



# Acquisition of Universal Coal Plc

November 2015

[www.coalofafrica.com](http://www.coalofafrica.com)



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- (iv) an authorised financial services provider, as defined in the Financial Advisory and Intermediary Services Act, 2002 (Act No. 37 of 2002);
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**Important Notice**  
Recipients of this presentation should refer to (1) the Independent Technical Statement for Coal of Africa as at 10 December 2012, and (2) the Independent Technical Statement for the Greater Soutpansberg for Coal of Africa Limited, 31st May 2012, each prepared by Venmyn Rand (Pty) Ltd, which are available on Coal of Africa's website ([www.coalofafrica.com](http://www.coalofafrica.com)), for full details of the coal resource and reserve estimates referred to in this presentation and the basis on which those estimates have been prepared.

**CoAL Competent persons' statement**  
The information in these Presentation Materials that relates to mineral resources or ore reserves has been compiled by Ms C Telfer (B.Sc. Hons. (Geol.), (DMS) Dip Bus Man Pr. Sci. Nat., FGSSA, MAUSIMM, M.Inst.D) and Mr G Njowa (M.Sc. (Min. Eng), MRM, B.Sc.Hons. (Min. Eng), Grad CIS, MSAIMM, Pr Eng, MIAS), of Venmyn Rand (Pty) Ltd, who both have relevant and appropriate experience and independence to appraise the coal assets. Both Ms C Telfer and Mr G Njowa are considered "Competent Persons", and each have more than five years relevant experience in the assessment and evaluation of the types of coal exploration and mining properties presented in this announcement. Both Ms C Telfer and Mr G Njowa consent to the inclusion of the resource information in these Presentation Materials in the form and context in which it appears.

**Universal Competent persons' statement**  
The Coal Resource estimates for Kangala, Brakfontein, Arnot South, Berenice, Cygnus and Somerville were prepared 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 by the 2012 edition of the JORC Code for Reporting of Exploration, Mineral Resources and Ore Reserves. Mr Denner consented to the inclusion of the information in the form and context in which it appears in the transaction announcement dated 25 November 2015 (the "Announcement") and is reflected herein.

The Coal Resource estimate for NCC was prepared by Mr Pogiso Rantao, who is a registered natural scientist and a member of the South African Council for Natural Scientific Professions (a Recognised Overseas Professional Organisation). Mr Rantao is employed as a Senior Geologist by Universal 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 by the 2012 edition of the JORC Code for Reporting of Exploration, Mineral Resources and Ore Reserves. Mr Rantao consented to the inclusion in the Announcement of this information in the form and context in which it is reflected herein.

The Kangala Coal Reserve estimate was prepared by Mr Piet van der Linde from Mindset Mining Consultants (Pty) Ltd. Mr van der Linde is a registered Professional Certified Mining Engineer and has over 30 years' experience in the mining industry. He is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and the South African Collieries Managers Association (SACMA). Mr van der Linde has sufficient experience which is relevant to the type of mineralisation and the Kangala deposit and to the activity which he is undertaking to qualify as Competent Persons as defined by the 2012 edition of the JORC Code for Reporting of Exploration, Mineral Resources and Ore Reserves. Mr van der Linde consented to the inclusion in the Announcement of this information in the form and context in which it is reflected herein.

The NCC Coal Reserve estimate was prepared by Messrs Piet van der Linde and Ronnie van Eeden from Mindset Mining Consultants (Pty) Ltd. Mr van der Linde is a registered Professional Certified Mining Engineer and has over 30 years' experience in the mining industry. Mr van Eeden is a qualified Mining Engineer (Mine Managers Certificate of Competency) with other commercial qualifications, and has over 30 years' experience in the coal industry internationally. Mr van der Linde is a member of the Engineering Council of South Africa (ECSA) (a Recognised Overseas Professional Organisation) and member of the South African Collieries Managers Association (SACMA). Messrs van der Linde and van Eeden have sufficient experience which is relevant to the type of mineralisation and the NCC deposit and to the activity which they are undertaking to qualify as Competent Persons as defined by the 2012 edition of the JORC Code for Reporting of Exploration, Mineral Resources and Ore Reserves. Messrs van der Linde and van Eeden consented to the inclusion in the Announcement of this information in the form and context in which it is reflected herein.

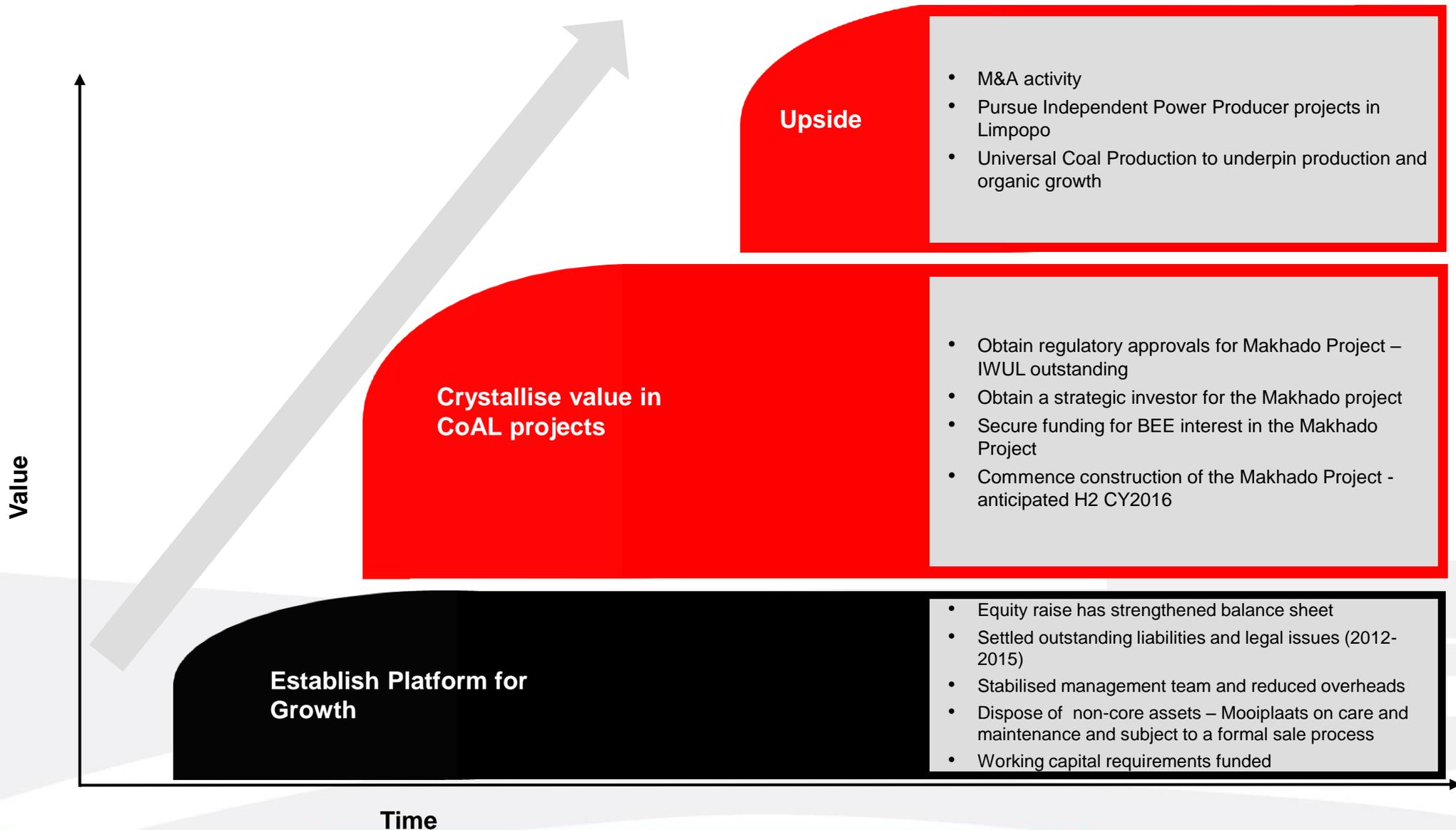
The Brakfontein Ore Reserve estimate was prepared by Mr Kevin Donaldson. Mr Donaldson is employed by Universal as Chief Development Engineer and is registered with the Engineering Council of South Africa and a member of both the South African Institute of Mining and Metallurgy (Overseas Professional 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 to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 edition of the JORC Code for Reporting of Exploration, Mineral Resources and Ore Reserves. Mr Donaldson consented to the inclusion in the Announcement of this information in the form and context in which it is reflected herein.

- CoAL of Africa Limited (“CoAL”) has been focused on restructuring its balance sheet, delivering on the Makhado coking and thermal coal project and positioning the company to unlock shareholder value despite the depressed commodity environment
- As part of the restructuring, management has recognised that no operating cash flow will be generated during the Makhado pre-production phase over the next 3 years
- In order to de-risk CoAL, the Company has identified Universal Coal Plc (“Universal”) as a highly attractive cash generative acquisition target (“the Proposed Transaction”)

# Why Universal? Securing funding for the next stage of growth



CoAL is executing the next phase of its aggressive growth plans



# What is created through the Proposed Transaction



- Well balanced coal group with a mixed production profile for domestic and export markets targeting delivery of over 9 Mtpa of saleable product in the medium term from:
  - Kangala
    - ▶ 2.4 Mtpa – Eskom
    - ▶ Cash generative
  - NCC
    - ▶ 1.5 Mtpa – Eskom build phase and export
    - ▶ Production expected in H1 2016
    - ▶ Expected to be cash generative from H2 2016
  - Makhado
    - ▶ 5.5 Mtpa – Eskom & Domestic
- The enlarged entity is positioned to further consolidate at the bottom of the mining cycle, focusing on quality assets owned by junior miners and major coal producers



Growth in Resources



Growth in Reserves



Growing production profile



Stable and low cost producer



Experienced operational management



Growing cash flow to continue development



Balance sheet strengthened

**The key focus is cashflow growth**

# Overview of the Proposed Offer



- An intention to make a proposed offer (“the Proposed Offer”) was submitted to the board of directors of Universal (“Universal Board”) on 29 October 2015 which was favourably received and accepted by the Universal Board. This was followed by the terms of the proposed offer at the end of November 2015
  - The Proposed Offer of A\$0.20 per share in cash and 1 CoAL share or an A\$0.25 unlisted, A\$ denominated deferred payment note (“Loan Note”) subject to securities laws restrictions
    - To date CoAL has received intention statements from approximately 40.1% of Universal shareholders to take up the Loan Notes and support the Proposed Transaction
  - Implied equity value for the Proposed Transaction of approximately US\$91 million excluding the Loan Note interest payments
  - The Proposed Transaction is proposed to be funded through:
    - Loan Notes (Approximately 40.1% take up) US\$36.80 million
    - Internal cash resources US\$25.70 million
    - Equity Investment from existing shareholders US\$18.00 million
    - CoAL Equity issued to Universal shareholders US\$10.50 million
- US\$91.00 million

# Offer pricing



- CoAL offer represents a:
  - Premium of 35.14% to closing price of A\$0.185 on 30 October 2015\*
  - Premium of 25.16% to the 30 day VWAP of A\$0.20<sup>1</sup>
  - Premium of 32.64% to the 60 day VWAP of A\$0.188<sup>1</sup>
  - Premium of 56.25% Ichor offer of A\$0.16



\*Closing price on the day prior to no names announcement on 02 November 2015

<sup>1</sup> As at market close on the JSE on 24 November 2015, and applying relevant exchange rates

# Timeline for the Proposed Transaction



The anticipated transaction timetable is:

- |   |                                 |   |
|---|---------------------------------|---|
| ▪ Proposed Offer submitted  | 29 Oct 2015                     | ✓ |
| ▪ Voting Intention statement Universal shareholders   | 13 Nov 2015                     | ✓ |
| ▪ Due diligence has been completed  | 19 Nov 2015                     | ✓ |
| ▪ Cooperation agreement drafted and executed  | 25 Nov 2015                     | ✓ |
| ▪ Joint recommended announcement  | 26 Nov 2015                     | ✓ |
| ▪ Formal offer posted   | Mid Dec 2015                    |   |
| ▪ AIM admission document sent to CoAL shareholders  | Late Dec 2015 or Early Jan 2016 |   |
| ▪ Fulfilment of CP's (incl. comp comm and shareholder approval and 3 <sup>rd</sup> party funding) | Feb 2016                        |   |
| ▪ Offer closes and payment  | Early Mar 2016                  |   |

# The benefits of the Proposed Transaction



- The creation of an enlarged growth orientated entity that:
  - Is a sustainable and multi-product miner (coking and thermal coal)
  - Has a significant resource base
  - Is able to generate positive cash flows (pre-synergies)
  - Potentially unlock operational synergies by lowering costs via use of shared infrastructure for future projects in Limpopo
  - Provides an array of quality projects in the development pipeline for the combined entity, further optimising capital allocation
  - With a larger market capitalisation and enhanced growth prospects, the combined entity should:
    - ▶ attract additional investors
    - ▶ provide wider access to capital markets
    - ▶ underpinning further growth opportunities

# Rationale for the Proposed Transaction



- The Proposed Transaction represents a highly compelling and attractive value proposition for the shareholders of Universal and CoAL
- The Proposed Transaction is value accretive and should support a re-rating as CoAL transitions from a project developer to having cash generative assets:
  - Kangala producing at steady state;
  - New Clydesdale Colliery (“NCC”) production startup expected in CY 2016
- Universal generates positive cash flows at Kangala, despite depressed commodity markets

# Further benefits for CoAL shareholders

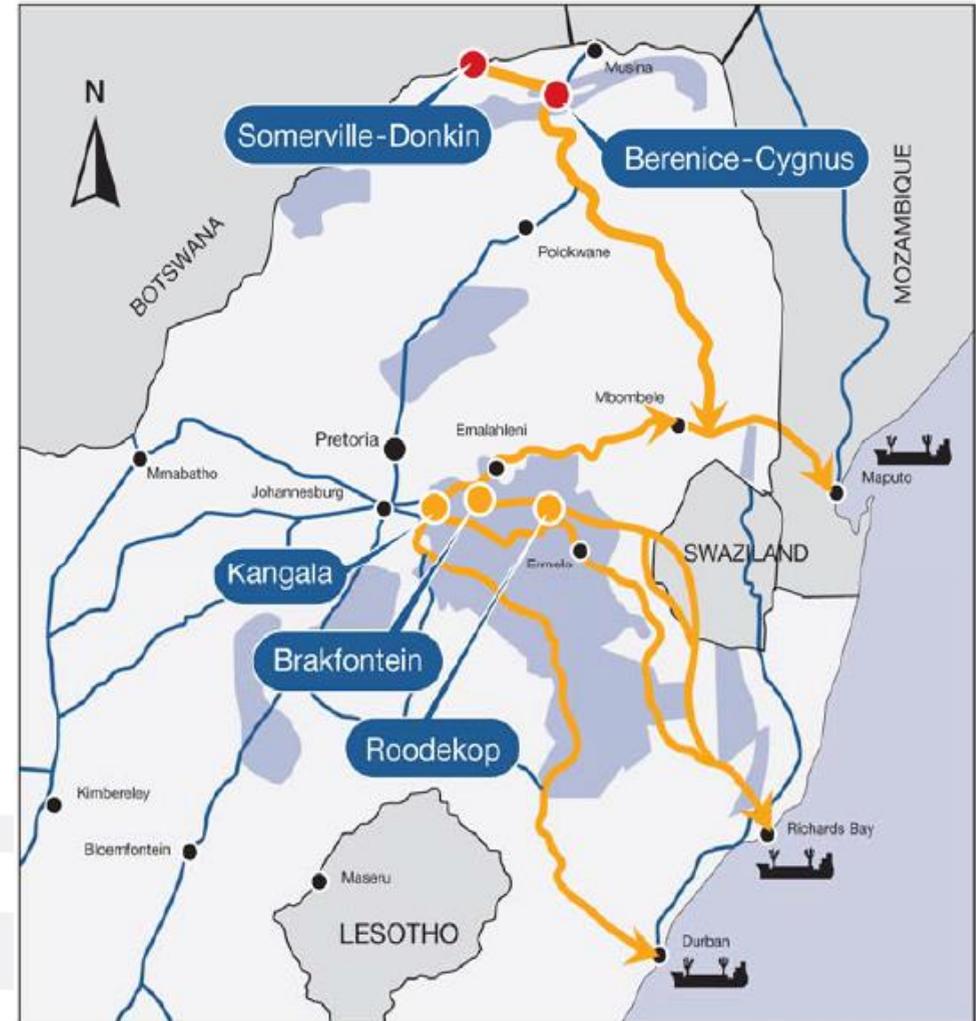


- The Proposed Transaction provides upside:
  - The combined entity will continue to have supportive shareholders with a significant and growing balance sheet and the appetite to acquire further coal mining projects in South Africa
  - Creates the opportunity for shareholders to access a broader portfolio of projects
  - Enlarged company's cash generative ability has the potential to limit further dilution for shareholders
  - Proposed Transaction rapidly transforms CoAL from developer to mid-tier producer

# Universal Asset Overview



- Universal currently has one operating colliery, the Kangala thermal coal mine (70.5%), producing approximately 2.4 Mtpa of saleable product from 2.8 Mtpa of run of mine (“ROM”) coal
- The Universal project pipeline consists of:
  - NCC (49.0%), recently acquired from Exxaro Resources Limited (“Exxaro”) with the potential to produce 3.2 Mtpa of ROM from underground operations;
    - ▶ Production expected to commence in CY 2016 at a run rate of 1.5 Mtpa of saleable product
    - ▶ NCC has the potential to increase production from underground operations by 700 000 tons



# Universal Asset Overview Cont'd



- The Roodekop project (74%) that borders NCC with the potential to produce 2 Mtpa of ROM:
  - Production expected in early CY2016 utilising the processing infrastructure at NCC
- The Brakfontein (50.29%) near Kangala is expected to produce 1.2 Mtpa of ROM coal from CY2017
- A soft coking and thermal coal complex, the Berenice-Cygnus project (50%), with a JORC compliant Resource of 1.35Bt GTIS which is in the proximity to CoAL's GSP projects

Project	Resources			Total (Mt)	Reserves
	Measured (Mt)	Indicated (Mt)	Inferred (Mt)		Proven & Probable (Mt)
<b>Thermal coal (Witbank)</b>					
Kangala (domestic/export)	90.41	19.4	33.6	143.4	19.58
NCC (domestic/export)	143.5	3.6	16.9	163.97	40.8
Brakfontein (export)	31.7	39.4	4.7	75.8	9.6
<b>Subtotal</b>	<b>265.6</b>	<b>62.4</b>	<b>55.2</b>	<b>383.2</b>	<b>69.98</b>
<b>Coking coal (Limpopo)</b>					
Berenice-Cygnus	424.9	801	124.3	1,350.2	-
Somerville	-	-	274.2	274.2	-
<b>Subtotal</b>	<b>424.9</b>	<b>801</b>	<b>398.5</b>	<b>1,624.4</b>	<b>-</b>
<b>Total</b>	<b>690.5</b>	<b>863.4</b>	<b>453.7</b>	<b>2,007.6</b>	<b>69.98</b>
<b>Notes:</b>					
<ul style="list-style-type: none"> <li>• Mineral Resources are stated on a gross in situ basis and inclusive of Mineral Reserves.</li> <li>• Rounding (conforming to the JORC Code) may cause computational discrepancies.</li> <li>• The Resource and Reserve estimates 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.</li> <li>• The Resource and Reserve estimates for the NCC, Brakfontein and Arnot South projects have been prepared to comply with the JORC Code 2012.</li> </ul>					

## The enlarged CoAL's investment case

- Resource and reserve base exceeding 3 billion tonnes
- Annuity income from Eskom sales and ability to expand this
- Exposure to export markets if and when required
- Congruency on strategy with Universal executive team which is fully supportive of the Proposed Transaction
- Expanded management team has the ability to enhance the deliverability of Makhado through their operational track record in project development, as evidenced in the Kangala project
- Enlarged CoAL is placed to advance sector consolidation