

ASX Release

31 December 2014

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

December 2014 Quarterly Activities Report

The Waterberg Coal Project (WCP)

The Waterberg Coal Company Limited (**WCC**) is participant in the Waterberg Coal Project (**WCP**) joint venture, situated in the Limpopo Province, South Africa. The Project currently has identified coal resources of 3.883 billion tonnes¹ of coal contained within the granted mining rights; of which 2.070 Billion tonnes are contained within the measured category¹.

The WCP Joint venture entered into a Memorandum of Understanding with Eskom Holdings in March 2012 for the supply and delivery of 10 million tonnes per annum (**mtpa**) of coal from the Project.

In May 2012 the mineral consultancy, SRK Consulting of Johannesburg, South Africa were commissioned by the WCP joint venture partners to undertake a technical and economic feasibility study for the development of the Eskom Project (**Eskom Project**). In October 2013, SRK Consulting delivered to the project partners the results of the Definitive feasibility study (**DFS**).

The Export Project - Definitive Feasibility Study

During the quarter, work continued on a DFS for the Export Project, to be located in the south of the WCP area. The Export Project anticipates the build up to 4 million tonnes per annum (in saleable product) over a six year period, with first coal product forecast for the 2nd quarter 2016. The abbreviated period to complete this study accrues from the significant database and work product that was generated from the Eskom Project DFS. Additional work has been carried out with respect to logistics (including rail), coal product off-take arrangements, water and mine planning

Project Optimisation Study – The Eskom Project

With the current focus on the Export Project, work on the Eskom project in terms of optimisation and ongoing value engineering is on hold until further direction is received from Eskom in terms of advancing the status of negotiations with respect to the Coal Supply Agreement. It is expected that discussions in this respect will resume in the March quarter 2015.

Access to Water

Discussions with the Lephalalele Municipality (Municipality), as reported on 31 October 2014, have advanced to the stage that Sekoko Coal (Pty) Ltd (Sekoko), a South African registered company and holder of the rights, titles and interests that comprise the WCP, has received confirmation by way of an MOU from the Municipality that an in principle agreement has been reached for Sekoko to be awarded the right to utilise all treated water, other than water currently contracted by the Municipality to third parties and to become operator of the plant.

The Paarl Water Treatment plant has a treatment capacity of 10 million litres per day, or 3.64 million cubic metres per annum. Sufficient water is available for the proposed project development.

Port capacity

During the quarter WCP Partners entered discussions with RBT Grindrod Terminals regarding port allocation at the Richards Bay Terminal (RBGT) for confirmation of their capacity for the handling and loading of project coal. Negotiations are proceeding on the final volumes, timeline and contracted price. A formal contract will be executed once final arrangements with offtaking parties has been completed with confirmed volumes for offtakes for the first 5 years.

Project funding – The Export Project

As previously advised, the WCP Partners have commissioned a DFS for a stand alone Export Project. Accruing from the preliminary results of the DFS, the WCP Partners are in discussions with certain banks with respect to funding arrangements for the proposed development. Pursuant to the discussions to date with such parties, The Snowden Group has been commissioned as Independent Technical Experts to produce a due diligence report for the purposes of bank funding. It is anticipated that the technical due diligence will be completed during the March quarter so that a draft financing termsheet can also be tendered during the quarter.

South Australian Tenements

The Company holds 3 exploration tenements in the Gawler Craton of South Australia which are highly prospective for gold and copper-gold mineralisation. The Company entered into an agreement of to sell EL4445 which was announced to the market on 24 November 2014. The Gawler Craton is host to large copper-gold deposits such as Olympic Dam and Prominent Hill to the east, and gold deposits such as Challenger, Tarcoola and Tunkillia in the west.

During the quarter, the Company continued to compile and validate exploration data relating to the remaining 2 tenements and is assessing the prospectivity of targets within the license



holdings. The Company has designed work programmes to test these targets however these work programmes have not been carried out to date. The Company is considering its strategy with regards to these tenements.

Corporate

On 31 October 2014 the Company announced to the market that the Secured Convertible Note facility with SBSA had matured on 9 October 2014 and continues to be extended on an on-demand basis without a specific date for repayment. A portion of the accrued interest in the sum of \$4.3 million was paid to the Lenders during the period. The revised balance of the facility as at 17 October 2014 together with accumulated interest was \$39.3 million.

On 10 November FSE, WCC's 45,88% subsidiary announced that it had entered into a term sheet for a US\$5 million capital raising by way of a convertible note issue.

On 24 November 2014 the Company announced the entry into a sale and purchase agreement with Apollo Minerals Limited in respect of EL 4445, one of the South Australian Licences.

On 28 November 2014 the Company held its Annual General Meeting of shareholders at which meeting all resolutions were passed.

On 31 December 2014 the Company announced the lapsing of some 11,992,883 quoted options and 23,187,500 unquoted options.

Post Quarter

On 20 January 2015 WCC's 45.88% subsidiary, FSE announced to the market the receipt of AU\$3.1million (after costs) being tranche 1 of the drawdown pursuant to the convertible note facility. These funds have been allocated by FSE in the main to project costs and to provide working capital.

Stephen Miller
Executive Director and CEO
The Waterberg Coal Company Limited

Table 1 – Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right						
Resource Classification	Coal Resource¹(Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
Measured	2070.3	57.9	2.2	17.6	10.51	0.96
Indicated	856.3	59.4	2.3	17.2	9.96	1.00
Inferred	956.7	58.9	2.2	17.5	10.26	1.03
Total Resources	3883.3	58.5	2.2	17.5	10.33	0.99
Coal Resource ¹ based on minimum thickness cut-off of 0,5m						

Note 1: Competent Person Statement

Gemecs (Pty) Limited was commissioned by the Waterberg Coal Company "WCC", to undertake an Updated Independent Persons Geological Report for the Sekoko Waterberg Coal Project.

The Coal Resources were estimated in accordance with the South African code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("SAMREC Code"), Australasian Code for Reporting of Exploration Results. Mineral Resources and Ore Reserves ("the JORC Code") and South African National Standard (SANS 10320:2004) guidelines.

The information in this announcement that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Coenraad D van Niekerk, Pr.Sci.Nat (Reg. No 400066/98), M.Sc Hons (Geology), MDP, an employee of Gemecs (Pty) Limited, who is a Fellow of the Geological Society of South Africa. Mr Niekerk is a mining geologist with 38 years' experience in the mining industry, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Niekerk consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.