

Quarterly Report

January – March 2019

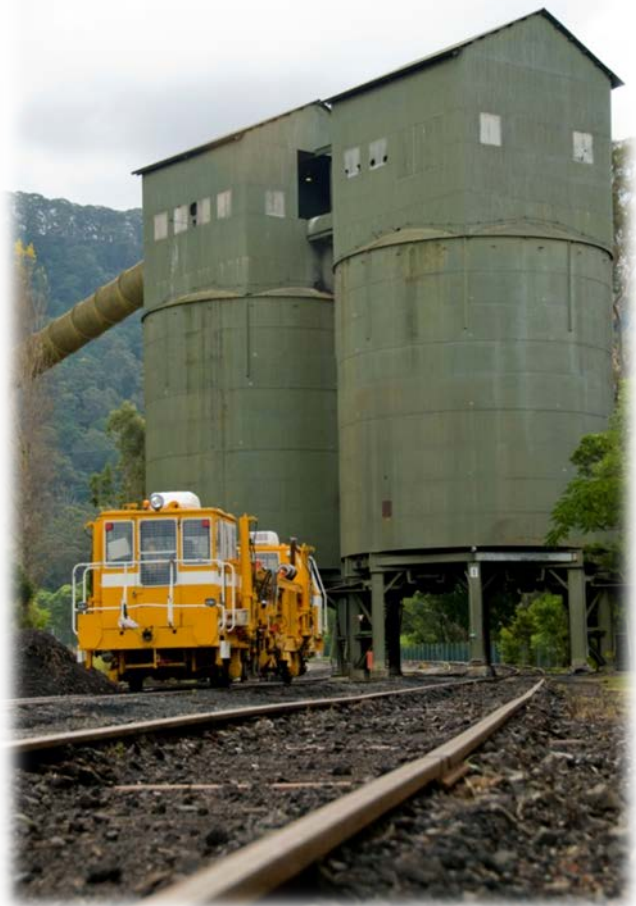


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Production and Sales

	Russell Vale Colliery		Wongawilli Colliery		WCL Totals	
	Oct - Dec 2018	Jan - Mar 2019	Oct - Dec 2018	Jan - Mar 2019	Oct - Dec 2018	Jan - Mar 2019
ROM Production	-	-	86,648	49,752	86,648	49,752
Saleable Production	-	-	86,648	49,752	86,648	49,752
Sales	-	-	114,370	50,071	114,370	50,071

Russell Vale Colliery

The Russell Vale Colliery remains on Care and Maintenance. A small Care and Maintenance team are managing the asset with activities currently focused on equipment maintenance and management of the underground work environment.

The colliery received an Order in July to remove 200,000 tonnes of coal material from the rejects emplacement area. The commencement of this removal work commenced in this Quarter. The program to remove this material is forecast to be completed by July – August 2019.

Wongawilli Colliery

The Company continued its mining operations at Wongawilli Colliery this quarter. The tonnage produced in the quarter was 49,752 tonnes compared to 86,648 tonnes in the previous quarter. At the direction of the Regulator, the mining activity stopped in mid-March to address a number of Notices in relation to compliance activities. The mine remained idle at the end of the quarter as these matters were addressed.

Health, Safety, Environment & Community

Health & Safety



Incidents that occurred during the quarter were:

Russell Vale Colliery

- There were no notifiable incidents in the quarter.

Wongawilli Colliery

- There were no lost time injuries recorded in the quarter reported. There were two minor medical treatment injuries reported, i.e. a significant improvement in comparison to prior periods.
- There were a number of reportable incidents in the period addressing such issues as strata failure (falls) and fan stoppages. No person was exposed to any risk in relation to these incidents.

The process of reviewing and updating the mine's Safety and Health management systems which was initiated in the last quarter, progressed through in this quarter. This work has assisted the mine's response to the recent stoppage by the Regulator as it supports the mine's response to the Regulator's concerns.

The mine is continuing to improve its safety performance through improved start of shift communication sessions, getting a third party to review its

Principal Hazard and Risk Management systems, safety accountability and the better use of proactive personal risk assessment tools.

The recruitment of a Health, Safety and Training Manager who commenced in early September 2018 and other personnel to support this area of the business is contributing to the mine's ongoing safety management program. To further support this work and meeting the mines compliance objectives, it has been seeking additional personnel since last quarter to employ for this work.

Environment & Community



Russell Vale Colliery

There were no environmental reportable events this quarter.

The modification application made to the Department of Planning and Environment (DPE) proposing modifications (Mod 4) to the project approval regarding Bellambi Gully Creek works was submitted in this quarter and is currently being assessed by the DPE. The submissions report is being prepared by consultant and is expected to be completed in the next quarter.

A meeting with the Chief Scientists committee that oversees the technical issues around surface water features and mine subsidence were presented with the new strategic mine design based on no use of longwalls at either mine and use of continuous miners for first working production. This addresses all their major concerns and we are awaiting their final written approval for inclusion into the final submission of the UEP.

The preparation and lodgement of the Amended Underground Expansion

Plan (UEP) for Board and Pillar (i.e. minimal subsidence) mining plan for Russell Vale colliery is ongoing, the Working Draft is continuing and the Company continues to liaise with the DPE. A Final Draft is expected to be completed and lodged in the current quarter.

The movement of approximately 200 thousand tonnes of the material from the Russell Vale Emplacement Area (RVEA) is ongoing. The material is being moved to a suitably licensed facility in consultation with regulatory authorities. Removal work will be ongoing through to the third quarter.

A final land form for the Russell Vale Emplacement Area is being negotiated with Wollongong City Council and this is ongoing.

Community Consultative Committee (CCC) meeting was held as scheduled on 20 February 2019.

Wongawilli Colliery

There were no reportable environmental incidents this quarter.

Four community meetings were held during the year of 2018. A new member has been added to the Community Consultative Committee in 2019. The first CCC meeting for 2019 was held on the 6 March 2019.

On 28 March 2019, six members of the Community Consultative Committee were taken on a field trip into the New South Wales water catchment to look at Wongawilli's ecological monitoring sites. All members were happy with the interaction with the colliery staff. The next CCC meeting is scheduled on 5 June 2019.

A Notice of variation of License No. 1087 in regards to Pollution Reduction Program 12 was issued to the Company in November 2018. Modification to PRP 12 Section 2 is that the Company is to undertake regular inspections and maintenance on the decline conveyor channel; report to the EPA twice yearly; and a summary report to the EPA by 31 December 2019 describing the effectiveness of the Company's decline conveyor drain management strategy.

Pursuant to the condition 4 of ML1596, and condition 3 of ML1565 and CCL766, the Company has submitted the Annual Environmental Monitoring

Report (AEMR) for Wongawilli colliery on 21 December 2018 to the NSW Department of Planning and Environment - Division of Resources and Geoscience which covers the period between 1 July 2017 and 30 June 2018. The AEMR was approved on the 1 April 2019 with a minor update.

All the Environmental Management Plans that require review and update within three months of AEMR submission as a requirement of the yearly AEMR process were completed and submitted to the regulators at the end of March 2019.

Planning continues with the close out reports for the N1 End of Panel. Surface-water and Ground-water, Ecological, and Subsidence reports quotes have been received are being put into the system for processing.

There has been continual improvement with environmental management on site.

- Residue in oil drums is drained out on a draining tray before the drums are sent off site to be recycled;
- Sediment that has built up in Pit Top drains has been removed;
- Weed management continues on site with a focus around surface infrastructure, access road, car parks and high traffic areas;
- Access road vegetation has been slashed and brush cut to tidy up the site;
- Grass areas at the Pit Top have been slashed to tidy up the site; and
- Clean up of the Timber Yard is underway.

Site water management continues as ongoing activities.

- Decline Surcharge Dam has been cleaned out;
- Decline Settling Dam has been cleaned out;
- Rail Sedimentation Pond has been cleaned out;
- Primary Treatment Settlement Pond has been cleaned out;
- Emplacement drain has been cleaned out;
- Elevator sump has been cleaned out;
- Stack out sump has been cleaned out; and
- ROM drain has been cleaned out.

Waste management on site in this quarter:

- 2,500 lt of waste oil removed from site during this reporting period;

- 50,000 lt of black water (sewage) has been removed from the site;
- 7,500 kg of cardboard/paper removed from site;
- Approximately 15.56 tonnes of general waste removed from the site; and
- Approximately 54.55 tonnes of bulk mining waste removed from the site.

Exploration Operations

Russell Vale

Exploration activities during the period involved the drilling of 3 drill holes (RV27, RV32 and RV34) and the commencement of a fourth hole (RV33).

Exploration drill hole RV27 was geophysically logged and the hole secured in an open state for later installation of monitoring equipment consisting of a seven string vibrating wire piezometer at a later date. The hole was secured and the drilling equipment demobilised.

Exploration drill hole RV32 was commenced in early January and completed in early February. The drill hole was geophysically logged and the hole secured in an open state for later installation of monitoring equipment consisting of an eight string vibrating wire piezometer at a later date. The hole was secured and the drilling equipment demobilised.

Exploration drill hole RV34 was commenced in mid-January and completed in early February. The drill hole was geophysically logged and the hole secured in an open state for later installation of monitoring equipment consisting of an eight string vibrating wire piezometer at a later date. The hole was secured and the drilling equipment demobilised.

Exploration drill hole RV33 was commenced in mid-January. Drilling issues led to poor coal recovery of the Bulli Seam and the hole was wedged for redrilling of the Bulli Seam. This was unsuccessful and the hole was fully grouted. A new hole was commenced at the drill site some 10m from the first location. Drilling of this new hole was halted on the 2nd March with the drill site secured and all equipment demobilised.

Since early march no further exploration activities have been undertaken in the Russell Vale mine lease.

Wongawilli Colliery

No exploration activities were undertaken for the period of reporting in Wongawilli Colliery

Corporate & Financial

Cash Advances Facility Agreement

The Company has a drawdown facility for cash advances (Facility) for \$300 million from Jindal Steel and Power (Mauritius) Limited. To date, the Company has withdrawn around \$296.28 million.

In addition, the Company has around \$24.25 million from Jindal Steel and Power (Australia) Pty Ltd, wholly owned subsidiary of JSPML as a short term loan.

Protected Industrial Action

The contract workers engaged at Wongawilli colliery took protected industrial action in relation to a proposed enterprise agreement that lasted from 6:00 am on 14 Jan 2019 to 6:00 am on 17 Jan 2019. The Company assisted the labour hire contractor in meeting the contract miners' demands for an early resolution and avoiding severe financial impact on those contract miners.

Appointment of Chief Executive Officer

Mr Mitchell Jakeman has been appointed as the chief executive officer of the Company effectively from 4 February 2019. The previous chief executive officer and chairman, Mr Oza remains to continue as the executive chairman of the Company.

US \$25 million facility (MCB Facility) restructured

With the support of Jindal Group, the remaining amount US \$20.835m under the MCB Facility was successfully restructured and extended. As per the

revised terms, US \$8.33m has been paid with remaining balance of US \$12.50m payable by 30 June 2019.

The Company along with Jindal Steel and Power (Australia) Pty Ltd (JSPAL) and other Jindal entities are in discussions and negotiations with secured lenders to restructure and amend certain indebtedness and/or other obligations under the following facility agreements

- the US\$69,000,000 (with an option to increase the facility by US\$561,000,00) facility agreement originally dated 6 August 2015 (and as amended and/or restated from time to time) between, amongst others, JSPAL and the lenders; and
- the US\$98,690,000 facility agreement originally dated 24 December 2015 (and as amended and/or restated from time to time) between, amongst others, JSPAL and the lenders.

As on 31 March 2019, US \$376.69m in total remains outstanding under the above-mentioned facilities.

Determination under section 713(6) of the Corporations Act

The Company's securities trading on the Australian Securities Exchange remain suspended since 13 December 2019 over concerns raised by the Australian Securities and Investments Commissions (ASIC) in relation to fair value estimates for Russell Vale colliery and Wongawilli colliery provided in the Company's annual financial report for the year ended 31 March 2019.

On 11 March 2019 ASIC made a determination under section 713(6) of the Corporations Act precluding the Company from using a short form "special content prospectus" until 11 March 2020 over those concerns that remained unresolved.

The Company is working on obtaining a fresh valuation for its mining assets that may assist in resolving those concerns. Geomine who prepared the valuation in FY2018 were advised of ASIC specific concerns. They have been appointed to review this valuation for FY2019 with the changes in the Strategic mine design for both mines at Wollongong Coal. This will assess and be verifiable as to the assumptions and other third party independent valuation sources for submission to ASIC. This is expected to be completed in May 2019.

Notice to cease mining operations at Wongawilli colliery

Following underground inspections by the mine inspectors from the Natural Resources and Mining Regulators - Health and Safety on or around 13 March 2019, the Company has received prohibition notices to cease all mining activities pending complete risk assessment and adequate control measures are put in place, and accepted by the department/regulators. The areas of concerns included strata roof supports and risk associated with the conveyor systems.

The mine was re-entered to undertake this work on 1 April 2019. During this recovery stage, mining officials found another fall on the main belt road. Considering the risk and financial implications, the Company on or around 10 April 2019, made a decision and announced to:

1. continue the re-entry process on roof stabilisation verification for the travel road,
2. recover essential equipment from the mine,
3. put the Wongawilli colliery in care and maintenance,
4. seal portal entries to the old Nebo section of the mine, and
5. start the planning process for the re-entry of the Wongawilli South approved mining area.

Court's decision in Dispute with Gujarat NRE India

In New South Wales Supreme Court proceedings 2014/211688, the Company defended an indemnity claim for approximately AUD\$12 million and a further claim for AUD\$6.57 million, plus interest and costs. The loan claim relates to an alleged unpaid loan from Gujarat NRE India Pty Ltd (GNI), part of the Gujarat NRE Group. GNI issued a statutory demand in relation to the loan claim, which was set aside by the Court in prior proceedings.

On 23 October 2018, the Court gave judgement in favour of GNI in relation to both claims in the sum of \$23,776,612.82 plus costs.

On 8 November 2018, the above judgement was stayed until the final determination of the appeal with a condition that the Company provide a security of \$8.67 million by 5 December 2018. The Company has provided

cash security of \$8.67 million. The Company is awaiting judgement on its appeal that was heard on 8 and 9 April 2019.

Capital Structure as on 31 March 2019

Shares on issue	9,366,977,256
Unlisted options	1,600,000

Board of Directors

Mr Milind K Oza –	Chairman
Dr Andrew Firek –	Non-executive director
Mr Maurice Anghie –	Non-executive director
Mr Devendra Vyas –	Non-executive director (<i>resigned 1 April 2019</i>)

For Further information

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