

Wollongong Coal Limited ABN 28 111 244 896 and Controlled Entities

Interim Financial Report

APPENDIX 1 – INTERIM FINANCIAL REPORT FOR THE 9 MONTH PERIOD ENDED 31 DECEMBER 2019

1. Company Details

Name of entity:	Wollongong Coal Limited
ABN:	28 111 244 896
Reporting period:	For the 9 month period ended 31 December 2019
Previous Period:	For the 9 month period ended 31 December 2018

2. Results for Announcement to the Market

Key Information	9 Month Period Ended 31 December 2019	9 Month Period Ended 31 December 2018	% Change
	\$'000	\$'000	
Revenue from ordinary activities	7,036	53,610	(87%)
Loss after tax from ordinary activities attributable to the owners of Wollongong Coal Limited	(76,261)	(92,220)	(17%)
Net loss for the half year attributable to the owners of Wollongong Coal Limited	(76,261)	(92,220)	(17%)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$76,261,000 (31 December 2018: \$92,220,000).

Further information on the review of operation is detailed in the Directors' report attached as part of the Interim Report.

3. Net Tangible Assets / (Liabilities) per Share

	Period Ended 31 December 2019	Period Ended 31 December 2018
	\$c/Share	\$c/Share
Net tangible assets / (liabilities) per share	(7.26)	(3.38)

4. Control Gained or Lost over Entities in the Half-year

Not applicable.

5. Dividend Reinvestment Plans

The Group does not have any dividend reinvestment plans in operation.

6. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable

7. Audit qualification or review

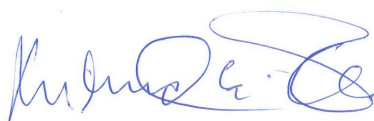
Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of Wollongong Coal Limited for the period ended 31 December 2019 is attached.

9. Signed

Mr Milind K Oza

Director

Wollongong Coal Limited

Financial Statements

For the Nine Months Period Ended 31 December 2019

Wollongong Coal Limited

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For the Nine Months Period Ended 31 December 2019

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Wollongong Coal Limited

Directors' Report

31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity consisting of Wollongong Coal Limited (referred to hereafter as the 'company', 'WLC' or 'parent entity') and the entities it controlled at the end of, or during, the 9 months period ended 31 December 2019.

Directors

The following persons were the directors of Wollongong Coal Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr Milind K Oza

Dr Andrew E. Firek

Mr Sanjay Kumar Srivastava (appointed 7 May 2019)

Mr Dipen Rughani (appointed 16 August 2019)

Mr Maurice Anghie (ceased on 23 July 2019 due to death)

Mr Devendra Vyas (resigned on 1 April 2019)

Principal activities

The principal activities of the consolidated entity during the financial period were:

- Wongawilli Colliery was put under care and maintenance;
- Underground Expansion Plan (UEP) for mining at Russell Vale was submitted;
- Currently focusing on responding to submission received on the proposed UEP; and
- Russell Vale mine being prepared for mining post UEP approval.

Review of Operations

During the nine months period the consolidated entity's total production was nil tonnes of ROM (run of mine) coal from the Wongawilli colliery. Total revenue of the consolidated entity was \$7,036,000 (123,953 tonnes sold) compared to \$53,610,000 (364,530 tonnes sold) for nine months to 31 December 2018. The loss for the consolidated entity after providing for income tax amounted to \$76,261,000 (31 December 2018: \$92,220,000). The net cash used in operating activities for the nine months period is \$63,466,000 (31 December 2018: \$28,082,000).

The loss for the nine months period is after a net foreign exchange loss of \$7,803,000 (31 December 2018: \$46,709,000) that mainly relates to the change in exchange rate between the US dollar and Australian dollar on the consolidated entity's borrowings in US dollars. The consolidated entity's borrowings are in US dollars therefore the fluctuation in exchange rates gives rise on conversion to a gain or loss depending on the direction of the movement.

Wollongong Coal Limited

Directors' Report

31 December 2019

Continuing support from Jindal Steel

Cash Advance Facility Agreement, a short-term drawdown facility for cash advances (Facility) from the major shareholder Jindal Steel & Power (Mauritius) Limited (JSPML) has been increased to \$400 million and extended until 31 December 2020. To date, the Company has withdrawn around \$375.61 million. The Company has also received short term funding of around \$38.9 million from Jindal Steel and Power (Australia) Pty Ltd (JSPAL).

US \$25 million facility (MCB Facility)

US \$25 million facility with an outstanding loan amount of US \$20.835m, which was due in December 2018 was deferred up to 30 June 2019. Further, the remaining balance of US \$12.501 million was deferred from 30 June 2019 to 31 December 2019. As at 31 December 2019, the remaining balance is US \$10.42 million.

Restructuring of certain secured debts

WCL and other group companies have executed a Restructuring Support Agreement (RSA) with a group of lenders on 11-Nov-19. Under the RSA, the lenders have agreed to a standstill under the Facilities pending negotiation of final binding documentation for a restructuring.

The Company has filed a secured creditor's scheme of arrangement with the Australian Securities and Investment Commission ("ASIC") on 5th December 2019 and the first hearing in Supreme Court of New South Wales has happened on 20th December 2019.

As per the court order, the next steps are as follows:

- Scheme Creditor meeting to be held on 30th January 2020; and
- Second Court hearing on Tuesday 11 February 2020.

Possible Litigation

The consolidated entity has received claims for payment in total for \$4,048,000 that is in dispute. Further, the consolidated entity has given notice of claims for a larger amount, which the consolidated entity considers should be offset against the claims made against it. The consolidated entity is continuing to seek legal advice in relation to these matters. Due to legal and commercial sensitivity, no further information could be disclosed at the time of this report.

Update on litigations and legal matters

1. 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. The judgement was stayed until the final determination of the appeal, on a condition that WCL provide a security of \$8.67m by no later than 5 December 2018, which was provided.

The Court of Appeal of the New South Wales handed down a decision on 11 June 2019, which overturned a judgment in favour of Gujarat NRE India for indemnity in the sum of \$15,106,397.48. The Court upheld a judgment against the Company in the sum of \$6,565,398.06 plus interest in respect of a loan account claim, which has been paid and settled in full. On or around 9 July 2019, GNI has filed an application for special leave in the High Court of Australia to appeal part of the judgement of the New South Wales Court of Appeal's judgement, which was unsuccessful and matter has been concluded.

2. In November 2016, the Company entered into a binding heads of agreement (HoA) with Bellpac to settle the proceedings initiated by Bellpac in the Supreme Court of New South Wales alleging that conversion of 160 Bonds were not within the redemption rights of the bond agreement and sought, among other things, damages in the amount of over \$9 million (inclusive of interest). The HoA has been amended from time to time.

Wollongong Coal Limited

Directors' Report

31 December 2019

The key terms of the Proposed Share Buy Back are summarised below:

- WLC is to acquire and cancel 2,472,063,680 ordinary shares in WLC held by Bellpac ("Bellpac Shares"); and
- WLC is to pay Bellpac a settlement sum of \$6.3 million ("Settlement Sum") plus interest accrued on Settlement Sum at 3% per annum calculated from 2 October 2017 plus additional interest of 2% on part of the settlement sum calculated from 1 August 2019

The Company was unable to hold a shareholders' meeting due to proposed restructuring of certain secured debts. The Company remains in negotiation with Bellpac to revise the terms.

3. PCL Shipping commenced arbitral proceedings in Singapore against the Company relating to freight alleged to be owed for a shipment which occurred in August 2013. The Company commenced proceedings in the Supreme Court of NSW seeking, amongst other things, declarations that there is no enforceable agreement between WCL and PCL. By agreement the parties have now requested the arbitral tribunal to discontinue the arbitration in Singapore.

The proceedings are now to be heard in the Supreme Court of the NSW. PCL has cross claimed against WCL in those proceedings for US \$3.2m (plus interest plus costs) and other amounts relating to the arbitration. The hearing date in July 2019 has been vacated to accommodate last minute amendments of claim by PCL. The next hearing date is February 2020.

4. One of the vendors, Alfab has issued a statement of claim for \$45,000 plus \$47.16 per day from 28 June 2019 until the date of judgement + other costs/damages in relation to equipment supplied hired sometime in 2009. The Company is defending the claim.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Auditor's independence declaration

The auditor's independence declaration in accordance with APES 110 *Code of Ethics for Professional Accountants* for the nine months period ended 31 December 2019 has been received and can be found on page 4 of the financial report.

Rounding of amounts

Amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

This report is signed in accordance with a resolution of the Board of Directors.

Director: 
.....
Mr Milind K Oza

Dated 17 January 2020

Auditor's Independence Declaration

To the Directors of Wollongong Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the nine month period ended 31 December 2019, there have been:

- (i) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Wollongong Coal Limited and the entities it controlled during the financial period.

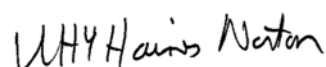


Vikas Gupta

Partner

Sydney

Date: 17 January 2020



UHY Haines Norton

Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income
For the Nine Months Period Ended 31 December 2019

		31 December 2019 000's	31 December 2018 000's
	Note	\$	\$
Revenue	4	7,036	53,610
Other income	4	1,371	204
Changes in inventories of finished goods and work in progress		(2,941)	(5,173)
Raw materials and consumables used		(1,994)	(4,685)
Employee benefits expense		(9,007)	(10,778)
Depreciation and amortisation expense		(14,470)	(16,055)
Foreign exchange losses		(7,803)	(46,709)
Finance costs	5	(28,697)	(25,954)
Finance income	5	214	261
Other operating expenses		(19,970)	(36,941)
Loss before income tax		(76,261)	(92,220)
Income tax expense		-	-
Loss for the period		(76,261)	(92,220)
Loss attributable to:			
Members of the parent entity		(76,261)	(92,220)

Statement of Financial Position

As At 31 December 2019

		31 December 2019 000's \$	31 March 2019 000's \$
Note			
ASSETS			
CURRENT ASSETS			
	Cash and cash equivalents	6 6,691	6,981
	Trade and other receivables	7 313	735
	Inventories	8 3,292	6,885
	Other assets	13 7,425	16,729
	Non-current assets held for sale	9 -	11,913
	TOTAL CURRENT ASSETS	17,721	43,243
NON-CURRENT ASSETS			
	Other financial assets	10 17,289	17,196
	Property, plant and equipment	11 351,186	343,967
	Intangible assets	12 28,233	28,233
	Other assets	13 2,284	2,566
	TOTAL NON-CURRENT ASSETS	398,992	391,962
	TOTAL ASSETS	416,713	435,205
LIABILITIES			
CURRENT LIABILITIES			
	Trade and other payables	14 6,222	17,742
	Borrowings	15 972,251	893,169
	Short-term provisions	16 10,380	20,651
	Other liabilities	17 27,138	37,177
	TOTAL CURRENT LIABILITIES	1,015,991	968,739
NON-CURRENT LIABILITIES			
	Long-term provisions	16 52,218	41,851
	TOTAL NON-CURRENT LIABILITIES	52,218	41,851
	TOTAL LIABILITIES	1,068,209	1,010,590
	NET ASSETS	(651,496)	(575,385)
EQUITY			
	Issued capital	18 913,690	913,690
	Reserves	(7,363)	(6,377)
	Retained earnings	(1,557,822)	(1,482,697)
	Total equity attributable to equity holders of the Company	(651,495)	(575,384)
	TOTAL EQUITY	(651,495)	(575,384)

The accompanying notes form part of these financial statements.

Wollongong Coal Limited

Statement of Changes in Equity

For the Nine Months Period Ended 31 December 2019

	Ordinary Shares 000's \$	Retained Earnings 000's \$	Option Reserve 000's \$	Share Repurchase Reserve 000's \$	Assets- Available- For-Sale Reserve 000's \$	FVOCI reserve 000's \$	Total 000's \$
Balance at 1 April 2019	913,690	(1,482,697)	1,833	(6,300)	-	(1,910)	(575,384)
Loss attributable to members of the parent entity	-	(76,261)	-	-	-	-	(76,261)
Transactions with owners in their capacity as owners							
Share based payment transactions	-	-	48	-	-	-	48
Reallocation of expired employee options	-	1,034	(1,034)	-	-	-	-
Prior period error	-	102	-	-	-	-	102
Balance at 31 December 2019	913,690	(1,557,822)	847	(6,300)	-	(1,910)	(651,495)

The accompanying notes form part of these financial statements.

Wollongong Coal Limited

Statement of Changes in Equity

For the Nine Months Period Ended 31 December 2019

	Ordinary Shares 000's	Retained Earnings 000's	Option Reserve 000's	Share Repurchase Reserve 000's	Assets- Available- For-Sale Reserve 000's	FVOCI reserve 000's	Total 000's
Note	\$	\$	\$	\$	\$	\$	\$
Balance at 1 April 2018	913,690	(1,103,467)	1,752	(6,300)	(1,820)	-	(196,145)
Impact of initial application of AASB 9	-	-	-	-	1,820	(1,820)	-
Loss attributable to members of the parent entity	-	(92,220)	-	-	-	-	(92,220)
Transactions with owners in their capacity as owners							
Share based payment transactions	-	-	65	-	-	-	65
Balance at 31 December 2018	913,690	(1,195,687)	1,817	(6,300)	-	(1,820)	(288,300)

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the Nine Months Period Ended 31 December 2019

	Nine months ended	
	31 December, 2019	31 December, 2018
	000's	000's
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from/(payments to) from customers	(1,834)	71,693
Payments to suppliers and employees	(42,580)	(69,908)
Interest received	214	261
Finance costs paid	(19,266)	(30,128)
Net cash used in operating activities	<u>(63,466)</u>	<u>(28,082)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	2,130	125
Purchases of property, plant and equipment	(3,401)	(2,539)
Payments for investments	(92)	(2,385)
Net cash used in investing activities	<u>(1,363)</u>	<u>(4,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	82,970	55,067
Repayment of borrowings	(18,442)	(17,345)
Net cash provided by financing activities	<u>64,528</u>	<u>37,722</u>
Net (decrease)/increase in cash and cash equivalents held	(301)	4,841
Impact of changing FX rates on cash held	11	67
Cash and cash equivalents at beginning of period	<u>6,981</u>	<u>5,748</u>
Cash and cash equivalents at end of period	<u><u>6,691</u></u>	<u><u>10,656</u></u>

Wollongong Coal Limited

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

1 General Information

The financial report covers Wollongong Coal Limited and its controlled entities ('the consolidated entity or' 'the Group'). Wollongong Coal Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Lot 31

7 Princes Highway, corner of Bellambi Lane

Corrimal, NSW 2518

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 17 January 2020.

Comparatives are consistent with prior years, unless otherwise stated.

Amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

2 Going Concern

The consolidated entity reported a loss of \$76,261,000 after tax in the nine months period ended on 31 December 2019 compared to \$92,220,000 in the previous corresponding 9 months. The loss is after a net foreign exchange loss of \$7,803,000 (31 December 2018: loss of \$46,709,000). The cash loss for the nine months period ended on 31 December 2019 is \$53,502,000 (31 December 2018; cash loss \$29,118,000).

Net current liabilities of \$998,270,000 (31 March 2019: \$925,495,000) includes borrowings of \$552,624,000 (31 March 2019: \$556,512,000) which have been classified as current liabilities to comply with Accounting Standards AASB 101 'Presentation of Financial Statements', due to breach of financial covenants. The expected principal repayment due on borrowings for the period ending 30 September 2020 is \$76.42mn, subject to negotiations in relation to existing facilities.

The current adverse performance of the consolidated entity was mainly due to no production from both the collieries - Russell colliery being on care and maintenance since 2015 and Wongawilli put under care and maintenance in April 2019.

Nevertheless, the directors consider the consolidated entity to be a going concern on the basis of the following:

Funding and support from Jindal Steel & Power (Mauritius) Limited

Since taking over the majority stake and management control in October 2013, Jindal Group has been funding and supporting the Company. To date the Company has received in excess of \$342.15 million by way of equity and \$437.72mn as loans.

The Company has received a support letter dated 26 September 2019 from JSPML reiterating their previous support letter stating that JSPML will continue supporting the consolidated entity for at least up to 31 December 2020. The Company has received a further letter dated 20 December 2019 reiterating this support.

In addition, Jindal Steel and Power (Mauritius) Limited (JSPML) has provided a working capital facility of \$400 million. To date the Company has drawn \$375.61 million from the facility.

To date, the Company has also received a short-term loan repayable on demand for a total amount of \$38.88 million from Jindal Steel and Power (Australia) Pty Ltd (JSPAL), wholly-owned subsidiary of JSPML.

The Company has also received a letter of support dated 2 October 2019 from JSPAL to not recall any of the loan provided for at least up to 31 December 2020 unless there is an acceleration and demand from the Lenders in case of any event of default. This confirmation also excludes any scheduled repayments falling due within the covered period (up to 31 December 2020). The confirmation reiterates their previous support letter stating that JSPAL will continue to support the consolidated entity.

Settlement of legal claims

The consolidated entity has successfully defended and/or resolved several legal claims. Please refer to the Please refer to section 'Update on Legal matters and Litigations' of the directors' report for details.

Restructuring of certain secured debts

WCL and other group companies have executed a Restructuring Support Agreement (RSA) with a group of lenders on 11-Nov-19. Under the RSA, the lenders have agreed to a standstill under the Facilities pending negotiation of final binding documentation for a restructuring.

The Company has filed a secured creditor's scheme of arrangement with the Australian Securities and Investment Commission ("ASIC") on 5th December 2019 and the first hearing in Supreme Court of New South Wales has happened on 20th December 2019. As per the court order, the next steps are as follows:

Scheme Creditor meeting to be held on 30th January 2020; and

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

Second Court hearing on Tuesday 11 February 2020.

Financial Covenants Breaches and Waivers

As disclosed above, borrowings have been classified as current due to covenant breaches as at 31 December 2019.

Operations at Russell Vale colliery

The Company is currently focusing on obtaining necessary mining approvals and commence mining operations at Russell Vale colliery. The Company remains confident in obtaining the approvals as it has changed its mining plan from longwall to board and pillar, which is zero or low impact mining method that addresses major environmental concerns including subsidence and impacts on water bodies.

Cost Control

The Company continues operating within a strict budget and cost-controlled regime.

The Directors truly believe that with all measures put in place, as detailed above, and the continuous support of its parent entity, government bodies, financiers, suppliers and other stakeholders, the consolidated entity would be able to put its liquidity troubles behind it and move to the more productive aspect of running a profitable business in future.

The directors consider the consolidated entity to be a going concern and will be able to meet its debts and obligations as they fall due. Notwithstanding the above, if one or more of the planned measures do not eventuate or are not resolved in the consolidated entity's favour (including the pending approval for restarting operations at the Russell Vale Colliery), then in the opinion of the directors, there will be significant uncertainty regarding the ability of the consolidated entity to continue as a going concern and pay its debts and obligations as and when they become due and payable.

If the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business at amounts different from those stated in the financial statements.

No adjustments have been made to the financial statements relating to the recoverability and classification of the recorded asset amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

3 Significant Accounting Policies

These general purpose financial statements for the nine months reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with international Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 March 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

4 Revenue and Other Income

	31 December 2019 000's \$	31 December 2018 000's \$
Revenue		
- Sales to external customers	7,036	53,610
Revenue by geographic location		
- India	7,036	43,841
- Domestic	-	9,769
	7,036	53,610
Revenue by product		
- Thermal	2,692	658
- Metallurgical	4,344	52,952
	7,036	53,610
Other income		
- Other income	43	192
- rental income	362	11
- net gain on disposal of property, plant and equipment	966	1
	1,371	204

5 Finance Income and Expenses

Finance income

	31 December 2019 000's \$	31 December 2018 000's \$
Interest income	214	261

Finance expenses

	31 December 2019 000's \$	31 December 2018 000's \$
Interest expense		
Unwinding of discounts on provisions	1,247	1,105
Interest and financing costs	27,450	24,849
Total finance expenses	28,697	25,954

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

6 Cash and Cash Equivalents

	31 December 2019 000's \$	31 March 2019 000's \$
Cash at bank and in hand	6,691	6,981
	<u>6,691</u>	<u>6,981</u>

Cash balances as at 31 December 2019 includes \$6,331,000 (31 March 2019: \$6,147,000) held as security against the Group's borrowings.

7 Trade and Other Receivables

	31 December 2019 000's \$	31 March 2019 000's \$
CURRENT		
Trade receivables	38,385	38,306
Provision for impairment	(38,381)	(38,128)
	<u>4</u>	<u>178</u>
GST receivable	309	557
Total current trade and other receivables	<u>313</u>	<u>735</u>

8 Inventories

	31 December 2019 000's \$	31 March 2019 000's \$
CURRENT		
At cost:		
Finished goods	141	1,826
	<u>141</u>	<u>1,826</u>
At net realisable value:		
Production supplies	2,920	3,240
Finished goods	231	1,819
	<u>3,151</u>	<u>5,059</u>
	<u>3,292</u>	<u>6,885</u>

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

9 Assets and liabilities held for sale

	31 December 2019 000's \$	31 March 2019 000's \$
Non-current assets held for sale		
Assets held for sale	-	11,913

The parcel of freehold land previously designated as held for sale has been reclassified to land within property, plant and equipment, as it no longer meets the recognition requirements of assets held for sale.

10 Other Financial Assets

	31 December 2019 000's \$	31 March 2019 000's \$
NON-CURRENT		
Equity securities - at fair value through Other Comprehensive Income	210	210
Debt securities - at amortised cost	17,079	16,986
Total	17,289	17,196

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

11 Property, plant and equipment

	31 December 2019 000's \$	31 March 2019 000's \$
LAND AND BUILDINGS		
Freehold land		
At cost	43,202	31,288
Leasehold land		
At cost	486	486
Total Land	43,688	31,774
Buildings		
At cost	2,480	2,480
Accumulated depreciation	(641)	(573)
Total buildings	1,839	1,907
Total land and buildings	45,527	33,681
PLANT AND EQUIPMENT		
Capital works in progress		
At cost	19,673	18,646
Plant and equipment		
At cost	215,136	236,780
Accumulated depreciation	(155,249)	(162,797)
Total plant and equipment	59,887	73,983
Mine development		
At cost	756,667	747,548
Accumulated depreciation	(229,241)	(228,564)
Accumulated impairment losses	(335,522)	(335,522)
Total mine development	191,904	183,462
Mining leases		
At cost	77,145	77,145
Accumulated depreciation	(5,092)	(5,092)
Accumulated impairment losses	(37,858)	(37,858)
Total Mining leases	34,195	34,195
Total plant and equipment	305,659	310,286
Total property, plant and equipment	351,186	343,967

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

11 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the period:

	Buildings 000's \$	Land 000's \$	Mining Leases 000's \$	Plant and Equipment 000's \$	Mine Development 000's \$	Capital Work in progress 000's \$	Total 000's \$
Period ended 31 December 2019							
Balance at the beginning of the period	1,906	31,774	34,195	73,984	183,462	18,646	343,967
Additions	-	-	-	-	-	3,459	3,459
Disposals	-	-	-	(2,182)	-	(668)	(2,850)
Transfers	-	-	-	1,764	-	(1,764)	-
Depreciation expense	(67)	-	-	(13,726)	(677)	-	(14,470)
Transfers from asset held for sale	-	11,914	-	-	-	-	11,914
Prior period error	-	-	-	47	-	-	47
Other changes, movements	-	-	-	-	9,119	-	9,119
Balance at the end of the period 31 December 2019	1,839	43,688	34,195	59,887	191,904	19,673	351,186

As a result of significant changes in the discount rate applied to the Group's rehabilitation provision during the period, as shown in Note 16, the group increased its corresponding rehabilitation asset by \$9,119,000.

Wollongong Coal Limited

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

11 Property, plant and equipment

(a) Movements in carrying amounts of property, plant and equipment

	Buildings 000's \$	Land 000's \$	Mining Leases 000's \$	Plant and Equipment 000's \$	Mine Development 000's \$	Capital work in progress 000's \$	Total 000's \$
Period ended 31 December 2018							
Balance at the beginning of the period	1,997	32,504	50,984	92,886	434,357	15,546	628,274
Additions	-	-	-	225	-	2,314	2,539
Disposals	-	-	-	(124)	-	-	(124)
Depreciation expense	(68)	80	(50)	(15,721)	(296)	-	(16,055)
Other changes, movements	-	-	-	-	(2,563)	-	(2,563)
Balance at the end of the period 31 December 2018	1,929	32,584	50,934	77,266	431,498	17,860	612,071

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

12 Intangible Assets

	31 December 2019 000's \$	31 March 2019 000's \$
Goodwill		
Cost	299,963	299,963
Accumulated impairment losses	(271,730)	(271,730)
Net carrying value	28,233	28,233
Total Intangibles	28,233	28,233

13 Other non-financial assets

	31 December 2019 000's \$	31 March 2019 000's \$
CURRENT		
Advance to supplier	2,231	4,067
Prepayments	1,300	1,261
Security deposits	3,894	11,401
	7,425	16,729
NON-CURRENT		
Prepayments	-	282
Security deposits	2,284	2,284
	2,284	2,566

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

14 Trade and Other Payables

	31 December 2019 000's \$	31 March 2019 000's \$
Note		
Current		
Trade payables	3,490	15,642
Sundry payables and accrued expenses	2,263	1,665
Other payables	469	435
	6,222	17,742

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

15 Borrowings

	31 December 2019 000's \$	31 March 2019 000's \$
CURRENT		
Unsecured liabilities:		
JSPML working capital loan (principal)**	357,512	289,156
JSPML working capital loan (accrued interest)**	23,231	23,231
JSPAL working capital loan	38,884	24,270
	419,627	336,657
Secured liabilities:		
JSPAL term loan (principal)*	528,083	531,514
JSPAL term loan (accrued interest)*	12,484	4,968
Bank loan - secured (principal)	14,870	23,511
Bank loan - secured (capitalised costs)	(3,031)	(3,481)
Bank loan - secured (accrued interest)	218	-
	552,624	556,512
Total current borrowings	972,251	893,169

*JSPAL - Jindal Steel and Power (Australia) Pty Limited, is an associated company.

**JSPML - Jindal Steel and Power (Mauritius) Limited, is the major shareholder.

On 6 August 2015, the consolidated entity entered into a US\$630 million facility with JSPAL. The repayment of the loan facility is to be in 26 unequal quarterly instalments starting from 30 June 2018. The interest rate is LIBOR plus 3%. The group is currently in negotiations with its lenders to restructure its debts.

To continue to assist the consolidated entity with its cash flow, the major shareholder JSPML provided a \$400 million working facility. The amount withdrawn is repayable on demand.

The unused facility is subject to meeting strict conditions and further funding is subject to meeting these conditions

The consolidated entity also holds a working capital facility with its associated entity, JSPAL. Amounts withdrawn under this facility are repayable on demand.

	31 December 2019 000's \$	31 March 2019 000's \$
CURRENT		
Restructuring	-	2,395
Legal proceedings	7,486	15,689
Employee benefits	2,894	2,567
	10,380	20,651

Mine restoration	52,218	41,851
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	Mine restoration	Legal proceedings	Employee benefits	Restructuring	Total
	000's	000's	000's	000's	000's
	\$	\$	\$	\$	\$
Opening balance at 1 April 2019	41,851	15,689	2,567	2,395	62,502
Additional provisions	9,120	-	327	-	9,447
Provisions reversed/used	-	(8,203)	-	(2,395)	(10,598)
Unwinding of discount	1,247	-	-	-	1,247
Balance at 31 December 2019	52,218	7,486	2,894	-	62,598

The group paid an amount of \$9,130,000 to Gujarat NRE India Pty Ltd (GNI) in respect of claims previously provided against.

During the period market interest rates and discount rates applied by the group to estimate the rehabilitation provision significantly decreased, resulting in an increase in the mine restoration provision. The mine restoration costs is currently undergoing review by an independent consultant.

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

17 Other Liabilities

	31 December 2019 000's \$	31 March 2019 000's \$
CURRENT		
Advance from customers	27,138	37,177
	27,138	37,177

The group repaid \$8,929,000 in customer advances relating to coal shipments no longer able to be delivered in the near future, due to ceased production at the Wongawilli Colliery.

18 Issued Capital

	31 December 2019 000's \$	31 March 2019 000's \$
9,366,977,256 (March 2019: 9,366,977,256) Ordinary shares	913,690	913,690

19 Tax assets and liabilities

(a) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	31 December 2019 000's \$	31 March 2019 000's \$
Tax losses	298,344	232,995

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein.

20 Contingencies

The Group had the following contingent liabilities at the end of the reporting period:

1. As part of mining lease holdings, the Company is required to provide and maintain adequate security with the Department of Trade and Investment (DTI) for its rehabilitation obligations. The Company has provided a security of \$5,657,000 by way of a bank guarantee and the balance of \$1,859,000 as a cash deposit (i.e. \$7,516,000 in total) for its Russell Vale mine. The Company has also provided a security of \$40,010,000 by way of a bank guarantee for its Wongawilli mine.

2. The Company is one of the shareholders and users of Port Kembla Coal Terminal (PKCT). It is required to either pay site rectification charges in the form of a site rectification levy incorporated in the coal loading charges or to provide a bank guarantee for an amount based on actual tonnages in previous years and tonnages estimated for the upcoming financial year.

3. 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

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

20 Contingencies

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. The judgement was stayed until the final determination of the appeal, on a condition that WLC provide a security of \$8.67m by no later than 5 December 2018, which was provided.

The Court of Appeal of the New South Wales handed down a decision on 11 June 2019, which overturned a judgment in favour of Gujarat NRE India for indemnity in the sum of \$15,106,397.48. The Court upheld a judgment against the Company in the sum of \$6,565,398.06 plus interest in respect of a loan account claim, which has been paid and settled in full. On or around 9 July 2019, GNI has filed an application for special leave in the High Court of Australia to appeal part of the judgement of the New South Wales Court of Appeal's judgement, which was unsuccessful and matter has been concluded.

4. In November 2016, the Company entered into a binding heads of agreement (HoA) with Bellpac to settle the proceedings initiated by Bellpac in the Supreme Court of New South Wales alleging that conversion of 160 Bonds were not within the redemption rights of the bond agreement and sought, among other things, damages in the amount of over \$9 million (inclusive of interest). The HoA has been amended from time to time.

The key terms of the Proposed Share Buy Back are summarised below:

- WLC is to acquire and cancel 2,472,063,680 ordinary shares in WLC held by Bellpac ("Bellpac Shares"); and
- WLC is to pay Bellpac a settlement sum of \$6.3 million ("Settlement Sum") plus interest accrued on Settlement Sum at 3% per annum calculated from 2 October 2017 plus additional interest of 2% on part of the settlement sum calculated from 1 August 2019

The Company was unable to hold a shareholders' meeting due to proposed restructuring of certain secured debts. The Company remains in negotiation with Bellpac to revise the terms.

5. PCL Shipping commenced arbitral proceedings in Singapore against the Company relating to freight alleged to be owed for a shipment which occurred in August 2013. The Company commenced proceedings in the Supreme Court of NSW seeking, amongst other things, declarations that there is no enforceable agreement between WCL and PCL. By agreement the parties have now requested the arbitral tribunal to discontinue the arbitration in Singapore.

The proceedings are now to be heard in the Supreme Court of the NSW. PCL has cross claimed against WCL in those proceedings for US \$3.2m (plus interest plus costs) and other amounts relating to the arbitration. The hearing date in July 2019 has been vacated to accommodate last minute amendments of claim by PCL. The next hearing date is February 2020.

6. One of the vendors, Alfab has issued a statement of claim for \$45,000 plus \$47.16 per day from 28 June 2019 until the date of judgement + other costs/damages in relation to equipment supplied hired sometime in 2009. The Company is defending the claim.

7. Wollongong City Council (WCC) is alleging that pursuant to the Development Consent of the Russell Vale Colliery Emplacement Area, the Company is required to provide and maintain a security of \$405,000 for the financial year (2017-18) in favour of WCC. This security amount increases by \$15,000 every year. The matter remains under review by legal advisors of the Company and WCC due to a dispute over such a requirement.

8. The consolidated entity has received claims for payment in total for \$4,048,000 that is in dispute. Further, the consolidated entity has given notice of claims for a larger amount, which the consolidated entity considers should be offset against the claims made against it. The consolidated entity is continuing to seek legal advice in relation to these matters. Due to legal and commercial sensitivity, no further information could be disclosed at the time of this report.

Notes to the Financial Statements

For the Nine Months Period Ended 31 December 2019

21 Commitments

	31 December 2019 000's \$	31 March 2019 000's \$
Capital Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	909	1,866
One to five years	-	-
	909	1,866

22 Related Parties

(a) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Purchases 000's \$	Sales 000's \$	Other 000's \$	Balance outstanding Owed to the company 000's \$	Owed by the company 000's \$	Provision for bad debts 000's \$	Bad debts expenses 000's \$
Major shareholder JSPML							
Borrowings	-	-	-	-	380,743	-	-
Associates (JSPAL, JPL)							
Borrowings	-	-	-	-	579,451	-	-
Interest expense	-	-	24,479	-	-	-	-

(b) Loans to/from related parties

	Opening balance 000's \$	Closing balance 000's \$	Interest not charged 000's \$	Interest paid 000's \$	Impairment 000's \$
Loans from ultimate parent 2019	312,387	380,743	-	-	-
Loans from associate entity 2019	560,752	579,451	-	18,921	-

Loans have been received from the Group's major shareholder and an associate entity. Repayment terms are set for each loan as follows:

Notes to the Financial Statements
For the Nine Months Period Ended 31 December 2019

22 Related Parties

(b) Loans to/from related parties

(b) Loans to/from related parties

- The JSPML and JSPAL working capital facilities are unsecured, interest free, and repayable on demand in cash
- The JSPAL term loan facility is secured, is repayable in 26 unequal quarterly installments starting from 30 June 2018 and attracts interest at LIBOR plus 3%

23 Events Occurring After the Reporting Date

The financial report was authorised for issue on 16 January 2020 by the board of directors.

No matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

24 Statutory Information

The registered office and principal place of business of the company is:

Wollongong Coal Limited
Lot 31
7 Princess Highway, corner of Bellambi Lane
Corrimal NSW 2518

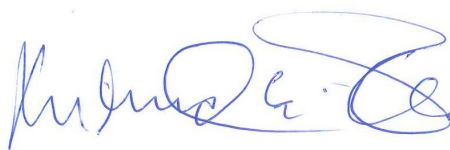
Wollongong Coal Limited

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 25 are:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) presents fairly the consolidated entity's financial position as at 31 December 2019 and of its performance for the nine months period ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable with the continuing support of its major shareholder.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Mr Milind K Oza

Dated 17 January 2020

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Members of Wollongong Coal Limited

Conclusion

We have reviewed the accompanying interim financial report of Wollongong Coal Limited and its controlled entities ("the Group"), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period ended on that date, notes comprising a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the interim financial report of the Group does not present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the nine-month period ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

Emphasis of Matter – Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$76,261,000 during the nine-month period ended 31 December 2019 and, as of that date, the Group's net current liabilities were \$998,270,000. The Group was in breach of its borrowing's financial covenants and both its Collieries are currently under care and maintenance. These events and/or conditions give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Restriction on Use and Distribution

This review report is intended for use solely by the members of Wollongong Coal Limited, and should not be used by or distributed to parties other than the members of Wollongong Coal Limited for any other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Director's Responsibility for the interim Financial Report

The directors of the Group are responsible for the preparation and fair presentation of the interim financial report in accordance with AASB 134 *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the interim financial report is not presented fairly, in all material respects, in accordance with AASB 134 *Interim Financial Reporting*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

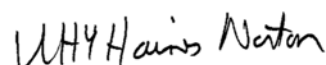
A handwritten signature in black ink, appearing to read 'Vikas Gupta'.

Vikas Gupta

Partner

Sydney

Date: 17 January 2020

A handwritten signature in black ink, appearing to read 'UHY Haines Norton'.

UHY Haines Norton

Chartered Accountants