

**Wollongong Coal Limited ABN 28 111 244 896
and Controlled Entities
Interim Financial Report**

**APPENDIX 4D – INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 SEPTEMBER
2019**

1. Company Details

Name of entity:	Wollongong Coal Limited
ABN:	28 111 244 896
Reporting period:	For the half-year ended 30 September 2019
Previous Period:	For the half-year ended 30 September 2018

2. Results for Announcement to the Market

Key Information	Half-year Ended	Half-year Ended	% Change
	30 September 2019	30 September 2018	
	\$'000	\$'000	
Revenue from ordinary activities	7,069	34,439	(79%)
Loss after tax from ordinary activities attributable to the owners of Wollongong Coal Limited	(77,454)	(62,267)	24%
Net loss for the half year attributable to the owners of Wollongong Coal Limited	(77,454)	(62,267)	24%

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$77,454,000 (30 September 2017: \$62,267,000).

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

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3. Net Tangible Assets / (Liabilities) per Share

	Half-year Ended 30 September 2019	Half year Ended 30 September 2018
	\$c/Share	\$c/Share
Net tangible assets / (liabilities) per share	(7.27)	(3.06)

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

Not applicable.

5. Dividend Reinvestment Plans

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

6. Foreign entities

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

Not applicable

7. Audit qualification or review

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

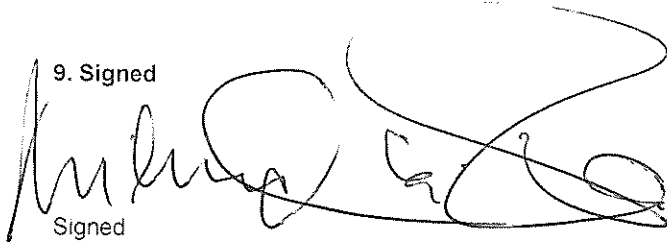
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

Details of attachments (if any):

The Interim Report of Wollongong Coal Limited for the half-year ended 30 September 2019 is attached.

9. Signed



Signed

Date: 29 October 2019

Mr Milind K Oza

Director

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Wollongong Coal Limited

Financial Statements

For the Half Year Ended 30 September 2019

Wollongong Coal Limited

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For the Half Year Ended 30 September 2019

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Wollongong Coal Limited

Directors' Report

30 September 2019

The directors present their report, together with the financial statements, on the consolidated entity consisting of Wollongong Coal Limited (referred to hereafter as the 'company', 'WLC' or 'parent entity') and the entities it controlled at the end of, or during, the half year ended 30 September 2019.

Directors

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

Mr Milind K Oza

Dr Andrew E. Firek

Mr Sanjay Kumar Srivastava (appointed 7 May 2019)

Mr Dipen Rughani (appointed 16 August 2019)

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

Mr Devendra Vyas (resigned on 1 April 2019)

Principal activities

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

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

Review of Operations

During the half year the consolidated entity's total production was nil tonnes of ROM (run of mine) coal from the Wongawilli colliery. Total revenue of the consolidated entity was \$7,069,000 (123,953 tonnes sold) compared to \$34,440,000 (231,513 tonnes sold) for 6 months to 30 September 2018. The loss for the consolidated entity after providing for income tax amounted to \$77,454,000 (30 September 2018: \$62,267,000). The net cash used in operating activities for the financial half year is \$54,719,000 (30 September 2018: \$15,542,000).

The loss for the half year is after a net foreign exchange loss of \$28,632,000 (30 September 2018: \$33,533,000) that mainly relates to the change in exchange rate between the US dollar and Australian dollar on the consolidated entity's borrowings in US dollars. The consolidated entity's borrowings are in US dollars therefore the fluctuation in exchange rates gives rise on conversion to a gain or loss depending on the direction of the movement.

Wollongong Coal Limited

Directors' Report

30 September 2019

Significant changes in the state of affair

Wongawilli colliery - The mine remains on Care and Maintenance. The mine portals to the old mine workings have been secured against entry and the mechanical ventilation and power removed from the workings. Planning is progressing on the sealing of old sections of the mine in consultation with the DPIE. Two portal seals are targeted for completion in the next Quarter. Round the clock security is in place at the eastern mine pit head facility.

Surface clean up and environmental compliance works are continuing. Power has been isolated from the catchment facilities. Work continues on the removal of stored substances, site security and the longer-term rehabilitation of the facilities that will be redundant to future requirements in this area.

Work is progressing on the evaluation and development program to continue mining operations in the future utilising the North West Mine entries.

Health & Safety - There was one notifiable incident in the first quarter related to the stoppage of the Main Ventilation Fan, but no one was underground at the time or at risk.

Environment and Community - There were no reportable environmental incidents during the half year period. Two Community Consultative Committee meetings on 5 June 2019 and 4 September 2019 were held during the half year period.

Russell Vale Colliery - remains in care and maintenance.

The Russell Vale Colliery remains on Care and Maintenance. The application process to restart mining activity continued to be progressed in the quarter.

The modification application made to the Department of Planning, Industry and Environment (DPIE) proposing modifications (Mod 4) to the project approval regarding Bellambi Gully Creek stormwater works was submitted on 19 July 2019 and is currently being assessed by the DPIE, before their referral to the Independent Planning Commission (IPC) during Q4 2019.

The Underground Expansion Project (UEP) for a 5-year extension for mining the Wonga East are using first workings Bord and Pillar mining methods with minimal subsidence was lodged with the DPIE on 17 July 2019 and went on public exhibition in week ending 2 August 2019. A total of 271 submissions from individual and organisations were received with 89 submissions in support of Project (33%) and 182 submission objecting to Project (67%). Additionally, 11 submissions received from government Departments and agencies. A Responses to Submissions (RTS) report is being prepared for submission to DPIE. It is anticipated that DPIE will refer the project to the IPC during Q4 2019.

The removal of the coal material from the Russell Vale Reject Emplacement Area (RVREA) was completed by 19 July 2019. A RVREA Implementation Plan is being prepared for submission to DPIE and Wollongong City Council that will outline the final land form and rehabilitation program and schedule.

Health & Safety - There was one notifiable incident in the second quarter where a fitter strained his back.

Environment and Community - There was one Category 1 environmental incident (non-reportable) during the month of September 2019 from a minor overflow due to pump blockage at the roadside dam. Two Community Consultative Committee meetings on 3 June 2019 and 19 August 2019 were held during the half year period.

Continuing support from Jindal Steel

Cash Advance Facility Agreement, a short-term drawdown facility for cash advances (Facility) from the major shareholder Jindal Steel & Power (Mauritius) Limited (JSPML) has been increased to \$400 million and extended until 31 December 2020. To date, the Company has withdrawn around \$346.08 million. The Company has also received short term funding of around \$41.06 million from Jindal Steel and Power (Australia) Pty Ltd (JSPAL).

Wollongong Coal Limited

Directors' Report

30 September 2019

US \$25 million facility (MCB Facility)

US \$25 million facility with an outstanding loan amount of US \$20.835m, which was due in December 2018 was deferred up to 30 June 2019. The Company had repaid couple of instalments in February 2019 and April 2019, with remaining US \$12.501 million payable by Jun 2019. However, on the Company's request the Lender has agreed to extend the final repayment date to the earlier of 31 December 2019 or the date on which any restructuring of the indebtedness and other obligations of Jindal Steel and Power (Australia) Pty Ltd in connection with various outstanding facilities becomes effective ("Final Repayment Date"). The Company has complied with the Terms of the Amendment Letter listed below.

- repay 5% of the original outstanding amount under the MCB Facility of US \$20,835,000, within 5 business days following the execution of the Amendment Letter and on or before 30 September 2019 (being an aggregate amount of US \$2,083,500); and
- pay all accrued and unpaid interest for the period from 1 July 2019 until 30 September 2019 on 30 September 2019.

Investigations and Notices from the Resources Regulators

The Department of Planning and Environment's Resources Regulator has commenced an investigation into whether Wollongong Coal Ltd has complied with its duties under the Work Health and Safety Act 2011. The investigation relates to matters that led to the issue of prohibition notices and the stop work order following an inspection of the Wongawilli Colliery on 13 March 2019, announced on 18 March 2019. Wollongong Coal continues with its risk review and will continue to assist the Resources Regulator in its investigation. The Company has received a letter dated 22 October 2019 from the Resources Regulators informing that this investigation has been concluded.

The Resources Regulators has also issued a notice under section 248B of the Mining Act 1992, seeking information and records in relation to Wollongong Coal's financial capacity to comply with its obligations under the Mining Act. The requests for information relate to the recent disclosures made to the Australian Stock Exchange on 25 February 2019 (Loan facility restructured), 14 March 2019 (ASIC determination s 713(6)), and 19 March 2019 (Negotiations re Debt Restructuring). Wollongong Coal has responded to the notices as required under the Mining Act.

Resignation, Cessation and Appointment of Directors

Mr Devendra Vyas has resigned from the position of a non-executive director effectively from 1 April 2019. Mr Sanjay Srivastava, nominee of JSPML has been appointed as a non-executive director effectively from 7 May 2019. Mr Maurice Anghie has ceased to be an independent non-executive director effectively from 23 July 2019 due to death. Mr Dipen Rughani has been appointed as an independent non-executive director effectively from 16 August 2019.

Possible Litigation

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

Update on litigations and legal matters

1. In New South Wales Supreme Court proceedings 2014/211688, the Company defended an indemnity claim for approximately AUD\$12 million and a further claim for AUD\$6.57 million, plus interest and costs. The loan claim relates to an alleged unpaid loan from Gujarat NRE India Pty Ltd (GNI), part of the Gujarat NRE Group. GNI issued a statutory demand in relation to the loan claim, which was set aside by the Court in prior proceedings. On 23 October 2018, the Court gave judgement in favour of GNI in relation to both claims in the sum of \$23,776,612.82 plus costs. The judgement was stayed until the final determination of the appeal, on a condition that WLC provide a security of \$8.67m by no later than 5 December 2018, which was provided.

The Court of Appeal of the New South Wales handed down a decision on 11 June 2019, which overturned a judgment in favour of Gujarat NRE India for indemnity in the sum of \$15,106,397.48. The Court upheld a judgment against the Company

Directors' Report

30 September 2019

in the sum of \$6,565,398.06 plus interest in respect of a loan account claim. On or around 9 July 2019, GNI has filed an application for special leave in the High Court of Australia to appeal part of the judgement of the New South Wales Court of Appeal's judgement. A hearing has been set on 15 Nov 2019 to determine if GNI should be granted leave to appeal in the High Court.

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

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

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

The Company is currently in process of holding a general meeting to seek shareholders' approval for the proposed shares buyback.

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

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

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

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

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 30 September 2019 has been received and can be found on page 5 of the financial report.

ASIC corporations instrument 2016/191 rounding of amounts

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

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

Director

Dated this 29 day of October 2019

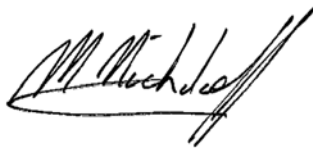
Auditor's Independence Declaration

To the Directors of Wollongong Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2019, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

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

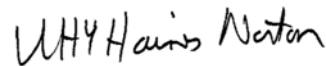


Mark Nicholaeff

Partner

Sydney

Date: 29 October 2019



UHY Haines Norton

Chartered Accountants

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Wollongong Coal Limited

Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 30 September 2019

		30 September 2019 000's	30 September 2018 restated 000's
	Note	\$	\$
Revenue	4	7,069	34,439
Other income	4	1,328	(63)
Changes in inventories of finished goods and work in progress		(2,941)	(2,850)
Raw materials and consumables used		(1,631)	(2,758)
Employee benefits expense		(5,774)	(7,143)
Depreciation and amortisation expense		(10,177)	(10,589)
Foreign exchange losses		(28,632)	(33,533)
Finance costs	5	(19,828)	(16,889)
Finance income	5	203	113
Other operating expenses		(17,071)	(22,994)
Loss before income tax		(77,454)	(62,267)
Income tax expense		-	-
Loss for the half- year		(77,454)	(62,267)
Loss attributable to:			
Members of the parent entity		(77,454)	(62,267)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)		(0.83)	(0.66)
Diluted earnings per share (cents)		(0.83)	(0.66)

The Group has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Group has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

Wollongong Coal Limited

Statement of Financial Position

As At 30 September 2019

		As at 30 September 2019 000's \$	As at 31 March 2019 000's \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	6,503	6,981
Trade and other receivables	7	1,711	735
Inventories	8	3,409	6,885
Other assets	13	7,562	16,729
Non-current assets held for sale	9	-	11,913
TOTAL CURRENT ASSETS		19,185	43,243
NON-CURRENT ASSETS			
Other financial assets	10	17,589	17,196
Property, plant and equipment	11	355,227	343,967
Intangible assets	12	28,233	28,233
Other assets	13	2,284	2,566
TOTAL NON-CURRENT ASSETS		403,333	391,962
TOTAL ASSETS		422,518	435,205
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	8,942	17,741
Borrowings	15	976,606	893,169
Short-term provisions	16	10,422	20,651
Other liabilities	17	27,441	37,177
TOTAL CURRENT LIABILITIES		1,023,411	968,738
NON-CURRENT LIABILITIES			
Long-term provisions	16	51,798	41,851
TOTAL NON-CURRENT LIABILITIES		51,798	41,851
TOTAL LIABILITIES		1,075,209	1,010,589
NET ASSETS		(652,691)	(575,384)
EQUITY			
Issued capital	18	913,690	913,690
Reserves		(7,379)	(6,377)
Retained earnings		(1,559,002)	(1,482,697)
Total equity attributable to equity holders of the Company		(652,691)	(575,384)
TOTAL EQUITY		(652,691)	(575,384)

The Group has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Group has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

The accompanying notes form part of these financial statements.

Wollongong Coal Limited

Statement of Changes in Equity

For the Half Year Ended 30 September 2019

	Ordinary Shares 000's \$	Retained Earnings 000's \$	Option Reserve 000's \$	Share Repurchase Reserve 000's \$	Assets- Available- For-Sale Reserve 000's \$	FVOCI reserve 000's \$	Total 000's \$
Balance at 1 April 2019	913,690	(1,482,697)	1,833	(6,300)	-	(1,910)	(575,384)
Loss attributable to members of the parent entity	-	(77,454)	-	-	-	-	(77,454)
Transactions with owners in their capacity as owners							
Share based payment transactions	-	-	32	-	-	-	32
Reallocation of expired employee options	-	1,034	(1,034)	-	-	-	-
Prior period error	-	115	-	-	-	-	115
Balance at 30 September 2019	913,690	(1,559,002)	831	(6,300)	-	(1,910)	(652,691)

The accompanying notes form part of these financial statements.

Wollongong Coal Limited

Statement of Changes in Equity
For the Half Year Ended 30 September 2019

	Ordinary Shares	Retained Earnings	Option Reserve	Share Repurchase Reserve	Assets- Available- For-Sale Reserve	FVOCI reserve	Total
	000's	000's	000's	000's	000's	000's	000's
Note	\$	\$	\$	\$	\$	\$	\$
Balance at 1 April 2018 restated	913,690	(1,103,467)	1,752	(6,300)	(1,820)	-	(196,145)
Restatement due to adoption of AASB 9	-	-	-	-	1,820	(1,820)	-
Loss attributable to members of the parent entity	-	(62,267)	-	-	-	-	(62,267)
Total comprehensive income for the half- year	-	(62,267)	-	-	-	-	(62,267)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Share based payment transaction	-	-	49	-	-	-	49
Balance at 30 September 2018 restated	913,690	(1,165,734)	1,801	(6,300)	-	(1,820)	(258,363)

The accompanying notes form part of these financial statements.

Wollongong Coal Limited

Statement of Cash Flows

For the Half Year Ended 30 September 2019

	30 September 2019 000's \$	30 September 2018 000's \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipt from/(payment to) customers	(2,713)	71,239
Payment to suppliers and employees	(34,056)	(58,766)
Interest received	203	113
Interest paid	(18,153)	(28,128)
Net cash used in operating activities	<u>(54,719)</u>	<u>(15,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(3,148)	(5,413)
Proceeds from sale of plant and equipment	2,130	-
Purchase of financial assets	(392)	(1,335)
Net cash used in investing activities	<u>(1,410)</u>	<u>(6,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	74,051	35,932
Repayment of borrowings	(18,442)	(18,534)
Net cash provided by financing activities	<u>55,609</u>	<u>17,398</u>
Effects of exchange rate changes on cash and cash equivalents	42	-
Net decrease in cash and cash equivalents held	(478)	(4,892)
Cash and cash equivalents at beginning of year	<u>6,981</u>	<u>5,748</u>
Cash and cash equivalents at end of financial year	<u><u>6,503</u></u>	<u><u>856</u></u>

The accompanying notes form part of these financial statements.

Wollongong Coal Limited

Notes to the Financial Statements

For the Half-Year Ended 30 September 2019

1 General Information

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

Its registered office and principal place of business is:

Lot 31

7 Princes Highway, corner of Bellambi Lane

Corrimal, NSW 2518

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

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

The financial report was authorised for issue by the Directors on 29/10/2019.

Comparatives are consistent with prior years, unless otherwise stated.

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

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Notes to the Financial Statements For the Half-Year Ended 30 September 2019

2 Going Concern

The consolidated entity reported a loss of \$77,454,000 after tax in the financial half year ended on 30 September 2019 compared to \$62,267,000 in the previous corresponding half year. The loss is after a net foreign exchange loss of \$28,632,000 (30 September 2018: \$33,533,000). The net cash used in operating activities for the financial half year is \$54,719,000 (30 September 2018: \$15,542,000).

Net current liabilities of \$1,004,226,000 (March 2019: \$925,495,000) includes borrowings and working capital facilities of \$976,606,000 (March 2019: \$893,169,000) which have been classified as current liabilities to comply with Accounting Standards AASB 101 'Presentation of Financial Statements', due to breach of financial covenants. The expected principal repayment due on borrowings for the financial year ending 31 March 2020 is \$44,820,265, subject to negotiations in relation to existing facilities.

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

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

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

Since taking over the majority stake and management control in October 2013, Jindal Group has been funding and supporting the Company. To date the Company has received in excess of \$342.15 million by way of equity and \$410.370 as loans.

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

In addition, Jindal Steel and Power (Mauritius) Limited (JSPML) has provided a working capital facility of \$400 million. To date the Company has drawn \$349.07 million from the facility.

To date, the Company has also received a short-term loan repayable on demand for a total amount of \$41.06 million from Jindal Steel and Power (Australia) Pty Ltd (JSPAL), wholly-owned subsidiary of JSPML.

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

Settlement of legal claims

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

Deferment/Rescheduling of secured debts

The Company remains in continuous discussion with secured lenders to defer/restructure the borrowed debt allowing adequate time to repay. The Company has deferred US \$12.5 million repayment for its MCB Facility. Please refer to US \$25 million facility (MCB Facility) section in directors report.

Financial Covenants Breaches and Waivers

As disclosed above, borrowings have been classified as current due to covenant breaches as at 30 September 2019.

Notes to the Financial Statements

For the Half-Year Ended 30 September 2019

Operations at Russell Vale colliery

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

Cost Control

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

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

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

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

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

3 Significant Accounting Policies

These general purpose financial statements for the half-year reporting period ended 30 September 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with international Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

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

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

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

4 Revenue and Other Income

	30 September 2019 000's \$	30 September restated 2018 000's \$
Revenue		
- Sales to external customers	7,069	34,439
Revenue by geographic location		
- India	7,069	24,670
- Domestic	-	9,769
Revenue by product		
- Thermal	2,725	-
- Metallurgical	4,344	34,439
Other income		
- Other income	4	(71)
- rental income	358	7
- net gain on disposal of property, plant and equipment	966	1
	1,328	(63)

5 Finance Income and Expenses

Finance income

	30 September 2019 000's \$	30 September restated 2018 000's \$
Interest income	203	113

Finance expenses

	30 September 2019 000's \$	30 September restated 2018 000's \$
Interest expense		
Unwinding of discounts on provisions	828	734
Interest and financing costs	19,000	16,155
Total finance expenses	19,828	16,889

Wollongong Coal Limited

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

6 Cash and Cash Equivalents

	30 September 2019 000's \$	31 March 2019 000's \$
Cash at bank and in hand	6,503	6,981
	<u>6,503</u>	<u>6,981</u>

Cash balances as at 30 September 2019 includes \$6,351,273 (31 March 2019: \$6,147,000) held as security against the Group's borrowings.

7 Trade and Other Receivables

	30 September 2019 000's \$	31 March 2019 000's \$
CURRENT		
Trade receivables	39,799	38,306
Provision for impairment	(38,128)	(38,128)
	<u>1,671</u>	<u>178</u>
GST receivable	40	557
Total current trade and other receivables	<u>1,711</u>	<u>735</u>

8 Inventories

	30 September 2019 000's \$	31 March 2019 000's \$
CURRENT		
At cost:		
Finished goods	373	3,645
	<u>373</u>	<u>3,645</u>
At net realisable value:		
Production supplies	3,036	3,240
	<u>3,036</u>	<u>3,240</u>
	<u>3,409</u>	<u>6,885</u>

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

9 Assets and liabilities held for sale

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

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

10 Other Financial Assets

	30 September 2019 000's \$	31 March 2019 000's \$
NON-CURRENT		
Equity securities - at fair value through Other Comprehensive Income	210	210
Debt securities - at amortised cost	17,379	16,986
Total	17,589	17,196

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Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

11 Property, plant and equipment

	30 September 2019 000's \$	31 March 2019 000's \$
LAND AND BUILDINGS		
Freehold land At cost	43,202	31,288
Leasehold land At cost	486	486
Total Land	43,688	31,774
Buildings		
At cost	2,480	2,480
Accumulated depreciation	(619)	(574)
Total buildings	1,861	1,906
Total land and buildings	45,549	33,680
PLANT AND EQUIPMENT		
Capital works in progress At cost	19,421	18,646
Plant and equipment		
At cost	215,136	236,780
Accumulated depreciation	(150,978)	(162,796)
Total plant and equipment	64,158	73,984
Mine development		
At cost	756,667	747,548
Accumulated depreciation	(229,241)	(228,564)
Accumulated impairment losses	(335,522)	(335,522)
Total mine development	191,904	183,462
Mining leases		
At cost	77,145	77,145
Accumulated depreciation	(5,092)	(5,092)
Accumulated impairment losses	(37,858)	(37,858)
Total Mining leases	34,195	34,195
Total plant and equipment	309,678	310,287
Total property, plant and equipment	355,227	343,967

Wollongong Coal Limited

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

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

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

	Buildings 000's \$	Land 000's \$	Mining Leases 000's \$	Plant and Equipment 000's \$	Mine Development 000's \$	Capital Work in progress 000's \$	Total 000's \$
Half year ended 30 September 2019							
Balance at the beginning of the half-year	1,906	31,774	34,195	73,984	183,462	18,646	343,967
Additions	-	-	-	-	-	3,206	3,206
Disposals	-	-	-	(2,182)	-	(668)	(2,850)
Transfers	-	-	-	1,764	-	(1,764)	-
Depreciation expense	(45)	-	-	(9,408)	(677)	-	(10,130)
Transfers from asset held for sale	-	11,914	-	-	-	-	11,914
Other changes, movements	-	-	-	-	9,119	-	9,119
Balance at the end of the half-year	1,861	43,688	34,195	64,158	191,904	19,420	355,226

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

Wollongong Coal Limited

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

11 Property, plant and equipment

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

	Buildings 000's \$	Land 000's \$	Mining Leases 000's \$	Plant and Equipment 000's \$	Mine Development 000's \$	Capital work in progress 000's \$	Total 000's \$
Half Year ended 30 September 2018							
Balance at the beginning of half-year restated	1,997	32,504	50,984	92,886	434,357	15,546	628,274
Additions	-	-	-	225	-	627	852
Depreciation expense	(91)	80	(36)	(10,628)	(76)	-	(10,751)
Other changes, movements	-	-	-	-	(5,037)	-	(5,037)
Balance at the end of the half-year	1,906	32,584	50,948	82,483	429,244	16,173	613,338

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

12 Intangible Assets

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

13 Other non-financial assets

	30 September 2019 000's \$	31 March 2019 000's \$
CURRENT		
Advance to supplier	2,455	4,067
Prepayments	1,403	1,261
Security deposits	3,704	11,401
	7,562	16,729
NON-CURRENT		
Prepayments	-	282
Security deposits	2,284	2,284
	2,284	2,566

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

14 Trade and Other Payables

	30 September	31 March
	2019	2019
	000's	000's
Note	\$	\$
Current		
Trade payables	6,462	15,642
Sundry payables and accrued expenses	1,957	1,665
Other payables	523	434
	8,942	17,741

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

15 Borrowings

	30 September	31 March
	2019	2019
	000's	000's
	\$	\$
CURRENT		
Unsecured liabilities:		
JSPML working capital loan (principal)**	346,080	289,156
JSPML working capital loan (accrued interest)**	23,231	23,231
JSPAL working capital loan	41,059	24,270
	410,370	336,657
Secured liabilities:		
JSPAL term loan (principal)*	548,465	531,514
JSPAL term loan (accrued interest)*	5,516	4,968
Bank loan - secured (principal)	15,436	23,511
Bank loan - secured (capitalised costs)	(3,181)	(3,481)
	566,236	556,512
Total current borrowings	976,606	893,169

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

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

On 6 August 2015, the consolidated entity entered into a US\$630 million facility with JSPAL. As at 31 March 2019, US\$377 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 LIBOR plus 3%.

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

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

15 Borrowings

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

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

16 Provisions

	30 September 2019 000's \$	31 March 2019 000's \$
CURRENT		
Restructuring	-	2,395
Legal proceedings	7,896	15,689
Employee benefits	2,526	2,567
	<u>10,422</u>	<u>20,651</u>

	30 September 2019 000's \$	31 March 2019 000's \$
NON-CURRENT		
Mine restoration	51,798	41,851

	Mine restoration 000's \$	Legal proceedings 000's \$	Employee benefits 000's \$	Restructuring 000's \$	Total 000's \$
Opening balance at 1 April 2019	41,851	15,689	2,567	2,395	62,502
Additional provisions	9,119	-	-	-	9,119
Provisions reversed/used	-	(7,793)	(41)	(2,395)	(10,229)
Unwinding of discount	828	-	-	-	828
Balance at 30 September 2019	<u>51,798</u>	<u>7,896</u>	<u>2,526</u>	<u>-</u>	<u>62,220</u>

Provision for legal proceedings

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

Provision for mine restoration

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

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

17 Other Liabilities

	30 September 2019 000's \$	31 March 2019 000's \$
CURRENT		
Advance from customers	27,441	37,177
	<u>27,441</u>	<u>37,177</u>

The group repaid \$15,334,000 in customer advances relating to coal shipments no longer able to be delivered in the near future, due to ceased production at the Wongawilli Colliery.

18 Issued Capital

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

19 Earnings per Share

(a) Reconciliation of earnings to profit or loss from continuing operations

	30 September 2019 000's \$	30 September 2018 000's \$
Loss from continuing operations	(77,454)	(62,267)
Earnings used to calculate basic EPS from continuing operations	<u>(77,454)</u>	<u>(62,267)</u>

(b) Earnings used to calculate overall earnings per share

	30 September 2019 000's \$	30 September 2018 000's \$
Earnings used to calculate overall earnings per share	<u>(77,454)</u>	<u>(62,267)</u>

(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	30 September 2019 No.	30 September 2018 No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>9,366,977,256</u>	<u>9,366,977,256</u>

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

19 Earnings per Share

	30 September 2019	30 September 2018
	No.	No.

Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS

9,366,977,256	9,366,977,256
----------------------	----------------------

(d) Anti-dilutive options on issue not included in EPS calculation

	30 September 2019	30 September 2018
	000's	000's
	No.	No.

Anti-dilutive options on issue

480	1,600
-----	-------

20 Tax assets and liabilities

(a) Unrecognised deferred tax assets

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

	30 September 2019	31 March 2019
	000's	000's
	\$	\$
Tax losses	299,734	232,995

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

21 Contingencies

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

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

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

In New South Wales Supreme Court proceedings 2014/211688, the Company defended an indemnity claim for approximately AUD\$12 million and a further claim for AUD\$6.57 million, plus interest and costs. The loan claim relates to an alleged unpaid loan from Gujarat NRE India Pty Ltd (GNI), part of the Gujarat NRE Group. GNI issued a statutory demand in relation to the loan claim, which was set aside by the Court in prior proceedings. On 23 October 2018, the Court gave judgement in favour of GNI in relation to both claims in the sum of \$23,776,612.82 plus costs. The judgement was stayed until the final determination of the appeal, on a condition that WLC provide a security of \$8.67m by no later than 5 December 2018, which was provided.

Notes to the Financial Statements For the Half-Year Ended 30 September 2019

21 Contingencies

The Court of Appeal of the New South Wales handed down a decision on 11 June 2019, which overturned a judgment in favour of Gujarat NRE India for indemnity in the sum of \$15,106,397.48. The Court upheld a judgment against the Company in the sum of \$6,565,398.06 plus interest in respect of a loan account claim. On or around 9 July 2019, GNI has filed an application for special leave in the High Court of Australia to appeal part of the judgement of the New South Wales Court of Appeal's judgement. A hearing has been set on 15 Nov 2019 to determine if GNI should be granted leave to appeal in the High Court.

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

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

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

The Company is currently in process of holding a general meeting to seek shareholders' approval for the proposed shares buyback.

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

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

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

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

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

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

22 Commitments

	30 September 2019 000's \$	31 March 2019 000's \$
Capital Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	811	1,866
One to five years	-	-
	<u>811</u>	<u>1,866</u>

23 Related Parties

(a) Transactions with related parties

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

The following transactions occurred with related parties:

	Purchases 000's \$	Sales 000's \$	Other 000's \$	Balance outstanding		Provision for bad debts 000's \$	Bad debts expenses 000's \$
				Owed to the company 000's \$	Owed by the company 000's \$		
Major shareholder JSPML							
Borrowings	-	-	-	-	369,312	-	-
Associates (JSPAL, JPL)							
Borrowings	-	-	-	-	595,040	-	-
Interest expense	-	-	16,745	-	-	-	-

(b) Loans to/from related parties

	Opening balance 000's \$	Closing balance 000's \$	Interest not charged 000's \$	Interest paid 000's \$	Impairment 000's \$
Loans from ultimate parent 2019	312,387	369,312	-	-	-
Loans from associate entity 2019	560,752	595,040	-	18,153	-

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

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

23 Related Parties

(b) Loans to/from related parties

(b) Loans to/from related parties

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

24 Retrospective restatement

(a) During the prior year, the Group undertook a detailed review of its property, plant and equipment register and noted that:

- Goodwill acquired in an historical acquisition had been incorrectly classified and treated as a mining lease asset. Additionally, an exploration and evaluation asset associated with the same historical acquisition was not recorded correctly.
- Depreciation in respect of certain asset classes were not recorded in accordance with the Group's accounting policies
- Changes in mining restoration provisions relating to the unwinding of time discounts were incorrectly included as asset additions
- Mine development assets were capitalised when capitalisation was not consistent with the Group's accounting policies and Australian Accounting Standards
- A number of other errors were noted

The Group also made changes to the classification of assets, liabilities, income and expenses to improve the clarity of financial reporting, as well as making a change in its accounting policy for depreciated mine development and mine lease assets.

Notes to the Financial Statements
For the Half-Year Ended 30 September 2019

24 Retrospective restatement

The aggregate effect of the change in accounting policies and the correction of the prior period error errors on the comparative statement of profit and loss and other comprehensive income is as follows:

	2018 Previously stated 000's \$	2018 Policy changes 000's \$	2018 Errors 000's \$	2018 Reclassific ations 000's \$	2018 Restated 000's \$
Statement of Profit or Loss and Other Comprehensive Income					
Revenue	34,440	-	-	(1)	34,439
Other income	121	-	35	(219)	(63)
Changes in inventories of finished goods and work in progress	(2,849)	-	-	(1)	(2,850)
Raw materials and consumables used	(421)	-	(671)	(1,666)	(2,758)
Employee benefits expense	(5,863)	-	(1,264)	(16)	(7,143)
Depreciation and amortisation expense	(14,892)	(7,510)	11,813	-	(10,589)
Other operating expenses	(24,793)	-	9	1,790	(22,994)
Foreign exchange losses	(33,533)	-	-	-	(33,533)
Finance income	-	-	-	113	113
Finance costs	(9,808)	-	(7,081)	-	(16,889)
Loss before income tax expense	<u>(57,598)</u>	<u>(7,510)</u>	<u>2,841</u>	<u>-</u>	<u>(62,267)</u>
Loss for the year	<u>(57,598)</u>	<u>(7,510)</u>	<u>2,841</u>	<u>-</u>	<u>(62,267)</u>
Total comprehensive loss, net of tax	<u>(57,598)</u>	<u>(7,510)</u>	<u>2,841</u>	<u>-</u>	<u>(62,267)</u>

25 Events Occurring After the Reporting Date

The financial report was authorised for issue on 29 October 2019 by the board of directors.

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

26 Statutory Information

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

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

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 September 2019 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable with the continuing support of its major shareholder.

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

Director 

Dated 29 October 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Wollongong Coal Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Wollongong Coal Limited ("the company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 September 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 30 September 2019 and of its financial performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after tax of \$77,454,000 during the half-year ended 30 September 2019 and, as of that date, the Group's net current liabilities were \$1,004,226,000. The Group was in breach of its borrowing's financial covenants and both its Collieries are currently under care and maintenance. These events and/or conditions give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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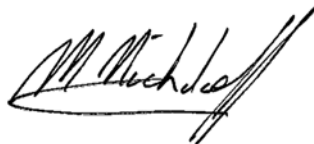
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2019 and its financial performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

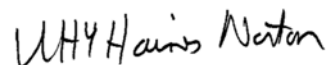


Mark Nicholaeff

Partner

Sydney

Date: 29 October 2019



UHY Haines Norton

Chartered Accountants

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