



# Quarterly Report

## October to December 2014



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### Highlights

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|---|
| <ul style="list-style-type: none"><li>• Over \$50 million raised through rights issue</li></ul>   |
| <ul style="list-style-type: none"><li>• Remaining funds under Coal Sector Job Package received</li></ul>  |
| <ul style="list-style-type: none"><li>• Modification 2 Forwarded to the NSW Planning and Assessment Commission (PAC) for assessment.</li></ul>  |
| <ul style="list-style-type: none"><li>• Continued improvement in Production Time (PT) per Continuous Miner Unit at Russell Vale Colliery.</li></ul>   |
| <ul style="list-style-type: none"><li>• Introduction of a new Strata Management System at Russell Vale Colliery</li></ul>   |
| <ul style="list-style-type: none"><li>• Russell Vale Colliery received approval from the NSW Department of Planning for extraction of 365 m of Longwall 6. Awaiting the finalisation of the extraction approval from the NSW department of Planning with a planned February 15 commencement</li></ul> |

### Production and Sales

	Russell Vale Colliery		Wongawilli Colliery		WLC Totals	
	July – Sept 2014	Oct – Dec 2014	July – Sept 2014	Oct – Dec 2014	July – Sept 2014	Oct – Dec 2014
Development Metres	1,654	1,285	42.5	0	1,696	1,285
ROM Production	49,867	39,792	1,134	0	51,001	39,792
Saleable Production	49,867	39,792	1,134	0	51,001	39,792
Sales	85,566	0	0	0	85,566	0

#### Russell Vale

Russell Vale Colliery has continued to focus on the capital works increasing the development inventory while awaiting longwall extraction approval from the NSW Department of Planning and Federal Department of Environment.

Development for the quarter has focussed on further advancing mains and has been impacted by geological anomalies. These geological impacts have reduced the operational cut rate, though the process has continued to subsequently allow future improvement of the production time.

The longwall is installed on the next longwall panel (LW6) and has been commissioned.

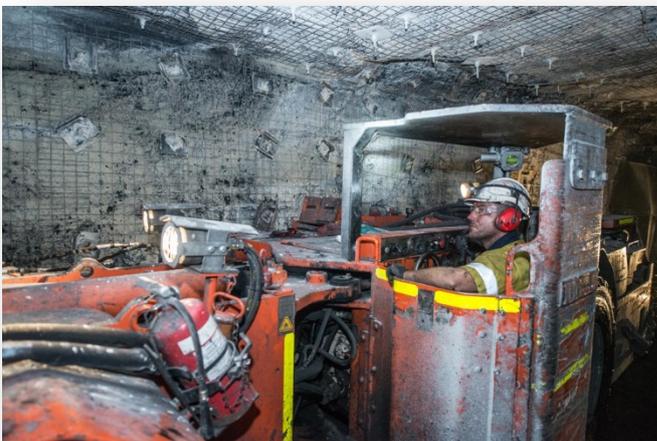
#### Wongawilli Colliery

The Mine has transitioned into care and maintenance, and is recovering equipment to support the Russell Vale operation, this has reduced the cash spend requirements at Russel Vale.

### Health, Safety, Environment & Community

#### Health and Safety

Another positive quarter for the company ending with a continued decrease in the Loss Time Injury Frequency rate and continued adoption by the workforce of the improved health and safety management system. With the introduction of the new SLAM and Hazard report handbook a proactive approach to safety and hazard management has continued to grow within the workgroup. The latest improvement process of the health and safety management system was accomplished with the introduction of the E.A.R.T.H (employee at risk training and help) program, this assists employees with a concentrated approach for hazard identification techniques. This program will be delivered to employees in the higher risk category for injury and aims to provide guidance in the correct application of WCL's site risk management tools and principles of the Safety and Health Management System (SHMS).



Reportable Injuries that occurred during the Oct – Dec quarter were:

- Outbye deputy lost his footing causing him to fall and land on his elbow. After initial treatment with an ice pack, he finished his shift. Elbow was swollen and aching on the deputy's next shift, so he was taken for scans. The scans were not conclusive of serious damage (fracture) and the deputy was placed on suitable duties and attended physio to assist with his recovery. The deputy has received a return to

full duties certificate and will enter the WCL E.A.R.T.H program to assist with identifying workplace hazards and taking appropriate measures of control to minimise the chance of injury.

- Outbye fitter was working with belt structure hanging brackets and hanging chains. As the shift progressed, the fitter felt pain and swelling in his wrist area. Medical advice was sought and after scans were taken it was identified that there was tendon damaged caused by the way the work task was completed. The fitter attend hand therapy sessions and has returned to full duties after several weeks on suitable duties to allow his injury to recover.
- Operator injured when his offsider dropped the opposite end of the 6m water pipe after his feet became stuck in mud and he lost his balance. The impact of the fallen pipe resulted in soft tissue damage to the operator's right shoulder. The operator attended physio for treatment and was able to return to full duties after two weeks on suitable duties.
- Outbye operator sustained an injury after he lost his footing and fell back onto a support structure of the sizer housing. The injury was later identified to be fractured pedicle T9 bone. The operator has returned to work on suitable duties.

## Environment & Community



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

### Russell Vale Colliery

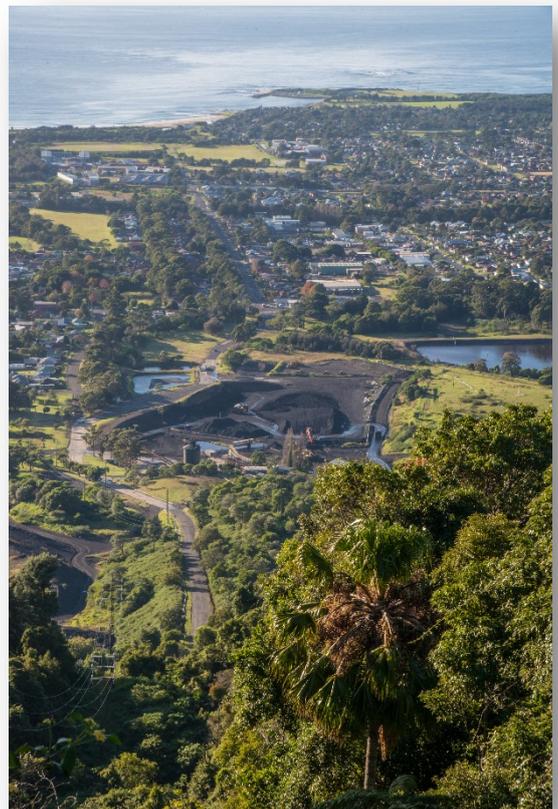
There were 9 complaints during the period. The complaints were made regarding site noise, coal truck issues, water pollution, dust pollution and stormwater. All matters were investigated by Wollongong Coal and as required the appropriate regulators.

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

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

- Vegetation of earthen noise mounds with shrubs and trees.
- Work commenced on repair and upgrade of the clean water diversion system at the Russell Vale Emplacement Area.

A Preferred Project Report (PPR) for the Underground Expansion Project Pt3A (UEP) approval application has been referred to the NSW Planning Assessment Commission (PAC) by the Department of Planning & Environment (DPE). The PAC will undertake a Public Hearing on February 3, 2015, to present its assessment and determination of the UEP application. The PPR is similar to the original proposal which was to increase the annual production to 3 million tonnes per annum (Mtpa) including an upgrade of surface infrastructure and extraction of coal from 8 longwalls in the Russell Vale East area only.



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

approval of the current application is received the mine life in Russell Vale East area will be extended for additional 5 years.

A Referral under the federal Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) has been submitted to the Department of the Environment (DoE) to address relevant Matters of National Environmental Significance (MNES) that are listed in the EPBC Act and may be affected by the Underground Expansion Project longwall extraction. The DoE has advised that a full Environmental Impact Statement (EIS) report is required for it to assess the Referral. This EIS is currently under preparation and will utilise already existing information from the state UEP PPR application.

A modification of the existing Preliminary Works Pt3A (MOD 2) was submitted to the DPE on 11 April 2014 and was placed on Public Exhibition between 22 April and 13 May 2014. The application requests approval for the extraction of 400m of LW6 while the PPR is under consideration. The DPE approved MOD2 for 365m only on 11 November 2014 and an Extraction Plan was submitted for approval by the DPE on 17 December 2014.

A Referral under the federal EPBC Act was submitted to address relevant Matters of National Environmental Significance that are listed in the EPBC Act and may be affected by MOD 2. The primary issues are potential minor impacts on threatened swamps and groundwater impacts. The Referral was approved on 24 December 2014 for the full 400m. An additional section is being prepared for incorporation into the LW6 Extraction Plan to incorporate the additional monitoring requirements that have resulted from this approval.

A modification of the existing Preliminary Works Pt3A (MOD 3) was lodged with the DPE in late September requesting the extension of the Preliminary Works Pt3A beyond October 2014 to allow the NSW Planning Assessment Commission time to determine MOD 2. The DPE approved MOD3 on 10 October 2014.

### Wongawilli Colliery

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

Work continues on a real time air and noise monitoring system in compliance with current approval requirements. This system will involve real time noise

monitoring, weather monitoring and air quality monitoring of PM2.5 and PM10 particles. This system will be operational by the end of 2015.

A modified Mine Operations Plan was submitted to the Division of Resources and Energy to cover the currently reduced activities on the site as a result of the Care and Maintenance status of the Colliery.

## Operational Update

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### Russell Vale Colliery

The continued implementation of the Maintenance Strategy and the Management Operating System (MOS) has increased the productivity inputs throughout the operation. This is incorporated in an unrelenting focus on the development of a high performance culture and the associated required individual and collective behaviours.

Due to approval still not being gained to mine Maingate 7 past 2ct the mining sequence has continued to focus on developing the Russell Vale Mains.

Geology has caused a significant impact on rate of advance for the Quarter but the machinery utilisation has continued to be high. The geological impacts of the Dyke and Sill has continued to impact on the cut rate.



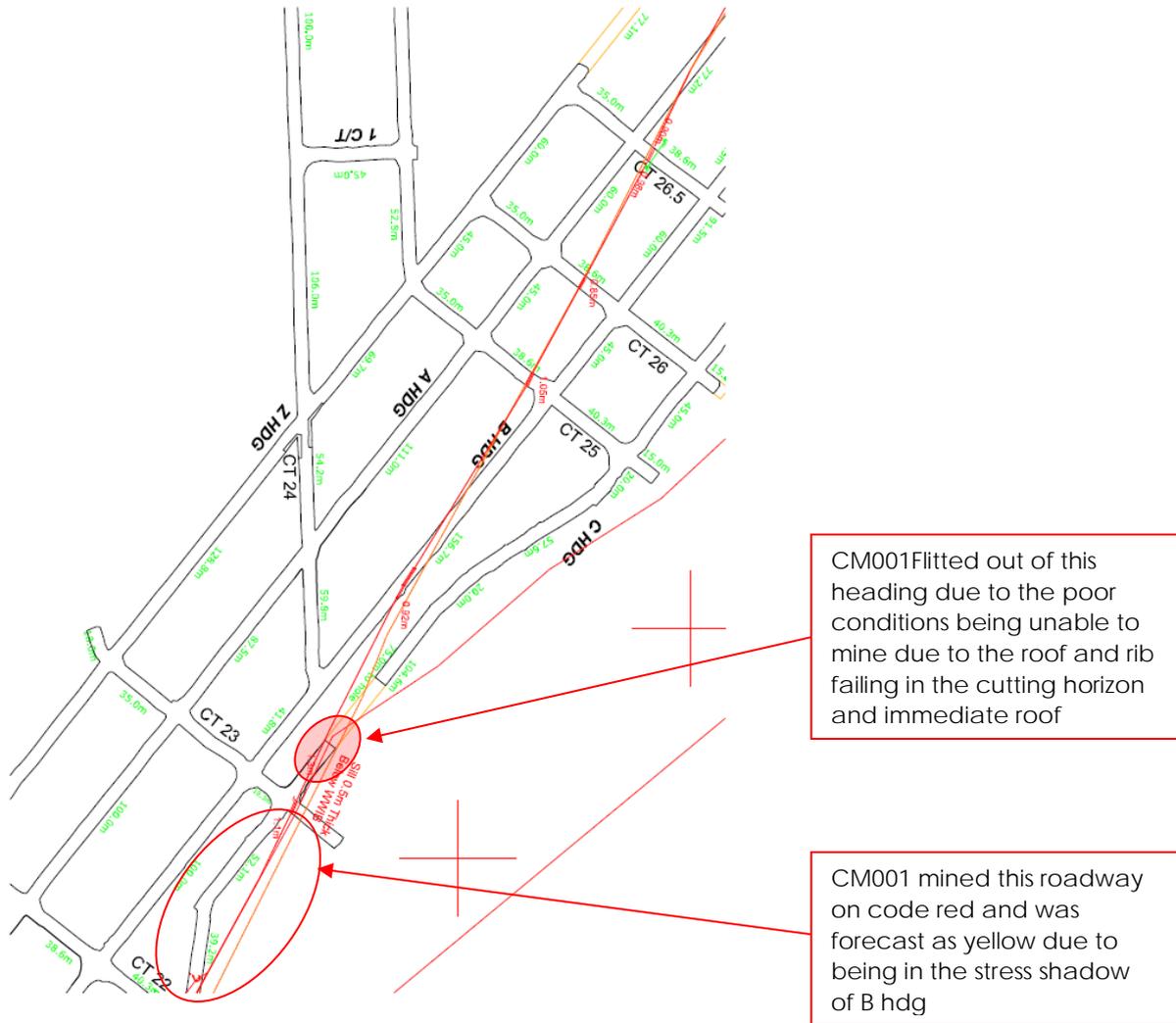
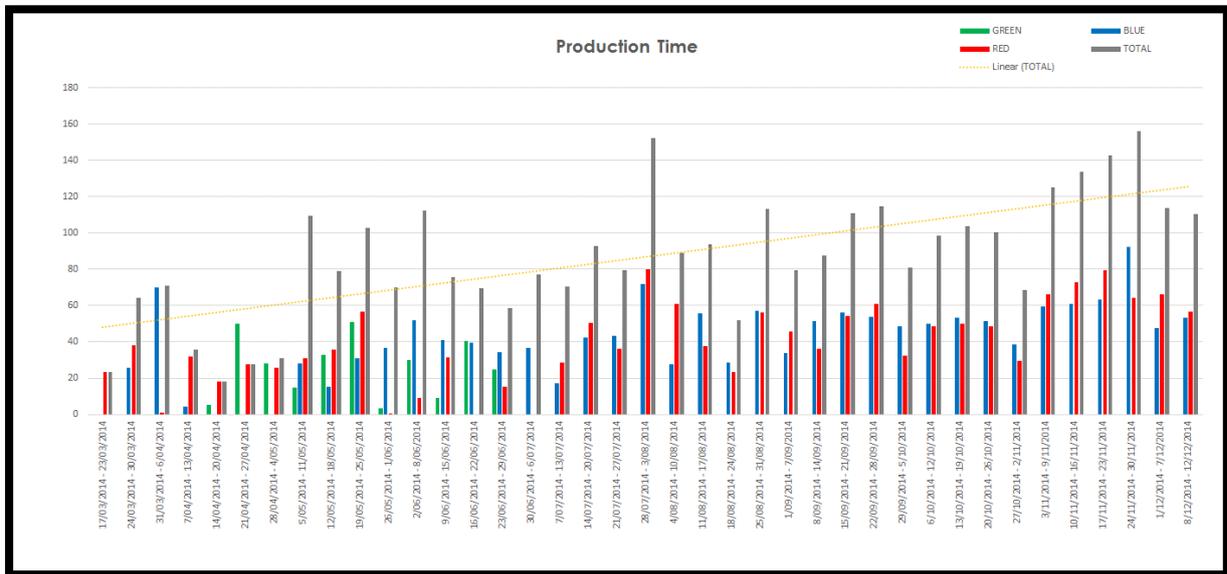


Figure: Plan of the Russell Vale Mains and the Dyke and Sill

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



The operation is still seeing the positive impact of the PEAK strata management system.

The mains have been advanced to 26.5ct in Z to B heading and 27ct in C heading. A 35m back hole still needs to be completed from 25 to 23ct. The tailgate 9 roadway has been mined to 2ct. The conveyor installation for TG9 will be completed by mid-January. The Russell Vale Mains will continue to be the development focus as approval to mine Maingate 7 is not likely to be granted prior to the PPR. The MG7 belt installation has been completed and the panel has been setup for full operation.

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

### Wongawilli Colliery

The Care and Maintenance team continue to ensure operational compliance, as well as recovering necessary assets to be transferred to Russell Vale Colliery.

Planning is ongoing for the Wonga South Project. The remaining Light Detection and Ranging (LIDAR) data was acquired for the southern portion of the lease to enable the constraints analysis to continue.

### Business Development Update

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#### **Russell Vale Colliery - Exploration**

During the October-December Quarter, the final 3 exploration holes for the RVC East area were completed. The completion of this programme ensures that all monitoring required by government regulators through the Part 3A process is now in place.

#### **Russell Vale Colliery - West Project**

During the Quarter, detailed design and scopes of work continued for the West Mine Design and supporting infrastructure.

Detailed design is currently focussed on two inter-seam drifts (approximately 300m each) followed by some initial coal development to the West longwall area.

A further 4 exploration boreholes are planned as part of the RVC West Project in Q4 to obtain additional groundwater information and calibrate the geological model for the area

Contract negotiations are continuing to award the lead Environmental Management Consultant for the RVC West Project. It is anticipated the Preliminary Environmental Assessment will be lodged with the NSW Government in Q2 FY15-16.

#### **Wonga South Project**

During the recent Quarter, significant environmental studies continued for the Wonga South Project.

Light Detection and Ranging was flown over the remaining southern part of the project area. LIDAR information is important for identifying important ecological communities, geological information and topographic information.

Ecological and Heritage studies continued in the central part of the project area to establish baseline monitoring that will be included in future Mine Proposals.

### Corporate & Financial

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#### **Over \$50 million raised**

The Company raised approximately \$53.73 million in the quarter from its pro-rata renounceable rights issue of nineteen (19) fully paid ordinary shares in the capital of the Company for every twenty (20) shares held, at an issue price of \$0.018 per share. These funds were used in accordance to disclosures made in the Prospectus.

#### **Cash Advances Facility**

The Company has a short-term drawdown facility for cash advances with a limit of Aus \$75 million from its major shareholder, Jindal Steel & Power (Mauritius) Limited. To date the Company has withdrawn around \$41 million under this facility.

#### **Coal Sector Jobs Package**

The Company was successful in reinstating coal sector jobs package, which was previously cancelled, and \$8.6 million was received from the Department in Aug 2014. The remaining balance of \$2 million was also received by the Company in Dec 2014.

#### **MCB US \$25 million Term Loan Facility**

Pursuant to the terms of US \$25 million Facility Agreement with Mauritius Commercial Bank (**MCB**), second repayment of US \$4.165 million was due and payable in Dec 2014. However, at the Company's request, MCB has agreed and deferred this second repayment until Jun 2017. All other terms including interest payments and further repayments remain same.

### Capital Structure as on 31 December 2014

Shares on issue	6,894,913,576
Unlisted options	14,701,000
Unlisted Bonds (USD 50,000 face value)	200

### Board of Directors

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

### For Further information

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### Business Address

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