



Wollongong Coal

ACN 111 244 896
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29 August 2014

Mr Simon Daniels
Market Announcements Office
Australian Securities Exchange
Level 4, 20 Bridge Street
SYDNEY NSW 2000

ASX Code: **WLC**

Ref: 10th Annual General Meeting – 29 August 2014

Please find attached Chairman's speech at the 10th annual general meeting of the Company held on 29 August 2014 at 2:00pm (AEST).

Thank you

Sanjay Sharma
Company Secretary
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Dear friends!

It gives me a great pleasure to welcome you all to the 10th Annual General Meeting of the Company.

I am sure that most of you are aware that the Company had a very challenging year. Total revenue for the reporting year was only \$69 million approximately and the Company incurred an after tax loss of around \$92 million. Delay in approvals, lower production, roof fall incidence at Wongawilli, lower International coal prices and higher exchange rate resulted in lower revenue.

The Company's total production was around 850,000 tonnes, which was 60% compared to the previous reporting year, due to several operational challenges and delay in approvals for Russell Vale mine.

I would like to take an opportunity to summarize some of the significant incidents that happened last year.

This Company was previously controlled and managed by Gujarat Group, which was headed by Arun Kumar Jagatramka. He was also the Executive Chairman of this Company.

Since early 2012, the Company started facing severe cash flow issues. Economy downturn, lowering coal prices and delay in obtaining approvals were to blame. However, the primary reason for that liquidity crisis was also due to the Company not receiving money for coal supplied to Gujarat NRE Coke in India. As we speak today, the Gujarat Group owe net of around \$70 million to the Company.

Given the situation where more than hundred million dollar including statutory dues were outstanding to the government departments, suppliers and employees the Company started receiving bad publicities from local newspapers and other media.

Jindal Steel and Power being a significant stakeholder was becoming aware of issues faced by the Company and approached Arun on few occasions, which were never entertained.



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After failing to raise funds from anywhere else and after most of the damage was done, Arun finally approached Mr Naveen Jindal the Group Chairman of Jindal Steel & Power Limited, which was holding around 32% stake in the Company for investment sometime in early July last year.

Even then he was not transparent enough and informed that a sum of \$50 million would be sufficient to bring the Company back on track when the Company was actually in need of more than \$200 million.

Mr Jindal had high regards for Arun at that time who was conducting conferences and seminars on ethics, corporate transparency and integrity at National and International levels. I would like to quote part of his profile picked up from the website of Gujarat NRE Coke.

"...Mr Jagatramka is a sought after speaker in various national and international platforms on a wide range of subjects like economy and industry, coking coal and coke as well as on ethics and integrity. He encourages and supports initiatives to infuse integrity in every walk of life and has a passion to contribute towards building an ethical and a transparent society..."

Mr Jindal agreed to support Arun and Jindal Steel and Power made a deal to invest around \$66 million, which included \$15 million offset for previous advances. Almost \$42 million was provided to the Company without much ado or due diligence despite the deal with Jindal Steel and Power was subject to shareholders approval in a general meeting scheduled in mid-October.

While this deal was happening and the Company was receiving money from Jindal Steel and Power, Arun caused the Company to sell its \$10 million residential property at 64 Cliff Road Wollongong for mere \$3.75 million and that also to a Company whose sole director seems to be related to Arun and used that \$3.75 million to repay its own Group of companies. To the best of my knowledge, Arun and his family are still using that property.

At that same time, Arun made a deal with a third party to sell almost half a million tonnes of coal at extraordinary low value and almost \$5 million out of advances received were used by him to pay his own Group of companies.

In September and October 2013, around the time the deal was to be approved by the shareholders and Jindal Steel and Power was to become controlling stakeholder, almost US \$10 million was transferred to Gujarat NRE



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Coke. I became aware of these transactions after taking the charge on 28th October 2013. After that I realised that the Company was in much worst state with outstanding of over hundred million dollars to creditors including statutory payments; mines were not in production; bankers' interest payments and repayments were grossly overdue; employees were not paid for almost 5 weeks; almost 6 months of superannuation were not paid; several statutory demands, statement of claims and legal demands were issued including a winding up application against the Company; almost \$11 million receivable under coal sector job package was cancelled; and worst of all, the Company's bank accounts were ceased and garnished by ATO. That was the darkest period in the history of the Company and we needed focus, time and liquidity to see the light.

Today, I am glad to advise you all that under those difficult times and with the financial support from Jindal Steel & Power, your Company has successfully resolved most of those issues.

- Employees' payments including super is now up to date and they are getting paid on time regularly.
- Previous statutory dues including Carbon Tax are mostly paid with remaining being paid as per the payment plan agreed upon.
- Major portion of previous outstanding with suppliers is paid with rest being paid as per the payment plans negotiated and agreed upon. Suppliers are now getting paid as per their payment terms.
- Most of the Bankers' outstanding interest payments were paid and the Company has successfully restructured over \$250 million loans and facilities.
- All statutory demands were settled and withdrawn except for statutory demand issued by Gujarat Group Company and another one from a shipping company called PCL shipping. We believe that those payments are disputed, not payable and we are defending those demands in court.
- All Statement of claims and legal demands were settled and withdrawn except one from another shipping company called British Marine and another one from a coal buyer for a shipment done in past, which are disputed and we are defending those claims in court.



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- Wind up application was initiated by RUS Mining, which was later substituted by UIL Singapore. Both RUS and UIL were settled and now PCL shipping is trying to substitute that application and we are defending it. Winding up applications initiated by Elton and IPower have been settled and withdrawn.
 - There are two other litigations commenced against the Company by Gujarat NRE Group, which we are defending.
 - The Company was successful in reinstating coal sector job package, which was previously cancelled, and we have recently received around \$8.6 million payment from the department. Rest of \$2 million is expected to receive after meeting the balance payment criteria.

I would like to assure you all that your Company and its new management is totally determined to take all necessary actions against Arun and Gujarat NRE Group to recover around \$70 million owed. We have already commenced various legal actions against them including one to recover residential property at 64 Cliff Road Wollongong and won't be hesitant to take further legal actions as and when suggested by our lawyers.

I would like to thank my entire team who has tirelessly worked days and nights and have put their heart, mind and soul in last 10 months to resolve those issues and challenges faced by the Company. I would also like to sincerely thank Mr Jindal and Jindal Steel and Power for entrusting me and providing much needed funds in the Company.

In less than a year Jindal Steel and Power has invested around \$240 million in the Company. \$66 million in placement deal; \$135 million as equity by participating in all 4 rights issues that Company has conducted and around \$44 million as a loan.

Jindal Steel and Power has also provided your company with a short term cash advance facility to withdraw up to \$75 million against which it has withdrawn around \$44 million.

Since the change in control of the Company in November last year, the new management team has also been reviewing and remodelling the Company's business plans and strategies including 'life of mine plan'. Complete cost analysis was conducted and strict measures were introduced to reduce and control cost including 47 jobs were made redundant in January.



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As you are aware the Company was operating within the old Nebo Workings for continuity as a transition to high capacity operations at the Wongawilli South project. The Nebo workings utilised the old equipment and infrastructure and was set up in a high sale prices environment. The longwall was scheduled to mine through existing roadways over the remainder of the life of the Nebo area. This activity had geotechnical risks and it was an unforeseen geotechnical fault that led to the longwall suffering an intensive roof fall in February 2014. After detailed analysis taking into consideration that longwall operations in the Nebo area are uneconomic and due to the high cost of recovery, it has been decided to leave the longwall in-situ.

The operation team is currently working on plans to extract coal using continuous miners, which is not suitable in current uneconomic environment mainly due to low coal prices. However, there will be an opportunity to recommence from care and maintenance when the market rebounds. The placement of the operation necessitated a structural review culminating the reduction of additional 150 personnel across the company.

The Company is also continuing with the approval progression and design of Wongawilli South.

The year ahead looks as challenging with coal prices yet to recover from lower end; Wongawilli Mine put under care and maintenance; and Russell Vale Mine impatiently waiting for approvals from the department to commence extraction of coal.

While we wait for necessary approvals, we are focusing on and continuing with developmental works for future longwall blocks in Russell Vale mine. Development work for next longwall panel (Panel 6) at Russell Vale has been completed and development work on the mains is continuing.

I remain fully confident that with the support of our team and investment support from JSPL and such considerate shareholders, we shall overcome all challenges and it would be just a matter of time when this Company would be able to look after its stakeholders.

The future outlooks are indeed prospective and certainly our Company has a good future.

Thank you!

Jasbir Singh
Chairman