

# **Wollongong Coal Limited**

**ABN 28 111 244 896**

## **Annual Report - 31 March 2016**

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Directors	Mr Ashish Kumar (Chairman) Dr Andrew E. Firek Mr Maurice Anghie Mr Azad Bhura
Company secretary	Mr Sanjay Sharma
Registered office	Lot 31 7 Princes Highway, corner of Bellambi Lane Corrimal, NSW 2518 Ph: +61 (02) 4223 6830 Fx: +61 (02) 4283 7449
Principal place of business	Lot 31 7 Princes Highway, corner of Bellambi Lane Corrimal, NSW 2518
Share register	Boardroom Pty Limited Level 12 225 George Street Sydney, NSW 2000 Ph: 1300 737 760 Fx: 1300 653 459
Auditor	Hall Chadwick Level 40 2 Park Street Sydney, NSW 2000
Bankers	State Bank of India, Sydney Branch Term Lenders: State Bank of India, Export Import Bank of India, Bank of Baroda - UK, Union Bank of India, UCO Bank, AfraAsia Bank, Axis Bank Limited, DBS Bank Limited, Canara Bank, Punjab National Bank, Punjab National Bank (International) Ltd, State Bank of Mauritius, SBI (Mauritius) Ltd, and Mauritius Commercial Bank.
Stock exchange listing	Wollongong Coal Limited shares are listed on the Australian Securities Exchange (ASX code: WLC)
Website	<a href="http://www.wollongongcoal.com.au">www.wollongongcoal.com.au</a>

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Wollongong Coal Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 March 2016.

### **Directors**

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

Mr Ashish Kumar (appointed as Chairman and Non-Executive Director on 16 June 2015)  
Dr Andrew E. Firek  
Mr Maurice Anghie  
Mr Azad Bhura (appointed as Non-Executive Director on 22 May 2015)

Mr Jasbir Singh (resigned as Chief Executive Officer on 8 May 2015 and as Non-Executive Director on 22 May 2015)

### **Principal activities**

The principal activities of the consolidated group during the financial year were:

- expanding and developing Russell Vale colliery;
- mining and producing coal; and
- selling and exporting coal.

### *Significant Changes to Activities*

The following significant changes in the nature of the principal activities occurred during the financial year:

- development activities to commence operations at Wongawilli colliery; and
- obtaining approvals to commence longwall operations at Russell Vale colliery.

### **Dividends**

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

### **Review of operations**

During the financial year the consolidated entity's total production of ROM coal was 256,000 tonnes as compared to 180,000 tonnes in previous financial year ending on 31 March 2015, from the Russell Vale colliery. Production was mainly from partial extraction of longwall 6 for which approval was received. Approval for the remaining portion of longwall 6 and other longwall blocks 7, 9, 10 and 11 (around 4.7 million tonnes) remains under consideration. Wongawilli colliery remained in care and maintenance for entire financial year.

Total revenue of the consolidated entity was \$8,083,000 (2015: \$8,500,000).

The loss for the consolidated entity after providing for income tax amounted to \$181,934,000 (2015: \$195,567,000).

The loss includes a net impairment charge of \$125,469,000 (2015: \$44,524,000), and a net foreign exchange gain of \$2,825,000 (2015: loss of \$86,070,000) that mainly relates to the change in exchange rate between the US dollar and Australian dollar on the consolidated entity's US dollar borrowings. Included in the net foreign exchange gain is a net unrealised gain of \$35,372,000.

Net current liabilities of \$721,699,000 (2015: \$653,418,000) includes borrowings and working capital facilities of \$698,292,000 (2015: \$587,824,000) which have been entirely classified as current liabilities to comply with Accounting Standards AASB 101 'Presentation of Financial Statements', due to breaches of financial covenants. The expected principal repayment due on borrowings for the year ending 31 March 2017 is \$40,286,000.

## **Significant changes in the state of affairs**

### *Approval for Wongawilli Colliery*

In November 2015, the consolidated entity's application for a five year extension to extract coal from Wongawilli colliery was approved by the New South Wales Planning Assessment Commission (PAC). This approval will allow the consolidated entity to continue its mining activities within the project area size and amount of coal that can be extracted, previously approved by PAC in 2011. The consolidated entity is now preparing for the recommencement of operations at Wongawilli colliery, including appointing Delta SBD to oversee and manage these operations.

### *Workforce reduction and restructuring*

Due to the continuing delay in obtaining approvals to commence production, the consolidated entity was forced to put its Russell Vale colliery under care and maintenance from 1 September 2015 resulting in a loss of approximately 80 employees in September - October 2015 in addition to 79 employees that were made redundant earlier in May-June 2015.

The Chief Executive Officer, Chief Financial Controller and Chief Operating Officer resigned and were replaced during the year under review. Mr Azad Bhura and Mr Ashish Kumar were appointed to the board as Non-Executive Directors and Mr Milind Oza was appointed as Chief Executive Officer.

### *Continuing support from Jindal Steel*

The consolidated entity has continued to receive the ongoing support of its ultimate parent entity Jindal Steel and Power Limited in India.

The immediate parent entity Jindal Steel and Power (Mauritius) (JSPML) has increased its cash advance facility from Australian \$75 million (as at 31 March 2015) to Australian \$175 million in April 2016. This facility has also been renewed until 31 March 2017. To date, \$164.64 million has been drawn and utilised. The amount withdrawn is repayable at the end of the facility term or on demand.

JSPML has also provided a letter of support confirming financial support for at least next 12 months from the signing date of this financial report.

### *Foreign Currency Term Loan – US \$ 630 million*

The consolidated entity continues to work with its existing lenders to obtain a Foreign Currency Term Loan of US \$630 million in multiple tranches – this facility will be used to repay existing loans and to part-finance capital expenditures.

To date, US \$365.04 million has been disbursed by some of the lenders to the Company through Jindal Steel and Power Australia Pty Ltd. Funds were used to repay existing loans, which were classified as current liabilities in accordance with AASB101. The Company continues to work with the remaining Lenders to restructure their proportion of the loan facility.

### *Unlisted Convertible Bonds*

During the year 40 out of 200 convertible bonds (Bonds) with face value of \$50,000 each were redeemed by the Company for a total consideration of \$2 million.

The Company also received conversion notices for the remaining 160 Bonds and issued 2,472,063,680 fully paid ordinary shares in total to the bondholder, Bellpac Pty Ltd (Receivers and Managers appointed) (in Liquidation) (Bellpac). Of these shares 1,019,726,268 shares were issued on 5 February 2016 and 1,452,337,412 shares on 5 May 2016. These shares remain in voluntary escrow until 5 August 2016.

*Update on litigations and legal matters*

*Statutory demands*

A Statutory demand issued by Bellpac for an alleged debt over an early redemption of convertible bonds with face value of \$2 million plus \$0.98 million interest accrued has been settled and paid. As part of the settlement, \$2 million was paid and interest in the amount of \$0.98 million was forgiven.

A Statutory demand issued by the NSW Department of Trade and Investment for a total debt of approximately \$3.46 million has been settled and paid in full.

While the Court did not set aside statutory demands from Cougar Stratajacks Pty Ltd and Cougar Mining Group Pty Ltd, on the consolidated entity's evidence, the Court varied those statutory demands under Corporations Act 2001 (Cth) s459H(4) and reduced the total amount claimed from \$765,000 to \$664,000, which has been paid in full and settled.

The consolidated entity has received a statutory demand received from Waratah Engineering Pty Ltd for \$27,112 for unpaid invoices, which has been paid in full and settled.

The consolidated entity has further received a number of statutory demands from Coal Services group of companies for a total sum of \$2,484,688 for past outstanding. The Company has paid around \$2m since then with remaining balance payable by 31 July 2016 as agreed.

All other statutory demands that were served have been either settled (paid) and/or withdrawn.

*Statement of claims*

The statement of claim from a shipping company British Marine PLC for an alleged debt of approximately US\$2.5 million was dismissed and British Marine was ordered to pay the consolidated entity's legal costs of proceedings. British Marine has withdrawn its appeal and paid \$425,000 in total for consolidated entity's legal costs.

Gujarat NRE Coke Limited (GNCL), which is part of Gujarat Group, the consolidated entity's previous largest shareholder, has filed a claim against the Company and its subsidiary Wongawilli Coal Pty Ltd for approximately US\$39.74 million for damages relating to coal quality issues and \$18.83 million (plus interest and cost) relating to unpaid corporate guarantee commission. The Court has consolidated GNCL's claim with the claims filed by the consolidated entity against GNCL for approximately US \$63 million (plus interest and cost) for unpaid coal invoices.

The consolidated entity is also defending an indemnity/restitution claim based on implied terms for approximately \$20.45 million for damages and indemnity from Gujarat NRE India Pty Ltd (GNIPL). These claims include AUD\$6.57 million relating to alleged unpaid loan for which GNIPL issued a statutory demand, which has been set aside by the Court.

The Company is defending a claim by Mr Jasbir Singh, former CEO and nominee director, for repudiation of an alleged employment contract.

Great Investments Limited (GIL) (previous owner of certain Bonds) sought orders against the Company to redeem certain convertible Bonds which were registered in its name. This matter is pending the outcome an appeal made by GIL against the Court's decision declaring Bellpac as the real owner of those Bonds.

Bellpac has commenced legal proceedings alleging that conversion of 160 Bonds were not within the redemption rights of the bond agreement and is seeking an order for redemption of those Bonds for \$8 million or such other amount being the nominal principal value of the unconverted Bonds plus accrued interest and costs. The consolidated entity is defending the claim.

ATF Mining Electrics Pty Limited has issued a statement of claim for \$687,556 (including interest and other costs) for repudiation of an alleged contract. The Company is defending the claim.

The consolidated entity has reached settlement for an alleged claim of around US \$1.9 million from Sino East Minerals Ltd for quality issues with coal supplied. The matter was settled for US \$650,000 in total with a balance of US \$50,000 remaining payable at the date of this report.

All other statements of claim that were served have been either settled (paid), withdrawn or the parties have agreed upon a payment plan.

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

## **Matters subsequent to the end of the financial year**

Wongawilli colliery has commenced a progressive restart program which has reached the milestone of processing existing underground inventories. Developmental activities and recommissioning of mining plant and equipment continues to commence bord and pillar mining (partial extraction) in near future.

In November 2015, the consolidated entity received confirmation from the New South Wales Department of Planning (DoP) that the consolidated entity has satisfied residual concerns raised by PAC after an initial public hearing regarding an application for the Underground Expansion Project (UEP) at Russell Vale colliery. Despite DoP's recommendation to approve the proposed UEP under strict conditions, the PAC has raised further concerns after its second public hearing in February 2016 resulting further delays in commencing longwall operations at Russell Vale colliery. The consolidated entity remains committed to resolve these issues and obtain the required approval.

As part of its corporate cost review, the consolidated entity has appointed Hall Chadwick as its auditors effective from 24 May 2016 following Ernst & Young resignation and ASIC consent.

On 5 May 2016 the Company issued a further 1,452,337,412 shares in settlement of the remaining convertible bond liability. These shares remain in voluntary escrow until 5 August 2016.

No other matter or circumstance has arisen since 31 March 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## **Likely developments and expected results of operations**

Likely developments and expected results have been included throughout this report, where relevant.

## **Environmental regulation**

The consolidated entity's operations are controlled and managed by significant environmental regulation under Commonwealth, State and Local legislation. The following incidents relate to Environment Protection Authority (EPA) licenses, during the financial year:

### *Russell Vale colliery*

In December 2015 around 70 tonnes of coal fines entered Bellambi Creek as a result of a faulty stockpile spray, washing material from the stockpile into an unsealed access portal into a Bellambi Creek diversion pipe. The incident was immediately reported to the EPA and the consolidated entity commenced action to remove around 500 tonnes of coal fines from the creek within its property boundary. Subsequent heavy rains removed the material from the remainder of the creek and no further action was required. There was no significant ecological impact identified as a result of the incident. No further action has been taken by the EPA.

### *Wongawilli colliery*

During the third quarter three minor incidents occurred consisting of white precipitate found in a stream; small amount of coal fines entering an onsite stormwater channel; and a small volume of hydraulic fluid being removed from a bund and percolating into the soil. Those incidents were investigated and reported to the regulators. A report outlining preventive measures to prevent reoccurrence of similar incidents has been prepared and submitted to the Environment Protection Authority (EPA). No further action has been taken by the EPA.

To the best of the directors' knowledge, the consolidated entity has adequate systems in place to ensure compliance with the requirements of all environmental legislations applicable and is not aware of any material breach of those requirements during the financial year and up to the date of the directors' report.



**Information on directors**

Name:	Mr Ashish Kumar (appointed on 16 June 2015)
Title:	Chairman and Non-Executive Director
Qualifications:	Industrial Engineer from Thapar Institute, Patiala (India)
Experience and expertise:	Mr. Kumar, a veteran of Jindal Steel and Power Limited (JSPL) operations has held various roles within JSPL. He commenced his career within JSPL as an operations engineer and fast tracked to core management through head roles for JSPL international and domestic projects, as well as being a technical assistant to the Chairman, Mr. Naveen Jindal for a period of 8 years. Mr. Kumar has played a pivotal role in acquiring JSPL's first coal mine in Africa, making JSPL the first Indian conglomerate to have an operational mine on the African continent. Since leading the JSPL Africa projects Mr. Kumar has laid a solid foundation from which Jindal Africa has launched its wide-ranging operations in order to realise its continental ambitions. Mr. Kumar, an Industrial Engineer from Thapar Institute, Patiala (India) compliments JSPL's management portfolio with over 24 years of pivotal experience. He strongly believes in meticulous planning and subsequent execution. His understanding of the business has been instrumental in evolving growth strategies and has significantly contributed to implementation of JSPL's expansion and diversification projects in steel, power and mining sectors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None
Name:	Dr Andrew E. Firek
Title:	Non-Executive Director
Qualifications:	M.Sc, Ph D, FAusIMM, FAIE
Experience and expertise:	Dr Firek has been involved in mining and mineral processing for over 25 years. His experience includes managing process development, construction, commissioning and operations of coal, base and precious metals plants in Europe, Africa and Australia. He was a United Nations expert in fossil fuels exploration, mineral processing and energy generation. Dr Firek is also familiar with downstream processing of oil and gas that helps in evaluating feasibility of fuel resources. Dr Firek was a Group Leader at the CSIRO, Division of Fossil Fuels in Sydney and was engaged in developing technologies to produce liquid fuels from coal. He was Project Director at Memtec Ltd, following which he joined Pancontinental Mining Ltd where he was Research and Development Manager involved in substantial mineral resources projects including base and precious metals, uranium and the development and commissioning of a \$220 million magnesia production facility near Rockhampton in Queensland. Dr Firek was a director of mineral residue processing group Hydromet Technologies Ltd. He was a founding director in three ASX listed companies and managed coal, iron ore, base and precious metals exploration, feasibility studies and financial negotiations for projects in Australia, South America, China (Inner Mongolia) and Indonesia.
Former directorships (last 3 years):	
Special responsibilities:	Member of the Audit & Risk Committee and Nomination & Remuneration Committee
Interests in shares:	548,523 direct and 659,000 indirect
Interests in options:	500,000 direct
Contractual rights to shares:	None

Name: Mr Maurice Anghie  
Title: Non-Executive Director  
Qualifications: B. Bus, FCA, FCPA, MAICD  
Experience and expertise: Mr Anghie is an experienced and financially qualified professional possessing a range of commercial and financial skills. Having worked extensively in the listed corporate environment, he possesses legal, regulatory and governance expertise. He has been an Audit and Corporate Finance Partner in many chartered accounting firms over many years.

Other current directorships: Non-executive director of Aditya Birla Minerals Limited  
Former directorships (last 3 years):  
Special responsibilities: Chairman of the Audit & Risk Committee and Nomination & Remuneration Committee

Interests in shares: 685,000 indirect  
Interests in options: 500,000 direct  
Contractual rights to shares: None

Name: Mr Azad Bhura (appointed on 22 May 2015)  
Title: Non-Executive Director  
Qualifications: B.Com, ACA  
Experience and expertise: Mr. Bhura holds bachelor degree in commerce and a Chartered Accountant by profession, with 12 years of experience in the field of finance, accounts and merger & acquisitions. He is associated with Jindal Group since 2004 and has worked in various capacities in finance function.

Other current directorships: None  
Former directorships (last 3 years): None  
Special responsibilities: Member of the Audit & Risk Committee  
Interests in shares: None  
Interests in options: None  
Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### **Company secretary**

Mr Sharma is a Management Graduate from the University of Canberra with over 15 years of experience in business management. He has held various senior positions in two other companies before joining Wollongong Coal Limited as a Company Secretary in 2004. He is also Company Secretary in other group's of companies in Australia. He is currently looking after Secretarial and Legal compliance of the group in particular Wollongong Coal Limited, which is listed on the Australian Securities Exchange (ASX). Mr Sharma has been associated with the Wollongong Coal Limited since its inception and was fully involved in the Company's successful initial public offering (IPO) and listing on the ASX.

He is actively involved in investors and other stakeholders' relations and also handling legal matters for the Company.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 March 2016, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Mr Ashish Kumar	9	9	-	-
Dr Andrew E. Firek	11	13	7	7
Mr Maurice Anghie	11	13	7	7
Mr Azad Bhura	9	9	2	5
Mr Jasbir Singh ( <i>resigned on 22 May 2015</i> )	4	4	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The function of the Remuneration Committee was undertaken by the Full Board.

### Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

#### **Principles used to determine the nature and amount of remuneration**

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board, undertaking the function of the Remuneration Committee is responsible for determining and reviewing remuneration arrangements for directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has also structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- attracts and retains high calibre executives

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

*Non-executive directors' remuneration*

The Board collectively reviews the appropriate criteria for Board membership. The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The level of remuneration for non-executive directors is also considered with regard to practices of other public companies to ensure that fees and payments to non-executive directors are appropriate and in-line with the market. At present the fees payable to directors are fixed and not performance based i.e. not based on company's revenue or profit etc. The fees and payments to non-executive directors are reviewed annually. Non-executive directors are allowed to invest in the shares in the company and hold options.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 24 July 2010, where the shareholders approved an aggregate remuneration of \$1,000,000.

*Executive remuneration*

The consolidated entity aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable. Remunerations for executive directors are determined by the Board upon review and recommendation from the Remuneration Committee. The Remuneration Committee may also appoint an independent adviser to assist them in analysing and determining adequate pay-structure for an executive and recommending the same to the Board for final consideration and approval.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive. Some executives receive a company vehicle or car allowances as part of their remuneration.

Short-term incentives ('STI'): During the financial year, there were no performance based incentives. All remuneration was fixed and based on factors such as experience, time and responsibilities.

Long-term incentives ('LTI'): Except for long service leave and existing options issued in prior years, there were no other LTI. No shares or options were issued to any executive during the financial year.

*Consolidated entity performance and link to remuneration*

Remuneration is not directly linked to the performance of the consolidated entity.

*Use of remuneration consultants*

During the financial year ended 31 March 2016 the consolidated entity did not engage remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

*Voting and comments made at the company's 2015 Annual General Meeting (AGM)*

At the 2015 AGM, 98% of the votes received supported the adoption of the remuneration report for the year ended 31 March 2015. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

Details of the remuneration of the directors and other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) of Wollongong Coal Limited are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of Wollongong Coal Limited and the following persons:

Mr Milind K Oza – Chief Executive Officer (appointed on 31 July 2015)  
Mr Sanjay Sharma – Company Secretary  
Mr Rhys Brett – Operations Manager  
Mr Prakash Sinha – Head HR & Administration (appointed on 1 September 2015)  
Mr Devendra Vyas – Technical Assistant to CEO

Mr David Stone - Chief Operating Officer (resigned on 9 June 2015)  
Mr Richard Hutton – Chief Financial Controller (resigned on 3 July 2015)

Consolidated 2016	Short-term employee benefits	Cash bonus \$	Non- monetary benefits \$	Post- employmen t benefits	Long-term benefits	Termination benefits \$	Share- based payment s	Total \$
	Cash salary and fees \$			Super- annuation Inc Salary Sacrifice \$	Long service leave \$		Options \$	
Ashish Kumar	-	-	-	-	-	-	-	-
Andrew Firek	50,000	-	-	4,750	-	-	-	54,750
Maurice Anghie	50,000	-	-	4,750	-	-	-	54,750
Azad Bhura	-	-	-	-	-	-	-	-
Jasbir Singh*	-	-	-	-	-	-	-	-
Milind K Oza	281,535	-	2,696	19,231	7,601	-	-	311,063
Sanjay Sharma	208,812	24,688	-	19,837	5,638	-	22,722	281,697
Rhys Brett	315,082	-	-	47,933	8,507	-	50,142	421,664
Prakash Sinha	101,017	-	-	9,597	2,727	-	-	113,341
Devendra Vyas**	-	-	-	-	-	-	-	-
Richard Hutton*	54,385	-	-	9,284	1,468	42,953	-	108,090
David Stone*	77,000	-	-	14,611	2,079	69,106	-	162,796
<b>Total</b>	<b>\$1,137,831</b>	<b>\$24,688</b>	<b>\$2,696</b>	<b>\$129,993</b>	<b>\$ 28,020</b>	<b>\$112,059</b>	<b>\$72,864</b>	<b>\$1,508,151</b>

\* resigned during the year

\*\* is remunerated by Jindal Steel and Power (Australia) Pty Ltd, part of Jindal Group

Consolidated 2015	Short-term employee benefits	Cash bonus \$	Non- monetary benefits \$	Post- employmen t benefits	Long-term benefits	Termination benefits \$	Share- based payment s	Total \$
	Cash salary and fees \$			Super- annuation Inc Salary Sacrifice \$	Long service leave \$		Options \$	
Andrew Firek	128,750	-	-	12,134	-	-	122	141,006
Maurice Anghie	128,750	-	-	12,134	-	-	122	141,006
Jasbir Singh*	116,250	-	-	10,947	-	-	-	127,197
Sanjay Sharma	206,770	2,000	-	19,514	5,583	-	22,722	256,589
David Stone	385,000	-	30,060	38,500	10,395	-	-	463,955
Richard Hutton	198,115	-	-	18,704	5,349	-	-	222,168
<b>Total</b>	<b>\$1,163,635</b>	<b>\$2,000</b>	<b>\$30,060</b>	<b>\$111,933</b>	<b>\$21,327</b>	<b>\$ -</b>	<b>\$22,966</b>	<b>\$1,351,921</b>

\* Director fee paid up to 31 December 2014.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI	
	2016	2015	2016	2015	2016	2015
Ashish Kumar	n/a	n/a	n/a	n/a	n/a	n/a
Andrew Firek	100%	100%	0%	0%	0%	0%
Maurice Anghie	100%	100%	0%	0%	0%	0%
Azad Bhura	n/a	n/a	n/a	n/a	n/a	n/a
Milind Oza	100%	n/a	0%	n/a	0%	n/a
Sanjay Sharma	92%	90%	0%	1%	8%	9%
Rhys Brett	88%	n/a	0%	n/a	12%	n/a
Prakash Sinha	n/a	n/a	n/a	n/a	n/a	n/a
Devendra Vyas	n/a	n/a	n/a	n/a	n/a	n/a

### **Service agreements**

All key management personnel are employed on standard employment terms. Either party may terminate their contract by giving minimum four weeks' notice in writing.

### **Share-based compensation**

#### *Issue of shares*

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 31 March 2016.

#### *Options*

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
09/07/2007	30/09/2017	31/12/2017	\$0.50	\$0.320
09/07/2007	30/09/2018	31/12/2018	\$0.50	\$0.330
09/07/2007	30/09/2019	31/12/2019	\$0.50	\$0.340
09/07/2007	30/09/2020	31/12/2020	\$0.50	\$0.350
04/09/2008	04/09/2008	31/12/2016	\$1.60	\$0.770

Options granted carry no dividend or voting rights.

There were no options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 31 March 2016.



Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 31 March 2016 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Andrew Firek	-	-	5,000	-%
Maurice Anghie	-	-	5,000	-%
Sanjay Sharma	-	-	1,045	-%
Rhys Brett	-	-	45	-%
<b>Total</b>			<b>11,090</b>	

***Additional disclosures relating to key management personnel***

*Shareholding*

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Andrew Firek	1,207,523	-	-	-	1,207,523
Maurice Anghie	685,000	-	-	-	685,000
Sanjay Sharma	291,677	-	-	-	291,677
Rhys Brett	30,000	-	-	-	30,000
	<b>2,214,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,214,200</b>

*Option holding*

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Andrew Firek	1,500,000	-	-	1,000,000	500,000
Maurice Anghie	1,500,000	-	-	1,000,000	500,000
Sanjay Sharma	1,003,000	-	-	203,000	800,000
Rhys Brett	1,003,000	-	-	3,000	1,000,000
	<b>5,006,000</b>	<b>-</b>	<b>-</b>	<b>2,206,000</b>	<b>2,800,000</b>

***This concludes the remuneration report, which has been audited.***



### **Shares under option**

Each option mentioned below when exercised will be converted into one fully paid ordinary share. At the date of this report, the total numbers of options on issue are:

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise Price</b>	<b>Number of Options</b>
09/07/2007	31/12/2017	\$0.50	200,000
09/07/2007	31/12/2018	\$0.50	200,000
09/07/2017	31/12/2019	\$0.50	200,000
09/07/2007	31/12/2020	\$0.50	200,000
04/09/2008	31/12/2016	\$1.60	1,000,000
05/02/2009	31/12/2016	\$0.50	600,000
05/02/2009	31/12/2017	\$0.50	600,000
05/02/2009	31/12/2018	\$0.50	600,000
05/02/2009	31/12/2019	\$0.50	600,000
05/02/2009	31/12/2020	\$0.50	600,000
03/02/2010	31/12/2016	\$0.65	320,000
03/02/2010	31/12/2017	\$0.65	320,000
03/02/2010	31/12/2018	\$0.65	320,000
03/02/2010	31/12/2019	\$0.65	320,000
03/02/2010	31/12/2020	\$0.65	320,000
29/12/2010	31/12/2016	\$0.65	650,000
29/12/2010	31/12/2017	\$0.65	650,000
29/12/2010	31/12/2018	\$0.65	650,000
29/12/2010	31/12/2019	\$0.65	650,000
29/12/2010	31/12/2020	\$0.65	650,000
			<b>9,650,000</b>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

### **Shares issued on the exercise of options**

There were no ordinary shares of Wollongong Coal Limited issued on the exercise of options during the year ended 31 March 2016 and up to the date of this report.

### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

### **Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### **Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

### **Auditor**

Hall Chadwick continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Ashish Kumar  
Chairman

29 June 2016

**WOLLONGONG COAL LIMITED  
ABN 28 111 244 896  
AND ITS CONTROLLED ENTITIES  
AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF WOLLONGONG COAL LIMITED**

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

Ph: (612) 9263 2600  
Fx: (612) 9263 2800

I declare that, to the best of my knowledge and belief, during the year ended 31 March 2016 there has been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



HALL CHADWICK  
Level 40, 2 Park Street  
SYDNEY NSW 2000



**DREW TOWNSEND**  
Partner  
Dated: 29 June 2016

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## CORPORATE GOVERNANCE STATEMENT

Wollongong Coal Limited and its subsidiary companies (“WLC”), through its Board and executives, recognises the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants, and the expectations of members and others who deal with WLC. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

### **ASX Corporate Governance Principles and Recommendations**

Reporting against the 8 Principles, we advise as follows:

#### **Principle 1: Lay solid foundations for management and oversight**

1.1 *A listed entity should disclose:*

- (a) *the respective roles and responsibilities of the board and management*
- (b) *those matters expressly reserved to the board and those delegated to management.*

The primary responsibilities of WLC’s board include:

- (i) the establishment of long term goals of the company and strategic plans to achieve those goals;
- (ii) the review and adoption of the annual business plan for the financial performance of the company and monitoring the results on a monthly basis;
- (iii) the appointment of the Chief Executive Officer;
- (iv) ensuring that the company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities; and
- (v) the approval of the annual and half-yearly statutory accounts and reports.

The board meets on a regular basis to review the performance of the company against its goals both financial and non-financial. In normal circumstances, prior to the scheduled board meeting, each board member is provided with a formal board package containing appropriate management and financial reports.

The responsibilities of senior management including the Chief Executive Officer are contained in letters of appointment and job descriptions given to each appointee on appointment and updated at least annually or as required.

The primary responsibilities of senior management are:

- (i) Achieve WLC’s objectives as established by the Board from time to time;
- (ii) Operate the business within the cost budget set by the Board;
- (iii) Assess new business opportunities of potential benefit to the Company;
- (iv) Ensure appropriate risk management practices and policies are in place;
- (v) Ensure that WLC’s appointees work with an appropriate Code of Conduct and Ethics; and
- (vi) Ensure that WLC appointees are supported, developed and rewarded to the appropriate professional standards.

1.2 *A listed entity should:*

- a) *undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director; and*
- b) *provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

The board of WLC undertakes appropriate checks prior to appointing a person, or putting a person forward to shareholders as a candidate for election as a director. These include checks as to the person's character, experience, education, criminal record and bankruptcy history.

Information about a candidate standing for election or re-election as a director will be provided to shareholders to enable them to make an informed decision on whether or not to elect or re-elect the candidate. This information may include:

- biographical details, including relevant qualifications, experience and skills;
- details of other material directorships;
- a statement regarding whether the director qualifies as independent;
- any material adverse information or potential conflicts of interest, position or association;
- the term of office currently served (for directors standing for re-election); and
- a statement whether the board supports the election or re-election of the candidate.

1.3 *A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

All directors and senior executives of WLC have a written agreement with the Company setting out the terms of their appointment.

1.4 *The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary of WLC is accountable to the board on all governance matters and reports directly to the Chairman as the representative of the board.

The Company Secretary is appointed and dismissed by the board.

The Company Secretary's advice and services are available to all directors.

1.5 *A listed entity should:*

- a) *have a diversity policy which includes requirement for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- b) *disclose that policy or a summary of it; and*
- c) *disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
  1. *the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purpose); or*
  2. *if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined in and published under that Act.*



The Company has an established policy in relation to gender diversity. This policy is managed and monitored by the Remuneration Committee.

The Company will disclose at the end of each reporting period the respective proportions of men and women on the board and in senior executive positions. The Company has four directors at present, none of which are women

1.6 *A listed entity should:*

- a) *have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board undertakes an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter; and
- effects any improvements to the Board Charter deemed necessary or desirable.

The WLC board has four board members, who are in regular contact with each other as they deal with matters relating to WLC's business. The board uses a personal evaluation process to review the performance of directors, and at appropriate times the Chairman takes the opportunity to discuss Board performance with individual directors and to give them his own personal assessment. The Chairman also welcomes advice from Directors relating to his own personal performance. The Remuneration Committee determines whether any external advice or training is required.

1.7 *A listed entity should:*

- a) *have and disclose a process for periodically evaluating the performance of its senior executives; and*
- b) *disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The performance of all senior executives and appointees is reviewed at least once a year. The performance of the Chief Executive Officer is reviewed by the Chairman on an annual basis, and the performance of other senior executives is reviewed by the Chief Executive Officer, in conjunction with the board's Remuneration and Nominations Committee. They are assessed against personal and Company Key Performance Indicators established from time to time as appropriate for WLC.

The WLC Corporate Governance Charter is available on the WLC web site, and includes sections that provide a board charter. The WLC board reviews its charter when it considers changes are required.

## **Principle 2: Structure the board to add value**

2.1 *The board of a listed entity should:*

- a) *have a nomination committee which;*
  - (1) *has at least three members, a majority of whom are independent directors; and*
  - (2) *is chaired by an independent director;**and disclose*
  - (3) *the charter of the committee*
  - (4) *the members of the committee; and*
  - (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or*

- b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

The nomination committee is comprised of two Directors, Mr Firek and Mr Anghie. Both directors are non-executive and independent.

There is no current board charter for nominations.

New directors are selected after consultation of all board members and their appointment voted on by the board. Each year, in addition to any board members appointed to fill casual vacancies during the year, one third of directors retire by rotation and are subject to re-election by shareholders at the Annual General Meeting.

The number of times the committee meets is disclosed in the annual report.

**2.2** *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its memberships.*

During the 2016 financial year, the WLC board conducted a governance skills review regarding the skills, knowledge and experience of the current board. The skills matrix is set out in the table below.

	Chairman	Non-executive Director Member of audit and risk committee and nomination and remuneration committee	Non-executive Director Chair of audit and risk committee and nomination and remuneration committee	Non-executive director – member of audit & risk committee
Skills and Experience	Executive Leadership; Strategy Development and Implementation; Mining and Exploration Management; Corporate Finance and Capital Raising; and Global Experience. Legal	Mining and mineral processing experience. Process development, construction and commissioning of coal operations.	Accounting and financial reporting; corporate finance and internal financial controls; financial analysis skills, compliance and governance skills.	Accounting and financial reporting; corporate finance and internal financial controls; financial analysis skills, compliance and governance skills.

The WLC board has determined that any addition to board membership must be independent of shareholders and management.

**2.3** *A listed entity should disclose:*

- a) *the names of the directors considered by the board to be independent directors;*
- b) *if a director has an interest, position, association or relationship of the type described in Box 2.3 of the Principles but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- c) *the length of service of each director.*

The Chairman, Mr Ashish Kumar, is non-executive nominee director of Jindal Group and is therefore not considered to be independent. Mr Kumar has served as a director since 16 June 2015.

Mr Maurice Anghie, non-executive director and chairman of the audit committee is considered to be independent and has served as a director since 22 May 2007.

Dr Andrew Firek, non-executive director, is considered to be independent, and has served as a director since 18 December 2006.

Mr Azad Bhura, is non-executive nominee director of Jindal Group and is therefore not considered to be independent. Mr Bhura has served as a director since 22 May 2015.

**2.4** *A majority of the board of a listed entity should be independent directors.*

The current board structure may not be in accordance with CGC's Recommendation 2.1 but it is certainly in favour of the Company especially when it is not generating any revenue and solely relying on and seeking constant funding from Jindal Group, the majority stakeholder.

**2.5** *The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.*

Mr Ashish Kumar, the chairman, is not the CEO but a nominee of Jindal Group. This is not in compliance with CGC's Recommendations 2.3. However, the Board believes that the appointment of Mr Kumar as the Chairman is based on his experienced skills and is in the best in the best interest of the company and stakeholders.

**2.6** *A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

WLC has a program for induction of new directors. Directors are active in undertaking professional development opportunities for the purpose of development and maintenance of their skills. Such activities are reported as part of the board's governance skills review, which also assists in identifying areas requiring further development.

**Principle 3: Act ethically and responsibly**

**3.1** *A listed entity should:*

- (a) *have a code of conduct for its directors, senior executives and employees; and*
- (b) *disclose that code or a summary of it.*

WLC's policies contain a formal code of conduct that applies to all directors and employees, who are expected to maintain a high standard of conduct and work performance, and observe standards of equity and fairness in dealing with others. The detailed policies and procedures encapsulate the company's ethical standards. The code of conduct is contained in the WLC Corporate Governance Charter, see [www.wollongong.coal.com.au](http://www.wollongong.coal.com.au).

**Principle 4: Safeguard integrity in corporate reporting**

**4.1** *the board of a listed entity should:*

- (a) *have an audit committee which*
  - (1) *has at least three members, all of who are non-executive directors and a majority of whom are independent directors; and*
  - (2) *is chaired by an independent director, who is not a chair of the board, and disclose:*
    - (3) *the charter of the committee;*
    - (4) *the relevant qualifications of the members of the committee; and*
    - (5) *in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

The Audit committee is comprised of three non-executive directors' Dr Andrew Firek, Mr Maurice Anghie and Mr Azad Bhura.

The company has adopted an Audit Committee charter. It is publicly available on the WLC website.

The Audit Committee met 7 times during the course of the year. Mr Maurice Anghie, the Chair, is a chartered accountant with experience as an audit and corporate finance partner of a number of chartered accounting firms. Dr Andrew Firek has held senior positions in various companies possessing substantial mineral



processing and mining experience. Mr Azad Bhura is a chartered accountant with substantial experience in finance and mergers and acquisitions.

The Audit Committee provides a forum for the effective communication between the board and external auditors. The committee reviews:

- The annual and half-year financial reports and accounts prior to their approval by the board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of the external audit functions.

The committee meets with and receives regular reports from the external auditors concerning any matters that arise in connection with the performance of their role, including the adequacy of internal controls.

The Audit Committee also reviews the WLC Corporate Governance and Risk Management processes to ensure that they are effective for a listed public company that currently has a small market capitalisation.

*4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, received from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

Declarations regarding the financial statements are received from the senior management including CEO. The board received such declarations for the half year and annual reports for 2016.

*4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

WLC's auditor attends the Company's AGM in person and is available to answer questions from security holders relevant to the audit.

#### **Principle 5: Make timely and balanced disclosure**

*5.1 a listed entity should:*

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

WLC recognises that timely and balanced disclosure of all material information concerning the Company must be made on a continuous basis so as to ensure that the market is informed of all material events and developments as they arise. WLC's Continuous Disclosure Policy is available on the Governance page of the Company's website: [www.wollongongcoal.com.au](http://www.wollongongcoal.com.au).

#### **Principle 6: Respect the rights of security holders**

*6.1 A listed entity should provide information about itself and its governance to investors via its website.*

WLC's website includes a Governance page, which includes a copy of this Corporate Governance Statement and various governance policies.

*6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

The Company's Shareholder Communication Policy, which is available on the Governance page of its website, summarises the Company's communication program, including regular reporting, email alerts, active participation at the Company's AGM and encouragement of shareholder communications.

*6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

Notices of the Annual General Meeting, together with accompanying information such as the explanatory memorandum, are sent to shareholders, either by mail or email, depending on the shareholder's election, and are also placed on the Company's website. Shareholders are encouraged to attend the Annual General Meeting and to ask questions.

- 6.4 *A listed entity should give security holders the option to receive communications from, and send communication to, the entity and its security registry electronically.*

The Company provides an email alert service. Shareholders are encouraged to register for this service through the Company's website and once registered will receive information by email, including ASX releases, annual and other reports, company presentations and notices of general meetings.

Shareholders may also elect to receive communications from the Company's share Registrar, Boardroom Pty Limited, by email.

#### **Principle 7: Recognise and manage risk**

- 7.1 *The board of a listed entity should:*

- (a) *have a risk committee to oversee risk which:*

- (1) *has at least three members, a majority of who are independent directors; and*

- (2) *is chaired by an independent director;*

*and disclose*

- (3) *the charter of the committee;*

- (4) *the members of the committee; and*

- (5) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings;*

*or*

- (b) *if it does not have a risk committee, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The board has determined that while it is comprised of only four members the board as a whole will perform the tasks and functions generally assumed by a risk committee.

The Company has established policies for the oversight and management of material business risks. The Company's Risk Management Policy is available on the Governance page of its website: [www.wollongongcoal.com.au](http://www.wollongongcoal.com.au). This document sets out the Company's policy and processes for risk management and the roles and responsibilities of the board, executives and employees.

WLC has incorporated risk management into its decision making and business planning processes so that risks are identified, analysed, ranked and appropriate risk controls and risk management plans are put into place to manage and reduce the identified risks.

The risk identification and management system is reviewed annually by senior management and the board and policies and practices upgraded where issues are identified that require attention. Reviews of specific items are undertaken by senior management where issues are identified and immediate action is required.

Risk is a standing item on the agenda of board meetings, for reporting against identified material business risks.

- 7.2 *The board or a committee of the board should:*

- (a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*

- (b) *disclose in relation to each reporting period, whether such a review has taken place.*

WLC's risk policy is reviewed by the Board of Directors annually to coincide with the preparation and lodgement of the Company's Annual Report. A review was undertaken in the financial year ending 31 March 2016.

- 7.3 *A listed entity should disclose:*

- (a) *If it has an internal audit function, how the function is structured and what role it performs; or*

- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The board has determined that, consistent with the size of the Company and its activities, an internal audit function is not currently appropriate. As noted regarding recommendations 7.1 and 7.2 above and regarding

Principle 4 above, the board has adopted a Risk Management Policy and processes appropriate to the size of WLC to manage the company's material business risks and to ensure regular reporting to the board on whether those risks are being managed effectively in accordance with the controls that are in place.

*7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.*

The board has reviewed the Company's exposure to economic, environmental and social sustainability risks and determined that, given the nature of its activities and the fact that the Company is reliant on raising funds for continued activities from shareholders or other investors, this represents a material economic risk. The Company's financial position is monitored on a regular basis and processes put into place to ensure that fund raising activities will be conducted in a timely manner to ensure the Company has sufficient funds to conduct its activities.

### **Principle 8: Remunerate fairly and responsibly**

*8.1 The board of a listed entity should:*

*(a) have a remuneration committee which:*

*(1) has at least three members, a majority of whom are independent directors; and*

*(2) is chaired by an independent director,*

*and disclose*

*(3) the charter of the committee*

*(4) The members of the committee; and*

*(5) As at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings,*  
*; or*

*(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.*

WLC has a remuneration committee. The committee comprises Mr Maurice Anghie, Chair, and Dr Andrew Fireck.

WLC considers that the structure of its Nomination and Remuneration Committee is appropriate for the company. The Nomination and Remuneration Committee is chaired by the independent director, Mr Maurice Anghie.

Senior executives remuneration packages are reviewed by reference to WLC's performance, the executive director's or senior executive's performance, as well as comparable information from industry sectors and other listed companies in similar industries, which is obtained from external remuneration sources. This ensures that base remuneration is set to reflect the market for a comparable role.

*8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

The remuneration details of non-executive directors, executive directors and senior management are set out in the Remuneration Report that forms part of the Directors' report.

The performance of the executive director and senior executives is measured against criteria agreed annually and bonuses and incentives are linked to predetermined performance criteria and may, with shareholder approval, include the issue of shares and / or options.

There are no schemes for retirement benefits, other than statutory superannuation for non-executive directors.

*8.3 A listed entity which has an equity-based remuneration scheme should:*

*8.3.1 have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*

8.3.2 *disclose that policy or a summary or it.*

The Company's Security Trading Policy, a copy of which is available on the Governance page of the Company's website [www.wollongongcoal.com.au](http://www.wollongongcoal.com.au), sets out restrictions on participation by staff in hedging arrangements over the Company's securities issued pursuant to any share scheme, performance right's plan or option plan. In particular:

- Staff are prohibited from in hedging arrangements over unvested securities; and
- Vested securities may only be hedged once they are exercised into shareholdings and only under the following conditions:
  - the details of the hedge are fully disclosed to the Chairman and the Company Secretary (and to ASX and in the Annual Report, as appropriate);
  - the hedge transaction is treated as a dealing in securities and the restrictions and requirements of the Securities Trading Policy are satisfied; and
  - all holding locks have been removed from the relevant securities.

**Wollongong Coal Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 March 2016**



	<b>Note</b>	<b>Consolidated 2016 \$'000</b>	<b>2015* \$'000</b>
<b>Revenue</b>	7	8,083	8,500
Other income	8	4,286	10,640
<b>Expenses</b>			
Mine operating expenses		(40,018)	(35,953)
Royalties and transportation expenses		(2,813)	(4,382)
Corporate and general expenses		(8,904)	(14,631)
Environmental expenses		(1,301)	(8,513)
Net impairment of assets	9	(125,469)	(44,524)
Net foreign exchange loss	9	-	(86,070)
Finance costs	9	(15,798)	(20,634)
<b>Loss before income tax expense</b>		(181,934)	(195,567)
Income tax expense	10	-	-
<b>Loss after income tax expense for the year attributable to the owners of Wollongong Coal Limited</b>	26	(181,934)	(195,567)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on revaluation of available-for-sale financial assets, net of tax		(180)	(1,800)
Other comprehensive income for the year, net of tax		(180)	(1,800)
<b>Total comprehensive income for the year attributable to the owners of Wollongong Coal Limited</b>		<u>(182,114)</u>	<u>(197,367)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	39	(2.58)	(3.99)
Diluted earnings per share	39	(2.58)	(3.99)

\* See note 5 for details in relation to restatement

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Wollongong Coal Limited**  
**Statement of financial position**  
**As at 31 March 2016**



		<b>Consolidated</b>	
	<b>Note</b>	<b>2016 \$'000</b>	<b>2015* \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	6,505	9,810
Trade and other receivables	12	1,864	3,965
Inventories	13	7,431	8,710
Deposits	14	3,842	601
Total current assets		<u>19,642</u>	<u>23,086</u>
<b>Non-current assets</b>			
Available-for-sale financial assets	15	390	570
Property, plant and equipment	16	736,372	859,820
Deposits	17	393	393
Total non-current assets		<u>737,155</u>	<u>860,783</u>
<b>Total assets</b>		<u>756,797</u>	<u>883,869</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	29,885	76,300
Borrowings	19	698,292	587,824
Provisions	20	5,570	9,396
Convertible bonds	21	7,594	2,984
Total current liabilities		<u>741,341</u>	<u>676,504</u>
<b>Non-current liabilities</b>			
Provisions	22	24,306	28,189
Convertible bonds	23	-	12,195
Total non-current liabilities		<u>24,306</u>	<u>40,384</u>
<b>Total liabilities</b>		<u>765,647</u>	<u>716,888</u>
<b>Net (liabilities)/assets</b>		<u>(8,850)</u>	<u>166,981</u>
<b>Equity</b>			
Issued capital	24	905,107	899,080
Reserves	25	2,243	16,910
Accumulated losses	26	(916,200)	(749,009)
<b>Total equity</b>		<u>(8,850)</u>	<u>166,981</u>

\*See note 5 for details in relation to restatement.

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Wollongong Coal Limited**  
**Statement of changes in equity**  
**For the year ended 31 March 2016**



<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 April 2014	793,984	19,043	(553,442)	259,585
Loss after income tax expense for the year	-	-	(199,216)	(199,216)
Adjustment on correction of error (note 5)	-	-	3,649	3,649
Restated loss after income tax for the year	-	-	(195,567)	(195,567)
Other comprehensive income for the year, net of tax	-	(1,800)	-	(1,800)
Total comprehensive income for the year	-	(1,800)	(195,567)	(197,367)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 24)	105,096	-	-	105,096
Share-based payments (note 40)	-	(333)	-	(333)
	105,096	(333)	-	104,763
Balance at 31 March 2015	899,080	16,910	(749,009)	166,981
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 April 2015	899,080	16,910	(749,009)	166,981
Loss after income tax expense for the year	-	-	(181,934)	(181,934)
Other comprehensive income for the year, net of tax	-	(180)	-	(180)
Total comprehensive income for the year	-	(180)	(181,934)	(182,114)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 24)	6,027	-	-	6,027
Transfers from share-based payments	-	(14,743)	14,743	-
Transfers to share-based payments (note 40)	-	256	-	256
	6,027	(14,487)	14,743	6,283
Balance at 31 March 2016	905,107	2,243	(916,200)	(8,850)

*The above statement of changes in equity should be read in conjunction with the accompanying notes*



**Wollongong Coal Limited**  
**Statement of cash flows**  
**For the year ended 31 March 2016**



		<b>Consolidated</b>	
	<b>Note</b>	<b>2016 \$'000</b>	<b>2015 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		8,153	4,761
Payments to suppliers and employees		(75,132)	(55,354)
Receipt of government grants		-	10,640
Interest received		265	298
Interest and other finance costs paid		(20,414)	(20,101)
Net cash used in operating activities	38	(87,128)	(59,756)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	16	(595)	(12,250)
Payments for mine development and licences	16	(15,526)	(74,580)
Drawdown for Port Kembla coal terminal		(1,635)	-
Proceeds from release of security deposits		-	607
Net cash used in investing activities		(17,756)	(86,223)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares, net of transaction costs	24	-	105,096
Proceeds from borrowings		-	12,508
Proceeds of loans from related parties		583,936	56,462
Repayment of convertible bond		(2,000)	-
Repayment of borrowings		(480,357)	(29,924)
Net cash from financing activities		101,579	144,142
<b>Net (decrease) in cash and cash equivalents</b>		<b>(3,305)</b>	<b>(1,837)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>9,810</b>	<b>11,647</b>
<b>Cash and cash equivalents at the end of the financial year</b>	11	<b>6,505</b>	<b>9,810</b>

*The above statement of cash flows should be read in conjunction with the accompanying notes*



## **Note 1. General information**

The financial statements cover Wollongong Coal Limited (WCL) as a consolidated entity consisting of Wollongong Coal Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Wollongong Coal Limited's functional and presentation currency.

Wollongong Coal Limited is a for profit 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.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 June 2016. The directors have the power to amend and reissue the financial statements.

## **Note 2. Going concern**

The loss for the financial year after income tax amounted to \$181,934,000 (2015: \$195,567,000). The loss includes a net impairment charge of \$125,469,000 (2015: \$44,524,000), and a net foreign exchange gain of \$2,825,000 (2015: loss of \$86,070,000) that mainly relates to the change in exchange rate between the US dollar and Australian dollar on the consolidated entity's US dollar borrowings. Included in the net foreign exchange gain is a net unrealised gain of \$35,372,000.

Net current liabilities of \$721,699,000 (2015: \$653,418,000) includes borrowings and working capital facilities of \$698,292,000 (2015: \$587,824,000) which have been entirely classified as current liabilities to comply with Accounting Standards AASB 101 'Presentation of Financial Statements', due to breaches of financial covenants. The expected principal repayments due on borrowings for the year ending 31 March 2017 are \$40,286,000.

The current adverse performance of the consolidated entity was primarily due to:

- Low production from the Russell Vale colliery pending approvals from New South Wales Planning Assessment Commission. The mine was subsequently put on a care and maintenance basis from 1 September 2015.
- The Wongawilli colliery remained on care and maintenance.

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

## **Funding and support from Jindal Steel and Power (Mauritius) Limited**

The immediate parent entity Jindal Steel and Power (Mauritius) Limited (JSPML), a wholly-owned subsidiary of the ultimate parent entity Jindal Steel and Power Limited has injected a further \$95.3 million into the Company during the financial year and a further \$12.9 million to the date of this report. Furthermore a Letter of Support stating that JSPML will continue to support the consolidated entity for at least 12 months from the date of signing this annual report has been provided to the Company.

In addition JSPML has increased a facility from \$75 million to \$175 million with a renewed expiry date of 31 March 2017.

## **Settlement of legal claims**

The Company has successfully defended and/or resolved several legal claims including winding up proceedings and statutory demands. Please refer to significant changes in the state of affairs section of the directors' report for details.

## **Rescheduling of bank debts**

During the financial year, the Company has successfully deferred some of its repayments and met its interest payment obligations. The consolidated entity, is currently working with its existing consortium of banks (Lenders) to obtain a Foreign Currency Term Loan to replace the current debt and to part finance capital expenditures.

## **Note 2. Going concern (continued)**

### **Financial Covenants Breaches and Waivers**

As disclosed above, borrowings have been classified as current due to covenant breaches as at 31 March 2016. Notwithstanding such breaches for covenants, the consolidated entity has not received any breach notices and received waivers from the banks.

### **Operations at Wongawilli Colliery**

Wongawilli colliery has commenced a progressive restart program which has reached the milestone of processing existing underground inventories. Developmental activities and recommissioning of mining plant and equipment continues to enable commencement of bord and pillar mining (partial extraction) in the near future.

### **Approval for Russell Vale Colliery**

In November 2015, the consolidated entity received confirmation from the New South Wales Department of Planning (DoP) that the consolidated entity has satisfied residual concerns raised by PAC after an initial public hearing regarding an application for the Underground Expansion Project (UEP) at Russell Vale colliery. Despite DoP's recommendation to approve the proposed UEP under strict conditions, the PAC has raised further concerns after its second public hearing in February 2016 resulting in further delays in commencing longwall operations at Russell Vale colliery. The consolidated entity remains committed to resolve these issues and obtain the required approval.

### **Cost Control**

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

The Directors believe that with all measures put in place as detailed above, together with the continued support of its parent entity, 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.

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, 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.

## **Note 3. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, available-for-sale financial assets.

### **Note 3. Significant accounting policies (continued)**

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wollongong Coal Limited ('company' or 'parent entity') as at 31 March 2016 and the results of all subsidiaries for the year then ended. Wollongong Coal Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

#### **Operating segments**

Operating segments are presented on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Export sales*

Revenue comprises sale of coal at invoiced amounts, with most sales being cost and freight. Amounts billed to customers in respect of shipping and handlings are classified as revenue where the consolidated entity is responsible for carriage and freight. Revenue also includes the charter service revenue at invoiced amounts. All shipping and handling charges incurred by the consolidated entity are recognised as operating costs.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **Note 3. Significant accounting policies (continued)**

#### *Rent*

Lease rental income from housing and farm leasing is recognised in income on a receipts basis.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

#### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Wollongong Coal Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

#### **Current and non-current distinction**

Assets and liabilities are presented in statements of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in the consolidated group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### **Note 3. Significant accounting policies (continued)**

#### **Inventories**

Inventories of coal are physically measured or stated at the lower of cost and net realisable value.

Coal stocks comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs are assigned to inventories using the weighted average basis.

Stores cost comprises average cost of purchase price and associated charges.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### **Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

#### *Impairment of financial assets*

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.



### **Note 3. Significant accounting policies (continued)**

#### **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation or amortisation. The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use.

Mine development is activities undertaken to gain access to mineral reserves. Typically this includes sinking shafts, permanent excavations, building transport infrastructure and roadways.

Deferred restoration costs represent the costs to restore the leased premises and are calculated at the discounted present value of the estimated restoration at the end of the lease term.

Pre-production costs are capitalised to the extent they give rise to a future economic benefit and include costs incurred in preparing the site for mining operations, including stripping costs. Costs associated with a start-up period are capitalised where the asset is available for use but incapable of operating at normal levels without a commissioning period.

Depreciation and amortisation are calculated to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	20 - 40 years on a straight line basis
Plant and equipment	3 - 10 years on a straight line basis
Mine development	Proportion of actual production measured against mineable resources in the mine area developed on which the expenses were incurred
Mining leases	Proportion of actual production measured against the mineable resources available in the mine
Deferred restoration cost	On a straight line basis over the life of the mine lease
Pre-production expenses	Proportion to actual production measured against mineable resources in the mine seam for which the expenses were incurred

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

#### **Exploration and licenses**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs that do not meet these criteria are expensed. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

#### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Note 3. Significant accounting policies (continued)**

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

#### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

#### **Employee benefits**

##### *Wages and salaries and annual leave, long service leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave are recognised in respect of services provided by employees up to the reporting date and measured based on expected date of settlement. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for wages and salaries, and annual leave expected to be settled more than 12 months of the reporting date, and long service leave is recognised and measured as the present value of expected future payments to be made using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

##### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

### **Note 3. Significant accounting policies (continued)**

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

#### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

#### **Convertible bonds**

Bonds are a compound financial instrument containing liability and equity components, which are shown separately in the statement of financial position. The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

#### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



### **Note 3. Significant accounting policies (continued)**

#### **Foreign currency transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

#### **Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Wollongong Coal Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

#### **Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### **Comparatives**

Comparatives have been restated where necessary to conform to current presentation.

### **Note 3. Significant accounting policies (continued)**

#### **New Accounting Standards for Application in Future Periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have a significant impact on the Group's financial statements.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, the Group has not yet assessed this impact.

#### **Note 4. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

##### *Impairment and reversal of impairment of non-financial assets*

The consolidated entity assesses impairment and any reversal of impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment or reversal of impairment. If an impairment trigger or indicator of reversal exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Where fair value less costs of disposal is used, the valuation takes into consideration what a market participant would do to obtain the highest and best use of the asset. An estimate is made of the potential costs of disposal.

##### *Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position. The consolidated entity has impaired the receivables with its former parent entity, Gujarat NRE Coke Limited and other associated entities based on management's assessment that the receivable is no longer recoverable.

##### *Mine closure and rehabilitation provision estimates*

Provision is made for the anticipated costs of future site restoration. The provision includes estimated future costs relating to the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site. The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of cost required to rehabilitate and restore disturbed areas of land to their original condition and discounting factors. These estimates are regularly reviewed and adjusted in order to ensure that most up to date data is used to calculate these balances. The closure and rehabilitation provision is disclosed in note 22.

##### *Mine development and pre-production capitalisation*

The consolidated entity's activities undertaken to gain access to mineral reserves or sinking shafts, permanent excavations, building transport infrastructure and roadways are capitalised and are amortised over the estimated reserves in that developed area of the mine. Amortisation is calculated in proportion to actual production when measured against mineable resources in the mine area developed. The consolidated entity has allocated its resources to develop longwall blocks in the Russell Vale colliery, making this colliery a development mine. Since 1 June 2011 all expenses have been capitalised to mine development cost except variable cost directly related to any production panel and any revenue from developmental coal which are accounted in profit or loss with corresponding cost for developmental coal being equivalent to sale revenue being charged back to profit or loss from capitalised development cost to have zero impact on profitability. The carrying value of mine development and pre-production is reviewed by directors to ensure it is not in excess of its recoverable amount.

##### *Determination of coal reserves and resources*

The consolidated entity estimates its coal reserves and resources based on information compiled by competent persons as defined in the Australian code for reporting the coal mineral resources and ore reserves of December 2012 (JORC CODE). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the time for payment of close down and restoration costs.

##### *Share-based payment transactions*

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into accounts the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### Note 4. Critical accounting judgements, estimates and assumptions (continued)

##### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### Note 5. Restatement of comparatives

##### *Correction of error*

Subsequent to the issuance of the 31 March 2015 financial statements, management received additional information which supports the recoverability of \$3.649 million as at 31 March 2015 due from the former parent company, which was previously impaired. Specifically, legal documents filed in relation to the claim and counterclaim acknowledge that the \$3.649 million is within the same counterparty as payables previously provided (although subject to dispute by WCL) and a right of set-off is acknowledged by both parties. The prior period has been restated to reflect this change. Accordingly, the receivable has been reinstated and offset against these payable balances as follows:

Decrease in payable \$3,649,000

Reversal of impairment of trade receivable \$3,649,000

##### *Statement of profit or loss and other comprehensive income (extract)*

	<b>Consolidated</b>		
	<b>2015 \$'000 Reported</b>	<b>\$'000 Adjustment</b>	<b>2015 \$'000 Restated</b>
Net impairment of assets	(48,173)	3,649	(44,524)
<b>Loss before income tax expense</b>	<b>(199,216)</b>	<b>3,649</b>	<b>(195,567)</b>
Income tax expense	-	-	-
<b>Loss after income tax expense for the year attributable to the owners of Wollongong Coal Limited</b>	<b>(199,216)</b>	<b>3,649</b>	<b>(195,567)</b>
Other comprehensive income for the year, net of tax	(1,800)	-	(1,800)
<b>Total comprehensive income for the year attributable to the owners of Wollongong Coal Limited</b>	<b>(201,016)</b>	<b>3,649</b>	<b>(197,367)</b>
	<b>Cents Reported</b>	<b>Cents Adjustment</b>	<b>Cents Restated</b>
Basic earnings per share	(4.07)	0.08	(3.99)
Diluted earnings per share	(4.07)	0.08	(3.99)

##### *Statement of financial position at the beginning of the earliest comparative period (extract)*

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 April 2014. However, as the adjustment does not relate to the period prior to 1 April 2014 this is not required.

**Note 5. Restatement of comparatives (continued)**

*Statement of financial position at the end of the earliest comparative period (extract)*

	2015 \$'000 Reported	Consolidated \$'000 Adjustment	2015 \$'000 Restated
Trade and other payables	79,949	(3,649)	76,300
<b>Net assets</b>	<u>163,332</u>	<u>3,649</u>	<u>166,981</u>
Accumulated losses	(752,658)	3,649	(749,009)
<b>Total equity</b>	<u>163,332</u>	<u>3,649</u>	<u>166,981</u>

**Note 6. Operating segments**

*Identification of reportable operating segments*

The consolidated entity operates in one segment being the coal mining, coal preparation and export of coal. This is based on the internal reports that are reviewed and used by the Board of Directors and the Management Committee (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Management Committee comprises of:

- Chief Executive Officer (Chair)
- Chief Financial Officer
- Operations Manager
- Technical Assistant to Chief Executive Officer
- Head of Human Resources and Administration
- Company Secretary

The consolidated entity operates predominately in one geographical region being Australia.

The information reported to the CODM is on at least a monthly basis.

The CODM reviews adjusted EBITDA (earnings before interest, tax, depreciation and amortisation adjusted for impairment of assets, share-based payment, exchange losses and loss of disposal of assets) to make decisions. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

## **Note 6 Operating segments (continued)**

### *Segment assets and liabilities*

Assets and liabilities are managed on a consolidated basis. The CODM does not regularly review any asset or liability information by segment and, accordingly there is no separate segment information. Refer to the statement of financial position for consolidated assets and liabilities.

### *Major customers*

During the financial year ended 31 March 2016 none of the consolidated entity's revenue was derived from sales to Jindal Steel and Power Limited (India), the ultimate parent entity (2015: 60%).

The following table summarises key reconciling items between statutory loss after tax attributable to the shareholders of Wollongong Coal Limited and adjusted EBITDA:

	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>Consolidated - 2016</b>		
<b>Adjusted EBITDA</b>	<u>(16,969)</u>	(16,969)
Depreciation		(24,911)
Amortisation		(1,621)
Finance costs		(15,798)
Impairment of assets		(125,469)
Exchange gain		2,825
Share-based payments		(256)
Interest revenue		265
<b>Loss before income tax expense</b>		<u>(181,934)</u>
Income tax expense		-
<b>Loss after income tax expense</b>		<u>(181,934)</u>
	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>Consolidated - 2015</b>		
<b>Adjusted EBITDA</b>	<u>(22,909)</u>	(22,909)
Depreciation		(20,761)
Amortisation		(634)
Finance costs		(20,634)
Impairment of assets		(44,524)
Exchange loss		(86,070)
Share-based payments		(333)
Interest revenue		298
<b>Loss before income tax expense</b>		<u>(195,567)</u>
Income tax expense		-
<b>Loss after income tax expense</b>		<u>(195,567)</u>

**Note 7. Revenue**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Sales revenue</i>		
Export sales	7,375	8,154
Domestic sales	305	-
	<u>7,680</u>	<u>8,154</u>
<i>Other revenue</i>		
Interest	265	298
Rent	113	7
Other revenue	25	41
	<u>403</u>	<u>346</u>
Revenue	<u><u>8,083</u></u>	<u><u>8,500</u></u>

**Note 8. Other income**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Subsidies and grants	-	10,640
Debt forgiveness	984	-
Sundry claim received	477	-
<i>Net foreign exchange gain/loss</i>		
Net foreign exchange gain unrealised	35,372	-
Net foreign exchange loss realised	(32,547)	-
	<u>4,286</u>	<u>10,640</u>

Subsidies and grants represent coal sector job subsidies.



**Note 9. Expenses**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Building	95	95
Plant and equipment	24,816	20,666
Total depreciation	24,911	20,761
<i>Amortisation</i>		
Mine development	929	-
Mine lease	-	52
Pre-production expenses	-	30
Deferred restoration cost	692	552
Total amortisation	1,621	634
Total depreciation and amortisation	26,532	21,395
<i>Impairment/(reversal) of impairment</i>		
Mine development (note 16)	100,278	37,584
Mine lease (note 16)	25,191	10,229
Exploration and licences	-	360
Trade receivable	-	(3,649)
Net impairment of assets	125,469	44,524
<i>Net foreign exchange loss</i>		
Net foreign exchange loss unrealised	-	80,085
Net foreign exchange loss realised	-	5,985
	-	86,070
<i>Finance costs</i>		
Interest and finance charges paid/payable	15,798	20,196
Interest rate swap	-	438
Finance costs expensed	15,798	20,634
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,946	4,269

Net foreign exchange losses primarily relate to exchange fluctuations on the US \$ denominated bank loans.

Total depreciation and amortisation expense is included in mine operating expenses \$25,231,000 (2015: \$20,761,000) and environmental expenses \$1,301,000 (2015: \$634,000) in the statement of profit or loss and other comprehensive income.

**Note 10. Income tax expense**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(181,934)	(195,567)
Tax at the statutory tax rate of 30%	(54,580)	(58,670)
Current year temporary differences not recognised	54,580	58,670
Income tax expense	-	-
	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	416,025	359,604
Potential tax benefit @ 30%	124,808	107,881

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the same business test is passed and the consolidated entity is generating sufficient taxable income.

**Note 11. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand*	250	5,002
Cash on deposit*	6,255	4,808
	6,505	9,810

\* Includes \$6,250,000 (2015: \$8,071,000) restricted cash balance held and maintained for debt service coverage.

**Note 12. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	585	32
Less: Provision for impairment of receivables	-	-
	585	32
Other receivables	811	3,572
Prepayments	468	361
	1,864	3,965

**Note 12. Current assets - trade and other receivables (continued)**

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$nil as at 31 March 2016 (\$32,000 as at 31 March 2015).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Over 6 months overdue	-	32

**Note 13. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Stores and consumables - at cost	3,884	4,408
ROM coal stock - at cost	19	1,485
ROM coal stock - at net realisable value	3,648	2,937
Less: Provision for impairment	(120)	(120)
	3,547	4,302
	7,431	8,710

**Note 14. Current assets - deposits**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Security deposits	3,842	601

The security deposit includes an amount of \$1,635,000 being an advance to the Port Kembla Coal Terminal under a senior facility agreement to finance rectification works, and an amount of \$1,859,000 being a cash deposit with the Department of Trade and Investment in respect of a rehabilitation obligation relating to Russell Vale colliery.

**Note 15. Non-current assets - available-for-sale financial assets**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Shree Minerals Limited	270	450
Port Kembla Coal Terminal	120	120
	390	570

Refer to note 29 for further information on fair value measurement.

**Note 16. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings - at cost	46,542	46,542
Less: Accumulated depreciation	(964)	(869)
	<u>45,578</u>	<u>45,673</u>
Plant and equipment - at cost	272,088	271,493
Less: Accumulated depreciation	(113,663)	(88,847)
	<u>158,425</u>	<u>182,646</u>
Mine development- at cost	704,189	676,231
Less: Accumulated depreciation	(102,220)	(100,599)
Less: Accumulated impairment	(189,180)	(88,902)
	<u>412,789</u>	<u>486,730</u>
Mining leases - at cost and valuation	387,276	387,276
Less: Accumulated depreciation	(995)	(995)
Less: Accumulated impairment	(266,701)	(241,510)
	<u>119,580</u>	<u>144,771</u>
	<u><u>736,372</u></u>	<u><u>859,820</u></u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Land and buildings \$'000	Plant and equipment \$'000	Mine development \$'000	Mining leases \$'000	Total \$'000
Balance at 31 March 2014	45,768	191,062	432,507	154,913	824,250
Additions*	-	12,250	92,389	139	104,778
Impairment of assets	-	-	(37,584)	(10,229)	(47,813)
Depreciation expense	(95)	(20,666)	(582)	(52)	(21,395)
	<u>45,673</u>	<u>182,646</u>	<u>486,730</u>	<u>144,771</u>	<u>859,820</u>
Balance at 31 March 2015	45,673	182,646	486,730	144,771	859,820
Additions*	-	595	27,958	-	28,553
Impairment of assets	-	-	(100,278)	(25,191)	(125,469)
Depreciation expense	(95)	(24,816)	(1,621)	-	(26,532)
	<u>45,578</u>	<u>158,425</u>	<u>412,789</u>	<u>119,580</u>	<u>736,372</u>
Balance at 31 March 2016	<u>45,578</u>	<u>158,425</u>	<u>412,789</u>	<u>119,580</u>	<u>736,372</u>

\* Included in this balance is \$17,219,000 (2015: \$15,179,000) in capitalised interest on the bank borrowing facilities.

**Note 16. Non-current assets - property, plant and equipment (continued)**

*Cash Generating Unit ('CGU') allocation and impairment testing*

The consolidated entity has three CGUs - Russell Vale colliery, Wongawilli colliery and Avondale mining leases.

The carrying values of property plant and equipment allocated to the CGUs is as follows:

Russell Vale colliery \$467,892,000

Wongawilli colliery \$236,612,000

Avondale mining leases \$31,868,000

Recoverable amounts of the CGUs are based on fair value less cost of disposal. An independent valuation was carried out as at 31 March 2016. Their valuation was based on several assumptions including but not limited to:

- Discounting rate (based on Weighted Average Cost of Capital ('WACC') of 9.5% (2015: 13.4%) for Russell Vale colliery, 9.5% (2015: 8.9%) for Wongawilli colliery and 9.5% (2015: 8.9%) for also used for other assets including Avondale mining leases.
- Long-term coking coal prices of \$114 (2015: \$134);
- Long-term exchange rate of US\$1.00: AUD\$0.75 (2015: US\$1.00: AUD\$0.77);
- Life of each mine over 25 years (2015: 25 years);
- Permitted rate of extraction of 1 Mtpa per mine increasing up to 4.7 Mtpa for Russell Vale colliery and 4.5 Mtpa for Wongawilli colliery (2015: up to 3 Mtpa per mine increasing up to 6.4 Mtpa for Russell Vale colliery and 4.5 Mtpa for Wongawilli colliery), in accordance with revised mining plans;
- Obtaining relevant mining permits as required, without undue delay; and
- Cost of disposal assumed at 1% (2015: 1%).

In accordance with AASB 13 'Fair Value Measurement', fair value should take into account a market participant's ability to generate economic benefits by using the non-financial asset in its highest and best use. As it is physically possible, legally permissible and financially feasible to build a local wash plant, this has been factored into the valuation. The advantages of a local wash plant include additional returns from higher yields, transport cost savings, returns on sales of thermal coal, potential mining flexibility to take some higher ash sections and increase resource recovery, and the mitigation of contract risk, as the product could be sold on the open market rather than just selling unwashed ROM coal to a limited market.

Based on the valuations a net impairment charge of \$125,469,000 (2015: \$47,813,000) was expensed to profit or loss being \$153,500,000 impairment for Russell Vale colliery, \$28,865,000 reversal of impairment for the Wongawilli colliery and \$834,000 impairment for the Avondale Mining lease.

*Headroom and sensitivity*

As the CGU's have been either written up or written down to recoverable amount, there is no headroom. Any change in the key assumptions on which the valuations were based would impact the carrying value of the Russell Vale and Wongawilli Collieries and the Avondale mining lease.

**Note 17. Non-current assets - deposits**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Russell Vale Colliery Trust Funds	393	393

**Note 18. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015*</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	9,486	26,729
Accruals	13,366	35,609
Other payables	7,033	13,962
	<u>29,885</u>	<u>76,300</u>

Refer to note 28 for further information on financial instruments.

\* See note 5 for details in relation to restatement.

**Note 19. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank term loans (secured)	84,154	520,352
JSPAL term loan (secured)	454,920	-
State Bank of India working capital loan (secured)	-	11,010
JSPML working capital loan (unsecured)	159,218	56,462
	<u>698,292</u>	<u>587,824</u>

Refer to note 28 for further information on financial instruments.

The consolidated entity has classified all bank borrowings as current in accordance with AASB 101 'Presentation of Financial Statements', due to financial covenants breaches.

*Total secured liabilities*

The total secured current liabilities are as follows:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	84,154	520,352
JSPAL term loan	454,920	-
State Bank of India working capital loan	-	11,010
	<u>539,074</u>	<u>531,362</u>

The credit facilities (both term loan and working capital) are secured as follows:

(i) *The term loan facilities of the consolidated entity are secured by:*

First ranking pari-passu charge on the present and future fixed assets of the company and Wongawilli Coal Pty Ltd. ('Wongawilli');

Pari-passu assignment of lease deed of the mines of the company and Wongawilli;

Debt service reserve account maintained by the company;

Negative lien over 100% of the company's shareholding in Oceanic Coal Resources NL ('OCR');

Negative lien over 100% of OCR's shareholding in Wongawilli; and

First ranking pari-passu assignment of insurance policies related to fixed and current assets of the company, charged to the bank.

**Note 19. Current liabilities - borrowings (continued)**

(ii) *The working capital facilities are secured by:*

First pari-passu charge on the entire current assets of the company and Wongawilli, along with other working capital lenders; and

First ranking pari-passu assignment of insurance policies related to fixed and current assets of the company and Wongawilli, charged to the bank.

*Assets pledged as security*

The bank overdraft and loans are secured by first mortgages over the consolidated entity's land and buildings.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank term loans	81,965	520,352
JSPAL term loan facility*	822,777	-
Working capital facility	-	11,010
JSPML cash advanced facility**	175,000	75,000
Bank guarantee facility	56,100	56,100
	<u>1,135,842</u>	<u>662,462</u>
Used at the reporting date		
Bank term loans	81,965	520,352
JSPAL term loan facility*	453,312	-
Working capital facility	-	11,010
JSPML cash advanced facility**	151,740	56,462
Bank guarantee facility	46,058	48,042
	<u>733,075</u>	<u>635,866</u>
Unused at the reporting date		
JSPAL term loan facility*	369,465	-
JSPML cash advanced facility**	23,260	18,538
Bank guarantee facility	10,042	8,058
	<u>402,767</u>	<u>26,596</u>

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

\*\*JSPML – Jindal Steel and Power (Mauritius) Limited, is the immediate parent company.

On 6 August 2015, the consolidated entity entered into a US\$630 million facility with JSPAL. As at 31 March 2016 US\$347 million has been disbursed to the consolidated entity through JSPAL. Funds were used to repay existing loans. The repayment of the loan facility is to be in 26 unequal quarterly instalments starting from 30 June 2018. The interest rate is the market rate at the date the agreement was entered into plus LIBOR.

To continue to assist the consolidated entity with its cash flow, the intermediate parent entity JSPML has increased its cash advance facility from \$75 million to \$175 million in April 2016. This facility has also been renewed until 31 March 2017. The amount withdrawn is repayable at the end of the facility term or on demand.

**Note 20. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	<u>5,570</u>	<u>9,396</u>



**Note 21. Current liabilities - convertible bonds**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Convertible bonds	4,700	2,000
Accumulated interest on the above	2,894	984
	<u>7,594</u>	<u>2,984</u>

During the year a statutory demand was received from Bellpac Pty Limited (Receivers & Managers Appointed) (In Liquidation) (Bellpac) for an early redemption of convertible bonds with a face value of \$2,000,000 plus interest of \$984,000. As part of the settlement \$2,000,000 was paid and interest of \$984,000 was forgiven.

Bellpac also had the option to convert the balance of the bonds into ordinary shares in the capital of the Company. In accordance with the terms of the Convertible Bonds 2,472,063,680 shares in total were required to be issued to satisfy the conversion notes. On 5 February 2016 the Company issued 1,019,726,268 shares to Bellpac in part settlement of this liability. The balance of the liability, being convertible bonds and interest in the amount of \$7,594,000 as outlined above, was settled through the issue of a further 1,452,37,412 shares on 5 May 2016. These shares remain in voluntary escrow until 5 August 2016.

Refer to note 28 for further information on financial instruments.

**Note 22. Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Mine restoration	<u>24,306</u>	<u>28,189</u>

*Mine restoration*

The provision represents the present value of estimated costs required to rehabilitate and restore disturbed areas of land to their original condition (for Russell Vale colliery and Wongawilli colliery) in accordance with their environmental and legal obligations. The calculation is based on a third party estimate of costs at present value, discounted at 4.30%-5.68% (2015: 5.72%). These estimates are regularly reviewed.

*Movements in provisions*

Movements in each class of provisions during the current year, other than employee benefits is set out below:

<b>Consolidated - 2016</b>	<b>Mine Restoration \$'000</b>
Carrying value at beginning of the year	28,189
Reversal of provisions	(2,582)
Unwinding of discount	<u>(1,301)</u>
Carrying value at the end of the year	<u>24,306</u>

**Note 23. Non-current liabilities - convertible bonds**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Convertible bonds	-	8,000
Accumulated interest on the above	-	4,195
	<u>-</u>	<u>12,195</u>

Refer to note 28 for further information on financial instruments.

**Note 24. Equity - issued capital**

	<b>2016</b>	<b>Consolidated</b>	<b>2016</b>	<b>2015</b>
	<b>Shares</b>	<b>2015</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>Shares</b>		
Ordinary shares - fully paid	<u>7,914,639,844</u>	<u>6,894,913,576</u>	<u>905,107</u>	<u>899,080</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 April 2014	3,141,763,507		793,984
Issue of ordinary shares under the non-renounceable entitlement offer	14 April 2014	390,470,533	\$0.08	29,285
Issue of ordinary shares under the non-renounceable entitlement offer	20 May 2014	2,834,838	\$0.08	213
Issue of ordinary shares under the non-renounceable entitlement offer	2 June 2014	362,579,780	\$0.06	21,755
Issue of ordinary shares under the non-renounceable entitlement offer	25 June 2014	1,630,555	\$0.00	4
Issue of ordinary shares under the non-renounceable entitlement offer	18 November 2014	2,755,606,331	\$0.02	49,601
Issue of ordinary shares under the non-renounceable entitlement offer	12 December 2014	<u>240,028,032</u>	<u>\$0.02</u>	<u>4,238</u>
Balance	31 March 2015	6,894,913,576		899,080
Issue of ordinary shares on conversion of bonds		<u>1,019,726,268</u>	<u>\$0.006</u>	<u>6,027</u>
Balance	31 March 2016	<u>7,914,639,844</u>		<u>905,107</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

## Note 24. Equity – issued capital (continued)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders (refer to dividend policy below), return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. The consolidated entity breached its covenants during the financial year and all bank loans have therefore been classified as current liabilities.

## Note 25. Equity - reserves

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Available-for-sale reserve	(1,560)	(1,380)
Share-based payments reserve	3,803	18,290
	<u>2,243</u>	<u>16,910</u>

### Available-for-sale reserve

The reserve comprises changes in the fair value of available-for-sale investments.

### Share-based payments reserve

The reserve is used to recognise the fair value of options issued to employees under the Employee Share Option Scheme.

### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Available- for-sale \$'000</b>	<b>Convertible bonds \$'000</b>	<b>Share-based payments \$'000</b>	<b>Total \$'000</b>
Balance at 1 April 2014	420	203	18,623	19,246
Revaluation - net of tax	(1,800)	-	-	(1,800)
Share-based payment expired transferred to accumulated losses	-	-	(333)	(333)
Convertible note	-	(203)	-	(203)
Balance at 31 March 2015	(1,380)	-	18,290	16,910
Revaluation - net of tax	(180)	-	-	(180)
Share-based payments	-	-	256	256
Share-based payment expired transferred to accumulated losses	-	-	(14,743)	(14,743)
Balance at 31 March 2016	<u>(1,560)</u>	<u>-</u>	<u>3,803</u>	<u>2,243</u>

## Note 26. Equity - accumulated losses

	Consolidated	
	2016 \$'000	2015* \$'000
Accumulated losses at the beginning of the financial year	(749,009)	(553,442)
Loss after income tax expense for the year	(181,934)	(195,567)
Net transfer from share-based payments reserve	14,743	-
Accumulated losses at the end of the financial year	<u>(916,200)</u>	<u>(749,009)</u>

\* See note 5 for details in relation to restatement.

## Note 27. Equity - dividends

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

## Note 28. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units.

### Market risk

#### Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

Consolidated	Assets		Liabilities	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
US dollars	<u>1,086</u>	<u>2,601</u>	<u>419,137</u>	<u>382,986</u>

The consolidated entity had net liabilities denominated in foreign currencies of \$418,051,000 (assets \$1,086,000 less liabilities \$419,137,000) as at 31 March 2016 (2015: \$380,385,000 (assets \$2,601,000 less liabilities \$382,986,000)). Based on this exposure, had the Australian dollar weakened by 10% / strengthened by 10% (2015: weakened by 10% / strengthened by 10%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$49,634,000 lower / higher (2015: \$49,459,000 lower / higher) and equity would have been \$49,634,000 lower / higher (2015: \$49,459,000 lower / higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 3 months each year and the spot rate at each reporting date. The actual net foreign exchange gain for the year ended 31 March 2016 was \$2,825,000 (2015: net loss of \$86,070,000).

**Note 28. Financial instruments (continued)**

*Price risk*

The consolidated entity is exposed to coal price risk. The consolidated entity has not entered into any hedging contracts and the policy is to sell coal at agreed prices under the Offtake agreement. The consolidated entity's revenues and profits are exposed to fluctuation in the price of coal. If the average selling price of coal increases/decreased by 5% (2015: increase/decrease by 5%) with all other factors remaining the same, the revenue and profit would have increased/decreased by \$386,000 (2015: increase/decrease by \$490,000).

*Interest rate risk*

The consolidated entity's main interest rate risk arises from long-term borrowings.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2016		2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Bank loans and working facilities	4.56%	698,292	5.21%	587,824
Net exposure to cash flow interest rate risk		<u>698,292</u>		<u>587,824</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

For the consolidated entity the bank loans and working capital facility outstanding, totalling \$698,292,000 (2015: \$587,824,000), are principal and interests. Monthly cash outlays of approximately \$2,611,000 (2015: \$2,320,000) per month are required to service the interest payments. An official increase/decrease in interest rates of 1% basis points would have an adverse/favourable effect on profit before tax of \$6,870,000 (2015: \$5,878,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, minimum principal repayments of \$40,286,000 (US\$30,847,000) are due during the year ending 31 March 2017.

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

*Liquidity risk*

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Financing arrangements*

Unused borrowing facilities at the reporting date:

	Consolidated	
	2016 \$'000	2015 \$'000
JSPAL term loan facility	369,465	-
JSPML cash advanced facility	23,260	18,538
Bank guarantee facility	10,042	8,058
	<u>402,767</u>	<u>26,596</u>

## Note 28. Financial instruments (continued)

### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2016</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	9,486	-	-	-	9,486
Other payables	-%	7,033	-	-	-	7,033
<i>Interest-bearing - variable</i>						
Bank loans	5.70%	84,154	-	-	-	84,154
JSPAL term loan	4.20%	454,920	-	-	-	454,920
JSPML working capital facility	5.00%	159,218	-	-	-	159,218
Total non-derivatives		714,811	-	-	-	714,811

<b>Consolidated - 2015</b>	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	26,729	-	-	-	26,729
Other payables	-%	13,962	-	-	-	13,962
<i>Interest-bearing - variable</i>						
Bank loans	5.24%	520,352	-	-	-	520,352
Working capital facility	5.10%	67,472	-	-	-	67,472
<i>Interest-bearing - fixed rate</i>						
Convertible bonds	6.43%	2,000	-	-	8,000	10,000
Total non-derivatives		630,515	-	-	8,000	638,515

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

**Note 29. Fair value measurement**

*Fair value hierarchy*

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated - 2016</b>				
<i>Assets</i>				
Available-for-sale financial assets: Listed equity securities	270	-	-	270
Available-for-sale financial assets: Unlisted equity securities	-	-	120	120
Total assets	270	-	120	390
<b>Consolidated - 2015</b>				
<i>Assets</i>				
Available-for-sale financial assets: Listed equity securities	450	-	-	450
Available-for-sale financial assets: Unlisted equity securities	-	-	120	120
Total assets	450	-	120	570

There were no transfers between levels during the financial year.

The fair value of the consolidated entity's investment in unlisted shares is classified under level 3 in the fair value measurement hierarchy. The consolidated entity's holding in unlisted shares is minor and any reasonably possible change in assumptions would not have a material impact on the consolidated entity's financial statements.

The carrying values of the financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 3.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

During the year, the consolidated entity held equity shares as available for sale financial instruments classified as level 3 within the fair value hierarchy. There was no movement in the balances during the current and previous financial years.



### Note 30. Key management personnel disclosures

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016	2015
	\$	\$
Short-term employee benefits	1,165,215	1,195,695
Post-employment benefits	129,993	111,933
Long-term benefits	28,020	21,327
Termination benefits	112,059	-
Share-based payments	72,864	22,966
	<u>1,508,151</u>	<u>1,351,921</u>

### Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

	Consolidated	
	2016	2015
	\$	\$
<i>Audit services - Ernst &amp; Young</i>		
Audit or review of the financial statements	170,201	355,312
<i>Audit services – Hall Chadwick</i>		
Audit or review of the financial statements	<u>100,000</u>	<u>139,612</u>
	<u>270,201</u>	<u>355,312</u>
<i>Other services - Ernst &amp; Young</i>		
Taxation services	285,297	22,000
<i>Other services – Hall Chadwick</i>		
Taxation services	<u>23,500</u>	<u>-</u>
	<u>308,797</u>	<u>22,000</u>
	<u>578,998</u>	<u>377,312</u>

### Note 32. Contingent liabilities

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. After recent assessment by the Director General, a security of \$5,657,000 was increased to \$7,516,000 for Russell Vale colliery. The Company has provided security of \$5,657,000 by way of a bank guarantee and the balance of \$1,859,000 as a cash deposit.

After recent assessment by the Director General, a security of \$40,010,000 has been reduced to \$35,880,000 for Wongawilli colliery. The Company's subsidiary Wongawilli Coal Pty Ltd is in the process of reducing the current bank guarantee of \$40,010,000 to \$35,880,000 accordingly.

Pursuant to the Development Consent of the Russell Vale colliery Emplacement Area, the Company is required to provide and maintain a security of \$375,000 for the current financial year (2015-16) in favour of Wollongong City Council. This security amount increases by \$15,000 every year. To date the Company remains in the process of obtaining a bank guarantee for this security.

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

### **Note 32. Contingent liabilities (continued)**

guarantee for an amount based on actual tonnages in previous years and tonnages estimated for the upcoming financial year. Accordingly, the Company has provided a bank guarantee of \$391,000 to the PKCT. As part of the annual review for the upcoming financial year 2017, the Company has been notified that the amount of the guarantee needs to be increased to \$529,000.

Gujarat NRE Coke Limited (GNCL), which is part of Gujarat Group, the consolidated entity's previous largest shareholder, has filed a claim against the Company and Wongawilli Coal for approximately US\$39.74 million for damages relating to coal quality issues and \$18.83 million (plus interest and cost) relating to unpaid corporate guarantee commission. The Court has consolidated GNCL's claim with the claims filed by the Company and Wongawilli Coal against GNCL for approximately US \$63 million (plus interest and cost) for unpaid coal invoices.

The consolidated entity is defending an indemnity/restitution claim for approximately \$20.45 million (plus interest and cost) from Gujarat NRE India Pty Ltd (GNIPL). These claims include \$6.57 million relating to an alleged unpaid loan for which GNIPL issued a statutory demand, which was set aside by the court.

The Company is defending a claim by Mr Jasbir Singh, former CEO and nominee director, for repudiation of an alleged employment contract.

Great Investments Limited (GIL) (previous Bond owner) has sought orders against the consolidated entity to redeem certain convertible Bonds which were registered in its name. This matter is pending the outcome of an appeal, made by GIL, against the Court's decision declaring Bellpac as the real owner of those Bonds.

Bellpac has commenced legal proceedings alleging that conversion of 160 Bonds were not within the redemption rights of the bond agreement and is seeking an order for redemption of those Bonds for \$8 million or such other amount being the nominal principal value of the unconverted bonds plus accrued interest and costs. The consolidated entity is defending the claim.

ATF Mining Electrics Pty Limited has issued a statement of claim for \$688,000 (including interest and other cost) for repudiation of an alleged contract. The Company is defending the claim.

### **Note 33. Commitments**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Capital expenditure commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,300	3,371
One to five years	1,095	1,340
	<u>2,395</u>	<u>4,711</u>

The capital expenditure commitments are contracted for longwall and other equipment for mine development and production.

The Company has entered into a facility agreement with Port Kembla Coal Terminal on 12 June 2015 for a total commitment of \$10,000,000, of which the capital commitments contracted but not provided for as at 31 March 2016 amount to \$8,315,000.

### **Note 34. Related party transactions**

#### *Parent entity*

Wollongong Coal Limited is the parent entity in Australia. The intermediate parent entity is Jindal Steel and Power (Mauritius) Limited ('JSPML'), a company registered in Mauritius. The ultimate parent entity is Jindal Steel and Power Limited ('JSPL'), a company registered in India.

#### **Note 34. Related party transactions (continued)**

##### *Subsidiaries*

Interests in subsidiaries are set out in note 36.

##### *Key management personnel*

Disclosures relating to key management personnel remuneration are set out in note 30 and the remuneration report in the directors' report.

##### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods and services:		
Export sales to ultimate parent entity Jindal Steel and Power Limited ('JSPL')	-	4,890

##### *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Current payables:		
Net payables to intermediate parent entity JSPML*	159,218	58,005
Net payable to associated company JSPAL**	456,194	-

\* The net payables to the immediate parent JSPML represents funds received of \$151,740,000 (2015: \$56,462,000) against the cash advance facility and accrued interest of \$7,478,000 (2015: \$1,543,000) thereon as at 31 March 2016.

\*\* The net payables to associated company JSPAL represents funds received of \$453,313,000 against the US\$630 million facility and accrued interest of \$2,882,000 thereon as at 31 March 2016.

##### *Loans to/from related parties*

Related party loans are included in the net receivables/payable above.

##### *Guarantees*

The immediate parent company JSPML has provided a guarantee to Coal Services Pty Ltd, Coal Mines Insurance Pty Ltd and Mines Rescue Pty Ltd for \$3,511,368 in respect of an outstanding payable. This amount has been reduced to \$500,000 subsequent to year end.

The immediate parent company JSPML has provided a guarantee to Port Kembla Coal Terminal for all obligations of the Company in connection with the Senior Facility Agreement. As at year end an amount of \$8,315,000 remains payable under this agreement (see notes 14 and 33).

##### *Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 35. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Loss after income tax	(181,678)	(195,567)
Total comprehensive income	(181,858)	(197,367)

*Statement of financial position*

	<b>Parent</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Total current assets	13,940	93,616
Total assets	740,055	833,201
Total current liabilities	733,349	639,656
Total liabilities	748,905	666,220
Equity		
Issued capital	905,107	899,080
Share-based payments reserve	3,622	18,291
Accumulated losses	(917,579)	(750,390)
Total equity	(8,850)	166,981

*Contingent liabilities*

Refer to note 32 for details of parent entity contingent liabilities and guarantees.

*Capital commitments - Property, plant and equipment*

The parent entity had capital commitments for property, plant and equipment at the reporting date as follows:

	<b>Parent</b>	
	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Committed at the reporting date but not recognised as liabilities, payable:		
Longwall and other equipment for mine development and production	2,158	4,670

The Company has entered into a facility agreement with Port Kembla Coal Terminal on 12 June 2015 for a total commitment of \$10,000,000, of which the capital commitments contracted but not provided for as at 31 March 2016 amount to \$8,315,000.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 3, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

### Note 36. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2016 %	2015 %
Oceanic Coal Resources NL	Australia	100.00%	100.00%
Wongawilli Coal Pty Ltd	Australia	100.00%	100.00%
Southbulli Holdings Pty Ltd	Australia	100.00%	100.00%
Enviro Waste Gas Services Pty Ltd	Australia	100.00%	100.00%

### Note 37. Events after the reporting period

Wongawilli colliery has commenced a progressive restart program which has reached the milestone of processing existing underground inventories. Developmental activities and recommissioning of mining plant and equipment continues to commence bord and pillar mining (partial extraction) in near future.

In November 2015, the consolidated entity received confirmation from the New South Wales Department of Planning (DoP) that the consolidated entity has satisfied residual concerns raised by PAC after an initial public hearing regarding an application for the Underground Expansion Project (UEP) at Russell Vale colliery. Despite DoP's recommendation to approve the proposed UEP under strict conditions, the PAC has raised further concerns after its second public hearing in February 2016 resulting further delays in commencing longwall operations at Russell Vale colliery. The consolidated entity remains committed to resolve these issues and obtain the required approval.

As part of its corporate cost review, the consolidated entity has appointed Hall Chadwick as its auditors effective from 24 May 2016 following Ernst & Young resignation and ASIC consent.

On 5 May 2016 the Company issued a further 1,452,337,412 shares in settlement of the remaining convertible bond liability. These shares remain in voluntary escrow until 5 August 2016.

No other matter or circumstance has arisen since 31 March 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 38. Reconciliation of loss after income tax to net cash used in operating activities**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax expense for the year	(181,934)	(195,567)
Adjustments for:		
Depreciation and amortisation	26,532	21,395
Impairment of non-current assets	125,469	44,524
Share-based payments	256	(333)
Foreign exchange differences	(2,825)	80,085
Finance costs - non cash	12,603	30,738
Borrowing costs capitalised	(17,219)	(15,179)
Debt forgiveness	(984)	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,101	8,527
Decrease in inventories	1,279	461
(Decrease) in trade and other payables	(47,878)	(42,654)
Decrease in derivative liabilities	-	(118)
(Decrease)/ increase in other provisions	(2,922)	8,365
Increase in deposits	(1,606)	-
Net cash used in operating activities	<u>(87,128)</u>	<u>(59,756)</u>

**Note 39. Earnings per share**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners of Wollongong Coal Limited	<u>(181,934)</u>	<u>(195,567)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>7,048,570,959</u>	<u>4,896,724,732</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>7,048,570,959</u>	<u>4,896,724,732</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(2.58)	(3.99)
Diluted earnings per share	(2.58)	(3.99)

**Note 40. Share-based payments**

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Share-base payments (options issued to employees and directors) expensed and included in corporate and general expenses in profit or loss during the year was \$256,000 (2015: \$333,000).

**Note 40. Share-based payments (continued)**

Set out below are summaries of options outstanding granted under the plan:

2016							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/06/2007	31/12/2015	\$0.50	200,000	-	-	(200,000)	-
09/07/2007	31/12/2017	\$0.50	200,000	-	-	-	200,000
09/07/2007	31/12/2018	\$0.50	200,000	-	-	-	200,000
09/07/2017	31/12/2019	\$0.50	200,000	-	-	-	200,000
09/07/2007	31/12/2020	\$0.50	200,000	-	-	-	200,000
04/09/2008	31/12/2016	\$1.60	1,000,000	-	-	-	1,000,000
05/02/2009	31/12/2016	\$0.50	600,000	-	-	-	600,000
05/02/2009	31/12/2017	\$0.50	600,000	-	-	-	600,000
05/02/2009	31/12/2018	\$0.50	600,000	-	-	-	600,000
05/02/2009	31/12/2019	\$0.50	600,000	-	-	-	600,000
05/02/2009	31/12/2020	\$0.50	600,000	-	-	-	600,000
29/08/2009	31/12/2015	\$0.60	1,000,000	-	-	(1,000,000)	-
19/01/2010	30/04/2015	\$0.65	321,000	-	-	(321,000)	-
03/02/2010	31/12/2016	\$0.65	320,000	-	-	-	320,000
03/02/2010	31/12/2017	\$0.65	320,000	-	-	-	320,000
03/02/2010	31/12/2018	\$0.65	320,000	-	-	-	320,000
03/02/2010	31/12/2019	\$0.65	320,000	-	-	-	320,000
03/02/2010	31/12/2020	\$0.65	320,000	-	-	-	320,000
30/07/2010	31/03/2016	\$1.00	1,000,000	-	-	(1,000,000)	-
29/12/2010	31/12/2016	\$0.65	650,000	-	-	-	650,000
29/12/2010	31/12/2017	\$0.65	650,000	-	-	-	650,000
29/12/2010	31/12/2018	\$0.65	650,000	-	-	-	650,000
29/12/2010	31/12/2019	\$0.65	650,000	-	-	-	650,000
29/12/2010	31/12/2020	\$0.65	650,000	-	-	-	650,000
			12,171,000	-	-	(2,521,000)	9,650,000
Weighted average exercise price			\$0.70	\$0.00	\$0.00	\$0.76	\$0.56

**Notes:**

- Volume weighted average remaining contractual life of employees options is 1.67 years (2015: 2.57 years)
- The above employees' options were granted to permanent employees of the company
- Each option exercised will be converted into one fully paid ordinary share of the company
- The options were granted to employees at no consideration
- The employee needs to remain in continuous employment (up to vesting date) with the company in order to vest the options.

Set out below are the options which have vested and which are exercisable at the end of the financial year:

Grant date	Expiry date	2016 Number	2015 Number
04/09/2008	31/12/2016	1,000,000	1,000,000
29/08/2009	31/12/2015	-	1,000,000
30/07/2010	31/03/2016	-	1,000,000
		<u>1,000,000</u>	<u>3,000,000</u>




In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 3 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

  
\_\_\_\_\_  
Ashish Kumar  
Chairman

29 June 2016

**WOLLONGONG COAL LIMITED  
ABN 28 111 244 896  
AND ITS CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
WOLLONGONG COAL LIMITED**

**SYDNEY**

Level 40  
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Australia

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**Report on the Financial Report**

We have audited the accompanying financial report of Wollongong Coal Limited which comprises the consolidated statement of financial position as at 31 March 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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worldwide association  
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independent  
accounting  
and consulting firms

**WOLLONGONG COAL LIMITED  
ABN 28 111 244 896  
AND ITS CONTROLLED ENTITIES  
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
WOLLONGONG COAL LIMITED**

***Auditor's Opinion***

In our opinion:

- a. the financial report of Wollongong Coal Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Act 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

***Emphasis of Matter***

Without modifying our opinion, we draw attention to Note 2 of the financial report, which indicates that the company incurred a net loss of \$181,934,000 during the year ended 31 March 2016, and as of that date, the company's current liabilities exceeded its current assets by \$721,699,000. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amount stated in the financial report.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 10 to 15 of the directors' report for the year ended 31 March 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

***Auditor's Opinion***

In our opinion the remuneration report of Wollongong Coal Limited for the year ended 31 March 2016 complies with Section 300A of the Corporations Act 2001.



HALL CHADWICK  
Level 40, 2 Park Street  
SYDNEY NSW 2000



**DREW TOWNSEND**

Partner

Dated: 29 June 2016

The shareholder information set out below was applicable as at 22 June 2016.

### **Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

<b>Holdings Ranges</b>	<b>Number of holders of ordinary shares</b>	<b>Total number of ordinary shares</b>	<b>Number of holders of share options</b>	<b>Total number of share options</b>
1-1,000	204	116,696	-	-
1,001-5,000	440	1,417,290	-	-
5,001-10,000	288	2,348,894	-	-
10,001-100,000	536	18,064,749	3	300,000
100,001 and over	131	9,345,029,627	14	9,350,000
<b>Totals</b>	<b>1,599</b>	<b>9,366,977,256</b>	<b>17</b>	<b>9,650,000</b>

Number of shareholders holding less than marketable parcel – 1,452

### **Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

<b>Holder Name</b>	<b>Ordinary Shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
JINDAL STEEL & POWER (MAURITIUS) LIMITED	4,565,930,702	48.745%
BELLPAC PTY LIMITED (IN LIQUIDATION)	2,472,063,680	26.391%
JINDAL STEEL & POWER (MAURITIUS) LIMITED	1,090,313,872	11.640%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	700,836,506	7.482%
J P MORGAN NOMINEES AUSTRALIA LIMITED	196,116,275	2.094%
GUJARAT NRE INDIA PTY LTD	70,000,000	0.747%
MR ANDREW CUMMINS & MR A RESNICK RECEIVERS	47,874,553	0.511%
INVIA CUSTODIAN PTY LIMITED <BLACK A/C>	40,659,828	0.434%
BENGAL COAL PTY LTD	33,426,588	0.357%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	20,934,038	0.223%
GUJARAT NRE INDIA PTY LTD	20,000,000	0.214%
HAPPY MINING PTY LIMITED	12,500,000	0.133%
SLICK SOLUTIONS PTY LTD <SLICK SUPER FUND A/C>	9,025,000	0.096%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	6,786,448	0.072%
GIRDHARILAL JAGATRAMKA & TANVEE JAGATRAMKA & KAVITA JAGATRAMKA	5,206,000	0.056%
MS TANVEE JAGATRAMKA	5,195,566	0.055%
CITICORP NOMINEES PTY LIMITED	4,954,578	0.053%
MRS MONA JAGATRAMKA	3,223,991	0.034%
C/- BRI FERRIER (NSW) PTY LTD	2,604,957	0.028%
MR ARUN KUMAR JAGATRAMKA & MRS MONA JAGATRAMKA	2,240,001	0.024%
	<b>9,309,892,583</b>	<b>99.391%</b>

*Unquoted equity securities*

There are no unquoted equity securities.

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
JINDAL STEEL and POWER (MAURITIUS) LIMITED	5,656,244,574	60.385

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.