

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

THE WATERBERG COAL COMPANY LIMITED

ABN

64 065 480 453

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | (a) Ordinary Shares
(b) Listed Options (WCCO)
(c) Convertible Notes |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 8,192,978 Ordinary Shares.
(b) 7,441,573 Listed Options.
(c) 5,617,978 Convertible Notes. |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | (a) Fully paid Ordinary Shares
(b) Options with an exercise price of \$0.20 expiring 31 December 2014.
(c) 5,617,978 convertible notes at a conversion price equal to (the loan amount converted x 2.1)/ (price per Ordinary Share on Johannesburg Stock Exchange (JSE)), where the price per Ordinary Shares is (5 day JSE VWAP x 80%). The repayment date of the convertible notes is 30 November 2014 and the interest rate is LIBOR + 12%. |

+ See chapter 19 for defined terms.

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<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>(a) Yes (b) Yes (c) No. The convertible notes issued will not participate in dividends until shares are issued upon conversion of the convertible notes.</p>
<p>5 Issue price or consideration</p>	<p>(a) ZAR10,000,000 in relation to 5,617,978 Ordinary Shares (Placement 1); \$140,000 in relation to 700,000 Ordinary Shares (Placement 3) and 1,875,000 Ordinary Shares issued in lieu of amount owing to Celtic Capital Pty Ltd (Celtic Services).</p> <p>(b) Nil, issued free under Placement 1. (c) Issue ZAR 1.78 (Placement 2).</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>(a) Working Capital and to satisfy amounts owing for services provided by Celtic Capital Pty Ltd. (b) Working Capital. (c) Working Capital.</p>
<p>6a Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	<p>Yes.</p>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>28 November 2013.</p>
<p>6c Number of ⁺securities issued without security holder approval under rule 7.1</p>	<p>(a) 27,000,000 Unlisted Options with an exercise price of \$0.30 expiring 31 December 2016 (Consultancy Options).</p> <p>(b) 5,617,978 Ordinary Shares under Placement 1. (c) 5,617,978 Convertible Notes. (d) 209,016 Ordinary Shares in lieu of Celtic Services.</p>

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	(a) 1,665,984 Ordinary Shares issued in lieu of Celtic Services and 700,000 issued under Placement 3. (b) 7,441,573 Listed Options.						
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	48,000,000 Unlisted Options with an exercise price of \$0.30 expiring 31 December 2016 - shareholder approval on 28 November 2013.						
6f	Number of securities issued under an exception in rule 7.2	71,790,023						
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	-Yes -Issue Date – 18 December 2013 -VWAP – 17.94 -75% of VWAP – 13.46 -Source - IRESS						
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	18 December 2013. See Annexure 2 of this Appendix 3B.						
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1 – Nil 7.1A – 15,882,424						
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	18 December 2013						
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">139,492,790</td> <td>Ordinary Shares</td> </tr> <tr> <td style="text-align: center;">11,192,823</td> <td>Listed Options exercisable at \$0.20 on or before 31/12/2014</td> </tr> </tbody> </table>	Number	+Class	139,492,790	Ordinary Shares	11,192,823	Listed Options exercisable at \$0.20 on or before 31/12/2014
Number	+Class							
139,492,790	Ordinary Shares							
11,192,823	Listed Options exercisable at \$0.20 on or before 31/12/2014							

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	Number	+Class	
9	Number and +class of all +securities not quoted on ASX (<i>including</i> the securities in section 2 if applicable)		
		68,712	Unlisted Options exercisable at \$12 on or before 31/03/2014
		23,187,500	Unlisted Options exercisable at \$0.20 on or before 31/12/2014 (1,772,355 of which are escrowed until 11 April 2014 and 11,727,645 of which are escrowed until 25 September 2015)
		25,000,000	Unlisted Options exercisable at \$0.20 on or before 31/12/2016 (escrowed 24 months from quotation - 25/9/2013)
		125,000,000	Ordinary Shares (escrowed until 9 April 2014).
		75,000,000	Unlisted Options exercisable at \$0.30 on or before 31/12/2016.
	5,617,978	Convertible Notes at a conversion price equal to (the loan amount converted x 2.1)/ (price per Ordinary Share on Johannesburg Stock Exchange (JSE)), where the price per Ordinary Shares is (5 day JSE VWAP x 80%).	
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

+ See chapter 19 for defined terms.

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A

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26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000

+ See chapter 19 for defined terms.

1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

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Entities that have ticked box 34(b)

38 Number of securities for which ⁺quotation is sought

N/A

39 Class of ⁺securities for which quotation is sought

N/A

40 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

N/A

41 Reason for request for quotation now

N/A

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

	Number	⁺ Class
42 Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 38)	N/A	

+ See chapter 19 for defined terms.

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

 - There is no reason why those +securities should not be granted +quotation.

 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.
Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Jonathan Hart
 (Company Secretary)

Date: 20 December 2013

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	32,630,122
Add the following: <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period 	71,790,023 151,879,667
Note: <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	N/A
“A”	256,299,812

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	38,444,972
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	27,000,000 Consultancy Options 5,617,978 Ordinary Shares under Placement 1. 5,617,978 Convertible Notes. 209,016 Ordinary Shares in lieu of Celtic Services.
“C”	38,444,972
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	38,444,972
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	38,444,972
Total [“A” x 0.15] – “C”	Nil <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	256,299,812
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	25,629,981
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	1,665,984 Ordinary Shares issued in lieu of Celtic Services. 7,441,573 Listed Options. 700,000 Ordinary Shares
“E”	9,807,557
Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	25,629,981
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	9,807,557
Total [“A” x 0.10] – “E”	15,822,424 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 2

Assumptions for Options Valuation:	
Valuation date	18 December 2013
Market price of Shares	18 cents
Exercise price	20 cents
Expiry date (length of time from issue)	31 December 2014
Risk free interest rate	2.60%
Volatility (discount)	100%
Indicative value per Option	6.58 cents
Total Value of Options	\$489,321.21

Assumptions for Shares for Non – Cash Valuation:	
Valuation date	18 December 2013
No. of Shares	1,665,984
Market Price of Shares	18 cents
Total Value of Shares	\$299,877.12

+ See chapter 19 for defined terms.