

21 December 2018



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 26 October 2018, stating that Universal had received a binding, conditional commitment to make an offer (the **Binding Commitment**) from Ata Resources Proprietary Limited (**Ata Resources**) on behalf of a consortium of investors (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**), 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**).

Since the receipt of the Binding Commitment, the committee of directors formed to progress the Proposed Transaction (the **Committee**) and the Company's advisers have continued to actively engage with Ata Resources and its advisers in connection with the Proposed Transaction. The Company provides the following process update:

INDEPENDENT EXPERTS REPORT

Ernst & Young Advisory Services (Pty) Ltd (the **Independent Expert**) has been engaged to prepare an Independent Expert Report (**IER**) in order to determine whether the Proposed Transaction is fair and reasonable as far as the shareholders of Universal are concerned. Based on the latest guidance from the Independent Expert, and accounting for the work required on Universal's recently acquired assets, the IER is expected to be received by mid-January 2019. Following the receipt of the IER, its conclusions will be considered and it will be determined whether:

- Universal will proceed to enter into a transaction implementation agreement with BidCo (**TIA**); and
- the Proposed Transaction will be recommended to shareholders.

NON-SOLICITATION AGREEMENT

In consideration of the ongoing engagement between the parties, Universal has entered into a non-solicitation agreement with BidCo. Pursuant to the agreement Universal has, amongst other things, agreed not to solicit the submission of any proposal to acquire the Company, its business or any material assets or

undertaking and to notify BidCo of any approaches that are received from a third party in respect of such a proposal for a period ending on 15 February 2019, and has agreed to cooperate with Bidco in relation to regulatory filings and other steps relevant in the Proposed Transaction. In all relevant scenarios, the ability of Universal's directors to discharge their duties as directors is preserved.

The agreement will automatically terminate in the event BidCo gives notice to Universal that BidCo decides not to proceed with the Proposed Transaction or is unable to secure certainty regarding the funding required to effect the Proposed Transaction.

FINANCING OF THE PROPOSED TRANSACTION

BidCo has indicated to the Company that, if the offer to be implemented by way of the Scheme is made, financing of the Proposed Transaction would be subject to the satisfaction of certain further conditions, including:

- conditions which require the approval of Universal's partners with respect to its operating assets and projects; and
- the receipt of certain outstanding regulatory approvals, such as the Department of Mineral Resources in South Africa granting the section 11 approval for the transfer of ownership of the Paardeplaats mining right to North Block Complex (Pty) Ltd (**NBC**) following the recent acquisition of a majority interest in NBC by Universal,

amongst other conditions that are considered standard for a debt financing facility of the nature proposed to be used by BidCo.

The Committee intends to continue to engage with the Consortium with a view to understand the impact that these conditions, and any other conditions, will have on the timing and certainty of the Proposed Transaction; and is conscious that the Company should not be hindered in the conduct of its affairs for longer than is reasonable by reason of the Proposed Transaction.

INDICATIVE TIMETABLE

As described above, it is anticipated that the IER will be received in mid-January 2019. Following the receipt of the IER, the Committee will consider its conclusions and whether to recommend the Proposed Transaction and enter into the TIA. A further announcement will be made at that stage.

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.

For further information please contact:

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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 production in 2016 and as an Underground and opencast producer has completed the process of progressing the company to be a multi-mine and product producer, currently producing at 2.7mtpa, of which 1mt destined for Export (6,000kcal & 15% ash), the remainder supplying primarily the domestic energy market.

The third open cast producer being the North block complex (NBC) was successfully taken over in 2018, currently producing at a rate of 2.4Mtpa(annualised) primarily for the domestic energy coal market. The North Block Complex consist of the current Glisa and Eerstelignfontein, and the Paardeplaats project. The Paardeplaats project has been granted a mining right and the company awaits the granting of the section 11 transfer of ownership approval. The Paardeplaats project is adjacent, along the southeastern border, and its coal resources are seen as a natural extension of the Glisa coal resource Mining activities at Paardeplaats are envisaged to compliment production at Glisa with a substantial increase in Export coal product for both the domestic and export markets.

The Brakfontein project is a fully regulated project with Mining Right, Environmental Authorisation 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