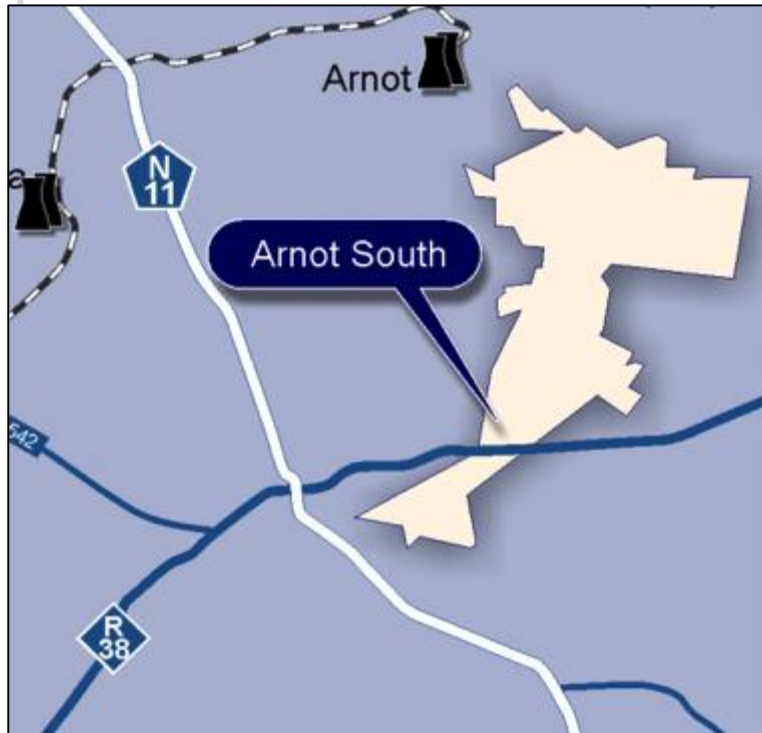
- 75.8mt thermal coal JORC resource
- 9.1mt JORC reserve
- 25km east of Kangala Mine
- Mining Right and environmental authorisations granted
- IWULA granted
- Planned 1.2mtpa ROM operation



## Berenice Cygnus

- High volatile, high swell SSCC & thermal coal project
- 1,350mt shallow resource - 700mt open pit at shallow dips (<math><6^\circ</math>)
- 20km from existing railway infrastructure and 55km west of Coal of Africa's Makhado coking coal project
- Mining Right and environmental authorisations applied for
- DRA scoping study confirms viability for sustainable 10Mtpa open cut operation

## 7.1 PROJECT PIPELINE (contd.)



<b>Project Name</b>	➤ Arnot South
<b>Ownership</b>	➤ 50% shareholding
<b>Resources &amp; Reserves</b>	➤ JORC Resource 206.6mt * Resources are stated on a gross in situ basis
<b>Coal Quality</b>	➤ Raw coal (undiluted) CV of 22.4 Mj/kg ➤ Wash simulations indicate that the No. 2 seam can support various single and multi-product scenarios at high theoretical yields
<b>Planned activities</b>	➤ Resource upgrade – drilling out a Measured Resource by end 2017 ➤ Complete Feasibility Study and apply for Mining Right in 2018 ➤ Not required to contribute to funding until development (on a loan basis)

Product Option	Primary Product (air dried basis)						Secondary Product (air dried basis)						Combined Product YL
	YL %	ASH %	CV Mj/kg	VM %	IM %	S %	YL %	ASH %	CV Mj/kg	VM %	IM %	S %	%
27.5 Mj/kg	53.9	12.5	27.5	26.2	3.4	0.34	32.8	27.8	21.5	19.5	3.0	1.04	86.7
26.5 Mj/kg	72.4	15.0	26.5	24.7	3.4	0.36	9.0	27.6	21.5	19.3	3.0	1.05	81.4
25.5 Mj/kg	84.9	17.5	25.5	23.9	3.3	0.41	-	-	-	-	-	-	84.9

## 8. SHORT-TERM OPERATIONAL DELIVERABLES

- Steady state mining at NCC opencast in 6 months
- Consistent cash flow generation at Kangala and NCC
- On track to exceed 6mtpa ROM production and 4mtpa coal sales
- Commercialising:
  - Brakfontein (all licenses in place)
  - Berenice (mining right lodged and progressing)
  - Arnot South acquisition completion
- Continue to assess acquisition opportunities in South Africa and Australia

# 9. INVESTMENT PROPOSITION

## Value-accretive growth underpinned by strong cash flows

- NPV per share of A\$0.26
- Independent target share price set at A\$0.24 – an 85% gap
- Step change jump in EBITDA forecasted from 2018 onwards

### Summary profit (A\$M)

	2016	2017E	2018E
Revenue	97.6	139.6	235.8
EBITDA	23.0	13.6	54.1
EBIT	16.5	3.4	43.4
NPAT	16.5	4.1	31.2
Minorities	-7.9	1.9	-10.5
NPAT to Shareholders	8.6	6.0	20.7
Net Change in Cash	-19.0	3.6	21.9

Source: UNV and APP Securities

APP Securities Company Research

Universal Coal Plc

UNV A\$ 0.135 TARGET PRICE A\$0.24

UNV has equity production of 2.7Mtpa from two thermal coal mines in South Africa, and has a fully approved thermal project and a yet to be approved coking coal project, also in South Africa.

20 March 2017

Energy

BUY

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### NCC cash flow positive on debut, NPV up to A\$0.26/sh on currency assumption changes

Solid cash flow from Kangala, positive NCC disguised by write-off

Universal coal continues to be a company in transition, which is always a period of uncertainty and potential for missed deadlines. While commissioning of NCC is behind the company's original schedule, it would have been irresponsible to commit prior to obtaining sales contracts, and the UNV management has shown that once those contracts are in place, it can deliver very rapidly, and within budget. The delivery of initial positive operating cash flow from NCC should be of comfort to investors. The final hurdle is the drawdown of the NCC debt, which we expect soon. Our price target remains A\$0.24/sh.

Result leads to downgrade on one offs, FX moves positive

We have had to downgrade FY17 earnings from A\$11.1M to A\$6.0M due to an unexpected write-off on sale of assets of A\$3.4M (UNV share post tax), and a longer than forecast period of lower interim export coal prices. This interim contract underwrote the start of operations at NCC. The years after FY17 changed less than 1% on the result, but have been lifted between 11-13% over the next 4 years by a stronger Rand and a weaker AUD.

Basic investment proposition.

Unrecognised Assets – The complexity of the ownership structure hides the management fees and loan repayments: from JV partners that have an NPV of A\$0.09/sh

440Ktpa of export thermal coal exposure from mid 2017-At current spot thermal price of US\$80/t FOB Richards Bay NPV is A\$0.33/sh, and FY18 NPAT is A\$0.047/sh, ie a PER of 2.9x.

Two mines bought into production at A\$20/tpa of yearly capacity –UNV management has a track record of delivering derisked coal projects with Annot South and the fully approved Brakfontein in the pipeline.

Reliable and bankable cash flow from Eskom contracts - UNV has equity in 2.5Mtpa Eskom thermal coal providing a sustainable cash flow of A\$10/t or A\$25M ps pre-tax. These cash flows will continue past the current published reserve lives, with supply sources from other mines within each joint venture.

### Company Data

Number of shares	522.5M
Market capitalisation	\$70.5M
Free Float (%)	42.9%
12 month High/Low	\$0.23/\$0.12
Average Daily Turnover (\$M)	.048
% SBP/ASX 200	N/A
% All Ordinaries	N/A
DDM Ranking	
ESG Score (Ranking)	N/A
GICS Industry Group	Energy

### Summary profit (A\$M)

	2016	2017E	2018E
Revenue	97.6	139.6	235.8
EBITDA	23.0	13.6	54.1
EBIT	16.5	3.4	43.4
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Minorities	-7.9	1.9	-10.5
NPAT to Shareholders	8.6	6.0	20.7
Net Change in Cash	-19.0	3.6	21.9

Source: UNV and APP Securities

### Share Price Performance



# APPENDICES

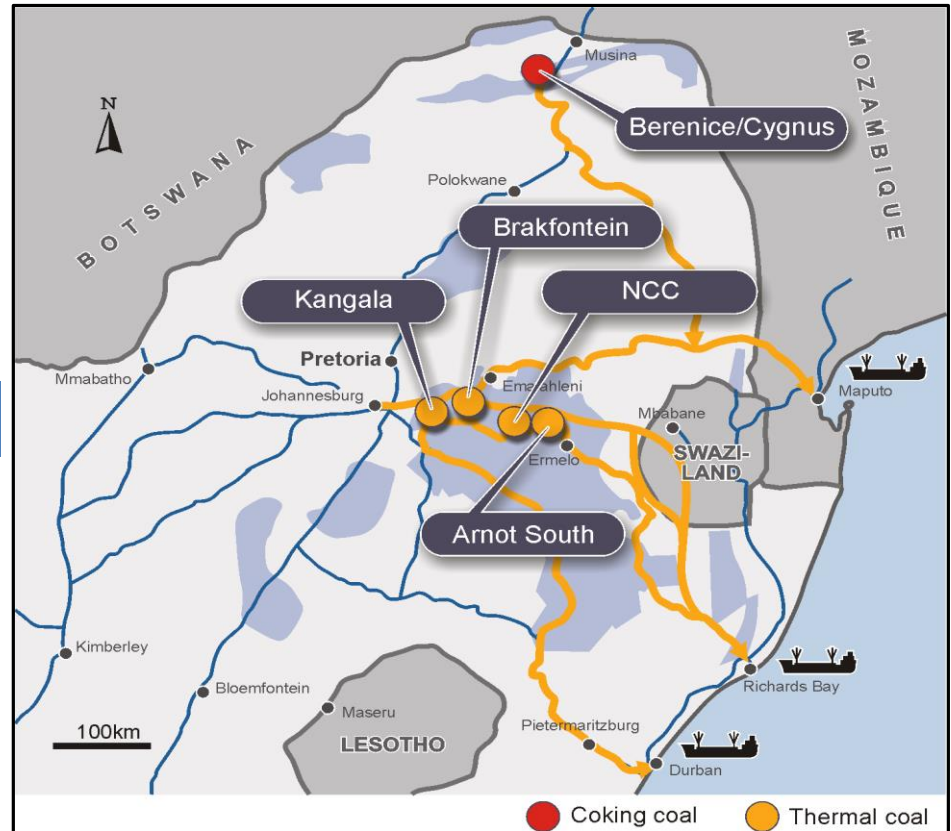
# CORPORATE SNAPSHOT

## ASX information

(as at 6 April 2017)

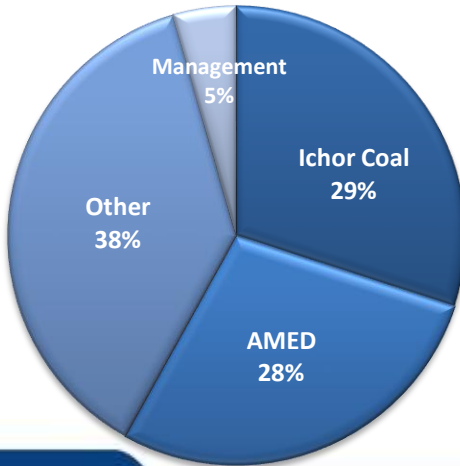
- ASX Listed: UNV.ASX
- Equity on issue: 522.5 million
- Share price: A\$0.13
- Market capitalisation: ~A\$68 million
- Unrestricted cash (31 Dec 2016): A\$5.7 million

## A diversified coal portfolio



## UNV share register

(as at 2 March 2017)



# AN EXPERIENCED BOARD

**John Hopkins**



**Non Executive Chairman (Independent)**

John Hopkins is a qualified and experienced lawyer and professional company director. He has been on the board or chairman of more than 20 public listed companies since 1985 (both in Australia and Canada) and as such has been involved in the financing and development (and subsequent M & A activities) of many gold, base metal, energy (coal and oil and gas), mineral sands and other resource projects all over the world.

He currently chairs Wolf Minerals Ltd (WLF) and as such has in the past 5 years overseen the transition from explorer to producer and taking its market capitalization to over \$300m. John is also a Fellow of the Australian Institute of Company Directors. Mr Hopkins was awarded the Medal of the Order of Australia (OAM) in January 2015 for services to the minerals and resources sector.

**Nonkululeko Nyembezi-Heita**  
MSc, MBA



**Non Executive Director**

Nonkululeko Nyembezi-Heita is the Chief Executive Officer of Ichor Coal N.V., an international mineral resources company focusing on coal mining in South Africa. IchorCoal holds significant minority positions in a number of South African-based coal mining companies.

Previously Chief Executive Officer of ArcelorMittal South Africa, the largest steel producer on the African continent and a subsidiary of the ArcelorMittal Group which, in turn, is the largest steel producer in the world. Prior to that, she served as the Chief Officer of Mergers & Acquisitions for the Vodacom Group and, before that, Chief Executive Officer of Alliance Capital, then local subsidiary of a New York-based global investment management company. Ms Nyembezi-Heita has served as an independent non-executive director on numerous boards. She currently serves as non-executive Chairperson of the Johannesburg Stock Exchange and non-executive member of the Board of Old Mutual plc.

**Carlo Baravalle**



**Non Executive Director**

After four years of experience in finance with an Italian fashion group, GFT, Carlo Baravalle completed an MBA at INSEAD. He then spent several years in strategic consulting, working on assignment for many large French conglomerates in both France and the USA. He later moved into the telecoms industry, working firstly with BT to start new ventures outside the UK, then as a Director of the Corporate Finance Telecoms team at Warburg, and later in a senior global position at Lucent Technologies.

Carlo subsequently moved into the private equity sector, firstly as MD International and Main Board Member at The Exchange FS, and later as Senior Vice-President for EMEA, Asia and LatAm for LCC, a telecoms engineering company initially invested by the Carlyle Group.

**Hendrik Bonsma**



**Non Executive Director**

A businessman with interests throughout South Africa, Hendrik Bothma has been actively investing in the South African mining industry for over a decade. Henry, as he is more commonly known, has been involved in various successful chrome, platinum, and iron ore transactions, and has promoted several listings on the JSE Limited, AIM, the London Stock Exchange and ASX.

**Andries Engelbrecht**



**Non Executive Director**

Andries Engelbrecht has more than 20 years of experience in the coal mining industry and, most recently was the Chief Operating Officer of Riversdale Mining Limited, where he was responsible for all Africa-based projects and operations. Prior to that Andries held the role of General Manager at Riversdale Mining's Zululand Anthracite Colliery. He has also held various management positions within BHP Billiton's Ingwe Coal Corporation.

**David Twist**  
BSc Hons, PhD



**Non Executive Director**

David Twist is a founding member of Platmin and was CEO until 2006., after which he focused on new mineral exploration opportunities at Sephaku Holdings. Previously with Impala Platinum and involved in the Bushveld Complex research at the University of Pretoria, he is a member of the South African Council of Natural Scientific Professions, the Geological Society of London, the Society of Economic Geologists (US).

# PROVEN MANAGEMENT TEAM

**Tony Weber**  
MSc Mining Eng



**Chief Executive Officer**

Prior to joining Universal Coal, Tony Weber was an Executive Director at Nkwe Platinum Limited, as well as Operations Manager at the Potgietersrus Platinum Mine and at the Gamsberg Project. He is a Mining Engineer with 20 years' experience in mining, spanning project assessment, finance, development and operations. Tony's coal experience includes working at the New Clydesdale Colliery and Greenside Colliery for Gold Fields Limited, as well as a brief period at the Prosper Hanniel Colliery in Germany. He has significant skills and experience in coordinating project feasibility studies and hands-on operational experience in the coal extraction industry.

**Shammy Luvhengo**  
BSc Geology



**Director Business Development**

Investment banker and qualified Geologist. Shammy Luvhengo started his career with Exxaro Resources Limited before moving into the investment world.

Previous work experience includes positions at Investec Bank and Nedbank Capital, where Shammy was involved in structuring and implementing project finance and BEE deals within the resources industry. Prior to joining Universal Coal, he worked at Nkwe Platinum Limited as Head of Business Development and Investor Relations.

**Daryl Edwards**  
CA (SA)



**Chief Financial Officer**

Daryl Edwards is a Chartered Accountant with over 12 years of professional experience in finance and commerce.

Prior to joining Universal Coal, he was CFO at Asenjo Energy, a Botswana-based coal exploration and development company, a Joint Venture between Aquila Resources Limited, Sentula Mining Limited and Jonah Capital BVI. Daryl is responsible for all financial and commercial facets of the business, and is an integral part of the management team responsible for returning shareholder value.

**Minah Moabi**  
MSc Environmental Science



**Director Corporate Affairs**

A qualified Environmental Scientist and member of the South African Council for Natural Scientific professions (SACNASP), Minah Moabi has 10 years' experience in environmental management, water management and sustainable development.

Prior to joining Universal, Minah worked for BHP Billiton (BECSA) as a Project Manager, managing environment-related projects. She is responsible for developing, implementing and managing social and environmental management systems, strategies and action plans that ensure corporate sustainable development.

**Kevin Donaldson**  
BSc Mining Eng



**Chief Development Engineer**

A Mining Engineer with over 20 years experience in coal mining. Kevin Donaldson started his career in operations at the then Rand Mines Limited ("Rand Mines"), where he reached the level of Mine Overseer. He later joined Anglo American Plc, where he moved into the mine planning and technical side of mining and project development.

Kevin will be involved in the study phases of Universal Coal's projects, and will be responsible for the implementation of the Kangala Mine project.

**Jaco Malan**  
MSc Exploration Geology



**Country Representative: Australia**

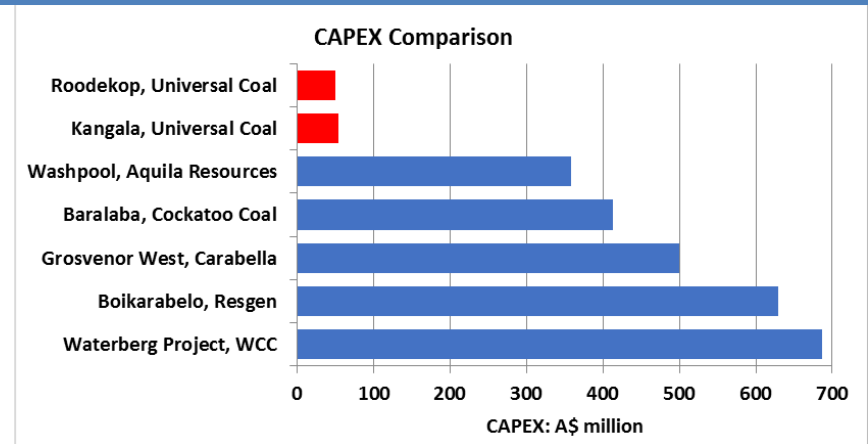
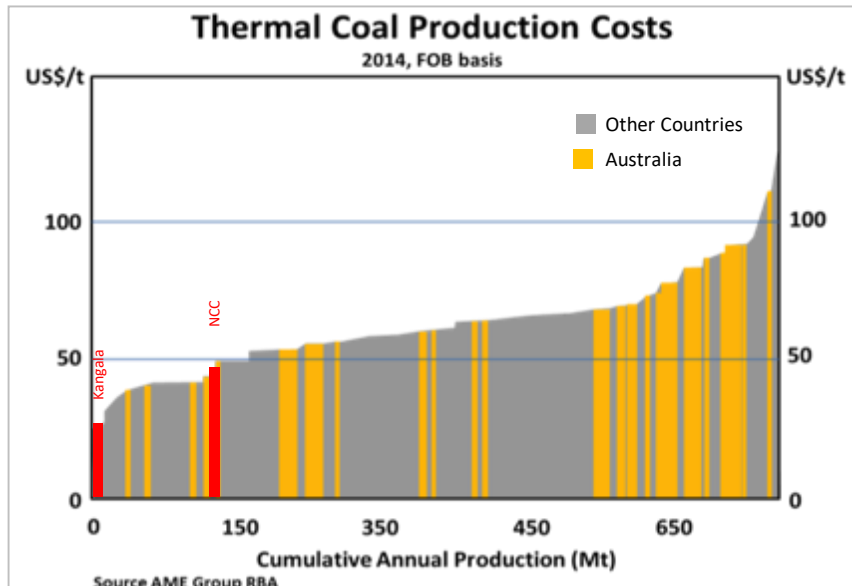
A co-founder of Universal Coal and Geologist with a Masters Degree in Exploration Geology. Jaco started his career with Iscor Limited and has over 20 years' experience in target generation and exploration across a range of commodities including coal, platinum, heavy minerals, gold and industrial minerals. He played a major role in identifying and acquiring Universal Coal's current portfolio of South African projects. Jaco is responsible for the day to day management of the company's Australian business development initiatives and is a member of the development and delivery team for the current coal assets.



# LOW COST PRODUCER

*Among the lowest cost producers globally*

- Very low strip ratios:
  - Kangala – 1.7:1
  - Roodekop – 3.5:1
- Very low development capex and opex



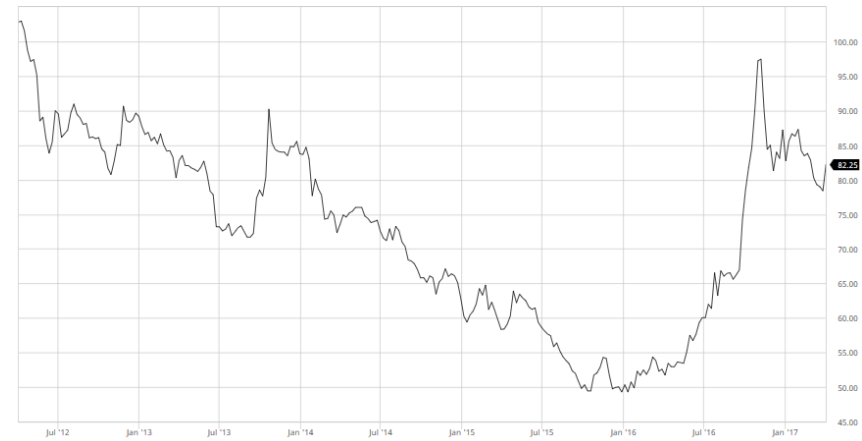
- Close to existing rail and road infrastructure – NCC has rail load-out facility
- Close to existing domestic coal markets - 50km from power stations
- Access to export markets - 500km by rail from Richards Bay Coal Terminal

# THERMAL COAL MARKET

## Sustained signs of global price recovery

- Benchmark Richards Bay API4 6000kcal/kg (FOB) coal price increased from US\$49 to US\$84 since Jan 2016
  - *futures trending to US\$72 at Dec 2018*
- **Thermal coal is not facing a permanent decline**
  - carbon emissions reduced >20% in high efficiency, low emissions (HELE) plants under construction in Asia; and
  - Increasing use of higher energy thermal coal
- Prices supported in the short term by China's plans to eliminate as much as 500mt of production capacity, and consolidate a further 500mt
- Increased power demand in North-east Asia to lead to greater demand for thermal coal

API4 global pricing US\$/t



# THERMAL COAL MARKET (contd.)

## Strong domestic South African consumption

### South Africa

- Produces ~280mtpa of coal (2013e):
  - Consumes 75% of the coal domestically
  - Exports 72mtpa of high grade thermal coal
- A large and growing domestic market:
  - 93% of electricity generation is coal-fired
  - Only 50% of households are electrified

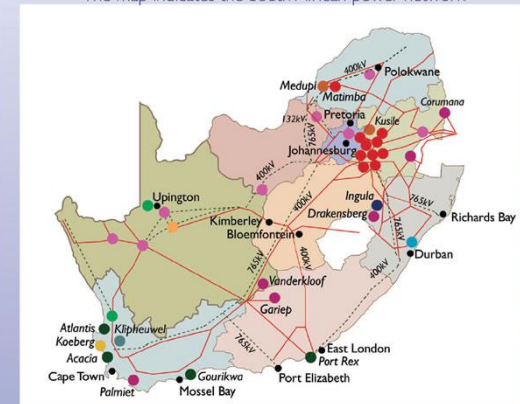


### Eskom

- South African public electricity utility
- One of the top 20 utilities in the world by generation capacity, with net maximum capacity of 41,194MW
- Eskom generates ~95% of the electricity used in South Africa
  - ~45% of the electricity used in Africa
- Eskom in midst of capacity expansion
  - Increasing output by 17,120MW
  - Construction of two new coal-fired power stations (Medupi and Kusile) nearing completion - 2018-2020
- Currently consumes 126mtpa of coal
  - requires extra 18-22mtpa by 2017/2018
- Contracts for medium term coal supply are negotiated on a ROI basis
- Suppliers require a minimum of 51% BEE participation to qualify as vendors

### South African grid map

The map indicates the South African power network



- Key**
- Existing grid system
  - Possible future grid system
  - Future hydroelectric power station
  - Future thermal power station
  - Hydroelectric power station
  - Interconnection substation
  - Town
  - Future renewables
  - Renewables
  - Thermal power station
  - Future interconnection substation
  - Nuclear power station
  - Future gas station
  - Gas power station
  - Future substation

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