

## JUNE 2019 QUARTER PRODUCTION REPORT

### Universal Coal Delivers on Guidance

#### HIGHLIGHTS

- ✓ ROM coal production of 2.4Mt - up 19% on the previous corresponding period ("pcp");
- ✓ EBITDA for the quarter A\$20million, subject to final audit procedures
- ✓ Coal sales of 1.9Mt - up 53% on pcp;
- ✓ ROM coal production for FY2019 of 8.9Mt - up 15% on pcp;
- ✓ Coal sales for FY2019 of 6.7Mt - up 41% on pcp;
  - Domestic coal sales of 5.9Mt – up 50% on pcp
  - Export sales of 0.8Mt - up 2% on pcp
- ✓ FY2019 EBITDA guidance confirmed at A\$93 million, attributable A\$51 million - up 29% on pcp;
- ✓ Dividend policy of 45% of attributable net profit after tax re-affirmed by the Company;
- ✓ 32% reduction in project debt financing facilities;
- ✓ Group Cash on hand of A\$32.6 million, attributable of A\$20.0 million.

**Commenting on the quarter, CEO Tony Weber said: "We achieved positive results in coal production and sales revenues delivering on the forecast EBITDA for the 2019 Financial Year.**

*Despite the challenges in changeover of mining contractors and unbudgeted costs incurred on corporate transactions, the management team has executed on its plan to achieve guidance. The North Block Complex has been fully integrated ahead of schedule and development of Ubuntu has commenced, which will shortly become our fourth producing asset.*

*The corporate interest we have received during the period is evidence of the profitable nature of the Company's operations and our potential to develop future assets. We remain committed to delivering on our business plan to develop sustainable and profitable mining operations and maximise returns for our shareholders."*

#### Universal Coal Group Totals

PRODUCTION AND SALES						
Thousands of tonnes	Quarter ended			Year-to-Date (YTD)		
	Jun-19	Jun-18	Change	Jun-19	Jun-18	Change
ROM coal production	2,429	2 047	19%	8,883	7,699	15%
Export sales	94	259	-64%	853	833	2%
Domestic sales	1,798	981	83%	5,868	3,917	50%
Total coal sales	1,892	1,240	53%	6,721	4,750	41%

## Universal Coal Attributable Totals (Attr.)

PRODUCTION AND SALES						
Thousands of tonnes	Quarter ended			Year-to-Date (YTD)		
	Jun-19	Jun-18	Change	Jun-19	Jun-18	Change
<b>ROM coal production</b>	<b>1,390</b>	<b>1,221</b>	<b>14%</b>	<b>5,184</b>	<b>4,638</b>	<b>12%</b>
<b>Export sales</b>	<b>46</b>	<b>130</b>	<b>-65%</b>	<b>422</b>	<b>421</b>	<b>0%</b>
<b>Domestic sales</b>	<b>1,000</b>	<b>609</b>	<b>64%</b>	<b>3,388</b>	<b>2,467</b>	<b>37%</b>
<b>Total coal sales</b>	<b>1,046</b>	<b>739</b>	<b>42%</b>	<b>3,810</b>	<b>2,888</b>	<b>32%</b>

Universal Coal Plc (“Universal” ASX:UNV) is an established coal producer 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 three producing operations, development and exploration assets located across South Africa’s major coalfields.

## SAFETY

Universal is committed to a Zero Tolerance approach to safety in the workplace and our focus on the safety and wellbeing of all workers is paramount in our pursuit of growth.

Our target for TRIFR is zero and we largely managed to achieve this target, save for one Lost Time Injury incident reported at the New Clydesdale Colliery in the quarter.

## FY2019 GUIDANCE AND COMMENTARY

Group	Unit	FY2019			Comments
		Actual	Guidance	Change	
Sales					
Kangala	Mt	2.4	2.4	0%	guidance achieved
New Clydesdale*	Mt	2.5	2.7	-6%	lost production due to change out in opencast mining contractor
North Block Complex	Mt	1.8	*1.5	19%	exceeded guidance
<b>Total Coal Sales</b>	<b>Mt</b>	<b>6.7</b>	<b>6.6</b>	<b>2%</b>	<b>exceeded guidance</b>
<b>EBITDA**</b>	<b>A\$m</b>	<b>**</b>	<b>93.0</b>	<b>-</b>	<b>to be provided with FY results</b>

\* Revised Guidance after early inclusion of the North Block Complex on 1 November 2018. Original Guidance was an expected 900Kt from NBC which equated to a 6Mtpa guidance for FY2019.

\*\* The actual EBITDA result will be announced to the market following the conclusion of the annual independent audit process.

Universal has once again exceeded the coal sales guidance we provided at the commencement of the 2019 financial year (FY2019) by 2% across three operations. The newly acquired North Block Complex exceeded guidance by 19%, Kangala achieved guidance and New Clydesdale reported coal sales slightly below guidance due to lost production following a change of the opencast mining contractor.

The Group Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA) for FY2019 is estimated to be A\$93 million (Attr. A\$51 million). Final EBITDA results for FY2019 will be confirmed by the Company post the conclusion of the annual independent audit process.

Weakening API4 prices and a strengthening ZAR:USD exchange rate during the latter part of the current quarter projected a reduction in export revenues. Universal reacted swiftly, counteracting the potential negative financial impact though a focus on higher domestic supply and increased sales volumes. Furthermore, the Company also incurred A\$3 million in corporate transaction fees during the FY2019, however, the financial impact thereof was compensated by the increase in production and

sales volumes for these unbudgeted expenses. The ability of Universal to maximise revenues between export and domestic supply underwrites the attractiveness of the business model particularly in lower export price environments.

## OPERATIONS

Quarterly Group ROM production was consistent quarter on quarter and up 19% year on year.

The North Block Complex outperformed all expectations with ROM production of 965kt, an improvement of 41% over the previous quarter. ROM delivery at Kangala was largely in line with the previous quarter, however ROM production at New Clydesdale Colliery was 249Kt below the previous quarter.

Quarterly operational performance is summarised below:

Operational performance (tonnes)	Jun 2019 Quarter		Mar 2019 Quarter		Group	Attr.
	Group	Attr.	Group	Attr.	Change	Change
<b>Run-of-mine (ROM) production</b>						
Kangala	929,177	655,070	967,053	681,772	-4%	-4%
New Clydesdale Colliery*	535,383	262,338	784,199	384,258	-32%	-32%
North Block Complex	964,851	472,777	684,003	335,161	41%	41%
<b>Total ROM Production</b>	<b>2,429,411</b>	<b>1,390,184</b>	<b>2,435,255</b>	<b>1,401,191</b>	<b>0%</b>	<b>-1%</b>
<b>Sales</b>						
Export	93,582	45,855	233,847	114,585	-60%	-60%
Domestic	1,798,410	1,000,475	1,622,119	938,751	11%	7%
<b>Total Coal Sales</b>	<b>1,891,992</b>	<b>1,046,330</b>	<b>1,855,966</b>	<b>1,053,336</b>	<b>2%</b>	<b>-1%</b>

\* The New Clydesdale Colliery ROM for March has been restated from 1,083,366 in the March Quarter Commentary. This amount included discard ROM tonnes and has been removed from the current data for comparative reasons.

### Kangala Colliery (Universal 70.5%)

The Kangala Colliery experienced a slight reduction in ROM production during the quarter due to the loss of ten mining production days in April 2019 caused by two unrelated incidents of industrial action. The Colliery still achieved its forecast tonnages for FY2019 maintaining its name plate production and sales volumes.

### New Clydesdale Colliery (Universal 49%)

The New Clydesdale Colliery (NCC) experienced a 32% reduction in ROM production from the previous quarter due to a change one of its mining contractors at the Roodekop opencast pit in May 2019. Despite the new mining contractor accepting the transfer of all current employees to avoid any loss of employment, the changeover of contractors resulted in a two week operational loss for the Colliery. Irrespective of the lost production, the Colliery delivered in accordance with offtake agreements and improved total annual sales volumes by 18% from the 2018 financial year.

Rehabilitation dozing activities at the legacy Vaalkranz North opencast pit were completed during the quarter. The Colliery has now commenced with reshaping and revegetation activities in the previously mined area. The Roodekop opencast concurrent rehabilitation, through in-pit overburden dumping, has commenced following the completion of the rehabilitation designs.

### North Block Complex (Universal 49%)

The North Block Complex (NBC) exceeded operational expectations during the quarter by increasing ROM production by 41% from the March 2019 quarter and delivered 0.75Mt of coal domestically. NBC

has twice exceeded ROM guidance by 99% from the original guidance of 0.9Mt and by 19% from revised ROM guidance of 1.5Mt, delivering a total of 1,782Kt of coal domestically during FY2019.

## PROJECTS

### Ubuntu Colliery (Ubuntu) (Universal 49%)

Universal has commenced the development of its fourth operation; the Ubuntu Colliery following the acquisition of the surface rights during the quarter. Universal holds all required regulatory approvals required to commence development of the project.

### Eloff Project (Eloff) (Universal 49%)

The Eloff Project, situated directly adjacent to the Kangala Colliery, provides an opportunity for Universal to consolidate the contiguous resource base with Kangala. Universal is currently undertaking technical and economic studies to assess the potential for Eloff to extend Kangala's life of mine and/or to upscale the entire operation.

The Eloff Mining Right and Environmental Authorisation have been granted respectively by the Department of Mineral Resources (DMR) and the Department of Environmental Affairs. The Company is aware of an Environmental Authorisation and Mining Right appeal that was lodged with the DMR subsequent to granting of the Mining Right which the DMR is currently reviewing.

Universal is in the process of lodging an application for an Integrated Water Use Licence.

## CORPORATE

### Net Interest Bearing Asset

The Attributable Net Interest Bearing Asset (NIBA<sup>1</sup>) position is A\$27.7 million at the end of June 2019. Two non-interest-bearing commitments have not been included in the NIBA, being the outstanding NBC deferred acquisition price and the Ubuntu surface right royalty in settlement of the surface right acquisition. The consideration of A\$7.6 million (Attr. A\$3.7 million) for the NBC deferred acquisition payment is payable at the end of December 2019. The Ubuntu surface right royalty is payable in 20 equal quarterly instalments which commenced in June 2019 and currently reflects an outstanding balance of A\$3.8 million (Attr. A\$1.9 million).

### Debt

The only interest-bearing debt held by the company is the project financing facilities at Kangala, NCC and Eloff and totals A\$21.6 million (Attr. A\$12.1 million) at the end of June 2019.

During the quarter, a voluntary and accelerated repayment of A\$10 million was made against the Investec project finance facility without penalty, effectively strengthening the Group's balance sheet through a 32% reduction in gearing.

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<sup>1</sup> *Attributable NIBA is calculated as: Long Term Debt + Short Term Debt – Cash Balance – Shareholder Loan Receivable.*

## Cash Position

The Group's total cash balance at the end of June 2019 is A\$32.6 million (Attr. 20.0 million) after taking into account an interim dividend payment of A\$11.4 million and the A\$10 million voluntary debt repayment.

## Shareholder Loan Receivable

Universal Coal has an interest-bearing shareholder loan receivable of A\$19.7 million and repayment of this loan commenced during the quarter. This shareholder loan, together with interest on the outstanding balance, will be repaid in cash to Universal Coal in varying annual repayments with a final repayment date of 30 June 2023.

## Dividends

The Company remains committed to its progressive dividend policy of 45% distribution of attributable net profit after tax (NPAT). In the past 12 months, Universal has returned cash to shareholders in the form of dividends in excess of A\$15.7 million or A\$0.03 per share, equivalent to a dividend yield of 10.3% based on the Company's closing share price of A\$0.29 at 3 July 2019.

## COAL OUTLOOK AND PRICING

During the current financial period, the Company sold 88% of product domestically to Eskom, the South African power utility, and the balance into the export market. Eskom coal supply agreements provide Universal with long-term supply certainty coupled with pricing stability through fixed price escalation metrics. The Company is anticipating an increase in export market exposure to a ratio of 80% domestic : 20% export with the potential development of the Paardeplaats Project (contained within the North Block Complex), currently awaiting regulatory approvals.

Current market conditions are presenting a stronger ZAR forecast and subdued API4 pricing environment, leaning toward a short-term domestic supply bias in the best interests of profitability.

### For further information please contact:

#### **Tony Weber**

Chief Executive Officer

T: +27 12 460 0805

[t.weber@universalcoal.com](mailto:t.weber@universalcoal.com)

#### **Ben Jarvis**

Six Degrees Investor Relations

T: +61 413 150 448

[ben.jarvis@sdir.com.au](mailto:ben.jarvis@sdir.com.au)

<b>PRODUCTION AND SALES BY MINE</b>						
<i>Thousands of tonnes</i>	<i>Quarter ended</i>			<i>Year-to-Date (YTD)</i>		
	<i>Jun-19</i>	<i>Jun-18</i>	<i>Change</i>	<i>Jun-19</i>	<i>Jun-18</i>	<i>Change</i>
<b>KANGALA COLLIERY</b>						
ROM coal production	929	1,015	-8%	3,865	4,025	-4%
Export sales	-	16	-100%	17	65	-73%
Domestic sales	555	595	-7%	2,386	2,544	-6%
<b>Total coal sales</b>	<b>555</b>	<b>611</b>	<b>-9%</b>	<b>2,404</b>	<b>2,610</b>	<b>-8%</b>
<b>NEW CLYDESDALE COLLIERY (NCC)</b>						
ROM coal production	535	1,032	-48%	2,969	3,674	-19%
Export sales	94	243	-61%	835	767	9%
Domestic sales	497	386	29%	1,700	1,373	24%
<b>Total coal sales</b>	<b>590</b>	<b>629</b>	<b>-6%</b>	<b>2,535</b>	<b>2,140</b>	<b>18%</b>
<b>NORTH BLOCK COMPLEX (NBC)*</b>						
ROM coal production	965	-	100%	2,049	-	100%
Export sales	-	-	-	-	-	-
Domestic sales	747	-	100%	1,782	-	100%
<b>Total coal sales</b>	<b>747</b>	<b>-</b>	<b>100%</b>	<b>1,782</b>	<b>-</b>	<b>100%</b>
<b>TOTAL GROUP MANAGED PRODUCTION</b>						
ROM coal production	2,429	2,047	19%	8,883	7,699	15%
Export sales	94	259	-64%	853	833	2%
Domestic sales	1,798	981	83%	5,868	3,917	50%
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\*NBC only acquired on the 1st of November 2018, therefore no comparative data reflected