



September 2015 Quarterly Activities Report

1. The Waterberg Coal Project

The Waterberg Coal Company Limited (the “Company” or “WCC”) is a participant in the Waterberg Coal Project (“WCP”) joint venture, situated in the Limpopo Province, South Africa. WCP currently has identified coal resources of 3.4 billion tonnes of coal contained within the granted mining and prospecting rights.

During the 2015 financial year a definitive feasibility study (“DFS”) for a proposed development of an export project mine was completed. This proposed development would see total production of up to 4 million tonnes per annum of high quality export thermal coal product over a 3 to 4 year period (the “Export Project”).

Since the completion of the DFS, the project team have been engaged in value engineering and optimisation studies for the Eskom Project with a view to enhancing the bankability of the project and reducing the cost of delivery of product to Eskom Holdings SOC Ltd (“Eskom”). Since the completion of the study a 300,000 tonne bulk burn test has also been undertaken (by Eskom) to confirm the suitability of the coal for burning at the designated Eskom power stations. As at the date of this report the Group are in discussions with Eskom for producing coal on a long term basis.

With respect to the Export Project DFS, an optimisation study is current in progress. The significant focus of this optimisation study is the review of the projects capital requirements with a view to enhancing the viability of the project. The optimisation includes consultation with world-class plant designers and contract vendors for the mining and processing facilities and services. The Group is confident that the optimisation process will derive positive outcomes resulting in considerable reductions in capital funding requirements for the project.

A key focus of the optimisation study is to revise the original washing process plans to enable production of a higher quality of coal suitable for the export market and to provide flexibility for production of a higher quality power station feed product for a proposed independent power producer (“IPP”) to be located within the confines of the WCP. This power station product is planned to be stockpiled during the export grade coal mining phase until the potential IPP platform is completed. Utilisation of this product as IPP feed will result in optimal resource utilisation.

During the quarter the WCP Joint Venture Partners (“WCP Partners”) and its consultants revised its original washing process plans to enable production of a higher quality of coal suitable for the export market.

Additionally, the optimised plant design allows flexibility for production of a higher quality power station feed product. This

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ASX / JSE Symbol:
WCC

power station product is planned to be stockpiled during the export grade coal mining phase until the potential IPP platform is completed. Utilisation of this product as IPP feed will result in optimal resource utilisation and a barren waste dump.

2. Coal Processing Plant

During the quarter WCP Partners commenced negotiations with experienced processing and services providers for a build-own-operate (“**BOO**”) dual module plant, each with 550 tonnes per hour capacity.

The proposed plant design configures a two-stage wash process providing greater flexibility in product quality output. The advantage of such a design is clearly an ability to optimise a given product output mix to meet a range of commercial coal requirements including export quality, IPP platform feed stock and Eskom specification product from the one plant.

The WCP Partners are confident that adopting a BOO strategy in conjunction with well experienced operators will significantly reduce up front capital requirements and provide for a swift progression to mining and production.

The WCP Partners expect to complete its evaluation of BOO providers during the September quarter.

3. Mining Operations

Negotiations with a number of parties for the award of the mining contract were advanced during the quarter. The bidding process, guided by our mining engineer, has progressed to a point where we have indicative pricing on a ZAR/ROM per ton which is within the parameters of the WCP Partners’ financial modelling and with the WCP Partners’ costing in the DFS.

4. Project Water Supply

In October 2014 WCP Partners advised they had entered into a memorandum of understanding with the Lephalale Municipal Council (“**LMC**”) with respect to the Paarl Waste Water Treatment Facility (the “**Facility**”) whereby the WCP Partners will take over the management and operation of the Facility for the purpose of supplying water to the WCP.

During the quarter (August 2015) the Company WCP Partners advised that it had entered into an formal agreement with LMC to take over the management and operation of the Facility for the purposes of supplying water to WCP (the “**Agreement**”).

The Facility has a treatment capacity of 10 million litres per day or 3.64 million cubic metres per annum. This will provide WCP with sufficient water not only for its proposed Export Project development but also stage 1 of its proposed IPP development which is currently under technical and economic assessment.

The Agreement is a significant step towards the development of WCP which WCP Partners are targeting a project start up for the Export Project towards the end of Q1 2016.

5. Project Optimisation Study – The Eskom Project

With the current focus on the Export Project and the IPP platform, value engineering work on the Eskom Project remains a lower priority and will continue so until further direction is received from Eskom in terms of advancing the status of negotiations with respect to the coal supply agreement.

6. Power Production for Project Construction Purposes

WCP Partners are in discussions with multiple parties regarding the onsite production of power generation. Guided by consultants, SMEC Holdings Limited (“**SMEC**”); who has extensive experience with this sector, will provide guidance and advice to the WCP Partners in respect of electricity generation plant specifications to ensure achievement of optimal technological configuration and operational efficiency for the plant. SMEC will also be assisting the WCP Partners to identify the most pre-eminent project and funding partners.

7. Export Product Off-take Arrangements

Negotiations are ongoing with a number of international parties who have expressed considerable interest in entering into a long term off-take arrangements for the export product that is expected to be produced from the Export Project development.

The product specifications for the export product that are anticipated to be sold into long-term offtake agreements are as follows:

	Combined Total Average	Upper Zone (03-15)	Lower Zone (17-20)
Ash (%)	17.39	24.73	16.38
CV (MJ/kg) (ad)	25.99	23.21	26.37
Moisture (%)	3.25	2.51	3.35
Volatiles (%)	24.86	26.88	24.59
Sulphur (%)	0.71	0.72	0.71
Yield (%)	71.52	37.39	76.19

8. Project Funding – The Export Project

Accruing from the preliminary results of the DFS and the optimisation studies for the Export Project, the WCP Partners are in discussions with certain banks with respect to funding arrangements for the proposed development. Pursuant to the financing discussions, Snowden Mining Industry Consultants Pty Ltd ("**Snowden Group**") has been commissioned as independent technical experts to produce a due diligence report for the purposes of project funding.

Accruing from the term sheet and the suite of transactions now proposed with Sibanye, it is considered that a successful transaction will not only greatly enhance the export project development, but also the economics and fundability.

9. IPP Strategy

As previously advised, the WCP Partners have been preparing preliminary technical and economic models to determine the most appropriate, capital efficient and economical fashion in which to facilitate the development of an IPP Project from feed stock generated from its proposed coal mining projects.

WCP Partners are currently engaging with a number of parties, including mining and civil engineering contractors on the mining project(s); and potential technology partners, IPP developers and financial groups to partner with it in creating a new independent integrated energy company to be located within the confines of the WCP mining project area.

10. South Australian Tenements

WCC holds 2 exploration tenements in the Gawler Craton of South Australia which are highly prospective for gold and copper-gold mineralisation. 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, WCC continued to compile and validate exploration data relating to the 2 tenements and is assessing the prospectively of targets within the license holdings. WCC has designed work programmes to test these targets however these work programmes have not been carried out to date due to the Company's focus on the Waterberg coal projects in South Africa. Consequently, The Company does not consider these tenements to be core to its future business prospects and has undertaken to seek expressions of interest from potential buyers.

On 29 September 2015 the Company accepted a deposit of \$25,000 to effect an agreement with Stockworks Exploration and Mining Pty Ltd ("**Stockworks**") whereby Stockworks will acquire exploration licence 5397 (**EL5397**) for a cash consideration of \$100,000 comprising the deposit paid and a further \$75,000 on registration of the transfer of title to Stockworks. Additionally, a 1.0% net smelter royalty for the benefit of WCC applies for any type of ore mined on the tenement

11. Corporate

11.1 Refinancing the SBSA Facility

The Company entered into a voluntary suspension of its shares on 19 March 2015 whilst it progressed negotiations with Standard Bank of South Africa Limited ("**SBSA**") (and other participants) with respect to "refinancing" the SBSA convertible note facility (the "**Facility**").

On 15 September 2015 the Company and Firestone Energy Limited ("**FSE**") (collectively the Waterberg Coal Group ("**WCG**")) entered into a term sheet with Sibanye Gold Limited ("**Sibanye**") whereby, inter alia, Sibanye, have agreed terms with SBSA (as Facility agent) to acquire the Facility held by SBSA.

It is proposed, subject to completion of due diligence and formal transaction documentation, the Facility acquired by Sibanye will, upon the completion of a corporate restructure; and subject to the various regulatory requirements and court, regulatory & shareholder approvals; be converted to equity in the enlarged company.

The proposed restructuring will see WCC and FSE merge through a proposed scheme of arrangement in accordance with the provisions of the *Corporations Act (Cth) 2001*. The scheme of arrangement will be subject to formal documentation, shareholder, regulatory and court approvals.

In addition to the acquisition of the Facility and the conversion of same into equity in the enlarged group, Sibanye will:

- a. Contemporaneous with the acquisition by Sibanye of the Facility and the execution by the Parties of the transaction agreements and the provision by WCG Parties of the security, provide AU\$8.5 million as additional working capital to WCG.
- b. Subject to shareholder approval and other *Corporations Act (Cth) 2001* and ASX Listing Rules requirements, subscribe for shares based on a conversion price of AU\$0.0154 per ordinary share in the capital of the consolidated WCG following the Corporate Consolidation (the "**Loan**"). The consolidated WCG will issue the shares which are to be offset against the loan principal repayable by the consolidated WCG.
- c. Enter into a coal off-take agreement with WCG. This agreement will specify the term, quantity, quality, target price and delivery of coal which will be produced and sold to Sibanye (or a nominated representative) for the purpose of Sibanye's power requirements as part of the IPP Platform (to support Sibanye's IPP/s). The Parties undertake that the terms of the off-take agreement will be such that it conforms to international standard IPP debt financing requirements. These coal sales will be in addition to the proposed 4 million tonnes of high quality export thermal coal product that WCG anticipate producing for the export market.

The proposed suite of transactions (with Sibanye) will be subject to due diligence and the completion of the formal transaction documentation.

It is anticipated that the current voluntary suspension of the Company's securities will remain until completion of the due diligence and transaction documentation referred to above by Sibanye.

The Company will update the market as and when the various conditions precedents are satisfied.

It should be noted that the matters referred to in this announcement are subject to documentation and a number of regulatory, court and shareholder approvals.

Stephen Miller
Managing Director and CEO
The Waterberg Coal Company Limited

Updated Resource Statement^{1 2}

An Independent Competent Persons Resource Statement was prepared in October 2013 to reflect the increased borehole database following the completion of the 2013 drilling programme on the four farms covered by the Mining Right (Smitspan, Massenberg, Hooikraal and Minnasvlakte), and the two farms held under Prospecting Rights (Vetleegte and Swanepoelpan) and associated sample analysis on the WCP properties.

The resource statement for the WCP stands at 3.4 billion tonnes. This represents a substantial increase in the coal resource of the WCP properties. Previously SRK Consulting (Pty) Limited (December 2012) declared a Coal Resource of 1.183 billion tonnes on the two farms Smitspan and Massenberg.

The resource statement was prepared on behalf of the Company by Gemecs (Pty) Limited in their capacity as Independent Competent Persons.

Coal Resource on all six Waterberg Coal Project Properties under both Prospecting Permit and Mining Right

Resource Classification	Coal Resource* (Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
Measured	1314.51	57.6	2.2	17.9	10.7	1.00
Indicated	1247.2	57.4	2.3	17.8	10.7	1.13
Inferred	838	58.5	2.2	17.6	10.4	1.19
Total Resources	3400	57.7	2.2	17.8	10.6	1.09

**Coal Resource based on minimum thickness cut-off of 0.5m*

¹ Please note that this information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2013 on the basis that the information has not materially changed since it was last reported.

² **Competent Person Statement** - Gemecs (Pty) Limited was commissioned by the Company to undertake an Updated Independent Persons Geological Report for the 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 report 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 Joint Ore Reserves Committee (JORC) "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Niekerk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. Any discrepancy is due to rounding.