

ASX Release

31 October 2014

**THE WATERBERG COAL
COMPANY LIMITED
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ASX / JSE Symbol:
WCC

BUSINESS UPDATE AND FURTHER CAUTIONARY ANNOUNCEMENT

The Waterberg Coal Project (WCP)

Shareholders are referred to the announcement dated 16 September 2014 ("the 16 September Announcement") and are advised of the following:

1. The Eskom Project

As set out in the 16 September Announcement, discussions with Eskom are ongoing to resolve the outstanding requirements in order to advance the Coal Supply Agreement ("CSA") discussions. These outstanding requirements include coal specification finalisation, final pricing, delivery dates and the provision to Eskom of a satisfactory due diligence report on the DFS. The discussions with Eskom are regular and ongoing and WCC anticipates resolving all outstanding requirements early in 2015.

2. The Convertible Secured Facility ("Facility")

On 9 April 2013, WCC drew down on the Facility, with a face value of A\$35 million, from a syndicate of Lenders with The Standard Bank of South Africa Limited ("Standard Bank") as facility agent (the "Lenders").

As set out in the 16 September Announcement, WCC had entered into discussions with the Lenders with respect to the restructuring of the Facility; including an extension to the Facility's maturity date. Shareholders are advised that the Facility matured on 9 October 2014 and in terms of the agreement between the Lenders and WCC, has been extended on an on-demand basis. A portion of capital owing under the Facility, amounting to A\$4.3m, was repaid to the Lenders by WCC. The revised balance of the Facility as at 17 October 2014, including accumulated interest, is A\$39.3m.

3. The Export Project

The definitive feasibility study for the stand alone export project has been commissioned with Snowden Group and it is expected to be completed by the middle of December 2014. Discussions in relation to separate funding options for the stand alone export project which will include the retirement of the Facility are taking place and a further announcement in this regard will be made contemporaneously with the completion of the definitive feasibility study.

The company is in negotiations with the relevant authorities at Transnet Freight Rail and expect to reach a satisfactory agreement during November 2014 to convey the export product from the Waterberg to Richards Bay Coal Terminal.

In addition, the company is in advanced discussions with a number of prospective purchasers of the export product and a further announcement in this regard will be made before the end of November 2014.

4. Further cautionary announcement

Shareholders are advised to continue to exercise caution when trading in the Company's securities until further announcements in regard to the above is made.

Stephen Miller
Executive Director and CEO
The Waterberg Coal Company Limited