

30 January 2015



**universal**  
coal plc

## Quarterly Activities Report

### Highlights

#### Corporate

- **A\$25.5 million raising successfully completed from strategic shareholders**
- New Clydesdale Colliery ("NCC") acquisition price fully settled and completion imminent

#### Operating – Kangala Colliery

- Feed to plant 576 522 tonnes achieving an overall yield of 73%
- 366 204 tonnes sold for the quarter, up 7% from Q1 2015,
- Technical completion achieved under project financing arrangements
- Mine construction fully completed
- The Kangala Colliery can now make permitted cash distributions to its shareholders in the form of shareholder loan repayments and /or dividend distributions

#### Development – NCC Roodekop

- **Roodekop surface rights acquired**
- Mining activities for Roodekop have commenced
- Opencast mining tender process nearing finality
- Development team being appointed
- No outstanding regulatory approvals

#### Exploration and Licencing

- **Brakfontein shaping up as Universal Coal's third mine within three years:**
  - A maiden Proven Reserve of 9.62 million tonnes
  - Brakfontein Pre-Feasibility completed, optimisation underway

# Corporate Activities

## Strategic Investments

Universal Coal Plc, after obtaining the necessary shareholder approvals at the General Meeting held in London on 6 October 2014, successfully completed the proposed strategic investment by IchorCoal NV (“Ichor”) (FRA: IO0) of A\$24.5 million and Coal Development Holding B.V.’s (“CDH”) investment of A\$1 million in the Company.

The funds raised have largely been committed towards guarantees for the financing of the acquisition of the New Clydesdale Colliery (“NCC”) from Exxaro Coal Mpumalanga (Pty) Ltd, subject to the completion of that transaction and to part-fund the development of the NCC Roodekop project.

As part of the investment, Messrs Nonkululeko Nyembezi-Heita and Andries Engelbrecht have been appointed to the Board of Universal Coal as nominee directors of Ichor. The appointments are effective from 16 October 2014.

## New Clydesdale Colliery acquisition

The acquisition of NCC is progressing according to schedule.

The following conditions precedent are yet to be satisfied, but are expected to be satisfied or waived on or before the final date for satisfaction, which is in the process of being extended to 30 June 2015:

- i. Exxaro successfully obtaining section 11 consent, being a form of regulatory consent to the transaction required under the South African Minerals and Petroleum Resources Development Act;
- ii. Universal Coal acquiring all the necessary regulatory environmental approvals;
- iii. No Material Adverse Change having occurred before completion – the company is not aware that any such change has occurred.

The acquisition price of A\$17.9 million (R170 million) has been fully guaranteed by Rand Merchant Bank, a division of FirstRand Bank Limited and is reflected in the restricted cash line item in the supporting Appendix 5B.

In sum, the Company considers that Exxaro and Universal Coal Development VIII are on track to complete the sale and acquisition of NCC in accordance with the acquisition agreement.

Universal Coal is progressing negotiations for off-take of domestic and export coal coupled with a debt financing arrangement with local banking institutions.

# Operating Activities

## Kangala Colliery

### Operational Performance

The actual production, sales and revenues for the quarter ended 31 December 2014 in comparison with the planned production and sales are reflected below:

|                                 | Actual     | Planned    | Variance   |
|---------------------------------|------------|------------|------------|
| Run-of-Mine (tonnes)            | 503 162    | 550 954    | (47 792)   |
| Domestic Product Sales (tonnes) | 348 476    | 404 359    | (55 883)   |
| Export Product Sales (tonnes)   | 17 728     | 24 000     | (6 272)    |
| Gross revenue (A\$'000)*        | A\$ 15 135 | A\$ 16 502 | (A\$1 367) |

\* Unaudited and subject to adjustment

#### **Run-of-Mine (ROM)**

The 503 162 ROM tonnes mined plus an additional 73 360 ROM stockpile tonnes, totalling 576 522 tonnes were processed for sales. A total of 60 629 tonnes remain on the ROM stockpile for processing and sale in the following quarter.

Above average Inclement weather conditions over the November and December months impacted severely on the ROM production targets for the quarter. To this end, Universal Coal and its mining contractor, Stefanutti Stocks Mining Services have addressed this issue to increase mining capacity to improve this position in the short term.

#### **Domestic Product Sales**

Domestic product sales were below budget due largely to under-offtake by ESKOM at its designated power stations over the December holiday period. A catch up plan for coal under off-take experienced in this quarter (Q2 2015) is being addressed with Eskom, as stipulated in the Eskom off-take agreement, to allow for the recovery of lost sales tonnages.

#### **Export Product Sales**

Export sales build up progressed during the quarter, with three trains shipped instead of the budgeted four. This shortfall will be made up during the next quarter, given the current train scheduling.

#### **Gross Revenue**

Revenues for the quarter were 8.3% lower than anticipated mainly as a result of lower than anticipated domestic and export sales volumes.

| Operational Performance (tonnes)    | Quarter ended 31 Dec 2014 | Quarter ended 30 Sep 2014 | % Change    | Total from SOP 31-Dec-14 | Total YTD 31-Dec-14 |
|-------------------------------------|---------------------------|---------------------------|-------------|--------------------------|---------------------|
| <b>Run-of-mine (ROM) production</b> |                           |                           |             |                          |                     |
| Kangala Colliery                    | 503,162                   | 580,007                   | -13%        | 1,716,553                | 1,083,169           |
| <b>Total ROM production</b>         | <b>503,162</b>            | <b>580,007</b>            | <b>-13%</b> | <b>1,716,553</b>         | <b>1,083,169</b>    |
| <b>Feed to plant</b>                |                           |                           |             |                          |                     |
| Kangala Colliery                    | 576,522                   | 568,665                   | 1%          | 1,563,637                | 1,145,187           |
| <b>Total feed to plant</b>          | <b>576,522</b>            | <b>568,665</b>            | <b>1%</b>   | <b>1,563,637</b>         | <b>1,145,187</b>    |
| <b>Plant Yields</b>                 |                           |                           |             |                          |                     |
| Kangala Colliery                    | 73%                       | 72%                       | 1%          | 80%                      | 72%                 |
| Domestic sales                      | 348,476                   | 342,684                   | 2%          | 1,066,493                | 691,160             |
| Export sales                        | 17,728                    | 182                       | 9641%       | 17,910                   | 17,910              |
| <b>Total sales</b>                  | <b>366,204</b>            | <b>342,866</b>            | <b>7%</b>   | <b>1,084,403</b>         | <b>709,070</b>      |

## Health

No health issues have arisen.

## Environmental

Environmental monitoring continues to be monitored and all parameters remain within the legislated limits.

## Safety

No safety issues have arisen.

## Geology

The 50m x 50m grade control infill drilling for the next 24 month production period (approximately 80 boreholes) progressed as planned.

## Human Resources

No human resources issues have arisen.

## Local Economic Development and Sustainability Initiatives

In Q4 2014, Kangala established a local community operators skills training programme in collaboration with a Mining Qualification Authority certified training institute. The Mine successfully trained twelve local residents to become qualified operators for the heavy mining moving machinery. Eight successful operators have been appointed as Articulate Dump Trucks operators for Kangala Colliery. The mine intends to train one hundred operators by the end of October 2015.

Construction of the Nkangala FET campus, which is a local economic development project is nearing completion. Anticipated completion date is Q4 2015. The initiative is a joint venture with Exxaro's Leeuwan Coal Mine, Department of Education and the Local Municipality.

## Legal and regulatory matters

Kangala delivering to the Department of Mineral Resources a revised financial guarantee for environmental rehabilitation.

Registration of Middelbult and Modderfontein prospecting rights renewals at the Minerals and Petroleum Titles Registration Office.

### *Product stockpiles awaiting shipment*



# Development Activities

## Kangala Colliery

The following key development milestones for the quarter were achieved:

### Infrastructure and Mine Development

The box-cut was completed, creating a northern and southern pit in the southern pit, with the southern pit now continuing as a roll-over operation. The northern pit will continue to progress towards being in roll-over during the course of the quarter.

### Plant Construction

The second product stockpile facility was commissioned during November. This effectively doubles the product stockpile capacity of the mine, with 66,000t of product stockpiling capacity.

*View of the plant and new kidney stockpile area in the background*



## NCC Roodekop

The following key development milestones for the quarter were achieved:

### Exploration Activities

The NCC geological database, as acquired from Exxaro, was validated and corrected and an updated geological model and resource estimation for the Diepspruit section at NCC was completed. An updated resource and reserve estimate will be released to the market in the next quarter.

### Bankable Feasibility Study

Management efforts have been committed to the commissioning of a BFS on the joint NCC Roodekop project which is expected to conclude at the end of Q3 2015.

### Development Team

The Universal Coal team that implemented the Kangala Colliery has now assumed full functional development activities for the NCC Roodekop project. The mine manager, financial assistant, mine geologist, environmental co-ordinator and technical engineering manager have been appointed and a full time metallurgical manager is in the process of being recruited.

### Development activities

The acquisition of the Roodekop surface rights was completed during the quarter.

A tender process for the opencast contract mining supplier was commissioned during the quarter and management is in the process of adjudicating the proposals with a decision to be made in the Q3 2015 quarter.

## Brakfontein – Thermal Coal

Universal Coal completed the pre-feasibility study and announced a maiden JORC 2012 compliant Coal Reserve estimate of 9.62 million tonnes within the Northern Open-Pit Areas and an updated JORC compliant resource of 75.8 million tonnes.

The company will now focus efforts on optimising the pre-feasibility study including investigating the case for utilising excess capacity at the nearby Kangala operation.

With the Mining Right in hand and having already secured the National Environmental Management Act (NEMA) authorisation, the project now only awaits the granting of the Integrated Water Use Licence (IWUL) before development activities can commence.

## Berenice/Cygnus - Coking Coal

Nothing to report.

## Activities Planned for the March 2015 Quarter

- Conclude the NCC transaction and assume ownership of the asset
- Report a consolidated JORC 2012 compliant resource and reserve estimate for the integrated NCC and Roodekop mining complex
- Conclude the NCC Roodekop BFS
- Re-design the Diepspruit underground section at NCC in preparation of recommissioning H22015
- Appoint the mining contractor and commence with development of the Roodekop open pit
- Consolidate NCC and Roodekop mining rights
- Optimise the Brakfontein pre-feasibility study
- Release the 2015 interim financial report
- Pursue the approval of the Integrated Water Use License Application for Brakfontein
- Evaluate further investment opportunities

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## About Kangala

Kangala, situated in the Witbank coalfield in Mpumalanga province, is Universal Coal's first operation. The mine is a domestic thermal coal operation supplying coal primarily to Eskom. At a capital cost of A\$46.1m, this operation is on track to supply an estimated average of A\$15m EBITDA per annum (100%), with both costs and profit margins locked in.

Operating costs are optimised at a low A\$15 per ton over an initial eight year life of mine at Wolvenfontein.

The operation is being run on the historically proven outsource model, with Stefanutti Stocks Mining Services supplying both the mining fleet and skill set to run the initial eight year Wolvenfontein pit, operating a fleet of 60t trucks, 85t excavators and supporting equipment. The dual circuit processing facility containing a 350tph crushing and screening circuit and the 320tph DMS washing plant is owned by the company, but the operation thereof will have been outsourced to Mineral Resource Development.

## About NCC Roodekop

NCC-Roodekop is located centrally on the southern margin of the Witbank coalfield, 30km south of Middelburg in Mpumalanga Province. The export-focussed project, comprising of the New Clydesdale Colliery (NCC), which Universal Coal is set to acquire, and the already 74% owned contiguous Roodekop project, will be developed and operated as one complex taking advantage of the natural synergies in place.

NCC Roodekop contains a 2004 & 2012 JORC compliant coal resource of 138.90 Mt of which 114.16 Mt is at a Measured and 24.74 Mt at an Indicated resource level and is inclusive of an initial proved reserve of 14.1 Mt, sufficient to support the installed 2.0Mtpa processing capacity at NCC for the foreseeable future.

Project financing is well advanced, with the company recently agreeing to an equity funding package with international coal company IchorCoal NV and major shareholder Coal Development Holding BV which will result in a strategic investment of \$25.5 million.

## About Universal Coal

ASX-listed Universal Coal (ASX: UNV) is focused on becoming a leading mid-tier coal company.

Universal Coal has a portfolio of producing, development and exploration assets located across South Africa's major coalfields.

The Kangala mine in the Witbank coalfield, commenced first production in February 2014. Kangala produces at the rate of 1.75 million tonnes per annum saleable thermal coal, primarily for the domestic market.

Following Kangala will be development of the export-focused Roodekop project located contiguous to Exxaro's New Clydesdale Colliery (NCC). Universal Coal has announced a deal to acquire NCC, which will fast track the company's progress towards becoming a multi-mine producer.

Besides its thermal coal projects (including Brakfontein), the company has completed earn-in agreements over two coking coal projects (Berenice/Cygnus and Somerville) in the Soutpansberg coalfields.

The following map and schedule provides information pertaining specifically to the location and tenure of interests held by Universal Coal Plc in Mining Rights (MR) and Prospecting Rights (PR) in South Africa.



## Universal Coal Global Coal Resources/Reserve Summary

| Project                                 | Reserve Proved<br>Mt | Resource Measured<br>Mt | Resource Indicated<br>Mt | Resource Inferred<br>Mt | Total<br>Mt    | Attributable to Universal<br>Mt |
|-----------------------------------------|----------------------|-------------------------|--------------------------|-------------------------|----------------|---------------------------------|
| <b>Thermal Coal (Witbank)</b>           |                      |                         |                          |                         |                |                                 |
| Kangala <sup>1</sup>                    | 22.3                 | 93.1                    | 19.4                     | 33.6                    | 146.1          | 103.0                           |
| NCC <sup>2</sup> -Roodekop <sup>3</sup> | 14.1                 | 114.2                   | 24.7                     | -                       | 138.9          | 68.1                            |
| Brakfontein <sup>4</sup>                | 9.6                  | 31.7                    | 39.4                     | 4.7                     | 75.8           | 38.1                            |
| <b>Total Thermal Coal</b>               | <b>46.0</b>          | <b>239.0</b>            | <b>83.5</b>              | <b>38.3</b>             | <b>360.8</b>   | <b>209.2</b>                    |
| <b>Coking Coal (Limpopo)</b>            |                      |                         |                          |                         |                |                                 |
| Berenice <sup>5</sup>                   | -                    | 394.0                   | 694.3                    | 116.1                   | 1,204.4        | 602.2                           |
| Cygnus <sup>6</sup>                     | -                    | 30.9                    | 106.7                    | 8.2                     | 145.8          | 72.9                            |
| Somerville <sup>5</sup>                 | -                    | -                       | -                        | 274.2                   | 274.2          | 137.1                           |
| <b>Total Coking Coal</b>                | <b>-</b>             | <b>424.9</b>            | <b>801.0</b>             | <b>398.5</b>            | <b>1,624.4</b> | <b>812.2</b>                    |
| <b>Total</b>                            | <b>46.0</b>          | <b>663.9</b>            | <b>884.5</b>             | <b>436.8</b>            | <b>1,985.2</b> | <b>1,021.4</b>                  |

### Notes:

- Mineral Resources are stated inclusive of Mineral Reserves.
  - Rounding (conforming to the JORC Code) may cause computational discrepancies.
  - The Resource and Reserve estimates for Kangala, Brakfontein, Berenice, Cygnus and Somerville were prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.
  - The Resource and Reserve estimates for the NCC project are SAMREC compliant and “qualifying foreign estimates” for the purpose of ASX Listing Rules.
  - The Resource and Reserve estimates for the Roodekop project have been updated to comply with the JORC Code 2012.
1. Universal has an attributable interest of 70.5% of the Kangala Project.
  2. Universal has an attributable interest of 49% in the NCC project (under acquisition).
  3. Universal has an attributable interest of 49% in the Roodekop Project.
  4. Universal has an attributable interest of 50.29% in the Brakfontein Project and the right to negotiate to acquire up to a 74% interest upon completion of the BFS and award of a mining right..
  5. Universal has an attributable interest of 50% in the Berenice and Somerville Projects with an option to acquire up to a 74% interest.
  6. Universal has an attributable interest of 50% in the Cygnus Project with an option to acquire up to a 74% interest.

## Competent Person's Statement

The information in this report that relates to Coal Resources for Kangala, Roodekop, Brakfontein, Berenice, Cygnus and Somerville is based on information reviewed and compiled by Mr Nico Denner, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Denner is employed by Gemecs (Pty) Ltd and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Denner consents to the inclusion in this report of this information in the form and context in which it appears.

The Kangala Coal Reserve estimate was prepared by Mr Ben Bruwer, who is a Principal Mining Engineer and Co-owner of VBKom Consulting Engineers who are the preferred mining consultants to Stefanutti Stocks Mining Services (Pty) Ltd. He is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and member of SAIMM. He has more than 15 years' experience in the South African coal and minerals industries. VBKom CE has sufficient experience which is relevant to the type of mineralisation and the Kangala deposit and to the activity which Mr Bruwer is undertaking to qualify as a Competent Person as defined by the SAMREC and JORC Codes for Reporting of Exploration, Mineral Resources and Ore Reserves'.

The information relating to NCC Coal Resources and Reserves has been provided under ASX Listing Rules 5.12.2 to 5.12.7 and is an accurate representation of the available data and studies for NCC by Exxaro as certified by the SAMREC compliant report 'NCC Mine Mineral Resource and Ore Reserve Statement, 31 December 2012' as reviewed by Mr. Jaco Malan. Mr Malan is a registered natural scientist and member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Malan is employed by Universal Coal and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr Malan consents to the inclusion in this report of this information in the form and context in which it appears.

The information in this report that relates to the Roodekop and Brakfontein Ore Reserve estimates are based on information compiled and reviewed by Mr Kevin Donaldson. Mr Donaldson is employed by Universal Coal as Chief Development Engineer and is registered with the Engineering Council of South Africa and a member of both the South African Institute of Mining and Metallurgy (Overseas Professional Organisation) and the South African Colliery Managers Association. He has more than 20 years' experience in the South African coal mining industry and sufficient experience which is relevant to the type of mineralisation and the Roodekop and Brakfontein deposits and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code for Reporting of Exploration, Mineral Resources and Ore Reserves.

| Project               | Property                                                                                                                                                                                                                                                                                                                                                                                                            | Permit Type & Number                   | Location                                   | Size      | Beneficial Interest Held | Change in Interest from previous Quarter                                    |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------|-----------|--------------------------|-----------------------------------------------------------------------------|
| Kangala               | Wolvenfontein 244IR: Portion 1 and RE of Portion 2                                                                                                                                                                                                                                                                                                                                                                  | Mining Right: MP30/5/1/2/2/429MR       | Delmas, Mpumalanga Province, South Africa  | 951 Ha    | 70.5%                    | None                                                                        |
|                       | Middelbult 235IR: Portions 40 and 82                                                                                                                                                                                                                                                                                                                                                                                | Prospecting Right: MP30/5/1/1/2/641PR  | Delmas, Mpumalanga Province, South Africa  | 942 Ha    | 70.5%                    | None                                                                        |
|                       | Modderfontein 236IR: Portion 1                                                                                                                                                                                                                                                                                                                                                                                      | Prospecting Right: MP30/5/1/1/2/639PR  | Delmas, Mpumalanga Province, South Africa  | 127 Ha    | 70.5%                    | None                                                                        |
| Roodekop              | Roodekop 63IS                                                                                                                                                                                                                                                                                                                                                                                                       | Mining Right: MP30/5/1/1/2/492MR       | Kriel, Mpumalanga Province, South Africa   | 835 Ha    | 74%                      | None                                                                        |
| Brakfontein           | Brakfontein 264IR : Portions 6, 8, 9, 10, 20, 26, 30 and Remaining Extent                                                                                                                                                                                                                                                                                                                                           | Mining Right: MP30/5/1/1/2/10027MR     | Delmas, Mpumalanga Province, South Africa  | 879 Ha    | 50.29%                   | None                                                                        |
| Berenice & Somerville | Berenice 548MS, Celine 547MS, Doorvaardt 355MS, Longford 354MS, Somerville 9MS and adjacent farms                                                                                                                                                                                                                                                                                                                   | Prospecting Right: LP30/5/1/1/2/376PR  | Waterpoort, Limpopo Province, South Africa | 39,484 Ha | 50%                      | None                                                                        |
| Cygnus                | Cygnus 543MS and adjacent farms                                                                                                                                                                                                                                                                                                                                                                                     | Prospecting Right: LP30/5/1/1/2/1276PR | All Days, Limpopo Province, South Africa   | 12,299 Ha | 50%                      | None                                                                        |
| NCC                   | Middeldrift 42 IS (portion 4), Diepspruit 41 IS (RE, RE of portions 1, 2, 3, portions 7, 8, 9, 10), Rietfontein 43 IS (RE, RE of portion 1, portion 3, M/A 2, 3, 4 of RE portion 1), Vaalkrans 29 IS (portions 4, 6, 8, 9, 11, 12, 13, 14, 16, RE of portion 16, M/A 2 of portion 6), Clydesdale 483 IS, Lourens 472 IS, Enkelbosch 20 IS (M/A 4 and 5) and Haasfontein 28 IS (portion 1, M/a 6 and 7 of portion 7) | Mining Right: MP30/5/1/2/2/148MR       | Kriel, Mpumalanga Province, South Africa   | 4,125 Ha  | 49%                      | Acquired 49% subject to Section 11 transfer and finalisation of acquisition |

The company has an experienced team of directors, senior managers and geoscientists with extensive expertise in both coal exploration and mining in South Africa and who have a proven track record of project development.

## Reporting on Exploration Results

The Resource/Reserve Statements for Kangala, Berenice, Cygnus and Somerville were prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Resource/Reserve Statement for Brakfontein and Roodekop was updated since to comply with the JORC Code 2012. The statement also complies with the recommendations and guidelines set out in the revised 2007 South African Code for The Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code) and the rules and guidelines relating to the independent expert's reports set by ASIC and ASX.

The information in this report that relates to Coal Resources and Reserves for NCC is based on the SAMREC Code. The SAMREC Code for Reporting of Exploration Results, Coal Resources and Ore Reserves is a rigorous Code that delivers compliant resource and reserve estimates and is a "qualifying foreign estimate" for the purpose of ASX Listing Rules. Insufficient work was done to classify the foreign estimates at NCC as Coal Resources and Reserves in accordance with the 2012 edition of the JORC Code and it is therefore uncertain that following evaluation and/or further exploration work the foreign estimates will be JORC 2012 compliant.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

UNIVERSAL COAL PLC

ARBN

143 750 038

Quarter ended ("current quarter")

31 December 2014

### Consolidated statement of cash flows

| Cash flows related to operating activities                      | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>(\$A'000) |
|-----------------------------------------------------------------|----------------------------|-----------------------------------------|
| Receipts from product sales and related debtors                 | 16,313                     | 28,469                                  |
| 1.1                                                             |                            |                                         |
| 1.2 Payments for (a) exploration & evaluation                   | (11)                       | (31)                                    |
|                                                                 | (602)                      | (3,161)                                 |
|                                                                 | (10,825)                   | (23,458)                                |
|                                                                 | (3,832)                    | (6,915)                                 |
|                                                                 | -                          | -                                       |
| 1.3 Dividends received                                          | -                          | -                                       |
| 1.4 Interest and other items of a similar nature received       | 245                        | 307                                     |
| 1.5 Interest and other costs of finance paid                    | (186)                      | (354)                                   |
| 1.6 Income taxes paid                                           | (102)                      | (102)                                   |
| 1.7 Other (Net VAT & GST)                                       | (621)                      | (333)                                   |
| <b>Net Operating Cash Flows</b>                                 | <b>379</b>                 | <b>(5,578)</b>                          |
| <b>Cash flows related to investing activities</b>               |                            |                                         |
| 1.8 Payment for purchases of:                                   |                            |                                         |
|                                                                 | -                          | (238)                                   |
|                                                                 | -                          | -                                       |
|                                                                 | (5,644)                    | (5,704)                                 |
| 1.9 Proceeds from sale of:                                      |                            |                                         |
|                                                                 | -                          | -                                       |
|                                                                 | -                          | -                                       |
|                                                                 | -                          | -                                       |
| 1.10 Loans to other entities                                    | -                          | -                                       |
| 1.11 Loans repaid by other entities                             | -                          | -                                       |
| 1.12 Other (Transfer duty refund)                               | -                          | -                                       |
| <b>Net investing cash flows</b>                                 | <b>(5,644)</b>             | <b>(5,942)</b>                          |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(5,265)</b>             | <b>(11,520)</b>                         |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |                                                            |               |               |
|------|------------------------------------------------------------|---------------|---------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (5,265)       | (11,520)      |
|      | <b>Cash flows related to financing activities</b>          |               |               |
| 1.14 | Proceeds from issues of shares, options, etc.              | 23,504        | 23,504        |
| 1.15 | Proceeds from sale of forfeited shares                     | -             | -             |
| 1.16 | Proceeds from borrowings                                   | -             | 2,925         |
| 1.17 | Repayment of borrowings                                    | (82)          | (91)          |
| 1.18 | Dividends paid                                             | -             | -             |
| 1.19 | Other (provide details if material)                        | -             | -             |
|      | <b>Net financing cash flows</b>                            | <b>23,422</b> | <b>26,338</b> |
|      | <b>Net increase in cash held</b>                           | <b>18,157</b> | <b>14,818</b> |
| 1.20 | Unrestricted cash at beginning of quarter/year to date     | 1,237         | 2,657         |
|      | Transfer from restricted cash                              | (16,954)      | (15,087)      |
| 1.21 | Exchange rate adjustments to item 1.20                     | 55            | 107           |
| 1.22 | <b>Unrestricted cash at end of the quarter</b>             | <b>2,495</b>  | <b>2,495</b>  |
|      | <b>Restricted cash at the end of the quarter</b>           | <b>19,727</b> | <b>19,727</b> |
|      | <b>Total cash at the end of the quarter</b>                | <b>22,222</b> | <b>22,222</b> |

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

|      | Current quarter<br>\$A'000                                          |     |
|------|---------------------------------------------------------------------|-----|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2(d) | 303 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10      | -   |

1.25 Explanation necessary for an understanding of the transactions

Salaries and fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.



### Financing facilities available

Add notes as necessary for an understanding of the position.

|                                          | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|------------------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities (note 3)             | 36 912                      | 36,068                 |
| 3.2 Credit standby arrangements (note 3) | 2 109                       | -                      |

### Estimated cash outflows for next quarter

|                                | \$A'000       |
|--------------------------------|---------------|
| 4.1 Exploration and evaluation | 105           |
| 4.2 Development                | 2,524         |
| 4.3 Production                 | 9,422         |
| 4.4 Administration             | 1,158         |
| <b>Total</b>                   | <b>13,209</b> |

### Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. |                                            | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|----------------------------|-----------------------------|
| 5.1                                                                                                                                                         | Cash on hand and at bank                   | 2,495                      | 1,237                       |
| 5.2                                                                                                                                                         | Deposits at call including restricted cash | 19,727                     | 2,509                       |
| 5.3                                                                                                                                                         | Bank overdraft                             | -                          | -                           |
| 5.4                                                                                                                                                         | Other (provide details)                    | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b>                                                                                                            |                                            | <b>22,222</b>              | <b>3,746</b>                |

### Changes in interests in mining tenements

|     | Tenement reference                                            | Nature of interest<br>(note (2)) | Interest at<br>beginning<br>of quarter | Interest<br>at end of<br>quarter |
|-----|---------------------------------------------------------------|----------------------------------|----------------------------------------|----------------------------------|
| 6.1 | Interests in mining tenements relinquished, reduced or lapsed | None                             |                                        |                                  |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|     |                                                     |      |  |  |  |
|-----|-----------------------------------------------------|------|--|--|--|
| 6.2 | Interests in mining tenements acquired or increased | None |  |  |  |
|-----|-----------------------------------------------------|------|--|--|--|

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

|                                                                                                                                                                                                        | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|-----------------------------------------------|--------------------------------------------------|
| 7.1                                                                                                                                                                                                    | 71,220,000   |               |                                               |                                                  |
| <b>Preference + securities</b><br><i>(description)</i>                                                                                                                                                 |              |               |                                               |                                                  |
| 7.2                                                                                                                                                                                                    | 71,220,000   | -             | 18.00                                         | 18.00                                            |
| Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions                                                                             |              |               |                                               |                                                  |
| 7.3                                                                                                                                                                                                    | 434,465,447  | 434,465,447   |                                               |                                                  |
| <b>+Ordinary securities</b>                                                                                                                                                                            |              |               |                                               |                                                  |
| 7.4                                                                                                                                                                                                    |              |               |                                               |                                                  |
| Changes during quarter<br>(a) Increases through issues<br>(i) Ordinary shares<br>(ii) Loan notes converted ref. 7.6(b)<br>(iii) Ordinary shares<br>(b) Decreases through returns of capital, buy-backs |              |               |                                               |                                                  |
|                                                                                                                                                                                                        | 80,440,000   | 80,440,000    | 14.50                                         | 14.50                                            |
|                                                                                                                                                                                                        | 26,000,000   | 26,000,000    | 12.50                                         | 12.50                                            |
|                                                                                                                                                                                                        | 6,250,000    | 6,250,000     | 16.00                                         | 16.00                                            |
| 7.5                                                                                                                                                                                                    | 7,000,000    |               |                                               |                                                  |
| <b>+Convertible debt securities</b><br>Converting Notes                                                                                                                                                |              |               |                                               |                                                  |
| 7.6                                                                                                                                                                                                    | (3,250,000)  | (3,250,000)   | 100                                           | 100                                              |
| Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted                                                                                          |              |               |                                               |                                                  |

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

|      |                                                |            |   |                |                  |
|------|------------------------------------------------|------------|---|----------------|------------------|
| 7.7  | <b>Options</b>                                 |            |   | Exercise price | Expiry date      |
|      | Unlisted Options:                              | 3,200,000  |   | \$0.34         | 9 December 2015  |
|      |                                                | 7,625,110  |   | \$0.26         | 9 December 2015  |
|      |                                                | 3,800,000  |   | \$0.20         | 9 December 2015  |
|      |                                                | 5,200,000  |   | \$0.39         | 9 December 2015  |
|      |                                                | 490,617    |   | \$0.26         | 9 December 2015  |
|      |                                                | 16,855,736 |   | \$0.2628       | 4 June 2017      |
|      |                                                | 5,618,579  |   | \$0.2745       | 4 June 2017      |
|      |                                                | 3,300,001  |   | \$0.26         | 1 April 2018     |
|      | Warrants                                       | 19,500,000 |   | \$0.23         | 31 December 2015 |
|      |                                                | 71,220,000 |   | \$0.36         | 5 April 2016     |
| 7.8  | Issued during quarter                          |            |   | Exercise price | Expiry date      |
| 7.9  | Exercised during quarter                       |            |   |                |                  |
| 7.10 | Expired during quarter                         | 500,000    | - | \$0.40         | 31 December 2014 |
| 7.11 | <b>Debentures</b><br><i>(totals only)</i>      |            |   |                |                  |
| 7.12 | <b>Unsecured notes</b><br><i>(totals only)</i> |            |   |                |                  |

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Date: 30 January 2015



Company Secretary

Print Name: Emma Lawler

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 Kangala Project Financing and term loan facility with Rand Merchant Bank, a division of FirstRand Bank Limited
- 4 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 5 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 6 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.