
Market Release

16th September 2014

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

BUSINESS UPDATE AND CAUTIONARY ANNOUNCEMENT

Shareholders are advised that further to the Company's quarterly report published on 31 July 2014, the Company wishes to provide the following business update on its current activities.

1. Update on projects and funding arrangements

1.1 The Eskom Project

The Waterberg Coal Project ("WCP") was the subject of a Definitive Feasibility Study ("DFS"). The DFS was prepared in order to comply with the Memorandum of Understanding ("MOU") entered into by the project company (Sekoko Coal (Pty) Ltd) and Eskom on 23 March 2012 for the production and delivery of 10 million tonnes per annum (mtpa) of coal product from the WCP on a take or pay basis. Pursuant to the MOU, a 300,000 tonne bulk burn test has also been successfully completed (at the Majuba Power Station) as part of the Conditions Precedent's to the MOU.

As at today, discussions with Eskom are ongoing to resolve the outstanding requirements in order to convert the offtake MOU into a Coal Supply Agreement ("CSA"). These outstanding requirements include coal specification finalisation, final pricing, delivery dates and the provision to Eskom of a satisfactory due diligence report on the DFS. This report is expected to be finalised by the end of October 2014.

During the period that the DFS has been the subject of the independent due diligence review, the project partners have been in discussions with potential funding parties. The potential funding for this project is predicated on, *inter alia*, the completion of the CSA with Eskom and a satisfactory outcome of the due diligence review. It is anticipated that it could take up to a period of six to 12 months after receipt of the review report for the debt funders to provide the project funding.

1.2 The Export Project

Accruing from the substantial technical work on the Eskom Project by the project partners and due to the anticipated project delay, the project partners have identified the potential for a stand-alone Export Project.

This project will be subject to a stand-alone definitive feasibility study. The project partners are presently considering separate funding options for the Export Project. Shareholders will be updated accordingly in this regard as the strategy is defined.

2. The Convertible Secured Facility ("Facility")

On 9 April 2013, WCC drew down on the Facility, with a face value of A\$35

million, from a syndicate of Lenders with The Standard Bank of South Africa Limited as facility agent (the “Lenders”).

The funding from the Facility has been used, inter alia, to acquire a 45.88% shareholding in Firestone Energy Limited (ASX: FSE) which holds a 60% economic interest in the Waterberg Coal Joint Venture (“Project”); and to acquire an effective 10% direct interest in the Project through a 25% shareholding in the project company, Sekoko Coal (Pty) Ltd.

The Facility term is 18 months with maturity date being 9 October 2014. It was always contemplated that either the Lenders would convert their respective portion of the Facility into listed equity in WCC; or alternatively a portion of the Eskom Project funding facility would be utilised to retire the amount owing pursuant to the Facility. The delays referred to above have necessitated the need for the Facility to be restructured. WCC has entered into discussions with the Lenders with respect to the restructuring of the Facility; including an extension to the Facility's maturity date. At the current date such discussions are ongoing and no arrangements have yet been concluded for the restructure, extension or conversion of the Facility.

3. Update on working capital requirements

The Company has cash and liquid securities totalling \$1,002,271. Pending the agreement on restructuring and extensions of the facility; WCC has arrangements with parties to provide additional working capital.

4. Cautionary announcement

Further to the information provided in this announcement, WCC will provide shareholders with an update in terms of funding and working capital requirements in due course.

Accordingly, shareholders are advised to exercise caution when dealing in the Company's securities until a further announcement in this regard, is made.

Stephen Miller
Director
The Waterberg Coal Company Limited