

ASX Release

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**Directors:**

Dr Mathews Phosa  
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Stephen Miller  
(Executive Director and  
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Lee Boyd  
(Director and Company  
Secretary)

**ASX / JSE Symbol:**  
WCC

## September 2014 Quarterly Activities Report

### The Waterberg Coal Project (WCP)

The Waterberg Coal Company Limited (**WCC**) is the lead and managing partner 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 tonnes<sup>1</sup> of coal contained within the granted mining rights; of which 2.070 Billion tonnes are contained within the measured category<sup>1</sup>.

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 Export Project. In October 2013, SRK Consulting delivered to the project partners the results of the Definitive feasibility study (**DFS**).

A summary of the activities arising from the DFS in the period ending 30<sup>th</sup> September 2014 is set out below.

### Project Optimisation Study – The Eskom Project

WCP's technical team continued with project value engineering and optimisation process during the September quarter. As part of the optimisation process, Engineering, Procurement and Construction Management contractors ARDBEL (a joint venture between ELB Engineering Services and the DRA Group), reviewed the project capital expenditure requirements arising from the SRK Feasibility Study. Significant capital savings have been identified.

With respect to off-take discussions with Eskom; these are on-going and include finalisation of the coal specifications, pricing, delivery dates; and the review by Eskom of the due diligence into the SRK Consulting DFS for the Eskom Project.

## **The Export Project - Definitive Feasibility Study**

During the quarter, Ardbel were commissioned to produce a DFS on the Export Project, to be located in the south of the WCP area. The Export Project anticipates the build up to 2 million tonnes per annum in export production; with first coal produced during the 1st quarter 2016. The Ardbel study is due for completion on 31<sup>st</sup> October 2014. The abbreviated period to complete this study accrues from the significant database and work product that was generated from the Eskom Project DFS, with additional work being carried out with respect to logistics (including rail), coal product off-take arrangements and water.

## **Access to Water**

During the quarter, the technical team engaged with the Lephalale Municipality with regards to the utilisation of the treated water from the Paarl Water Treatment Plant. The plant has a treatment capacity of 10 million litres per day, or 3.64 million cubic metres per annum. The WCP proposes to take over responsibility and management of the operations of the water treatment plant for the purposes of its proposed project development(s). Pursuant to the arrangements tendered to the Lephalale Municipality, a proposal for the refurbishment and upgrade of the plant has been submitted for the Municipality's approval.

## **Discussions with Exxaro**

Pursuant to the optimisation work being undertaken on both the mine plan and infrastructure development; the WCP technical team continued to engage with Exxaro to investigate the potential of sharing of logistics infrastructure. Discussions include WCP gaining short term access to existing infrastructure, the joint development of the Southern logistics infrastructure and the joint development the Northern logistics infrastructure.

## **Port capacity**

During the quarter, WCP entered into discussions with Grindrod to participate in the capacity upgrade at the Navitrade port facility at Richards Bay. The facility, operated by Grindrod Limited, is to be upgraded by an additional 1.0 Mtpa, to 4.5 Mtpa by October 2015. In addition to the Navitrade capacity upgrade, the Project Partners are pursuing other port allocation opportunities.

## **Project funding – The Export Project**

As discussed above, Ardbel has been commissioned to produce a DFS for a stand-alone Export Project. The WCP partners have been in discussions with various 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 Snowden report will be available for such purposes during the month of December 2014.



## **South Australian Tenements**

The Company continues to hold 3 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, the Company continued to compile and validate exploration data relating to the 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 9 April 2013, WCC drew down on the Convertible Secured Facility, with a face value of A\$35 million, from a syndicate of Lenders with The Standard Bank of South Africa Limited ("Standard Bank") as facility agent (the "Lenders").

As set out in the 16 September Announcement, WCC had entered into discussions with the Lenders with respect to the restructuring of the Facility; including an extension to the Facility's maturity date. Shareholders are advised that the Facility matured on 9 October 2014 and in terms of the agreement between the Lenders and WCC, has been extended but without a specified period for repayment.

A portion of capital owing under the Facility, amounting to A\$4.3m, was repaid to the Lenders by WCC.

The revised balance of the Facility as at 17 October 2014 together with accumulated interest is A\$39.3m.

On 16<sup>th</sup> July 2014, WCC resolved to extend the existing A\$3 million facility to Firestone Energy Limited and to create a new A\$3 million facility.

**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 Resource <sup>1</sup> (Mt)	Ash % (ad)	IM % (ad)	Vol % (ad)	CV (Mj/kg) (ad)	TS % (ad)
<b>Measured</b>	<b>2070.3</b>	<b>57.9</b>	<b>2.2</b>	<b>17.6</b>	<b>10.51</b>	<b>0.96</b>
<b>Indicated</b>	<b>856.3</b>	<b>59.4</b>	<b>2.3</b>	<b>17.2</b>	<b>9.96</b>	<b>1.00</b>
<b>Inferred</b>	<b>956.7</b>	<b>58.9</b>	<b>2.2</b>	<b>17.5</b>	<b>10.26</b>	<b>1.03</b>
<b>Total Resources</b>	<b>3883.3</b>	<b>58.5</b>	<b>2.2</b>	<b>17.5</b>	<b>10.33</b>	<b>0.99</b>
<b>Coal Resource <sup>1</sup> based on minimum thickness cut-off of 0,5m</b>						

**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.