

22 January 2019



## UNIVERSAL DELIVERS STABLE QUARTERLY EARNINGS AND PRODUCTION

### HIGHLIGHTS

- ✓ Record Quarterly EBITDA of A\$30.5 million (A\$17 million attributable) and 1.8 million tonnes of coal product sales (HY2019 volumes 3Mt, and EBITDA A\$50.9million)
- ✓ North Block Complex (NBC) acquisition finalised and commenced operational control on 1 November 2018
- ✓ Granting of the Eloff Mining Right in December 2018
- ✓ Received S11 approval for the Glisa and Eerstellingsfontein Mining right at NBC
- ✓ Final Dividend of A\$0.01 paid in December 2018, total of A\$0.02 for FY2018
- ✓ HY 2019 results exceeding FY 2019 guidance provided to market
- ✓ NBO of \$A0.35 per share received during the quarter from a consortium led by ATA resources

### Production and sales highlights

| Production and sales tonnes | Dec-18    |              | Sep-18    |              | GROUP VARIANCE |
|-----------------------------|-----------|--------------|-----------|--------------|----------------|
|                             | Group     | Attributable | Group     | Attributable |                |
| Group ROM production tonnes | 2 624 013 | 1 499 60     | 2 196 445 | 1285762      | 19%            |
| Group sales tonnes          | 1 790 093 | 1 011 662    | 1 182 874 | 698 712      | 51%            |

### 1. CORPORATE OVERVIEW

Universal Coal Plc ('Universal' or 'the Company') (ASX: UNV) is pleased to report a significant increase in sales and normalised EBITDA for the quarter ending December 2018. A significant portion of the increase in earnings has been contributed by the North Block Complex, a going concern acquisition that transferred to Universals management from 1 November 2018.

The Company has achieved an EBITDA of A\$30.5 million (A\$17million attributable) for the quarter ending December 2018, an increase of 53% on the previous quarter EBITDA of A\$20million (A\$11million attributable).

The Company expects normalised\* EBITDA for the first half of the year to reach A\$51 million and is on track to achieve forecast guidance of A\$93 million for FY2019.

Group cash balance at the end of December closed on A\$46.8 million (previous quarter of A\$39.4 million). The Balance includes restricted cash of A\$0.7 million, which decreased from A\$3.2 million since the previous quarter.

The Company's attributable total cash increased by A\$2 million during the quarter, even after the cash dividend distribution of A\$5.2 million to Universal Coal PLC shareholders. The total cash balance was also affected by the release of deposit for acquisition guarantees. Operational cash flows were impacted by significant provisional tax, royalty payments of A\$15.2million and the repayment of A\$2.9million of debt.

The Company has received favourable funding terms from Capital Harvest Emerging Farmers Finance (Pty) Ltd for a 10 year mortgage loan covering the agricultural properties acquired within the Eloff Project. The Eloff Project includes substantial quantities of surface rights and the company was able to obtain a total of R95million of finance and executed on the funding end of October 2018. The funding was utilised in the funding of the acquisition price of the 51% of Eloff Project acquired from Exxaro.

The Company's attributable net interest-bearing asset position at September 2018 decreased to A19xxxmillion compared to the previous quarter A\$19.3 million\*\*.

Dividends paid to shareholders for FY2018 totalled A\$0.02 per share, delivering solid annual cash returns to shareholders.

The Company is committed to increasing shareholder wealth by strengthening its portfolio of coal exploration, development and mining assets in South Africa. The inclusion of the new NBC colliery and the commencement of our Ubuntu Project (Brakfontein) occurring in the current quarter reflect this strategy. Another focus is continuing with dividend payments in the remaining months of FY2019.

The Quarter operational EBITDA excludes any fair value and goodwill adjustments relating to the business combination adjustments for the inclusion of NBC and the increase in ownership for the Eloff Project. These adjustment will be included in the Interim financial statement release at the end of February 2019.

*\* Normalised EBITDA: The Quarter operational EBITDA excludes any fair value and goodwill adjustments relating to the business combination adjustments for the inclusion of NBC and the increase in ownership for the Eloff Project. These adjustment will be included in the Interim financial statement release at the end of February 2019.*

*\*\*Net asset position is calculated as follows: Long Term Debt + Short Term Debt – Cash Balance – Net Shareholder receivable.*

## **2. MANAGEMENT COMMENTARY**

***Commenting on the December Quarter, Universal Coal's Chief Executive Officer, Tony Weber said:***

*"Following the acquisition of NBC during the quarter, Universal delivered record sales in what is traditionally one of the two weaker quarters due in part to the occurrence of the rainy season. This solid trading result is underpinned by the speedy integration of the operation, which is testament to the hard work by both the Universal and the incumbent mine team in delivering a smooth transition. The mine is currently producing at an annualised*

*rate of 2.4mtpa, as previously advised, with the transition to a multi-product export/domestic operation now starting to occur.*

*The consolidated company has now hit an effective annualised 7.5mtpa sales production run rate, whilst Ubuntu colliery (Brakfontein), which is still scheduled to be brought on stream during the second half of the current financial year, will allow UNV to close out the second half of FY2019 with an annualised sales tonne production rate of 8.5mtpa.*

*Universal will continue to concentrate its efforts on increasing shareholder value through production growth from the inclusion of the Eloff Project to the Kangala life of mine, delivering the Brakfontein (Ubuntu) project, to achieve our 10mtpa targeted production, whilst continuing to distribute dividends.*

*We continue to engage actively with Ata Resources in relation to the announced NBO and look forward to updating shareholders as appropriate.”*

## **OPERATIONAL SUMMARY**

The Company produced an additional 427Kt of ROM during the current quarter compared to the previous, and this is largely contribute by the additional ROM from NBC. The second and third quarter is usually expected to be affected by the rainy summer season in South Africa, but with delayed summer rain experiences in the country, the company was able to benefit from uninterrupted production rates.

The second quarter delivered a 51% increase in total sales volumes, once again largely from by the additional volumes of domestic product supplied to Eskom from NBC, as well NCC now delivering on its increased tonnages to Eskom.

The total sales volume for the 6 months ending December 2018 approximates to 2,97Mt (attr. 1.7Mt) and is in line with the guidance of 6Mtpa (attr. 3.4Mtpa) sold to market. The company is on track to deliver previously stated EBITDA guidance of A\$93.1million and 6Mtpa (attr. 3.4Mtpa) sold to market.

Production and sales tonnages for the quarter are tabulated below

|                       | Dec-18           |                  | Sep-18           |                  | Group<br>variance |
|-----------------------|------------------|------------------|------------------|------------------|-------------------|
|                       | Group            | Attributable     | Group            | Attributable     |                   |
| <b>ROM production</b> |                  |                  |                  |                  |                   |
| Kangala               | 994 578          | 701 177          | 974 438          | 686 979          | 2%                |
| NCC*                  | 1 152 520        | 564 735          | 1 222 007        | 598 783          | -6%               |
| NBC**                 | 476 915          | 233 688          | -                | -                | 100%              |
| <b>Total</b>          | <b>2 624 013</b> | <b>1 499 601</b> | <b>2 196 445</b> | <b>1 285 762</b> | <b>19%</b>        |
| <b>Sales</b>          |                  |                  |                  |                  |                   |
| Export                | 286 079          | 142 233          | 239 051          | 118 814          | 20%               |
| Domestic              | 1 504 014        | 869 429          | 943 823          | 579 899          | 59%               |
| <b>Total</b>          | <b>1 790 093</b> | <b>1 011 662</b> | <b>1 182 874</b> | <b>698 712</b>   | <b>51%</b>        |

\*NCC – ROM Production includes surface stock piles, reworked for low grade coal product

\*\* NBC only included from 1 November 2018 when ownership transferred, no relevant production or sale in the previous quarter.

## Exploration expenditure

Exploration expenditure incurred during the quarter was A\$107k (previous quarter A\$1,7k)

### 2.1 Kangala Colliery

#### *Run-of-mine*

Kangala Colliery performed well during the quarter, although the December sales were down due to the anticipated days lost due to the holiday period (although significant improvement over the previous corresponding period), with good stocks on hand leading into the new quarter.

#### *Product sales*

Kangala sold 616Kt tonnes for thermal product to Eskom during the quarter, a 13% increase from the 546Kt in Q12019. The increase in tonnages is a previously communicated rectification of the July 2018 month that negatively affected the Q12019.

The Kangala Colliery delivered export sales during the Q2 2019 with a total 9,5Kt, which is in line with the Q12019 and in line with budgets.

#### *Health and Safety*

There were no reportable injuries, and no lost time injuries during the current quarter.

Kangala successfully achieved implementation and maintenance of an Occupational Health and Safety Management System. Through an independent audit, it was verified that the Management System fulfils the requirements of ISO 45001:2018.

## ***Environmental***

On-going rehabilitation of the pit progresses according to our rehabilitation plan and commenced with the topsoil placement and vegetation of 25.6ha and 15.0ha respectively. During the quarter, the Colliery, together with Department of Environmental Affairs, hosted a Community Abor Day celebration in a neighbouring community and planted more than 50 trees. An independent Environmental Management System (**EMS**) ISO 14001 audit conducted in Sept 2018 was a success. Kangala retained its ISO 14001 EMS certificate.

## ***Socio Economic Development***

The upgraded and renovated Mafa Max Motloun Secondary School was handed over on 31 July 2018. The Colliery also hosted a community health awareness wellness day in September 2018. Graduation ceremony for all community training programmes conducted in FY 2018 was held in Q42018. Half of the trained blasting candidates were hired as permanent employees by the Mine. Thirty percent of the heavy machinery operators trained in FY2018 were also offered permanent employment by the Mine.

## **2.2 New Clydesdale Colliery (NCC)**

### ***Run-of-mine***

The NCC experienced a stable quarter of production and sales with very similar volumes to the previous quarter in both production and sales.

### ***Product sales***

- NCC domestic sales volume is in line with the previous quarter, consistently delivering on its increased off take agreement to Eskom. The Company total sales volumes of 404Kt to Eskom for the current quarter, averaging the new 135Kt committed to Eskom.
- The NCC also increase its export sales volumes by 20% during the Q1 2019, and delivered 276Kt of export quality coal to market. The current sales volumes for the quarter is in line with budget, and the increase follows from the previous quarter sales restriction due to the closure of the Richards Bay Coal railway line for its annual two weekly maintenance period in July 2019.

### ***Health and Safety***

There were no reportable injuries, however, one lost injury case was reported during the current quarter.

## ***Environmental***

Rehabilitation of the legacy Vaalkrantz North opencast pit is progressing to plan. The Roodekop opencast pit backfilling has commenced following the completion of the rehabilitation designs.

### ***Socio Economic Development***

Regarding its local economic development projects, NCC has concluded and signed a two-year contract with three small medium enterprise companies to run a convenient tuckshop on site, operate a vehicle wash bay facility and manage our tarpaulin operators.

During the quarter, construction for the upgrading of Klipfontein recreational park has been completed and handed over to the local Municipality (beneficiary).

### **North Block Complex (NBC)**

On 31 October the company finalised the acquisition of the NBC asset from Exxaro and has effectively incorporated the going concern asset as an operating Colliery under Universal's control and management. Universal is now the effective owner of 49% of NBC. The acquisition price was confirmed at A\$9.3million and a deposit of A\$1.7million has been paid to the seller. The remainder of the purchase price has been deferred until the receipt of the S11 for the Paardeplaats project. During the previous quarter, the Company received the Section 11 approval for the transfer to the Mining Right for the Glisa and Eerstelingsfontein mining rights from Exxaro to NBC, as well as the granting of the Mining right for the Paardeplaats project. The Company awaits the S11 transfer of ownership from the Department of Mineral Resources (**DMR**).

### ***Run-of-mine***

The NBC has contributed 476Kt of ROM production for the two months included in the quarter. The monthly production is in line with the company's mine plan projection, and supports the forecast volumes planned for the operation.

### ***Product sales***

Total sales volumes delivered by NBC for the two months total 483Kt. The sales are slightly higher than the projected budgeted volumes as the company received the benefit of current saleable product stockpiles acquired as part of the acquisition.

### ***Health and Safety***

There were no reportable injuries, since the inclusion of the operation on 1 November.

### ***Environmental and Social Economic Development***

Environmental Management Plan for Paardeplaats has been approved by the regulatory authority. Awaiting Water Use License, expected in Q1 2019.

Social and Labour plans (**SLP**) for Paardeplaats, Glisa and Eerstelingsfontein have been compiled and submitted to the competent authority for approval. We are delighted to announce approval of Paardeplaats SLP. Implementation will commence in Q2 2019.

### 3. PROJECTS

Universal currently has various projects in its near-term acquisition and development pipeline. The projects have been included in the 10Mtpa of saleable product forecast for the next 24-48 month period.

#### Ubuntu Project (Brakfontein)

The Company has engaged in discussion with various preferred suppliers to commence the planning and execution of the Ubuntu project. The last outstanding commitment remains the finalisation of the Eskom Coal Supply agreement, and once a favourable off take agreement has been obtained can the company commence with the development and realisation of the Ubuntu Project to a contributing operation.

The Ubuntu 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 offtake agreements and surface rights have been finalised. The Ubuntu project can deliver approximately 1Mtpa of saleable product to market.

#### Berenice/Cygnus

An Integrated Water Use Licence application has been lodged with the Department of Water and Sanitation. The Mining Right application lodged in the previous financial year is still under review by DMR

#### Eloff Project

NCC (subsidiary of Universal) officially owns 100% of the project, and Universal has an attributable share of 49%. The Company has also settled the entire purchase price to the various parties. The Eloff Mining right and environmental authorisation has been granted by the DMR, and is in the process of lodging an application for an integrated water use licence. The company is confident that these approvals will be granted by the time the Kangala resource reaches its end of life.

The Eloff Project, situated adjacent to the Kangala Colliery, allows Universal the opportunity to consolidate the contiguous resource base of the Eloff Project with Universal's existing Kangala Colliery, and provides optionality for extending Kangala's life of mine and upsizing the entire operation. The Eloff Project contributes a JORC resource base of 424Mt to the Universal project pipeline.

#### Non-Binding Conditional Offer

On 26 October 2018, Universal announced that it had received a binding, conditional commitment to make an offer (the **Binding Commitment**) from a private entity incorporated in South Africa, 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 share capital of Universal for a cash consideration of A\$0.35 per Universal Share, to be effected by means of a scheme of arrangement pursuant to Part 26 of the UK Companies Act 2006 (the **Proposed Transaction**).

As detailed in the Company's announcement of 21 December 2018, the Company and Ata Resources, and their respective advisers, have continued to engage actively in connection with the Proposed Transaction, with a Non-Solicitation Agreement having been entered into.

Universal understands that BidCo has made progress with the satisfaction of certain conditions precedent to the financing of the Proposed Transaction and, assuming satisfaction of such of those conditions precedent remaining outstanding, currently expects to be in a position to make a firm offer (the **Offer**) in February 2019. In parallel, work is ongoing by Ernst & Young Advisory Services (Pty) Ltd 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. Following the receipt of the IER and subject to, amongst other things, the status of BidCo's financing of the Proposed Transaction, the Company's Board of Directors will consider whether Universal will proceed to enter into a transaction implementation agreement (**TIA**) with BidCo and whether the Offer will be recommended to shareholders.

There is no certainty that a TIA will be entered into, that the Offer, if made, will be recommended and become unconditional, or that the scheme of arrangement will proceed. Universal's shareholders and CHESS Depository Interest holders are advised to take no action and make no decisions in respect of the Proposed Transaction at this stage.

#### **Guidance and Financial outlook**

On 10 October, the Company provided market guidance on the outlook for the FY2019. Universal indicated its projections to deliver 6Mtpa (Attr 3.4Mtpa) of coal to market during the FY2019, with a financial forecast of Group EBITDA of A\$93.1million (Attr A\$51.3million). The Company reiterated its commitment to its progressive dividend policy and its intention to continue to deliver shareholder returns in line with the 45% of Attributable Net Profit after tax, as achieved in FY2018.

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## About Universal Coal

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 Middlebuilt 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 Eerstellignsfontein, and the Paardpelaats 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.

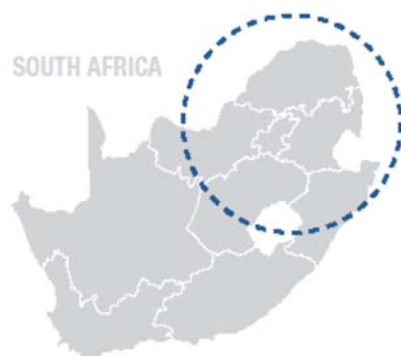
Besides its thermal coal projects (including Brakfontein, Eloff & Arnot South), the company has completed earn-in agreements over one coking coal project (Berenice/Cygnus) in the Soutpansberg coalfields.

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

The following map and schedule show the location and tenure of interests held by Universal Coal Plc in mining and prospecting rights in South Africa.

# LOCATION OF OPERATIONS



## LEGEND

Thermal coal – mines

1 Kangala

2 NCC

3 NBC\*

Thermal coal – projects

4 Eloff

5 Brakfontein

6 Amot South

Coking coal – project

7 Berenice/Cygnus

\* Under acquisition



## Universal Coal Global Coal Resources/Reserve Summary

### SUMMARY OF INFORMATION

The information below, relating to the Universal Group's Mineral Resources and Ore Reserves, has been extracted without amendment from the Resource and Reserve estimates relating to Universal's material assets.

| Project                                   | Reserves             | Resources    |                |              |                |                              |
|---|----------------------|--------------|----------------|--------------|----------------|------------------------------|
|   | Proved & Probable Mt | Measured Mt  | Indicated Mt   | Inferred Mt  | Total Mt       | Attributable to Universal Mt |
| <b>Thermal Coal (Witbank)</b>             |                      |              |                |              |                |                              |
| Kangala <sup>1</sup>                      | 35.9                 | 61.2         | 15.1           | 32.2         | 108.50         | 76.5                         |
| Eloff <sup>2</sup>                        | -                    | 9.4          | 213.5          | 201.5        | 424.0          | 207.7                        |
| NCC <sup>3</sup>                          | 57.3                 | 96.8         | 41.8           | 6.0          | 144.7          | 70.9                         |
| Brakfontein <sup>4</sup>                  | 9.1                  | 31.7         | 39.4           | 4.7          | 75.8           | 38.1                         |
| Arnot South <sup>5</sup>                  | -                    | 2.3          | 65.3           | 139.0        | 206.6          | 103.3                        |
| <b>Total Thermal Coal</b>                 | <b>102.3</b>         | <b>201.4</b> | <b>375.1</b>   | <b>383.4</b> | <b>959.9</b>   | <b>349.0</b>                 |
| <b>Coking Coal (Limpopo)</b>              |                      |              |                |              |                |                              |
| Berenice <sup>6</sup> Cygnus <sup>7</sup> | -                    | 424.9        | 800.9          | 124.3        | 1,350.1        | 675.1                        |
| <b>Total Coking Coal</b>                  | <b>-</b>             | <b>424.9</b> | <b>800.9</b>   | <b>124.3</b> | <b>1,350.1</b> | <b>675.1</b>                 |
| <b>Total</b>                              | <b>102.3</b>         | <b>626.3</b> | <b>1,176.0</b> | <b>507.7</b> | <b>2,310.0</b> | <b>1,024.1</b>               |

#### Notes:

- Mineral Resources are stated on a gross in situ basis and inclusive of Ore Reserves
  - Rounding (conforming to the Australasian Code for Reporting of Exploration Results (JORC) may cause computational discrepancies
1. Universal has an attributable interest of 70.5%. of the Kangala Project.
  2. Universal has an attributable interest of 49%. in the NCC Project.
  3. Universal has an attributable interest of 50.29%. in the Brakfontein Project and the right to negotiate to acquire up to a 74%. interest upon completion of the BFS and award of a mining right and associated regulatory approvals
  4. The acquisition of the Arnot South Project is subject to the successful transfer of the prospecting right to Universal Coal, in accordance with Section 11 of the Mineral and Petroleum Resources Development Act, 2002. Universal will have an attributable interest of 50%. in the Arnot South Project upon granting of the Section 11 transfer
  5. Universal has an attributable interest of 49%. of the Eloff Project
  6. Universal has an attributable interest of 50%. in the Berenice Project with an option to acquire up to a 74% interest
  7. Universal has an attributable interest of 50%. in the Cygnus Project with an option to acquire up to a 74%. Interest