

15 April 2019



UNIVERSAL DELIVERS ACCORDING TO FORECAST DESPITE THE MARKET DOWNTURN

HIGHLIGHTS

- ✓ Quarterly EBITDA AUD22.5million (AUD14.1million attributable)
- ✓ Interim Dividend of AUD0.02 per share declared post quarter end
- ✓ Record quarter sales volumes from three contributing collieries, despite decreasing international coal prices
- ✓ Increase in FY2019 guidance for saleable tonnes to 6.8Mtpa (Attr 3.8 Mtpa) from previous indication of 6Mtpa (Attr 3.4Mtpa)
- ✓ Revised draft commitment to make a conditional offer received from Ata Resources on behalf of the Consortium
- ✓ Alternate conditional non-binding indicative offer received from Afrimat
- ✓ Universal remains focused on delivering on its business plan as an independent entity

Production and sales highlights

Production and sales tonnes	Mar-19		Dec-18		GROUP VARIANCE
	Group	Attributable	Group	Attributable	
Group ROM production tonnes	2 734 392	1 547 768	2 624 013	1 499 601	4%
Group sales tonnes	1 855 966	1 053 336	1 790 093	1 011 662	4%

1. CORPORATE OVERVIEW

Universal Coal Plc ('Universal' or 'the Company') (ASX: UNV) is pleased to report its first complete quarter with three operating collieries delivering EBITDA of AUD\$22.5million (Attr AUD\$14.1 million) and a 4% increase in sales volumes to record volumes of 1.85million tonnes of product sold to market for the quarter ending March 2019. The current quarter EBITDA decreased by 32% from the December 2018 quarter, negatively affected by the downturn in the API#4 coal price during the last quarter. The previous quarter also had the profit benefit of the coal inventory acquired as part of the acquisition of the North Block Complex (NBC).

YTD EBITDA totals AUD\$76 million(Attr AUD\$43 million) and is therefore well on target to reach the FY2019 forecast results of AUD\$93 million, in spite of the current negative API#4 coal pricing achieved.

This is however offset with the expected total sales volume increase from the original 6Mtpa (Attr 3.4Mtpa) to 6.8Mtpa (Attr 3.8Mtpa). The increase in sales volumes is contributed by increased efficiency at the NBC, and the consistent increase in demand to Eskom from NCC.

Group cash balance increased by AUD\$11.5million to a balance of AUD\$58.3 million (Attr AUD\$37.2 million), bearing in mind the delayed dividend distribution of AUD\$10.5million payable to shareholders in May 2019. The Company cash balance was affected by debt repayments of AUD\$4million and the settlement of dividends of AUD\$1.4million in the quarter.

The Company has finalised all the current acquisitions in its pipeline and have effectively settled the Eloff Project acquisition costs. UNV is now only required to settle the NBC deferred acquisition price of AUD\$7.6million once the S11 transfer of ownership has been granted by the DMR.

The Company's attributable net interest-bearing asset* position increased to AUD\$29.5million due to the significant increase in attributable cash at 31 March 2019.

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) in the current quarter reflects this strategy. Another focus is continuing with dividend payments in the remaining months of FY2019.

**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:

"Universal delivered its second quarter of record sales tonnage in traditionally the latter of the two weaker quarters due to the occurrence of the rainy season. This solid trading result is underpinned by having three collieries fully operational.

Unfortunately the start of the Ubuntu colliery (Brakfontein), which is still scheduled for commencement in the second half of the current financial year, was delayed by a quarter. However, it will bring UNV's production rate to 8.8mtpa for the next financial year.

Although production has continued to outpace guidance, with the strong local demand for domestic power station coal continuing, the current increasing pressures on the international coal prices and demand are having the effect of offsetting the historical high margins achieved on the export tonnes previously received. Notwithstanding, I am happy to state that UNV is still confident of achieving and exceeding our current 2019 EBIDTA forecast.

In addition, UNV continues to attract attention from external suitors, illustrating that its growth potential is not yet fully realised"

OPERATIONAL SUMMARY

The Company increased total ROM production for the quarter by 4% or 110Kt, due to the inclusion of NBC production for the full quarter. The reduction in Kangala and NCC tonnages in comparison to the previous

quarter is in line with UNV's annual production profile as the second and third quarter is usually expected to be affected by the rainy summer season in South Africa.

Total Sales volume for the quarter increased in line with the production increase of 4% and contributed an additional 120Kt of product sold during the three months ending March 2019. The total sales for the quarter totalled 2.7Mt compared to the previous quarter of 2.6Mt.

The total sales volume for FY2019 YTD is 4.8Mt (Attr 2.7Mt) and the company expects that the original guidance of 6Mtpa (Attr 3.4Mtpa) will be exceeded by more than 10%, and the forecast has been increased to 6.8Mtpa(Attr.3.8Mtpa)

Production and sales tonnages for the quarter are tabulated below

	Mar-19		Dec-18		Group variance
	Group	Attributable	Group	Attributable	
ROM production					
Kangala	967 053	681 772	994 578	701 177	-3%
NCC*	1 083 336	530 835	1 152 520	564 735	-6%
NBC	684 003	335 161	476 915	233 688	43%
Total	2 734 392	1 547 768	2 624 013	1 499 601	4%
Sales					
Export	233 847	114 585	286 079	142 233	-18%
Domestic	1 622 119	668 437	1 504 014	869 429	8%
Total	1 855 966	783 022	1 790 093	1 011 662	4%

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

Exploration expenditure

Exploration expenditure incurred during the quarter was AUD2100k (previous quarter AUD107k).

2.1 Kangala Colliery

Run-of-mine

Kangala Colliery ROM production was affected due to the seasonal increase in rainfall during the quarter, however the Colliery managed to only reduce ROM by 3%. The previous quarter allowed for good stock on hand and was able to utilise existing stock to replenish the decrease.

Product sales

Kangala sold 669Kt tonnes for thermal product to Eskom during the quarter, a 9% increase from the 616Kt in Q2 2019. This quarter is representative of the average of 200Kt per month of saleable product committed to Eskom as per the Kangala production budget.

Kangala did not produce or sell any Export quality coal and has come to the end of the production of the product, given the geology of the remaining pit area.

Health and Safety

There were no recordable injuries, and no lost time injuries during Q1 2019. Only three minor damage to properties were reported due to TMM interaction within exclusion zones/ loading and tipping areas.

Environmental

On-going rehabilitation of the pit progresses according to our rehabilitation plan. The Middelbult Mining Right application is being considered for approval, and expecting granting in Q2 2019.

Socio Economic Development

Kangala Colliery addressed the challenge of shortage of school desks experienced by Delpark Primary School located in the Delmas community, and donated 200 study desks which will accommodate 400 learners. We were delighted by the excitement and appreciation expressed by both the learners and teachers.



Kangala Colliery has rolled out a Sewing Project in the local community of Delmas. Ten unemployed women were selected from the surrounding communities and assisted to register a sewing business company. They were offered a business management course and sewing training by a professional trainer. They have currently completing their theory modules and expected to commence operations very soon.



2.2 New Clydesdale Colliery (NCC)

Run-of-mine

Production for NCC was reduced for the quarter due to the seasonal increase in rainfall and reduced the ROM production by 6% from the 1.1Mt produced in the previous quarter.

Product sales

- NCC's domestic sales volume is very consistent with the previous quarter delivering 401Kt of thermal quality coal to Eskom, in line with the increase Eksom Coal supply agreement of 135Kt per month.
- The NCC delivered a total of 233Kt of Export Quality coal to market during the quarter. This is a 15% decrease on the previous quarter, although still in line with the budget and off take agreements. The previous quarter experience the benefit of a rundown of the stock pile built during Q1 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 Vaalkranz North opencast pit is progressing well and expected for completion in June 2019. The Roodekop opencast pit backfilling/concurrent rehabilitation has commenced following the completion of the rehabilitation designs. The Colliery undertook successful Environmental Management Programme Performance Assessment and Water Use License Audit. Finally, the resettlement process of the five households located in the vicinity of the Mine has been finalised, and the four houses are expected to be moved and handed over in Q4 2019.

Socio Economic Development

In Q1 2019, NCC has awarded coal trucking contracts to two local business entities, owned by Disabled people, Black Women and Youth respectively.

NCC has commenced with the following Local Economic Development projects:

1. Ganala (Kriel) Recreational Park Project;
2. Refurbishment of Thubelihle Stadium facilities.

North Block Complex (NBC)

This was the first complete quarter for inclusion of NBC, as the Company only took control of the Colliery on 1 November 2018. The Colliery has delivered according to the project mine plan since acquisition and has contributed positively to the Company's profitability since first operational month.

Run-of-mine

The NBC produced 684Kt of ROM in the quarter, in line with the monthly production mine plan, and supported the forecast volumes planned for the operation.

Product sales

Total sales volumes delivered by NBC for the two months totalled 551Kt, coming in below the budgeted 600kt for the period. The Company is projecting NBC to deliver 2.4Mtpa of Eskom quality coal on an annualised basis. Rainfall volumes hampered production, given that no provision for the wet season was possible for the current year. The Company however expects the next quarter to be in line with the budgeted volumes.

NBC does not yet produce Export Quality coal, with the conversion only being introduced with the opening of the Paardeplaats project.

Health and Safety

One Lost Time Injury occurred in Feb 2019. NBC has received the 39,000 FFPS award at the Coal Safe event.

Environmental

Paardeplaats Mining Right and Integrated Water use license was granted by the regulatory authority.

Social Economic Development

NBC has identified two enterprise development initiatives i.e Laundry and Canteen services. The initiatives are an opportunity for the local community to benefit from the operation over the operation life of mine. It is anticipated that the two projects will be up and running by the end of the Q2 2019.

We are delighted to announce that NBC has launched the education project in District Municipality area. The memorandum of agreement has been entered into with the Department of Basic Education. The project will deliver these outputs:

- Leaner development through additional Saturday school classes;
- Teacher development through workshops on the curriculum; and
- Innovative methods of teaching and improve the management of the schools by training School Governing Bodies and the Principals on topics like school governance.

The pictures below shows the launch event held at Khayalami Secondary.



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 12-24 month period.

Ubuntu Project (Brakfontein)

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

The Ubuntu project is a fully regulated project with Mining Right and Integrated water use licenses. 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.

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 (a 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 with 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. In addition, studies have commenced on a second Eloff standalone operation of similar scope and size. The Eloff Project contributes a JORC resource of 528Mt to Universal's project pipeline.

Corporate Transactions

ATA PROPOSAL

During the quarter the company continued to engage with Ata Resources (Pty) Ltd (**Ata Resources**) in respect of its binding, conditional commitment (**Binding Commitment**) to make an offer on behalf of a consortium of investors (**Consortium**) under which a special purpose bidding company (**Bidco**) proposed to acquire the entire issued share capital of Universal, to be effected by means of a scheme of arrangement pursuant to Part 26 of the UK Companies Act 2006 (**Ata Proposal**).

As announced on 8 April 2019, the Company received a draft revised commitment to make a conditional offer from Ata Resources on behalf of the Consortium (**Updated Draft Commitment**) during the quarter. Amongst other things, the Updated Draft Commitment included:

- Improved cash consideration per Universal share from AUD0.35 to AUD0.36; and
- An option for eligible Universal shareholders and holders of Universal CHESS Depositary Interests (CDIs) to elect for deferred consideration notes, redeemable at AUD0.43 per share within 12 months and one day after the cash consideration was paid for up to a maximum of 160 million Universal shares.

In respect of the Ata Proposal (**Updated Proposal**)

The Updated Draft Commitment was subject to the following conditions, amongst others:

- The recommendation in favour of the Updated Proposal by a majority of the Universal directors; and
- The execution of a transaction implementation agreement between Universal and Bidco.

The Company continued to engage with Ata and the Consortium in detailed discussions to improve, and further refine and reduce the conditionality of the Binding Commitment and the Updated Draft Commitment, and negotiate the terms and conditions of a transaction implementation agreement. As at 8 April 2019, the Company had been unable to reach agreement with Ata Resources and the Consortium on:

- The terms and conditionality of the Ata Proposal, as amended by the Updated Draft Commitment; or
- The terms and conditions of a proposed transaction implementation agreement in respect of the Updated Proposal.

For the reasons set out in the announcement dated 8 April 2019, the Directors determined that they were not able to make a recommendation in favour of the Updated Proposal at that time.

Since the announcement dated 8 April 2019, the Company has become aware (via an announcement made by Wescoal Holdings Ltd, a member of the Consortium) that negotiations regarding the Updated Proposal have been terminated and that the members of the Consortium have resolved to terminate their respective cooperation through the Consortium in respect of the Updated Proposal. A copy of the announcement by Wescoal Holdings Ltd can be accessed at <https://www.sharedata.co.za/v2/Scripts/News.aspx?c=WSL>. The Company is yet to receive formal notice from Ata Resources that the Updated Proposal has been withdrawn.

AFRIMAT NBIO

During the quarter the Company also received a conditional, non-binding indicative offer (**NBIO**) from Afrimat Limited (**Afrimat**), a public company incorporated in South Africa that is listed on the Johannesburg Stock Exchange. The NBIO proposes that Afrimat will acquire the entire issued share capital of the Company via a change of control transaction, the structure of which remains under consideration by Afrimat.

Under the NBIO, Afrimat proposes to offer cash consideration of AUD0.40 for each Universal share (**Afrimat Proposed Transaction**).

The NBIO is subject to a number of conditions, which include:

- Completion of a due diligence investigation by Afrimat in respect of the Company;
- The finalisation of financing arrangements; and
- Afrimat board and shareholder approval in respect of the Afrimat Proposed Transaction.

The Directors have decided to engage with Afrimat in respect of the NBIO, facilitate a due diligence process, better understand the deliverability of the Afrimat Proposed Transaction and consider the terms of any binding proposal.

There is no certainty that the conditions to the NBIO will be satisfied or waived or that the NBIO will result in a binding proposal.

The Directors recommend that Universal's shareholders and Universal CDI holders take no action and make no decisions in respect of the Updated Draft Commitment or the NBIO at this stage.

Guidance and Financial outlook

On 10 October, the Company provided market guidance on the outlook for the FY2019. Universal increased its projections to deliver 6.8Mtpa (Attr 3.8Mtpa) of coal to market during the FY2019, with a financial forecast of Group EBITDA of AUD\$93.1million (Attr AUD\$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 (NPAT), 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 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 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 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 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	Thermal coal – projects	Coking coal – project
1 Kangala	4 Eloff	7 Berenice/Cygnus
2 NCC	5 Brakfontein	
3 NBC*	6 Amot South	

* Under acquisition



Universal Coal Global Coal Resources/Reserve Table

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	Measured	Indicated	Inferred	Total	Attributable to Universal
	Mt	Mt	Mt	Mt	Mt	Mt	Mt
Thermal Coal (Witbank)							
Kangala ¹	31,65	-	55,00	15,03	32,33	102,36	72,16
NCC ²	47,56	6,07	91,90	41,78	5,95	139,63	68,42
Ubuntu (Brakfontein) ³	9,10	-	31,70	39,40	4,70	75,80	38,12
Arnot South ⁴	-	-	2,28	65,30	139,00	206,58	103,29
Eloff ⁵	-	-	11,76	265,96	250,57	528,29	258,86
NBC ⁶	49,03	6,46	69,94	17,67	25,38	112,99	55,37
Total Thermal Coal	137,34	12,53	262,58	445,14	457,93	1 165,65	596,22
Coking Coal (Limpopo)							
Berenice ⁷ Cygnus ⁸	-	-	424,90	800,90	124,30	1 350,10	675,05
Total Coking Coal	-	-	424,90	800,90	124,30	1 350,10	675,05
Total Resource and Reserve	137,34	12,53	687,48	1 246,04	582,23	2 515,75	1 271,27

- 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% in 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 Ubuntu Project (previously known as the Brakfontein Project).
 4. The acquisition of the Arnot South Project is subject to the successful transfer of the prospecting right to Universal, 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% in the Eloff Project. The Eloff Project hosts a SAMREC (South African Code for The Reporting of Exploration Results, Mineral Resources and Mineral Reserves, 2007 edition amended July 2009) compliant coal resource.
 6. Universal has an attributable interest of 49% in the North Block Complex and has received Section 11 approval in accordance with the Mineral and Petroleum Resources Development Act, 2002. Universal is awaiting the Section 11 granting for the adjacent Paardeplaats Project.
 7. Universal has an attributable interest of 50% in the Berenice Project with an option to acquire up to a 74% interest.
- Universal has an attributable interest of 50% in the Cygnus Project with an option to acquire up to a 74% interest.