



# Quarterly Report

April to June 2014



## Highlights

- Over \$50 million raised
- Completed the business restructure of both Russell Vale Colliery and Wongawilli Colliery
- Development of the Longwall 6 panel has been completed and longwall installation has commenced

## Production and Sales

	Russell Vale Colliery		Wongawilli Colliery		WLC Totals	
	Jan – Mar 2014	Apr – Jun 2014	Jan – Mar 2014	Apr – Jun 2014	Jan – Mar 2014	Apr – Jun 2014
Development Metres	2,058	1430	8	216	2,066	1646
ROM Production	39,678	42239	154,228	7,276	193,906	45,161
Saleable Production	39,678	37,885	154,228	7,276	193,906	45,161
Sales	25,034	50,885	240,133	34,751	265,169	85,636

### Russell Vale

- Reduction in development meters Q4-13 to Q1-14 due to reduction in development manning from 3 to 2 panels and considerable geotechnical delays.

### Wongawilli Colliery

- Development crews assisted with longwall recovery in Q4-13 and also widened a roadway resulting in reduced drivage

## Health, Safety, Environment & Community

### Health and Safety

At Wollongong Coal, safety is always about our people not just numbers, under the direction of our new management team we are in the process of redesigning our safety and health management system. Over the coming months we will be introducing improved safety practices and behaviours to our employees.

At Russell Vale Colliery there have been two reportable injuries between April and June 2014.

1. An operator received stitches while installing a ventilation device
2. A tradesman tore his bicep while maintaining a continuous miner.

In response to the second injury and as part of our new safety and health management system rollout, Wollongong Coal has initiated a fitness for work program for the whole workforce. The focus of the program is core stability, flexibility, strength and general wellbeing.



At Wongawilli Colliery, there have been two disabling injuries during the Quarter, recorded in April:

1. A strained back whilst working bent over during the longwall recovery
2. A cut finger requiring stitches when they hit themselves with a drill dolly whilst cleaning it.

There were no recorded injuries in either May or June.

## 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 5 complaints during the period. The complaints were made regarding noise issues and all matters were resolved satisfactorily in liaison with complainants and regulators. There were no environmental incidents.



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

- Construction of earthen noise mounds and planting of appropriate shrubs and trees.
- Work to reduce noise at coal conveyor transfer and discharge points. Temporary measures employed to attenuate noise were removed and work for the final sound attenuation system was commenced. The work to evaluate the attenuation is practically complete however a significant improvement is anecdotally acknowledged. At our major coal discharge point onto the stockpile engineering design to reduce noise has commenced with specialised materials selected to reduce noise and eliminate impact vibration transmission. Installation works are planned for July 2014.
- New quieter reverse alarms have been installed on two vehicles and modifications to others have reduced reverse noise significantly.
- Operational consideration has been included in to the planning process for night time activities to minimise noise levels.

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

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

An application under the federal Environmental Protection and Biodiversity Conservation Act 1999 (EPBC Act) is currently being prepared to address some of Matters of National Environmental Significance (MNES) that are listed



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

A modification of the existing Preliminary Works Pt3A was submitted to the DPE on 11 April 2014 and was placed on Public Exhibition between 22 April and 13 May 2014. The application requests approval for the extraction of 400m of LW6 while the PPR is under consideration. WCL has responded to community and regulatory submissions on the application and the DPE is preparing an assessment report for NSW Planning Assessment Commission determination.

An application to the federal Department of the Environment is being prepared for submission sometime in the next Quarter. WCL has advised the DoE that it believes the application should not constitute a controlled action under the Environment Protection and Biodiversity Conservation Act and thus not require approval under that Act.

## Wongawilli Colliery

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

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

## Human Resources

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An operational restructure has been occurring at Wollongong Coal in the quarter, April to June 2014. The restructure is as a result of considerable changes to the Wongawilli Colliery business over the preceding months which resulted in the cessation of longwall mining and the reduction to a single miner section engaged Monday to Thursday, and due to the delay in Longwall mining approval for Russell Vale Colliery.

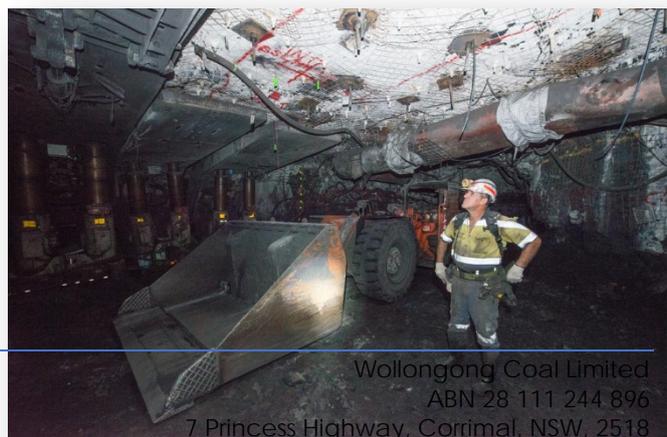
The restructure has also allocated all actions required to sustainably operate and achieve the business plan. The business has been portioned into specific areas and these actions have been defined in a Management Operating System.

## Operational Update

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### Russell Vale Colliery

Russell Vale has had a full review of the business plan and schedule to ensure that business continuity can be maintained where possible and discontinuities minimised. This



review has led to a significant change in the operational strategy for the operation.

Strata conditions have had impacted on the quarter. The overlying remanent mining has induced horizontal stress and the Corrimal Fault lead to the abandonment of 12ct in maingate 6 which has impacted on the development process for the gate roadways and the face road. The Corrimal Fault will require a high level of consolidation prior to longwall mining in this area.

### Strata Management

The roadway conditions in A and B Heading 13ct maingate 6 were influenced by significant multi-seam stress interaction from the Bulli Seam workings.

The primary deterioration mechanism on face road 6 is that the roof is slowly breaking due down to on-going roof movement thus preventing the weight of the roof (or a significant portion of it) being transferred over onto the adjacent abutment of solid coal. This on-going roof deterioration is judged to be a function of (a) the horizontal stress notch (b) roof fracturing in the top section of roof bolts that was initiated by high resin back pressures. The operation has been investigating alternative strata control systems to better manage the strata and increase the productivity.

Face road 6 has been completed and the installation of the longwall has commenced.



Maingate 7 has been completed to 2ct. Upon approval being given from the Department of Planning mining will recommence in this area.

Russell Vale Mains development recommenced in the month of June and has advanced to 22ct.

## Projects

- Schedule and costs have been completed for recommission of No.4 shaft
- Voice communications on trunk belts – Capex has been submitted for final approval
- Spare L/W TX – \$1.53M has been approved and is in the initial stages of construction

## Wongawilli Colliery

Wongawilli Colliery underwent a complete restructure during the Quarter. Following the roof fall on the longwall face at the end of February the following strategy has been implemented:

- The Longwall Recovery IMT investigated a number of business options, from full recovery, through partial recovery, and abandonment. Each option considered commercial cost, business strategy, recovered value, and workforce safety.
- Although with the injection of cement based grout the shearer cut to the Maingate, the continued failure of overlaying roof strata resulted in the decision to minimise commercial cost and potential injury. The Longwall supports are to remain insitu at this time and the Maingate corner, including the pantec, and crusher drive module were all recovered.
- The mine commenced approval works to reconfigure as a Pillar extraction mine
- Negotiations with the Workforce representatives to ramp up production to a 24/7 operation culminated in a no vote from the workforce, and consequently the operation has been scaled back to a single development unit.
- 115 staff and workforce were made voluntarily and involuntarily redundant up to 29<sup>th</sup> May

## Installations and Projects

The following works have been undertaken during the Quarter

- Installation of N6 and N6 cross belt to service the longwall N6 are that has been reconfigured for pillar extraction
- Replacement commenced of the seven flameproof motors on CM6752. These motors will be sent away and reinstated in CM6753.

## Business Development Update

### Russell Vale Central and West

Following the submission of the original Underground Expansion Document for RVC (formerly NRE No. 1 Mine) in 2013, WCL has been reviewing submissions from various Government agencies (including Sydney Catchment Authority etc.) to finalise the concept mine design for the Western Area of RVC.

This is being completed in consultation with leading industry environmental specialists to ensure WCL implements industry best practice environmental management in this area.

An additional six groundwater / exploration holes will commence in July 2014 and be completed in the following six months which will provide information to further support the application process.



It is anticipated a Lead Consultant will shortly be appointed by WCL and relevant mining approvals sought from the NSW and Federal Governments in 2015-16 for longwall mining to commence in this area following the exhaustion of reserves in RVC East.

### Wongawilli South

WCL continues to progress baseline monitoring and environmental studies to support the application of the Wongawilli South Project which is anticipated to produce up to 5 Mtpa over 25 years.

Whilst significant environmental information has previously been gathered for the Wongawilli South mining areas within ML1596, further environmental studies are now being planned to include mining areas within ML1565 and CCL766 (adjacent to Huntley and Avondale Mines). This is to increase the volume of coal recovery for the Project and improve project value.

Furthermore, WCL continues to review potential low-seam mining options for the North West Mains Access Project to improve the coal quality and project

value through this initial area. It is anticipated for mining to commence in FY15-16.

A 25 hole Exploration / Groundwater program has been designed and internally approved to commence in September 2014 once relevant Sydney Catchment Authority approvals have been received. This drilling will target both the Wongawilli and Tongarra seams in this area which have previously been mined in Huntley and Avondale in addition to already completed drilling throughout the previous Avon area.

### Avondale South

Mining and coal distribution options for the Avondale South Project are currently being analysed following an internal review which has indicated a positive current value for this project.

The Exploration programme currently being planned for the Wongawilli South Project will be used to provide critical coal quality and geotechnical information for further planning requirements of the Avondale South Project.

Coal reserves exist in the area for both the Wongawilli and Tongarra seams.

### Exploration

Exploration activities in the recent Quarter included the completion of the RV16 hole which gave vital information regarding coal quality, groundwater information and the impact of previous multi-seam mining throughout this area.

Exploration activities in the upcoming Quarter will focus on an additional 7 Exploration / Groundwater holes in the RVC East area to provide additional coal quality and groundwater monitoring information for this immediate mining area.

Drilling of a further 6 Exploration / Groundwater holes in the RVC Central area is also due to commence in the coming Quarter.

## Corporate & Financial

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### Corporate Update

#### Capex raising through Rights Issue - Over \$51 million raised

On 7 April 2014 the company announced an accelerated pro-rata renounceable rights offer of 2 new shares for every 11 shares held at an issue price of \$0.075 per share. The company received applications to subscribe for a total of 391,400,182 new shares for eligible shareholders raising approximately \$29.36 million.

On 23 May 2014 the company announced an accelerated institutional and retail entitlements offer of 1 new share for every 7 shares held by those eligible shareholders registered at the record date, 28 May 2014, at an issue price of \$0.06 Per new share to raise up to approximately \$30.30 million. As on date of issuance of this report the company received around \$21.75 million under institutional component of the offer made to Jindal Steel & Power (Mauritius) Pty Ltd.

#### Loan of USD \$2.86 million from UCO Bank restructured

Around mid-May 2014, \$2.86 million term loan from UCO Bank as part of \$140 million term loan from consortium of banks led by Axis Bank Limited has been successfully restructured with remaining US \$7.8 million from Canara Bank being in process of getting restructured.

#### Cash Advances - \$50 million Facility Agreement

In order to assist the consolidated entity with cash flow, JSPL has provided a cash advance facility of up to \$50 million, until 23 August 2014. Subject to certain restrictions may be drawn in tranches of minimum \$500,000 at discretion of Jindal in order to provide immediate short term funding. Company has drawn Aus \$20 Million from the facility till 30<sup>th</sup> June 2014.

#### Work Force Restructure

Over the last two years the consolidated entity has been through a difficult time due to the economic downturn with the consequent adverse market conditions especially coal prices remaining lowest and lower production has resulted in some severe liquidity issues. Unfortunately, with the market conditions remaining adverse and due to operational issues, the consolidated entity was forced to take some drastic cost cutting including

releasing of 150 employees in May 2014. This is in addition to the 50 employees released in January 2014.

### Capital Structure as on 30 June 2014

Shares on issue	– 3,899,279,213
Unlisted options	– 19,935,000
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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