

Quarterly Report

July to September 2014



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Highlights

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| • Dismissal of Winding up proceedings |
| • Cash Advance Facility upgraded from \$50 million to \$75 million |
| • Fresh Term Loan of US \$7.80 million |
| • Modification 2 Forwarded to the NSW Planning and Assessment Commission (PAC) for assessment. |
| • Continued dramatic improvement in Production Time (PT) per Continuous Miner Unit at Russell Vale Colliery. |
| • Introduction of a new Strata Management System at Russell Vale Colliery |

Production and Sales

	Russell Vale Colliery		Wongawilli Colliery		WLC Totals	
	Apr – Jun 2014	July – Sept 2014	Apr – Jun 2014	July – Sept 2014	Apr – Jun 2014	July – Sept 2014
Development Metres	1,263	1,654	216	42.5	1,479	1,696.5
ROM Production	37,885	49,867	7,276	1,134	45,161	51,001
Saleable Production	37,885	49,867	7,276	1,134	45,161	51,001
Sales	50,885	85,566	34,751	0	85,636	85,566

Russell Vale

Russell Vale Colliery has continued to focus on the business development inventory while awaiting longwall extraction approval for the installed Longwall 6.

Development for the quarter has focussed on mains developed and has been impacted by geological anomalies.

Wongawilli Colliery

Following a restructure of the business the remaining day shift production crew completed Split 3 in N6 panel on 31st July. The Mine has subsequently transitioned into care and maintenance.

Health, Safety, Environment & Community

Health and Safety

Wollongong Coal is seeing a positive trend in long term injuries falling to the company's all-time low of 2.38% LTI (Lost Time Injury). Currently the introduction of new safety initiatives and continued improvements for the company's safety and health management systems are having a positive outcome to the lead indicators for identifying and controlling the risk of harm from new and common tasks being performed by the workforce.

Reportable injuries that occurred during the Jul – Sept Quarter were:

- WCL employee strained his bicep during the removal of the timber jack head plate from the bolting rig of the continuous miner. No medical treatment was required but employee was restricted to suitable duties. Actions have been taken to rectify the process of this task that will limit manual handling activities undertaken during this work process.
- Contractor sustained an injury to his index finger after impact roller came out of its fixture during the construction of the main conveyor extension, requiring medical treatment. Actions were taken immediately to ensure a locking device was manufactured to retain roller in place.



Environment & Community

At Wollongong Coal, we respect and treat the environment and our communities as integral parts of our business, and commit to upholding the highest environmental standards

Russell Vale Colliery

There were 11 complaints during the period. The complaints were made regarding site noise coal truck issues, water pollution, dust pollution and stormwater. All matters were investigated by Wollongong Coal and as required the appropriate regulators.

All issues were managed satisfactorily in liaison with complainants and regulators. The issue regarding stormwater from the Colliery affecting a neighbouring resident is ongoing. There was one minor environmental incident involving small volumes of water escaping through erosion piping in the base of a small dam. The dam was repaired as soon as the issue was identified and the matter was reported to the EPA. No further action was taken by the EPA with regard to this matter.

From an operational perspective there has been ongoing works in liaison with regulators to reduce the impact of noise generated by surface activities on the nearby residential areas. Works have included:

- Continued construction of earthen noise mounds and planting of appropriate shrubs and trees.
- Work to reduce noise at coal conveyor transfer and discharge points continued. Temporary measures employed to attenuate noise were removed and work for the final sound attenuation system was completed. At our major coal discharge point onto the stockpile engineering design to reduce noise was completed with specialised materials selected to reduce noise and eliminate impact vibration transmission.



- Considerations have been included in the operational planning process for night time activities to minimise noise levels. This is an ongoing process.

A Preferred Project Report (PPR) for the Underground Expansion Project Pt3A approval application is proceeding through the assessment process in the Department of Planning & Environment (DPE) with additional information required by the Department being provided as it becomes available. The PPR is similar to the original proposal which was to increase the annual production to 3 million tonnes per annum (Mtpa) including an upgrade of surface infrastructure and extraction of coal from 8 longwalls in the Russell Vale East area only.

However, to expedite the current approval process the 7 longwalls in the Russell Vale West mining area were removed from the current PPR application and will be resubmitted as part of a separate application at a later date to extend the operational life of the Colliery beyond the estimated 18 years of the original application. Once approval of the current application is received the mine life in Russell Vale East area will be extended for additional 5 years.

A Referral under the federal Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) has been submitted to address some of Matters of National Environmental Significance (MNES) that are listed in the



EPBC Act and may be affected by the Underground Expansion Project longwall extraction. The primary issues are potential minor impacts on threatened frog habitat and groundwater impacts. An extensive groundwater model has been prepared as part of the application.

A modification of the existing Preliminary Works

Pt3A (MOD 2) was submitted to the DPE on 11 April 2014 and was placed on Public Exhibition between 22 April and 13 May 2014. The application requests approval for the extraction of 400m of LW6 while the PPR is under

consideration. WCL has responded to community and regulatory submissions on the application are now with the NSW Planning Assessment Commission (PAC) for determination.

A Referral under the federal Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) was submitted to address some of Matters of National Environmental Significance (MNES) that are listed in the EPBC Act and may be affected by MOD 2. The primary issues are potential minor impacts on threatened swamps and groundwater impacts. The Referral has been declared a controlled action under the Environment Protection and Biodiversity Conservation Act and is progressing through the EPBC assessment process.

A modification of the existing Preliminary Works Pt3A (MOD 3) was lodged with the DPE in late September requesting the extension of the Preliminary Works Pt3A beyond October 2014 to allow the NSW Planning Assessment Commission time to determine MOD 2.

Wongawilli Colliery

There have been no environmental incidents or complaints during the quarter. All approvals remain current.

Work has commenced on a real time air and noise monitoring system in compliance with current approval requirements. This system will involve real time noise monitoring, weather monitoring and air quality monitoring of PM2.5 and PM10 particles. This system will be operational by the end of 2014.

Human Resources



The restructure of WCL Wongawilli Colliery to Care and Maintenance was completed during the quarter.

A further three staff, two deputies, and seven workers were made redundant. Two electricians were transferred to staff, eight workers (operators and tradespersons) were transferred to Russell Vale, along with four staff and two Deputies.

There are currently ten (10) Wongawilli and one (1) Wollongong Coal staff members retained at Wongawilli to enact the Care and Maintenance strategy.

Operational Update

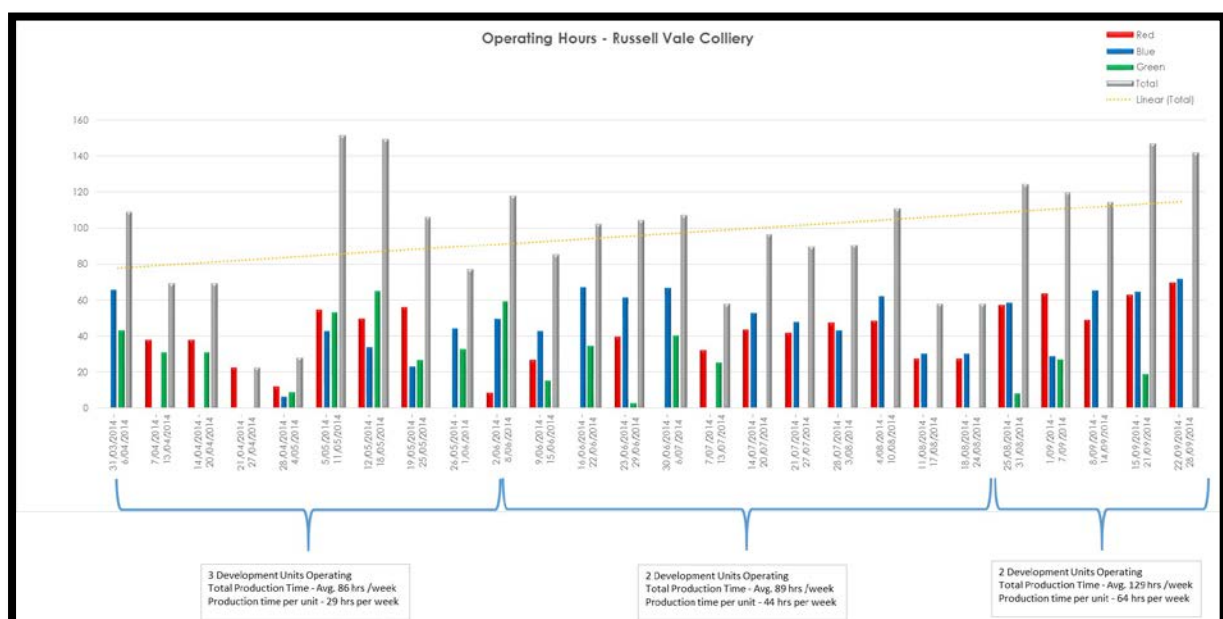
Russell Vale Colliery

Changes in the Operations Management, Maintenance Strategy and introduction of the Management Operating System (MOS) have increased the productivity inputs throughout the operation.

Due to approval not being gained to mine Maingate 7 past 2ct the mining sequence has been changed and the focus for the quarter has been on developing the Russell Vale Mains.

Geology has caused a significant impact on rate of advanced for the Quarter but the machinery utilisation has been increasing throughout the Quarter as shown below. The geological impact includes a Dyke and a Sill and has led to minor changes in the mine design. This has impacted on machinery availability due to the flitting of equipment in response to changes in the mining sequence. Different mining methods including: a dozer (with a cutter head and hydraulic jack pick) and shotfiring have also been utilised to deal with the harder sill and dyke areas.

While managing through some difficult areas that effected the cut rate the operation was able to continue with operating time (PT) improvements per continuous miner section.



The operation has made a change in strata management system introducing the PEAK bolting system in September which is having a significant positive impact on managing the strata.

Timeline of Events in the Russell Vale Mains

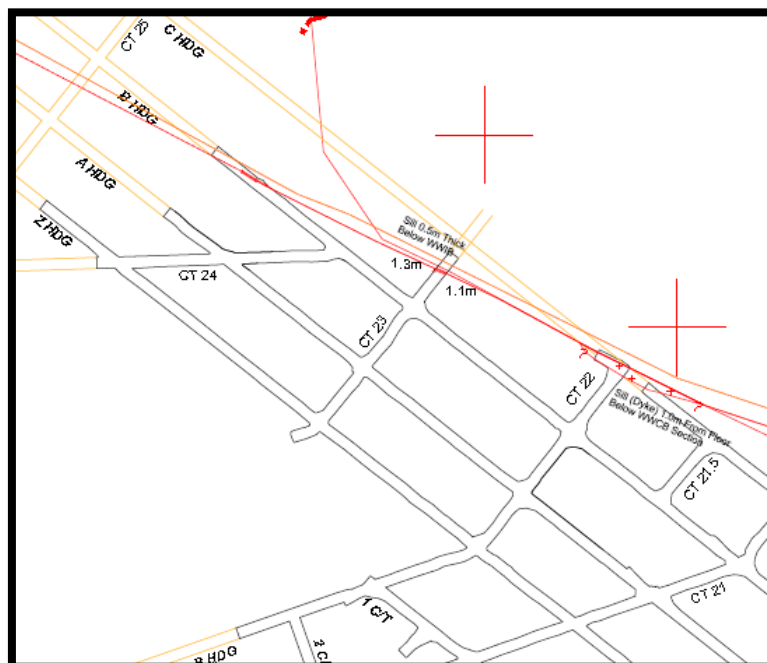
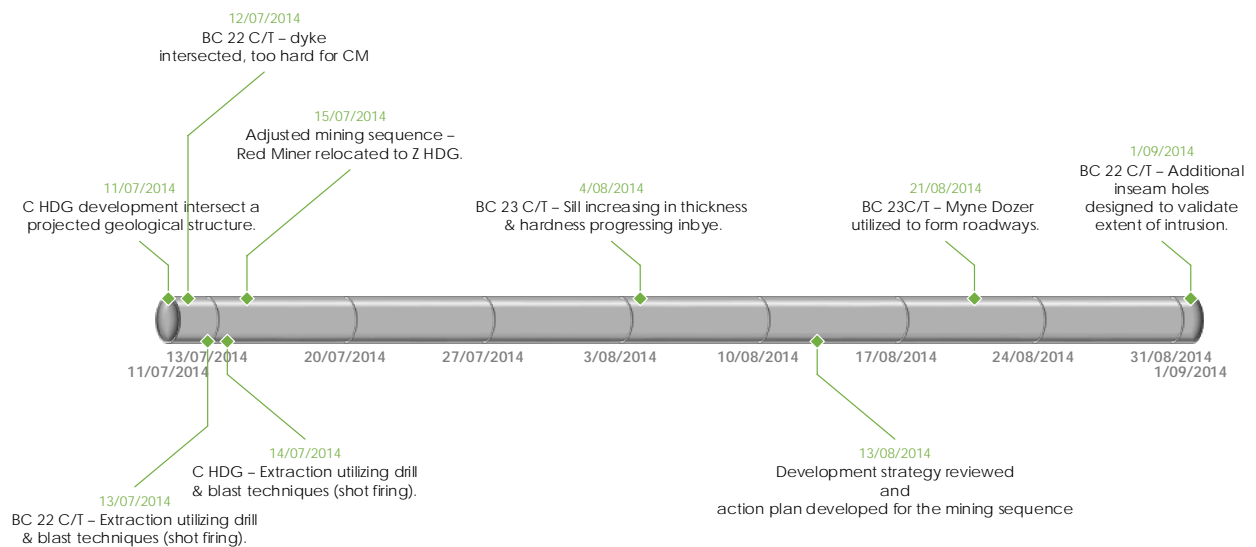


Figure: Plan of the Russell Vale Mains and the Dyke and Sill

The mains have been advanced to 25ct in all headings and the tailgate 9 roadway has been commenced and mined to 1ct in B heading. The Russell Vale Mains will continue to be the focus until approval to mine Maingate 7 is granted. The MG7 belt installation was delayed due to the lack of approval to mine past 2ct and will be completed by the 9th of October 2014.

The Longwall 6 face equipment has been installed awaiting extraction approvals. The majority of the workforce that will be working on the longwall has been utilised in development during the quarter allowing for greater utilisation of the development machinery. Areas of influence from the Balgownie goaf on the longwall 6 faceline have been consolidated in preparation for production.

Wongawilli Colliery

The mine has undergone further operational restructure during the quarter. Following remedial works to the Macarthur Dam boreholes, the remaining 42.5m of Split 3 in N6 panel was holed through, and all strata support works completed. The remaining day shift production crew commenced the transition to care and maintenance, as well as recovering necessary assets to be transferred to Russell Vale Colliery.

The development crew moved to Russell Vale commencing 8th September, along with the final redundancies and transfer of staff.

The remaining ten Wongawilli and one Wollongong Coal staff have completed the transition to Care and Maintenance, and recommenced planning for the Wonga South Project.

Business Development Update

Russell Vale Colliery - East Exploration

During the July-September Quarter, exploration drilling activities continued in the RVC East area. These activities have the multi-functional purpose of calibrating groundwater and geological models in the RVC East areas.

RV16 was drilled to calibrate multi-seam groundwater and geotechnical models. This hole was completed over an area where 3 coal seams of extraction had taken place.

RV17 hole was also completed which was the first of a series of shallow piezometric holes, designed to ensure there is no loss of any water from the Cataract Reservoir towards the RVC East mining area.

This multi-purpose exploration activities will also support approval processes for future mining areas by providing on-going calibration of detailed groundwater models.

Mine Planning

During the Quarter, Life of Mine Plan (LOMP) schedules were completed for Russell Vale Colliery, Wongawilli Colliery and Avondale Colliery Projects.

This process involved extensive discrete geological zoning and applying best practice mining extraction rates to evaluate long-term production levels and required capital schedules.



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Russell Vale Colliery - West Project

During the Quarter, Strata Control Technologies completed a design review process for the RVC West Mine Operations plan. This re-design incorporated the latest work commissioned by WCL on Coastal Upland Swamp characterisation and Threatened Frog communities in this area. It also includes design changes following extensive feedback from Regulatory Agencies.



This new Mine Operations plan will shortly be subject to a full Government Approvals process. WCL are currently finalising commercial arrangements with the Lead Consultant for this project.

Also completed in the Quarter were extensive gas drilling designs for the initial development of RVC Mining Operations. It is anticipated that commercial arrangements will be finalised in the October - December 2014 Quarter to commence the drainage of these areas to ensure safe mining operations are able to proceed.

Wonga South Project

During the July - September Quarter, mining design work continued for the Wonga South project with a focus on minimising future operational cost structures for the project.

Options that are currently being assessed include the amalgamation of Areas 1 and 2 into a single larger mining area which will lower required capital expenditure and increase productivity.

Corporate & Financial

Cash Advances Facility

The Company has a short-term drawdown facility for cash advances (**Facility**) with a limit of Aus \$50 million from its major shareholder, Jindal Steel & Power (Mauritius) Limited.

The Facility limit of \$50 million has been increased to \$75 million with interest rate reduced from 15% p.a. to 5% p.a. The Facility has been renewed until 31 March 2015 and permits the Company to redraw any repaid amounts.

Term Loan of US \$7.80 million

Canara Bank, London branch, has sanctioned a Fresh Term Loan of US \$7.80 million as remaining portion and restructuring of US \$140 million Term Loan Facility from consortium of banks led by Axis Bank Limited.

MCB Term Loan Facility

Pursuant to the terms of US \$25 million Facility Agreement with MCB, US \$4.165 million repayment instalment and US \$0.800 million became payable in June 2014 and remain unpaid until late September 2014 as the Company was in attempt of getting this Facility restructured.

While the discussions on restructuring were ongoing, in late September 2014, the Company had received a notice for events of default from Mauritius Commercial Bank (**MCB,**) amongst others, non-payment of repayment instalment and interest, breach of financial covenants, change of control and non-creation of security for loan. MCB appropriated the cash security of US \$5 million provided against the loan facility and after payment of balance interest and creation of security for loan, MCB has withdrawn notice of event of defaults. Discussions for restructuring of loan still continue.

Winding-up Proceedings - dismissed

The winding-up proceedings against the Company was dismissed by the Supreme Court of New South Wales on Friday the 5th September 2014.

The winding-up proceedings against the Company was originally initiated by RUS Mining (RUS) in October 2013. The Company settled the matter with RUS but the winding-up proceedings were substituted by UIL (Singapore) Pte Ltd (UIL).

After the matter with UIL was settled, PCL (Shipping) Pte Ltd (PCL) made an application to be substituted for those proceedings to wind-up the Company for an alleged debt of approximately US \$3.2 million.

After due consideration, the Supreme Court of NSW made following orders:

1. PCL was given leave to discontinue its application to be substituted as plaintiff in winding-up proceedings against the Company;
2. PCL was ordered to pay WCL's costs of its substitution application;
3. Arun Kumar Jagatramka's and NRE Resources Pty Ltd's applications to have the proceeding adjourned to allow them to file a substitution application, and under s459R of the Corporations Act 2001 to extend time for the winding-up application to be concluded, were dismissed; and
4. The originating process to have WCL wound-up was dismissed.

Other winding-up proceedings commenced by IPower Solutions and Elton Conveyors were already settled and withdrawn.

Capital Structure as on 30 September 2014

Shares on issue	- 3,899,279,213
Unlisted options	- 14,701,000
Unlisted Bonds (USD 50,000 face value)	- 200

Board of Directors

Mr Jasbir Singh, Chairman & Chief Executive Officer
Dr Andrew Firek – non-executive director
Mr Maurice Anghie – non-executive director



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For Further information

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