

16 May 2017



## PROPOSED REDUCTION OF CAPITAL

Universal Coal Plc (ASX:UNV) (the "**Company**") announces that it is proposing a reduction of capital that, if approved by shareholders/CDI holders and the applicable UK court process, will enable the Company to pay dividends or facilitate other ways to return cash to shareholders/CDI holders in the future, should the Directors consider it appropriate to do so.

### Proposed Reduction of Capital

As a company incorporated in England and Wales, the Company is subject to the *Companies Act 2006* (UK) (the "**Act**"). Unlike the Australian *Corporations Act 2001* (Cth), the Act maintains the concept of shares being issued at "par value", being the face value of a share.

As a consequence, Universal maintains a "share premium account", being an equity account that appears on the company's statement of financial position. The share premium account is credited with the premium to par value at which shares are issued. The Company's share premium account is a non-distributable reserve.

As at 31 March 2017, the balance of the Company's share premium account totalled A\$53,591,657. At the same date the Company also had an accumulated loss totalling A\$43,976,648. Under the Act, a company can only make cash distributions out of profits available for distribution. Accordingly, in order for the Company to be in a position to pay dividends or otherwise return cash to shareholders/CDI holders it is necessary to eliminate the accumulated loss.

Subject to receiving shareholder/CDI holder approval and confirmation from the High Court of Justice of England and Wales (summary details of which are set out below), the Company intends to cancel its share premium account (the "**Reduction of Capital**"). The reserve resulting from this cancellation will be used to eliminate the accumulated loss, leaving the Company with distributable profits.

## Process for the proposed Reduction of Capital

The Reduction of Capital must be approved by a special resolution of the Company's shareholders/CDI holders (the "**Resolution**").

If shareholder/CDI holder approval is obtained, confirmation of the Reduction of Capital will be sought by the Company from the High Court of Justice of England and Wales in accordance with the Act.

## Effect of the proposed Reduction of Capital for the purposes of the ASX Listing Rules

The Reduction of Capital will not have any effect on the number of securities that have been issued by the Company nor the amount unpaid on any securities that have been issued by the Company.

No fractional entitlements to any securities issued by the Company will arise as a consequence of the Reduction of Capital.

The Reduction of Capital will not have any effect on any of the convertible securities that have been issued by the Company.

## General Meeting

The Company intends to convene a General Meeting to be held on 2 June 2017 for shareholders/CDI holders to consider the Resolution. A notice of meeting setting out further details regarding the proposed Reduction of Capital has been lodged with the ASX and will be distributed to the Company's shareholders and CDI holders today.

For further information please contact:

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