Yancoal Australia Ltd

ABN 82 111 859 119

Half-Year Financial Report for the half-year ended 30 June 2018

1. Results for Announcement to the Market

	30 June 2018 $M	30 June 2017 $M	% Change
Revenue from ordinary activities	**2,347**	832	182
Profit before income tax (before non-recurring items)	**537**	7	N/A
Profit / (loss) before income tax (after non-recurring items)	**539**	(18)	N/A
Net profit / (loss) from ordinary activities after income tax attributable to members (before non-recurring items)	**369**	(7)	N/A
Net profit / (loss) for the half-year attributable to members (after non-recurring items)	**361**	(14)	N/A

2. Earnings per share

	30 June 2018 $M	30 June 2017 $M	% Change
Profit / (loss) per share (before non-recurring items)	**0.01**	**(0.01)**	N/A
Profit / (loss) per share (after non-recurring items)	**0.01**	**(0.01)**	N/A

3. Net tangible assets per security

	30 June 2018 $	31 December 2017 $	% Change
Net tangible assets per share	**0.12**	0.11	9

4. Distributions

No dividends have been paid during the financial period. The Directors do recommend that a dividend of $130 million be paid in respect of the financial period (2017: nil).

Subordinated Capital Notes distributions

	30 June 2018 US$ per SCN	30 June 2017 US$ per SCN
Final distribution paid on 31 January 2018 (31 December 2016 accrual paid on 31 January 2017)	**3.50**	3.50
Distribution paid on 31 July 2017	**-**	3.50
	3.50	7.00

5. Entities over which control has been gained or lost during the period

a. Acquisitions

Yancoal Australia Ltd Employee Share Trust

b. Disposals

No disposals

5. Entities over which control has been gained or lost during the period (continued)

c. Loss of control

During the period loss of control occurred with the following entities:

HV Operations Pty Ltd
HVO Services Pty Ltd
HVO Coal Sales Pty Ltd

6. Details of associates and joint venture entities

	30 June 2018		30 June 2017	
	Holdings %	**Profit after income tax contribution $M**	Holdings %	Profit after income tax contribution $M
Joint venture entities				
Moolarben Joint Venture (unincorporated)	**81**	**243**	81	108
Boonal Joint Venture (unincorporated)	**50**	**Not material**	50	Not material
Middlemount Coal Pty Ltd	**49.9997**	**28**	49.9997	17
Hunter Valley Operations Joint Venture (unincorporated)	**51**	**144**	-	-
Mount Thorley Joint Venture (unincorporated)	**80**	**49**	-	-
Warkworth Joint Venture (unincorporated)	**82.9068**	**172**	-	-
Associate entities				
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	27	Nil
Watagan Mining Company Pty Ltd	**100**	**Nil**	100	Nil
Port Waratah Coal Services Ltd	**30**	**4**	-	-
HVO Coal Sales Pty Ltd	**51**	**Nil**	-	-
HVO Operations Pty Ltd	**51**	**Nil**	-	-
HVO Services Pty Ltd	**51**	**Nil**	-	-

All other information can be obtained from the attached financial statements, accompanying notes and Directors' report.

Directors' Report

The Directors present their report on the consolidated entity ("the Group") consisting of Yancoal Australia Ltd ("Yancoal" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2018 ("the period").

Directors

The following persons were Directors of Yancoal Australia Ltd at any time during the period and as at the date of this report:

Baocai Zhang
Fucun Wang (appointed 8 June 2018)
Cunliang Lai
Xiangqian Wu
Qingchun Zhao
Fuqi Wang
Gregory Fletcher
Geoffrey Raby
Xing Feng
David Moult (appointed 30 January 2018)
Helen Gillies (appointed 30 January 2018)
Xiyong Li (resigned 8 June 2018)
Vincent O'Rourke (resigned 30 January 2018)
Huaqiao Zhang (resigned 30 January 2018)

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2018 and up to the date of this report is as follows:

Laura Ling Zhang

Review of operations

Financial performance

Yancoal profit after income tax for the half-year ended 30 June 2018 was $539 million (2017: loss after income tax $14 million) from revenue of $2,347 million (2017: $832 million).

The unfranked Yancoal dividend of $130 million, with a record date of 7 September 2018 and payment date of 21 September 2018, represents a payout ratio of 36% of profit after tax consistent with the 25-40% range detailed in the Company's Constitution.

Yancoal's improved financial performance continued to be driven by sustained high production rates at its low-cost tier-one assets, maximising throughput to meet increasing global demand and new marketing opportunities as metallurgical coal and thermal coal prices continued to strengthen.

Yancoal achieved a half year operating EBITDA of $980 million before tax, up $703 million from the year prior.

Operating EBITDA for the period included contributions from Mount Thorley Warkworth (Yancoal 82.9% ownership), and the Hunter Valley Operations Joint Venture (Yancoal 51% ownership) totalling $652 million (2017 nil).

Yancoal continued to reduce its existing debt liabilities in the first half of the year, pre-paying a further US$500 million in loans to Bank of China and China Construction Bank under its Syndicated Facility Agreement. As at 30 June 2018, Yancoal had pre-paid a total US$650 million in loans under its Syndicated Facility Agreement since completion of Yancoal's acquisition of Coal & Allied Industries Ltd ("Coal & Allied") from Rio Tinto on 1 September 2017.

Corporate Activity in the period

Yancoal finalised its ownership arrangements for the Hunter Valley Operations Joint Venture ("HVO JV"), announcing on 4 May 2018 the Company had completed the establishment of its 51:49 unincorporated joint venture with Glencore Coal Pty Ltd ("Glencore"), following satisfaction of all remaining conditions precedent.

To establish the joint venture, Glencore has acquired:

- a 16.6% interest in the HVO JV from Yancoal for approximately US$429 million; and
- a 32.4% interest in the HVO JV directly from Mitsubishi Development Pty Ltd.

As announced 7 March 2018, Yancoal also completed its purchase of Mitsubishi Development Pty Ltd's ("MDP") 28.898% interest in the Warkworth joint venture for US$230 million, in accordance with its exercising of the call option.

During the reporting period, Yancoal announced a series of changes to its Board, including the appointment of Mr Baocai Zhang as Chairman, effective 8 June 2018, following the resignation of former Chairman Mr Xiyong Li.

As announced 31 January 2018, at the request of certain eligible holders, 1,606 Subordinated Capital Notes ("SCNs") issued by Yancoal SCN Limited (ASX: YCN) ("Yancoal SCN") were converted, effective 31 January 2018, into fully paid ordinary shares in Yancoal Australia Ltd, in accordance with the terms of issue of the SCNs. Yancoal SCN also redeemed any outstanding SCNs for their face value of USD$100 for each SCN ("Face Value") and a final distribution of US$3.50 for each SCN ("Final Distribution") was paid to all SCN holders 2 February 2018. Yancoal SCN was removed from the official list of the Australian Securities Exchange ("ASX") after the Face Value and Final Distribution were paid to holders.

Mining operations

Consistently strong extraction rates at Yancoal's tier-one assets drove significant production gains for the reporting period, with the contribution of the Moolarben complex's underground and open cut mines and the acquired assets of Mount Thorley Warkworth and Hunter Valley Operations more than doubling the Group's output from the year prior.

In New South Wales, Yancoal operated the Moolarben (81% ownership), Mount Thorley Warkworth (82.9% ownership) and Stratford Duralie (100% ownership) mines. The Hunter Valley Operations Joint Venture (51% ownership) is jointly controlled through a Joint Venture Management Committee.

In Queensland, Yancoal operated the Yarrabee (100% ownership) open cut mine and maintained its near 50% equity interest in Middlemount Coal Pty Ltd ("Middlemount").

Yancoal also manages the underground mines of Austar (100% ownership), Ashton (100% ownership) and Donaldson[1] (100% ownership) on behalf of Watagan Mining Company Pty Ltd ("Watagan")[2].

Total Run of Mine coal ("ROM") produced during the period was 32.9 million tonnes ("Mt") (Yancoal-controlled 31.5Mt, Watagan-controlled 1.4Mt) (2017 13.8Mt).

Total Saleable coal produced during the period was 25.4Mt (Yancoal-controlled 24.6Mt, Watagan-controlled 0.8Mt) (2017 10.7Mt) respectively on a 100% ownership basis.

Total equity share ROM coal produced was 23.2Mt (Yancoal-controlled 21.4Mt, Watagan-controlled 0.8Mt) (2017 11.1Mt).

Total equity share saleable coal produced was 18.1Mt (Yancoal-controlled 17.3Mt, Watagan-controlled 0.8Mt) (2017 8.8Mt) respectively.

Yancoal's sales split (equity share) for the period was 14.6 Mt thermal coal (Yancoal-controlled 13.8Mt, Watagan-controlled 0.8Mt) (2017 6.4Mt) and 4.6Mt metallurgical coal (Yancoal-controlled 4.3Mt, Watagan-controlled 0.3Mt) (2017 3.7Mt) metallurgical coal.

The strong year-on-year performance was driven mostly by the Group's three tier-one assets, where:

- the Moolarben complex (Yancoal 81% ownership) produced 9.8Mt ROM (2017 7.5Mt) and saleable coal production of 8.8Mt (2017 6.1Mt), with consistently strong production rates at both the open cut and underground mines benefiting from mining and fleet efficiencies established during the year;
- Mount Thorley Warkworth (Yancoal 82.9% ownership) produced 8.5Mt ROM (2017 nil) and saleable coal production of 6.0Mt (2017 nil), and has implemented two rounds of operational restructures post-integration to increase productivity and establish new fleet efficiencies; and
- the Hunter Valley Operations Joint Venture (Yancoal 51% ownership) produced 9.1Mt ROM (2017 nil) and saleable coal production of 6.4Mt (2017 nil), delivering robust production and throughput rates throughout the

[1] Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance'.
[2] Watagan Mining Company Pty Ltd is a wholly-owned subsidiary of Yancoal Australia Ltd, controlled by a consortium of financiers consisting of Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited.

reporting period.

Safety

The Group's Total Recordable Injury Frequency Rates ("TRIFR") and Lost Time Injury Frequency Rates ("LTIFR") remained steady for the six-month reporting period.

As at 30 June 2018, the Yancoal 12-month moving average TRIFR was 9.98, with all operations continuing to review and implement hazard reduction strategies and awareness training for employees.

Watagan's 12-month moving average TRIFR was 31.78 as at 30 June 2018, an improvement in performance since the end of 2017. The Watagan-controlled Austar operation experienced a series of coal burst events on the longwall face in LWB4 (2 February 2018, 16 March 2018 and 17 May 2018), resulting in regulatory action from the Resource Regulator and extended interruptions to longwall activity. No serious injuries were recorded at Watagan-controlled assets for the reporting period.

Coal price outlook

Demand for coking coal is expected to remain strong into the second half of the year, with robust demand and tight Australian supply for metallurgical coals overcoming pricing declines experienced in June, attributable to China's introduction of supply reforms.

The semi-soft coking coal market is forecast to remain buoyant, as increased demand for low ash thermal coal drives competition between the two markets, supporting price improvements.

Metallurgical coal demand remains strong in markets outside of China supported by good steel and coke prices.

Low ash thermal coal is likely to experience ongoing price variances in the second half of the year, as strong demand driven by environmental restrictions and the requirements for new High Efficiency Low Emissions ("HELE") coal fired power stations is subsequently offset by supply constraints, due to a lack of industry-wide active development.

High ash thermal coal market pricing remains heavily influenced by China, with recent import restrictions and uncertainty surrounding current US/China trade tensions and China's decreasing GDP growth, likely to generate further pricing oscillations for the rest of the year.

The decline of the China high ash thermal coal market is expected to result in opportunities within India and South East Asia for Australian high ash products.

Yancoal remains focused on end-users in the prime target markets of Japan, Korea and China and building a solid market-share base, maximising its product mix to optimise revenues in the various global markets.

Proposed listing on Stock Exchange of Hong Kong and share consolidation

As announced by Yanzhou Coal Mining Company Ltd ("Yanzhou") to the Stock Exchange of Hong Kong ("HKEx") on 29 June 2018 and announced by Yancoal to ASX 2 July 2018, Yancoal has made a confidential application to the HKEx for approval of the listing of, and permission to deal in, on the Main Board of the HKEx, the fully paid ordinary shares in Yancoal (the "Shares") in issue and the new Shares proposed to be issued under a capital raising that is proposed to be undertaken in connection with that dual-listing.

If ultimately approved by the Yancoal Board, any dual listing on the HKEx will be done in conjunction with a proposed capital raising, details of which will be finalised in due course and announced to the market at that time. Yancoal expects that while majority shareholder Yanzhou will reduce its percentage ownership interest in Yancoal as a result of the capital raising, Yancoal will remain a subsidiary of Yanzhou.

Also announced by Yanzhou to the HKEx on 29 June 2018 and announced by Yancoal to ASX 2 July 2018, was the Yancoal Board's view that it would be beneficial for Yancoal's share capital to be consolidated on the basis that 35 existing fully paid Yancoal shares be consolidated into one fully paid share. The share consolidation is intended to create a more appropriate share capital structure for a company with Yancoal's market capitalisation, with the expected benefit of reduced volatility in Yancoal's share price. The share consolidation will require approval at an extraordinary general meeting of Yancoal shareholders that is proposed to be held in September 2018. Yanzhou has confirmed to Yancoal it intends to vote in favour of the share consolidation resolution.

Matters subsequent to the end of the half-year

Other than as disclosed above, no matters or circumstances have occurred subsequent to the end of the financial period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the subsequent financial period.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts

The Group is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off to the nearest million dollars in accordance with that legislative instrument.

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

Fucun Wang

Director
Sydney

15 August 2018

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Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the directors of Yancoal Australia Ltd

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2018 there has been:

(i) no contraventions of the auditor independence requirements as set out in 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 15 August 2018

	Notes	**30 June 2018 $M**	30 June 2017 $M
Revenue	B2	**2,347**	832
Other income	B3	**115**	8
Changes in inventories of finished goods and work in progress		**24**	10
Coal purchases		**(182)**	(148)
Raw materials and consumables used		**(337)**	(109)
Employee benefits	B4	**(254)**	(102)
Depreciation and amortisation	B4	**(244)**	(80)
Transportation		**(274)**	(122)
Contractual services and plant hire		**(206)**	(90)
Government royalties		**(161)**	(53)
Other operating expenses	B4	**(170)**	(76)
Finance costs	B4	**(152)**	(105)
Share of profit of equity-accounted investees, net of tax	E2	**33**	17
Profit/(loss) before income tax		**539**	(18)
Income tax (expense)/benefit	B5	**(178)**	4
Profit/(loss) after income tax		**361**	(14)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value (losses)/gains taken to equity		**(246)**	290
Fair value losses transferred to profit and loss		**45**	101
Deferred income tax benefit/(expense)		**60**	(117)
Other comprehensive (expenses)/income, net of tax		**(141)**	274
Total comprehensive income		**220**	260
Total comprehensive income for the period is attributable to:			
Owners of Yancoal Australia Ltd		**220**	260
Non-controlling interests		**-**	-
		220	260
Total comprehensive income for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**220**	260
		220	260
		$	$
Profit/(loss) per share attributable to the ordinary equity holders of the Company:			
Basic and diluted profit/(loss) per share		**0.01**	(0.01)

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

	Notes	30 June 2018 $M	31 December 2017 $M
ASSETS			
Current assets			
Cash and cash equivalents		**485**	207
Trade and other receivables		**561**	658
Inventories	C6	**205**	150
Royalty receivable		**28**	24
Non-contingent royalty receivable	D3	**18**	-
Assets classified as held for sale		**57**	613
Other current assets		**16**	37
Total current assets		**1,370**	1,689
Non-current assets			
Trade and other receivables		**348**	473
Royalty receivable		**170**	175
Property, plant and equipment	C1	**2,938**	2,832
Mining tenements	C2	**4,308**	4,296
Exploration and evaluation assets	C4	**577**	565
Intangible assets	C5	**98**	99
Interest bearing loan to associate	D1	**730**	712
Deferred tax assets		**1,086**	1,219
Non-contingent royalty receivable	D3	**7**	-
Investments accounted for using the equity method	E2	**280**	251
Other non-current assets		**2**	2
Total non-current assets		**10,544**	10,624
Total assets		**11,914**	12,313
LIABILITIES			
Current liabilities			
Trade and other payables		**783**	758
Interest-bearing liabilities	D2	**17**	17
Provisions		**42**	59
Non-contingent royalty payable	D3	**64**	112
Liabilities directly associated with assets classified as held for sale		**-**	67
Total current liabilities		**906**	1,013
Non-current liabilities			
Interest-bearing liabilities	D2	**4,267**	4,706
Deferred tax liabilities		**990**	1,030
Provisions		**460**	488
Non-contingent royalty payable	D3	**24**	48
Other non-current liabilities		**2**	2
Total non-current liabilities		**5,743**	6,274
Total liabilities		**6,649**	7,287
Net assets		**5,265**	5,026
EQUITY			
Contributed equity		**6,220**	6,217
Reserves	D5	**(554)**	(413)
Accumulated losses		**(403)**	(781)
Capital and reserves attributable to the owners of Yancoal Australia Ltd		**5,263**	5,023
Non-controlling interests		**2**	3
Total equity		**5,265**	5,026

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

	Attributable to owners of Yancoal Australia Ltd					
	Contributed equity $M	**Reserves $M**	**Accumulated losses $M**	**Total $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 January 2017	3,104	(817)	(935)	1,352	-	1,352
Loss after income tax	-	-	(14)	(14)	-	(14)
Other comprehensive income	-	274	-	274	-	274
Total comprehensive income / (expense)	**-**	**274**	**(14)**	**260**	**-**	**260**
Transactions with owners in their capacity as owners:						
Distribution to suboridinated capital notes' holders	-	-	(78)	(78)	-	(78)
Balance at 30 June 2017	**3,104**	**(543)**	**(1,027)**	**1,534**	**-**	**1,534**
Balance at 1 January 2018	6,217	(413)	(781)	5,023	3	5,026
Opening balance adjustment on adoption of AASB9	-	-	17	17	-	17
Restated total equity at 1 January 2018	**6,217**	**(413)**	**(764)**	**5,040**	**3**	**5,043**
Profit after income tax	-	-	361	361	-	361
Other comprehensive expense	-	(141)	-	(141)	-	(141)
Total comprehensive (expense)/income	**-**	**(141)**	**361**	**220**	**-**	**220**
Transactions with owners in their capacity as owners:						
Acquisition of minority interest	-	-	-	-	(1)	(1)
Transaction costs of ordinary shares	3	-	-	3	-	3
	3	-	-	3	(1)	2
Balance at 30 June 2018	**6,220**	**(554)**	**(403)**	**5,263**	**2**	**5,265**

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

	30 June 2018 $M	30 June 2017 $M
Cash flows from operating activities		
Receipts from customers	**2,391**	1,031
Payments to suppliers and employees	**(1,573)**	(710)
Interest paid	**(111)**	(79)
Interest received	**37**	37
Transaction costs paid	**(18)**	(3)
Stamp duty (paid) / refunded	**(14)**	6
Net cash inflow from operating activities	**712**	282
Cash flows from investing activities		
Payments for property, plant and equipment	**(71)**	(138)
Payments for capitalised exploration and evaluation activities	**(2)**	(1)
Payments for acquisition of interest in joint venture and subsidiaries (net of cash acquired)	**(276)**	-
Payment of non-contingent royalties	**(78)**	-
Receipts from non-contingent royalties	**59**	-
Receipts from joint operations	**-**	35
Proceeds from disposal of interest in joint venture and subsidiaries (net of cash disposed)	**524**	-
Repayment of loan from joint venture	**69**	-
Advances (to) / from related entities	**(4)**	5
Dividends received	**7**	-
Cash transferred to restricted accounts	**-**	(34)
Net cash inflow/(outflow) from investing activities	**228**	(133)
Cash flows from financing activities		
Repayment of borrowings from associate	**253**	57
Advance of borrowing to associate	**(271)**	(42)
Repayment of interest bearing liabilities	**(664)**	-
Payment for treasury shares	**(6)**	-
Payment of subordinated capital notes distribution	**-**	(13)
Payment of finance lease liabilities	**(10)**	(16)
Net cash outflow from financing activities	**(698)**	(14)
Net increase in cash and cash equivalents	**242**	135
Cash and cash equivalents at the beginning of the financial year	**207**	190
Effects of exchange rate changes on cash and cash equivalents	**36**	(8)
Cash and cash equivalents at the end of the period	**485**	317

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

A Basis of preparation of half-year report

These financial statements for the half-year ended 30 June 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Half-Year Financial Statements is for the Consolidated Entity ("the Group") consisting of Yancoal Australia Ltd ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2018 ("the period"). These Half-Year Financial Statements do not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 31 December 2017 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2018 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest million dollars unless otherwise stated.

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 15 August 2018.

The accounting policies adopted are consistent with those of the most recent Annual Financial Report and the corresponding Half-Year Financial Report in the prior period, except for the following changes noted below.

(a) New accounting policies

The Group has adopted a new accounting policy for share-based payments. As approved at the annual general meeting dated 30 May 2018 the Group is paying certain performance bonuses of executives in shares. Refer to note B4(a) for details. The policy in relation to these payments is outlined below:

Equity-settled share-based payments

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with market performance conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(b) New and amended accounting standards adopted by the Group

Effective from 1 January 2018 the Group adopted the new standards AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*. The impact of adopting these standards is as follows:

AASB 9 *Financial Instruments*:

The adoption of AASB 9 *Financial Instruments* resulted in the following changes:

Financial Assets

All financial assets that were classified as loans and receivables were classified as assets held at amortised cost except for $29 million (31 December 2017: $29 million) of Wiggins Island Preferences Shares (“WIPS”). These have been reclassified as assets held at Fair Value through Profit or Loss (“FVTPL”). The valuation at 31 December 2017 did not need adjusting as the fair value approximated the carrying amount. The WIPS are still classified as trade and other receivables. The accounting policy associated with these assets is as follows:

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as fair value through other comprehensive income ("FVTOCI") on initial recognition;

A Basis of preparation of half-year report (continued)

(b) New and amended accounting standards adopted by the Group (continued)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included as 'other revenue'. There are no assets that have been recognised as FVTOCI.

There were no other adjustments to classification or measurements of financial assets required. Additional disclosures have been included in Note D7 for the valuation of the WIPS.

Financial Liabilities

Classification of financial liabilities remains the same as under the old accounting standards. The measurement of financial liabilities has required an adjustment to non-current interest-bearing liabilities as there was a non-substantial modification to the Bank of China facilities completed in August 2017. This involved modifying the terms of this loan to change the interest structure from US Libor +2.8% increasing to US Libor +5% over time, adjusted to US Libor +3.1% applicable from June 2017 and adjustments to agency fees over the remaining loan life.

Under AASB 9, a key determinant of whether a modification is considered substantial or non-substantial is a quantitative assessment of whether the discounted cash flows under the new terms using the original effective interest rate, is at least 10% different from the discounted remaining cash flows of the original financial liability.

Qualitatively the modification is non-substantial because there has been no change in the counterparty to the loan and a quantitative assessment has been performed. The modification in 2017 is non-substantial, or less than 10% of the net present value of the original loan balance, with the net present value of the changes being a $31 million reduction in cash flows or 0.9% over the life of the loan. This adjustment is recognised as a gain in other income and will be unwound as an interest expense on an effective interest rate basis with immediate unwinds occurring on loan repayments. The unwind for the year ending 31 December 2017 would have been $7 million which included an immediate unwind associated with the repayment of US$150 million of the facilities in December 2017.

As the Group is applying AASB 9 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings, accordingly comparative financial information is not being restated. The adjustment to the balance sheet and profit or loss for the year ending 31 December 2017 is outlined below:

	As reported 31 December 2017 $M	Non-substantial loan modification $M	Opening balance 1 January 2018 $M
Balance Sheet			
Non-current interest bearing liabilities	4,706	(24)	4,682
Deferred tax liability	1,030	7	1,037
Total liabilities impact	7,287	(17)	7,270
Net asset impact	5,026	17	5,043
Accumulated losses	(413)	17	(396)
Total equity	5,026	17	5,043
Profit or loss			
Other income	294	31	325
Finance costs	(287)	(7)	(294)
Income tax expense	(82)	(7)	(89)
Profit after income tax	229	17	246
Total comprehensive income	633	17	650
	$	$	$
Basic and diluted earnings per share	0.01	-	0.01

A Basis of preparation of half-year report (continued)

(b) New and amended accounting standards adopted by the Group (continued)

There was no impact on the 30 June 2017 comparative profit or loss as the modification was after 30 June 2017.

AASB 15 *Revenue from Contracts with Customers*

The updated accounting policies for the new accounting standard AASB 15 *Revenue from Contracts with Customers* have been disclosed in note B2(a) and the presentation has been updated to reflect the disclosure requirements of the new standard.

There is one additional category of revenue being recognised for freight services, this will change the revenue reported from coal sales in the 31 December 2017 period from $2,635 million to $2,623 million with the corresponding difference of $12 million being recognised as freight services in other revenue. There is no adjustment to the 30 June 2017 comparative information as Cost and Freight (“CFR”) contracts were entered into after the acquisition of Coal & Allied Industries Ltd ("Coal & Allied") on 1 September 2017. There is no adjustment required to opening retained earnings as the timing or value of revenue recognised on contracts with customers has not changed.

Other amending accounting standards and interpretations

Other relevant accounting standards and amendments and interpretations effective for the current reporting period include:

- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions;*
- AASB *Interpretation 22 Foreign Currency Transactions and Advance Consideration*

The adoption of the amendment and interpretation have not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

(c) Impact of standards issued but not yet applied by the Group

Australian Accounting Standards and Interpretations issued but not yet applicable for the half-year ended 30 June 2018 have not been early adopted by the Group. The Group has not yet determined the potential impacts of other amendments on the Group’s financial statements.

B Performance

B1 Segment information

(a) Accounting Policies

Management has determined the operating segments based on the strategic direction and organisational structure of the Group together with reports reviewed by the Chief Operating Decision Makers ("CODM"), defined as the Executive Committee, that are used to make strategic decisions including resource allocation and assessment of segment performance.

The reportable segments are considered at a regional level being New South Wales ("NSW") and Queensland ("QLD").

Non-operating items of the Group are presented under the segment Corporate which includes administrative expenses, foreign exchange gains and losses on interest-bearing liabilities, and the elimination of intersegment transactions and other consolidation adjustments.

(b) Segment information

The segment information for the reportable segments for the half-year ended 30 June 2018 is as follows:

B Performance (continued)

B1 Segment information (continued)

(b) Segment information (continued)

30 June 2018	**Coal mining NSW**	**QLD**	**Corporate**	**Total**
	$M	$M	$M	$M
Total segment revenue*	2,051	199	(45)	2,205
Add: Fair value losses recycled from hedge reserve	-	-	45	45
Revenue from external customers	2,051	199	-	2,250
Operating EBIT	747	16	(27)	736
Operating EBITDA	976	28	(24)	980
Material income or expense items				
Non-cash items				
Depreciation and amortisation expense	(229)	(12)	(3)	(244)
Gain on disposal of interest in joint venture and subsidiaries	-	-	78	78
Remeasurement of royalty receivable	-	-	2	2
Remeasurement of financial assets	-	-	(29)	(29)
Impairment of financial assets	-	-	(21)	(21)
	(229)	**(12)**	**27**	**(214)**
Total capital expenditure	**77**	**9**	**-**	**86**
30 June 2018				
Total assets	9,454	721	373	10,548
Deferred tax assets	82	14	990	1,086
Investment in joint venture and associate	192	-	88	280
Segment assets	**9,728**	**735**	**1,051**	**11,914**

The segment information for the reportable segments for the half-year ended 30 June 2017 and segment assets for 31 December 2017 is as follows:

30 June 2017	**Coal mining NSW**	**QLD**	**Corporate**	
	$M	$M	$M	$M
Total segment revenue*	616	219	(101)	734
Add: Fair value losses recycled from hedge reserve	-	-	101	101
Revenue from external customers	616	219	-	835
Operating EBIT	209	33	(45)	197
Operating EBITDA	270	49	(42)	277
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	-	-	2	2
Depreciation and amortisation expense	(61)	(16)	(3)	(80)
	(61)	**(16)**	**(1)**	**(78)**
Total capital expenditure	**153**	**3**	**-**	**156**
31 December 2017				
Segment assets	8,793	714	1,336	10,843
Deferred tax assets	182	24	1,013	1,219
Investment in joint venture and associate	191	-	60	251
Total assets	9,166	738	2,409	12,313

* Total segment revenue consists of revenue from the sale of coal whereas revenue disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income also includes other revenue such as management fees, sea freight, rents and sub-lease rentals, interest income, dividend income and royalty income.

B Performance (continued)

B1 Segment information (continued)

(b) Segment information (continued)

Apart from the items included as non-cash items, and the fair value losses there was no impairment charge or other significant non-cash items recognised during the half-years ended 30 June 2018 and 30 June 2017.

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties for the reportable segments are measured in a manner consistent with that in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Revenue from external customers are derived from the sale of coal from operating mines. Segment revenues are allocated based on the country in which the customer is located refer to Note B2 for revenue from external customers split by geographical regions.

Revenues from the top five external customers were $781 million (2017: $319 million) which in aggregate represent approximately 33% (2017: 38%) of the Group's revenues from the sale of coal. These revenues are attributable to the NSW and QLD coal mining segments.

Segment revenue reconciles to total revenue from continuing operations as follows:

	30 June 2018 $M	30 June 2017 $M
Total segment revenue	**2,205**	734
Interest income	**58**	57
Mining services fees	**26**	29
Sea freight	**37**	-
Other revenue	**21**	12
Total revenue from continuing operations (note B2)	**2,347**	832

(ii) Operating EBITDA

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value remeasurements and unrealised gains/(losses) on interest-bearing liabilities.

A reconciliation of Operating EBITDA to profit/(loss) before income tax from continuing operations is provided as follows:

B Performance (continued)

B1 Segment information (continued)

(c) Other segment information (continued)

	30 June 2018 $M	30 June 2017 $M
Operating EBITDA	**980**	277
Depreciation and amortisation	**(244)**	(80)
Operating EBIT	**736**	197
Interest income	**58**	57
Finance costs	**(152)**	(105)
Bank fees and other charges	**(62)**	(49)
Stamp duty expensed	**(16)**	(3)
Transaction costs	**(10)**	(21)
Fair value losses recycled from hedge reserve - USD loans	**(45)**	(101)
Remeasurement of royalty receivable	**2**	2
Remeasurement of financial assets	**(29)**	-
Impairment of financial assets	**(21)**	-
Gain on disposal of interest in joint operation and subsidiaries	**78**	-
Receipts from joint venture participant	**-**	5
Profit/(loss) before income tax from continuing operations	**539**	(18)

(iii) Segment capitalised expenditure

Amounts with respect to capital expenditure are measured in a manner consistent with that of the financial statements. Reportable segments' capital expenditure is set out in Note B1(b).

All segment assets are located in Australia.

(iv) Segment liabilities

A measure of total liabilities for reportable segments are not provided to the Executive Committee. The Executive Committee reviews the liabilities of the Group at a consolidated level.

B2 Revenue

Accounting Policies

Revenue is recognised when the control of the products or services has transferred to the customer. Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring control of products or services to the customer. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Descriptions of the Group’s performance obligations in contracts with customers and significant judgments applied in revenue recognition are as follows:

(a) Sales revenue

(i) Sale of coal

The Group produces and sells a range of thermal and metallurgical coal products. Revenue from the sale of coal is recognised when control of the product has transferred to the customer. Control of the product is considered transferred to the customer at the time of delivery, usually on a Free On Board ("FOB") basis or a Cost and Freight (“CFR”) basis. For CFR contracts the performance obligation relating to freight services is accounted for as a separate performance obligation. On occasion revenue from the sale of coal is recognised as the ship pulls into harbour on a Free Alongside Ship ("FAS") basis or from the stockpile on an ex-works basis.

B Performance (continued)

B2 Revenue (continued)

A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Payment of the transaction price is usually due within 21 days of the date when control of the products is transferred to the customer. From time to time, the Group receives prepayments before control of the products has transferred to the customer. Such prepayments are recognised as contract liabilities.

Some of the Group's coal sales contracts are long-term supply agreements which stipulate the nominal annual quantity and price negotiation mechanism. For those contracts, the actual quantity and transaction price applicable for future shipments are only negotiated or determined prior to the beginning of, or a date which is after, each contract year or delivery period. The transaction price for a future shipment is based on, or derived from, a market price prevailing at the time of the future shipment. As the future market price for coal is highly susceptible to factors outside the Group's influence, the transaction price for a shipment is not readily determinable until or nearing the time of the shipment. As a result, the Group has concluded that a contract with the customer does not exist for those shipments for which the actual delivery quantity and transaction price have not yet been negotiated or determined.

The transaction price for a shipment is often linked to a market index of the respective delivery period. For example, the transaction price may be determined by reference to the average GlobalCOAL Newcastle Index for the delivery period. At the end of each reporting period, the final average index price may not become available for certain shipments. In those situations, the Group uses "the expected value" method to estimate the amount of variable consideration based on the most recent average index price as of the end of the reporting periods and for those shipments, the Group has determined that a significant reversal in the amount of revenue recognised will not occur.

(b) Other revenue

(i) Interest

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income from a finance lease is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

(ii) Mining services fees

The Group provides corporate support services, IT services and mining services which relates to the management of mines. The management and mining service agreements stipulate a fixed monthly service fee and payment of the service fees is usually due within 21 days after the end of each calendar month in which the service is rendered. Revenue from providing management and mining services is recognised in each month in which the services are rendered.

(iii) Sea freight services

When contracts for sale of coal include freight on a CFR basis the performance obligation associated with providing the shipping is separately measured and recognised as the service is provided.

(iv) Other

Other primarily consists of dividends, rents, sub-lease rental and management fees. Dividends are recognised as revenue when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably. Rental income arising on land surrounding a mine site is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

B Performance (continued)

B2 Revenue (continued)

Contracts with customers

The group has recognised the following amounts relating to revenue in the statement of profit or loss:

	30 June 2018 $M	30 June 2017 $M
From continuing operations		
Sales revenue		
Sale of coal	**2,250**	835
Fair value losses recycled from hedge reserve	**(45)**	(101)
	2,205	734
Other revenue		
Interest income	**58**	57
Mining services fees	**26**	29
Sea freight	**37**	-
Other	**21**	12
	142	98
	2,347	832

* In the period to 30 June 2018, there were fair value losses amounting to $45 million (2017: $101 million) on US dollar denominated interest-bearing liabilities recycled from the hedge reserve.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's three reportable segments (see Note B1):

30 June 2018	**NSW $M**	**QLD $M**	**Corporate $M**	**Total $M**
Primary geographical markets				
Australia (Yancoal's country of domicile)	**220**	**8**	**-**	228
Singapore	**421**	**30**	**-**	451
South Korea	**289**	**44**	**-**	333
China	**447**	**32**	**-**	479
Japan	**374**	**66**	**-**	440
Taiwan	**200**	**10**	**-**	210
All other foreign countries	**100**	**9**	**-**	109
Total	**2,051**	**199**	**-**	**2,250**
Major product/service lines				
Thermal coal	**1,690**	**8**	**-**	1,698
Metallurgical coal	**361**	**191**	**-**	552
Total	**2,051**	**199**	**-**	**2,250**

B Performance (continued)

B2 Revenue (continued)

30 June 2017	**NSW $M**	**QLD $M**	**Corporate $M**	**Total $M**
Primary geographical markets				
Australia (Yancoal's country of domicile)	**117**	**1**	**-**	118
Singapore	**110**	**51**	**-**	161
South Korea	**126**	**55**	**-**	181
China	**161**	**35**	**-**	196
Japan	**37**	**62**	**-**	99
Taiwan	**12**	**12**	**-**	24
All other foreign countries	**54**	**2**	**-**	56
Total	**617**	**218**	**-**	**835**
Major product/service lines				
Thermal coal	**534**	**11**	**-**	545
Metallurgical coal	**83**	**207**	**-**	290
Total	**617**	**218**	**-**	835

Contract balances

The group has recognised the following revenue-related receivables, contract assets and liabilities:

	30 June 2018 $M	30 December 2017 $M
Receivables	**397**	413

There are no contract assets or liabilities or costs as at 30 June 2018 or 31 December 2017.

Transaction price allocated to the remaining performance obligation

As discussed in Note B2, for long term contracts the Group has concluded that contracts with customers do not exist for those shipments for which the actual delivery quantity and transaction price have not yet been negotiated or determined. For the remaining shipments where the delivery quantity and transaction price have been negotiated or determined and subject to market price movements, the contract duration are within one year or less. As a result, the Group elects to apply the practical expedient in paragraph 121(a) of AASB 15 and does not disclose information about the remaining performance obligation in relation to the coal sales contracts. The Group also elects to apply the practical expedient in paragraph 121(b) of AASB 15 and does not disclose information about the remaining performance obligation in relation to the management and mining service contracts.

B3 Other income

	30 June 2018 $M	30 June 2017 $M
Gain on remeasurement of royalty receivable	**2**	2
Gain on disposal of interest in joint operation and subsidiaries	**78**	-
Receipts from joint venture participant	**-**	5
Net gain on foreign exchange	**30**	-
Sundry income	**5**	1
	115	8

There is no impact on the conversion of US dollar denominated interest-bearing liabilities (2017: nil).

B Performance (continued)

B4 Expenses

	30 June 2018 $M	30 June 2017 $M
Profit/(loss) before income tax includes the following specific expenses:		
(a) Employee benefits expense		
Other employee benefits expenses	**230**	95
Employee share based payment expense	**6**	-
Defined contribution superannuation expense	**18**	7
Total employee benefits expense	**254**	102

During the period to 30 June 2018 $1 million of employee benefits were capitalised (2017: $6 million)

	30 June 2018 $M	30 June 2017 $M
(b) Depreciation and amortisation		
Depreciation		
Buildings	**2**	1
Mine development	**57**	14
Plant and equipment	**87**	24
Leased plant & equipment	**3**	4
Total depreciation	**149**	43
Amortisation		
Mining tenements	**93**	37
Computer software	**1**	2
Other	**1**	-
Total amortisation	**95**	39
Total depreciation and amortisation	**244**	82
Other depreciation and amortisation		
Depreciation and amortisation capitalised	**-**	(2)
Total depreciation and amortisation	**244**	80
(c) Finance costs		
Finance lease charges	**2**	2
Unwinding of discount on provisions and deferred payables	**6**	2
Amortisation of non-substantial loan refinance	**7**	-
Other interest expenses	**137**	107
Interest expenses capitalised	**-**	(6)
Total finance costs	**152**	105

B Performance (continued)

B4 Expenses (continued)

(d) Other operating expenses

	30 June 2018 $M	30 June 2017 $M
Bank fees and other charges	**62**	49
Duties and other levies	**9**	3
Insurance	**5**	2
Rental expense	**2**	1
Stamp duty	**16**	3
Travel and accommodation	**4**	4
Net loss on foreign exchange	**-**	11
Information and technology expenses	**7**	-
Loss on sale of assets	**6**	-
Remeasurement of financial assets	**29**	-
Impairment of financial assets	**21**	-
Other operating expenses	**9**	3
Total other operating expenses	**170**	76

B5 Income tax (expense) / benefit

The income tax (expense) / benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the financial period. The estimated average tax rate used for the half-year ended 30 June 2018 is 33.0% (2017: 23.2%). The estimated average tax rate takes into account permanent differences that may arise from thin capitalisation, transfer pricing and the equity accounting of associates.

The Group has assessed that the likelihood of generating sufficient taxable earnings in future periods will be sufficient to utilise the prior and current year tax loss asset recognised on the balance sheet.

C Operating assets and liabilities

C1 Property, plant and equipment

	Assets under construction $M	Freehold land & buildings $M	Mine development $M	Plant and equipment $M	Leased plant and equipment $M	Total $M
At 31 December 2017						
Cost or fair value	81	330	1,310	2,910	105	4,736
Accumulated depreciation	-	(56)	(343)	(1,476)	(29)	(1,904)
Net book amount	81	274	967	1,434	76	2,832
Half-year ended 30 June 2018						
Opening net book amount	81	274	967	1,434	76	2,832
Transfer assets under construction	(41)	5	138	(102)	-	-
Other additions	69	-	10	-	5	84
Depreciation charge	-	(2)	(57)	(87)	(3)	(149)
Acquisition through business combinations	6	19	39	114	-	178
Other disposals	-	-	(1)	(6)	-	(7)
Closing net book amount	115	296	1,096	1,353	78	2,938
At 30 June 2018						
Cost	115	356	1,489	2,926	110	4,996
Accumulated depreciation	-	(60)	(393)	(1,573)	(32)	(2,058)
Net book amount	115	296	1,096	1,353	78	2,938

C2 Mining tenements

	30 June 2018 $M	31 December 2017 $M
Opening net book amount	**4,296**	2,128
Acquisition through business combination	**127**	2,456
Other additions	**-**	26
Transfers from exploration	**2**	-
Impairment reversal	**-**	100
Amortisation	**(93)**	(103)
Transfer to assets classified as held for sale	**(24)**	(311)
Closing net book amount	**4,308**	4,296

C3 Impairment of assets

(a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines of Moolarben, Mount Thorley Warkworth, Hunter Valley Operations and Stratford Duralie are considered to be one Cash Generating Unit ("CGU"). From September 2017 Hunter Valley Operations and Mount Thorley Warkworth were included in the NSW regional CGU. Yarrabee and Middlemount are considered separate CGU's due to location and ownership structure.

(b) Assessment of fair value

Each CGU's fair value less costs of disposal has been determined using a discounted cash flow model over the expected life of mine (10 - 43 years). The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(b) Assessment of fair value (continued)

The key assumptions in the model include:

Key assumptions	Description
Coal prices	The Group's cash flow forecasts are based on estimates of future coal prices, which assume benchmark prices will revert to the group's assessment of the long term real coal prices of US$67 – US$102 per tonne (2017: US$65 – US$101 per tonne) for thermal and US$112 – US$176 per tonne (2017: US$110 – US$190 per tonne) for metallurgical coal. The Group receives long term forecast coal price data from multiple external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities. For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts.
Foreign exchange rates	The long-term AUD/USD forecast exchange rate of $0.75 (2017: $0.75) is based on external sources. The 30 June 2018 AUD/USD exchange rate was $0.74 per the Reserve Bank of Australia.
Production and capital costs	Production and capital costs are based on the Group's estimate of forecast geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans, JORC reports, and project evaluations performed by the Group in its ordinary course of business.
Coal reserves and resources	The Group estimates its coal reserves and resources based on information compiled in accordance with the JORC 2012 Code and ASX Listing Rules 2012. Further discussion is included in Note C2 of the Group's Annual Financial Report for the year ended 31 December 2017.
Discount rate	The Group has applied a post-tax nominal discount rate of 10.5% (2017: 10.5%) to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

Based on the above assumptions at 30 June 2018 the recoverable amount is determined to be above book value for all CGU's resulting in no further impairment.

Impairment provisions recorded as at 30 June 2018 is $73 million for Stratford Duralie. Stratford Duralie is included in the NSW CGU. Management may consider reversals of the impairment provision previously recognised if there is either an increase in the average long term real revenue over the life of the mine due to either an increase in USD coal prices, or a weakening of the AUD/USD foreign exchange rate or a combination of both, or reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserves.

In determining the value assigned to each key assumption, management has used: external sources of information; the expertise of external consultants; as well as the experience of experts within the Group to validate entity specific assumptions such as coal reserves and resources. Additionally, various sensitivities have been determined and considered with respect to each of the key assumptions, further supporting the above fair value conclusions.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(c) Key sensitivity

The most sensitive input in the fair value model is forecast revenue, which is primarily dependent on estimated future coal prices and the AUD/USD forecast exchange rate.

If coal prices were 10% lower over life of mine the NSW and Middlemount CGU recoverable amounts would exceed book value however for Yarrabee the book value would exceed the recoverable amount by $149 million. If the AUD/USD long term forecast exchange rate was $0.80 the recoverable amount would exceed book value for all CGU's.

The Yarrabee goodwill was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

C4 Exploration and evaluation assets

	30 June 2018 $M	31 December 2017 $M
Opening net book amount	**565**	498
Acquisition through business combination	**12**	108
Transfers to mining tenements	**(2)**	(26)
Other additions	**2**	3
Transfer to assets classified as held for sale	**-**	(18)
Closing net book amount	**577**	565

C5 Intangible assets

	Goodwill $M	**Computer software $M**	**Access rights & other licenses $M**	**Other $M**	**Total $M**
At 31 December 2017					
Cost	60	25	19	13	117
Accumulated amortisation	-	(17)	(1)	-	(18)
Net book amount	60	8	18	13	99
Half-year ended 30 June 2018					
Opening net book amount	60	8	18	13	99
Acquisition through business combination	-	2	-	-	2
Other additions	-	-	1	-	1
Other disposals	-	-	(2)	-	(2)
Amortisation charge	-	(1)	-	(1)	(2)
Closing net book amount	60	9	17	12	98
At 30 June 2018					
Cost	60	27	19	13	119
Accumulated amortisation	-	(18)	(2)	(1)	(21)
Net book amount	60	9	17	12	98

C Operating assets and liabilities (continued)

C5 Intangible assets (continued)

(a) Impairment tests for goodwill

The goodwill relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arm's length transaction and was allocated to the Yarrabee mine. Refer to Note C3 for the details regarding the fair value less costs on disposal calculation performed at 30 June 2018. The CGU for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value of the CGU.

C6 Inventories

	30 June 2018 $M	31 December 2017 $M
Coal - at lower of cost or net realisable value	**123**	87
Tyres and spares - at cost	**77**	59
Fuel - at cost	**5**	4
	205	150

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2018 amounted to $1 million (31 December 2017: $1 million). The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

D Capital structure and financing

D1 Interest-bearing loan to associate

	30 June 2018 $M	31 December 2017 $M
Opening balance	**712**	775
Repayments	**(253)**	(214)
Drawdowns	**271**	151
Closing balance	**730**	712

On 31 March 2016, the Group transferred its interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines, to Watagan Mining Company Pty Limited ("Watagan") for a purchase price of $1,363 million. The purchase price was funded by way of a $1,363 million loan from Yancoal Australia Ltd to Watagan bearing interest of BBSY plus 7.06% with a maturity date of 1 April 2025. The outstanding interest and principal of this loan is guaranteed by Yankuang Group Co. Ltd, the Group's ultimate parent entity. Watagan can make prepayments of the outstanding loan balance with any such prepayment capable of redraw in the future.

D Capital structure and financing (continued)

D2 Interest-bearing liabilities

	30 June 2018 $M	31 December 2017 $M
Current		
Secured lease liabilities	**17**	17
Non-current		
Secured bank loans	**2,622**	3,141
Secured lease liabilities	**34**	38
Unsecured loans from related parties	**1,611**	1,527
	4,267	4,706
Total interest-bearing liabilities	**4,284**	4,723

Reconciliation of liabilities arising from financing activities:

AUD 'M Facilities	**Balance 31 Dec 2017**	**Debt repayment**	**Lease repayment**	**New leases**	**Non - substantial modification**	**Foreign exchange movements**	**Balance 30 Jun 2018**
Secured bank loan	3,141	(664)	-	-	(16)	161	2,622
Loans from related parties	1,527	-	-	-	-	84	1,611
Finance leases	55	-	(10)	6	-	-	51
Total interest-bearing liabilities	**4,723**	**(664)**	**(10)**	**6**	**(16)**	**245**	**4,284**

Interest costs incurred on finance leases, amounted to $2 million to 30 June 2018 (30 June 2017: $2 million).

On the adoption of AASB9: *Financial Instruments* the secured bank loans were adjusted as a result of a refinancing during 2017. Refer to note A(b) for details on the adjustment. The initial recognition of AU$31 million less AU$7 million amortised in 2017 was taken to retained earnings. During 2018 AU$7 million was amortised to amortisation of non-substiantial loan refinance in finance costs. This amount will continue to amortise up to the date of maturity, at which time the full face value of the secured bank loans will be recognised.

(a) Secured bank loans

The secured bank loans are made up of the following facilities:

			30 June 2018		31 December 2017	
	Facility $M		**Facility $M**	**Utilised $M**	Facility $M	Utilised $M
Secured bank loans						
Syndicated facility (i)*	US	1,950	**2,638**	**2,638**	3,141	3,141

* Facility balance excludes the remaining fair value adjustment balance of AU$16m recorded at 30 June 2018.

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

(a) Secured bank loans (continued)

(i) Syndicated Facility

In 2009 a Syndicated Facility of US$2,600 million was taken out and fully drawn down to fund the acquisition of the Felix Resources Group. During 2014, the Syndicated Facility was extended with repayments due in 2020, 2021 and 2022. During 2018 US$500 million (31 December 2017: US$150 million) has been repaid reducing the facility to US$1,950 million (31 December 2017: US$2,450 million).

Security is held over this loan in the form of a corporate guarantee issued by the Company's majority shareholder, Yanzhou Coal Mining Company Limited ("Yanzhou"), for the full amount of the facility.

As part of the acquisition of Coal & Allied (refer to Note E1) the financial covenants were adjusted from 1 September 2017. The Syndicated Facility includes the following financial covenants to be tested half-yearly:

(a) The interest cover ratio will not be less than 1.40 (30 June 2017: 1.15);
(b) The gearing ratio of the Group will not exceed 0.75 (30 June 2017: 0.80); and
(c) The consolidated net worth of the Group is not less than AU$3,000 million (30 June 2017: $1,600 million).

The calculation of the above covenants include certain exclusions with regard to unrealised gains and losses including foreign exchange gains and losses.

The Syndicated Facility also include the following minimum balance requirements to be satisfied daily and at each end of month:

- The Company is to maintain in the Lender Accounts an aggregate daily average balance of not less than AU$25 million, this is tested at the end of each month, and;
- The Company is to maintain in the Lender Accounts an aggregate end of month balance of not less than AU$50 million.

There was no breach of covenants at 30 June 2018.

(b) Bank guarantee facilities

Yancoal are party to the following bank guarantee facilities which have been issued for operational purposes in favour of port, rail, government departments and other operational functions:

Provider	US $M	AU $M	Utilised AU $M	Security
Syndicate of seven domestic and international banks	-	1,000	793	Secured by the assets of the consolidated group of Yancoal Resources Ltd and Coal & Allied Industries Ltd with carrying value of $6,008 million. Facility expires on 31 August 2020.
Bank of China*	95	129	101	Parent corporate guarantees from Yanzhou to Bank of China for the full amount of the facility. Expiry dates are as follow: - US$45.0 million expires on 16 December 2018 - US$50.0 million expires on 16 December 2019
Total	95	1,129	894	

* This facility can be drawn in both A$ and US$.

The Syndicated Bank Guarantee Facility includes the following financial covenants based on consolidated results of Yancoal Resources Ltd Group and Coal & Allied Group to be tested half-yearly. As part of the acquisition of Coal & Allied the Syndicated Bank Guarantee Facility was increased to AU$1 billion and the financial covenants were adjusted from 1 September 2017

(a) The interest cover ratio will not be less than 5.0 (30 June 2017: 5.0 times);
(b) The finance debt to EBITDA ratio is not less than 3.0 (30 June 2017: 3.0 times); and
(c) The net tangible assets is not less than AU$1,500 million (30 June 2017: AU$600 million).

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

(b) Bank guarantee facilities (continued)

There was no breach of covenants at 30 June 2018.

For the Bank of China bank guarantee facility there are no covenants.

(c) Unsecured loans from related parties

In December 2014, the Company successfully arranged two long term loan facilities from its majority shareholder, Yanzhou repayable on 31 December 2024.

- Facility 1: AU$1,400 million - the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. During the period no additional amounts have been drawn down. In total US$832 million (AU$1,125 million) was drawn down as at 30 June 2018 (31 December 2017: US$832 million (AU$1,066 million)).
- Facility 2: US$243 million - initially the facility totalled US$807 million with the purpose of the facility being to fund the coupon payable on subordinated capital notes. During the period no amount has been drawn down. In total US$243 million (AU$329 million) was drawn down as at 30 June 2018 (31 December 2017: US$243 million (AU$312 million)). On 31 January 2018 all remaining SCN's were redeemed limiting the facility to the current drawn amount US$243 million.

Both of the facilities have a term of 10 years (with principal repayable at maturity) and are provided on an unsecured and subordinated basis with no covenants.

In August 2012, the Company successfully arranged a long term loan facility from Yancoal International Resources Development Co., Ltd, a wholly owned subsidiary of Yanzhou. The facility was for US$550 million and was provided on an unsecured basis with no covenants. The purpose of the facility was to fund the acquisition of Gloucester Coal Limited. In December 2014 US$434 million was repaid, leaving an outstanding balance of US$116 million which remains outstanding as at 30 June 2018 and is repayable on 12 May 2022.

(d) Contractual maturities and cash flows of interest-bearing liabilities

The table below analyses the Group's interest-bearing liabilities into relevant maturity grouping based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows, which also includes interest, arrangement fees and withholding tax.

	Less than 1 year $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Greater than 5 years $M	Total contractual cash flows $M	Carrying Amount $M
At 30 June 2018						
Trade payables	783	-	-	-	783	783
Interest- bearing liabilities	370	781	3,040	1,649	5,840	4,284
Non-contingent royalty	67	14	14	-	95	88
Total	1,220	795	3,054	1,649	6,718	5,155
At 31 December 2017						
Trade payables	758	-	-	-	758	758
Interest- bearing liabilities	369	384	4,116	1,612	6,481	4,723
Non-contingent royalty	115	26	26	-	167	160
Total	1,242	410	4,142	1,612	7,406	5,641

* The carrying amounts in the table exclude the non-substantial modification impact

D Capital structure and financing (continued)

D3 Non-contingent royalty

	Asset		Liability	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
Opening balance	**-**	-	**160**	-
Initial recognition	**87**	-	**-**	283
Receipts/payments	**(65)**	-	**(78)**	(142)
Unwind of discount	**-**	-	**(2)**	13
Foreign exchange	**3**	-	**8**	6
Closing balance	**25**	-	**88**	160
Current	**18**	-	**64**	112
Non-current	**7**	-	**24**	48
Total	**25**	-	**88**	160

As part of the acquisition of Coal & Allied on 1 September 2017 (refer to Note E1) US$240 million of the purchase price is to be paid over five years from completion as a non-contingent royalty to Rio Tinto. During the half year US$60 million (31 December 2017: US$110 million) of the non-contingent royalties were paid.

As part of the Glencore acquisition of the 16.6% interest in HVO, Glencore will pay to Yancoal 27.9% of the paid and future payable non-contingent royalty payments.

D4 Distribution paid and payable

(a) Group distributions

On 15 August 2018 the Directors announced an unfranked dividend of $130 million, with a record date of 7 September 2018 and payment date of 21 September 2018, which represents 36% of profit after tax consistent with the 25-40% range detailed in the Company's Constitution.

(b) SCN distributions	**2018**			**2017**		
	% per SCN	**Total US$'M**	**Total AU$'M**	**% per SCN**	**Total US$'M**	**Total AU$'M**
Distribution paid:						
Distribution paid on 31 January 2018 accrued as at 31 December 2017 (31 December 2016 paid on 31 January 2017)	7%	-	-	7%	63	83
Distribution payable:						
No distribution was paid on 31 July 2018 (30 June 2017: paid on 31 July 2017)	7%	-	-	7%	63	82
		-	-		126	165

On 31 January 2018, all SCN's were either redeemed or converted in shares of the Company. Due to foreign exchange the 31 January 2017 payment decreased by AU$4 million from the 31 December 2016 accrual.

D Capital structure and financing (continued)

D5 Reserves

	30 June 2018 $M	31 December 2017 $M
Hedging reserve	**(554)**	(413)
Treasury shares reserve	**(6)**	-
Employee compensation reserve	**6**	-
	(554)	(413)

	30 June 2018 $M	31 December 2017 $M
Movements:		
Hedging reserve		
Opening balance	**(413)**	(817)
(Loss)/profit recognised on USD interest bearing liabilities	**(246)**	348
Transferred to profit or loss	**45**	229
Deferred income tax benefit	**60**	(173)
Closing balance	**(554)**	(413)

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, through the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The closing balance relates to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the United States dollar denominated interest-bearing liabilities against future coal sales.

During the period ended 30 June 2018, losses of $45 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve (31 December 2017 a loss of $229 million).

Treasury shares reserve

Shares held by the Group sponsored Employee Share Plan Trust are recognised as treasury shares and deducted from equity.

Treasury shares consist of shares held in trust for the Group in relation to equity compensation plans. As at 30 June 2018, 42,574,974 shares were held in trust and classified as treasury shares.

Employee compensation reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at the fair value. The difference between the fair value at grant date and the amount received against treasury shares is recognised in retained earnings (net of tax).

D Capital structure and financing (continued)

D6 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2018 in respect of:

(i) Bank guarantees

	30 June 2018 $M	31 December 2017 $M
Parent entity and consolidated entity		
Performance guarantees provided to external parties	**203**	352
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**108**	80
	311	432
Joint ventures (equity share)		
Performance guarantees provided to external parties	**150**	195
Guarantees provided in respect of the cost of restoration of certain mining leases	**266**	248
	416	443
Guarantees held on behalf of related parties		
Performance guarantees provided to external parties	**112**	109
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**55**	57
	167	166
	894	1,041

(ii) Letter of Support provided to Middlemount Coal Pty Ltd ("Middlemount")

The Company has issued a letter of support dated 4 March 2015 to Middlemount, a joint venture of the Group confirming:

- it will not demand for the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
- it will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

This letter of support will remain in force whilst the Group is a shareholder of Middlemount or until notice of not less than 12 months is provided or such shorter period as agreed by Middlemount.

(iii) Bank guarantee fees

The Company is charged a bank guarantee fee by Yanzhou Coal Mining Company Ltd for the provision of a corporate guarantee over the Company's syndicated facility and syndicated bank guarantee facility as described in Note D2 and E3. The fee is currently fixed at 2.5% of the outstanding loan principal and bank guarantee facility balance. It was agreed by both parties that effective from 1 April 2018 there would be a market reset of the guarantee fee. To date the market reset work has not been completed such that the Company has continued to accrue a 2.5% fee for the period from 1 April to 30 June 2018. Indicatively, if a 0.50% fee reduction is agreed, the accrual for the period 1 April to 30 June 2018 would be reduced by $3 million.

(iv) Other contingencies

A number of claims have been made against the Group, including in respect of personal injuries, and in relation to contracts which Group members are party to as part of the Group's day to day operations. The personal injury claims which have been made against the Group have largely been assumed by the insurers of the Group under the Group's insurance policies. The Directors do not believe that the outcome of the personal injury or day to day operations claims will have a material impact on the Group's financial position.

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 and 31 December 2017:

At 30 June 2018	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
WIPS	**-**	**-**	**-**	**-**
Royalty receivable	**-**	**-**	198	198
Total assets	**-**	**-**	198	198

At 31 December 2017	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
WIPS	-	-	29	29
Royalty receivable	-	-	199	199
Total assets	-	-	228	228

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2018.

(b) Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the WIPS and royalty receivable.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2018:

	WIPS $M	**Royalty receivable $M**
Opening balance 1 January 2017	**29**	199
Cash received / receivable	**-**	(29)
Unwinding of the discount	**-**	21
Remeasurement	**-**	8
Closing balance 31 December 2017	**29**	199
Cash received / receivable	**-**	(13)
Unwinding of the discount	**-**	10
Remeasurement	**(29)**	2
Closing balance 30 June 2018	**-**	198

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

(i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2018 has been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has been determined to have a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and foreign exchange rates are based on the same external data used for impairment assessments (refer to Note C3). The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.0%.

The estimated fair value would increase if the sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The estimated fair value would also increase if the risk-adjusted discount rate was lower.

(ii) WIPS

The WIPs are entitled to an annual dividend of 15%, which can be deferred for up to seven years. Deferred dividends attract an annual finance charge of 15.75%. There is no scheduled maturity date but there are certain “remarketing dates” whereby the WIPS can be refinanced, the earliest of which is 2023. The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: internally maintained budgets and business plans of Wiggins Island Coal Export Terminal (“WICET”). The risk adjusted post tax discount rate used to determine the future cashflows is 11.0%.

(d) Fair values of other financial instruments

The carrying amount is assumed to approximate the fair value for the following:

(i) Trade and other receivables
(ii) Other financial assets
(iii) Trade and other payables
(iv) Interest-bearing liabilities

E Group structure

E1 Business combinations

(a) Disposal of interest in Hunter Valley Operation to Glencore

(i) Summary of disposal

On 4 May 2018, the Company announced that it had completed the establishment of a 51%:49% unincorporated joint venture with Glencore Coal Pty Ltd (“Glencore”) in relation to Hunter Valley Operations (“HVO JV”) as was previously announced on 27 July 2017 and held a 51%:49% shareholding in HVO Services Pty Ltd, HV Operations Pty Ltd and HVO Coal Sales Pty Ltd (together the “HVO entities”).

Glencore paid cash consideration of US$1,139 million for 49% of HVO JV and the HVO entities, of which US$710 million was paid to Mitsubishi Development Pty Ltd (“MDP”) for its 32.4% interest and US$429 million was paid to a wholly owned subsidiary of Yancoal, Coal & Allied Operations Pty Ltd, for its 16.6% interest, adjusted for a net debt and working capital adjustment and an adjustment for the net cash inflows of HVO since 1 September 2017.

Yancoal will also receive from Glencore a 27.9% share of the US$240 million non-contingent royalties payable by Yancoal to Rio Tinto Plc ("Rio Tinto") resulting from the acquisition of Coal & Allied Industries Ltd, which occurred on 1 September 2017. The US$429 million includes US$20 million associated with the transfer of shares in Newcastle Coal Shippers held by Coal & Allied Industries Limited and Warkworth Coal Sales Limited to a Glencore subsidiary.

E Group structure (continued)

E1 Business combinations (continued)

(a) Disposal of interest in Hunter Valley Operation to Glencore (continued)

Glencore acquired MDP's 32.4% HVO interest directly from MDP in place of Yancoal's tag-along offer.

From 4 May 2018 Yancoal continues to proportionately consolidates its 51% interest in the HVO JV, has deconsolidated the HVO entities and continues to account for these entities as associates.

Details of the sale proceeds, the net identifiable assets disposed of and the gain on disposal of the interest in joint venture and subsidiaries are as follows:

	$M
Sale proceeds	
Disposal price	**569**
Non-contingent royalties	**87**
Working capital and share of net cash outflows adjustment	**(36)**
Total disposal consideration	**620**
Gain on disposal of interest in joint venture and subsidiaries	**(78)**
Fair value of net identifiable assets and liabilities disposed of (refer to a(ii) below)	**542**

(ii) Assets and liabilities disposed

The assets and liabilities derecognised as a result of the disposal are as follows:

	Fair value $M
Cash	**13**
Trade receivables	**175**
Inventories	**12**
Assets classified as held for sale	**26**
Other assets	**1**
Plant and equipment	**186**
Mining tenements	**335**
Exploration and evaluation assets	**18**
Intangible assets	**4**
Trade and other payables	**(172)**
Provisions	**(56)**
Net identifiable assets disposed	**542**

As noted in Note E1(c) the acquisition accounting relating to Coal & Allied Industries Ltd ("Coal & Allied") is on a provisional basis at 30 June 2018. Any further adjustments to the provisional values of Coal & Allied as a result of completing work on the fair values of assets and liabilities acquired may have an effect on the recognition of disposed assets and liabilities above.

(b) Acquisition of interest in Warkworth Joint Venture

(i) Summary of acquisition

As announced on 7 March 2018 and effective from 1 March 2018 CNA Warkworth Australasia Pty Ltd, a subsidiary of the Company, acquired a 28.898% interest in the Warkworth Joint Venture from MDP for US$230 million, plus a net debt and working capital adjustment. The acquisition also included MDP's shareholding in the following companies, Warkworth Coal Sales Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Co Pty Ltd and Warkworth Tailings Treatment Pty Ltd.

E Group structure (continued)

E1 Business combinations (continued)

(b) Acquisition of interest in Warkworth Joint Venture (continued)

	$M
Purchase consideration	
Acquisition price	**295**
Net debt and working capital adjustment	**58**
Total consideration	**353**
Gain on acquisition of joint venture and subsidiaries	**-**
Fair value of net identifiable assets acquired (refer to b(ii) below)	**353**

(ii) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $M
Cash	**6**
Trade receivables	**72**
Inventories	**13**
Plant and equipment	**178**
Mining tenements	**127**
Exploration and evaluation assets	**12**
Intangible assets	**2**
Other assets	**1**
Trade and other payables	**(44)**
Provisions	**(16)**
Deferred tax assets	**1**
Non controlling interest	**1**
Net identifiable assets acquired	**353**

The accounting for the acquisition has been determined on a provisional basis at 30 June 2018. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

(iii) Revenue and profit contribution

The acquired interest contributed revenue of $103 million and net profit of $47 million to the Group for the period from 1 March 2018 to 30 June 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and net profit for the period ended 30 June 2018 would have been $151 million and $70 million respectively. These amounts have been calculated using the Group's accounting policies.

(c) Update on acquisition of Coal & Allied Industries Ltd

On 1 September 2017, the Group acquired the shares in Coal & Allied from wholly owned subsidiaries of Rio Tinto. The total consideration payable was $3,547 million. The accounting for the Coal & Allied acquisition was determined on a provisional basis at 31 December 2017.

During the current year, adjustments have been made to the provisional acquisition accounting of Coal & Allied. This resulted in an increase in provisions of $8 million offset by increases in mining tenements of $1 million and intangible assets of $1 million together with the resulting deferred tax impacts. Deferred tax assets increased by $2 million and deferred tax liabilities decreased by $4 million. The changes have resulted from further analysis of agreements and the nature and status of assets that existed as at the acquisition date that, if known, would have affected the measurement of the amounts recognised as at the date of acquisition.

The accounting for the acquisition remains on a provisional basis at 30 June 2018. Any adjustments to the provisional values as a result of completing further analysis on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

E Group structure (continued)

E2 Interests in other entities

(a) Joint operations

A controlled entity, Moolarben Coal Mines Pty Limited, has an 81% interest in the Moolarben Joint Venture whose principal activity is the development and operation of coal mines.

A controlled entity, Coal & Allied Operations Pty Ltd has an 51% (67.6% to 1 May 2018) interest in the Hunter Valley Operations Joint Venture whose principal activity is the development and operation of coal mines.

A controlled entity, Mount Thorley Pty Ltd has an 80% interest in the Mount Thorley Joint Venture whose principal activity is the development and operation of coal mines.

Controlled entities, CNA Warkworth Australasia Pty Ltd and CNA Resources Ltd, have an combined 84.5% (55.6% to 1 March 2018) interest in the Warkworth Joint Venture whose principal activity is the development and operation of mines.

A controlled entity, Yarrabee Coal Company Pty. Ltd., has a 50% interest in the Boonal Joint Venture, whose principal activity is the provision of a coal haul road and train load out facility.

The principal place of business for the above joint operations is in Australia.

(b) Investment in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 30 June 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount of investment	
		2018	2017			2018 $M	2017 $M
Watagan Mining Company Pty Ltd (i)	Australia	100	100	Associate	Equity method	-	-
Middlemount Coal Pty Ltd (ii)	Australia	49.9997	49.9997	Joint Venture	Equity method	88	60
Port Waratah Coal Services Ltd (i)	Australia	30	37	Associate	Equity method	192	191
Newcastle Coal Infrastructure Group Pty Ltd (i)	Australia	27	27	Associate	Equity method	-	-
HVO Coal Sales Pty Ltd (i)	Australia	51	N/A	Associate	Equity method	-	-
HVO Operations Pty Ltd (i)	Australia	51	N/A	Associate	Equity method	-	-
HVO Services Pty Ltd (i)	Australia	51	N/A	Associate	Equity method	-	-

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Investment in associates and joint ventures (continued)

(i) Investment in associates

Watagan Mining Company Pty Limited

During 2015 the Group established a 100% owned subsidiary, Watagan Mining Company Pty Ltd (“Watagan”). On 18 February 2016, the Group executed a Bond Subscription Agreement, together with other agreements (the “Watagan Agreements”) that, on completion, transferred the Group’s interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines (the “three mines”), to Watagan for a purchase price of $1,363 million (an amount equal to the book value of the three mines at completion). The purchase price was funded by way of a $1,363 million loan from Yancoal Australia Ltd to Watagan bearing interest at BBSY plus 7.06% with a maturity date of 1 April 2025. The outstanding interest and principal of this loan is guaranteed by Yankuang Group Co., Ltd ("Yankuang"), the Group’s ultimate parent entity. The completion date of the transaction was 31 March 2016.

On completion Watagan issued US$775 million of debt bonds with a term of approximately nine years to three external financiers (“Bondholders”). The Bondholders will receive interest on the face value outstanding on the bonds comprising a fixed interest component, as well as a variable interest component that is tied to the EBITDA performance of Watagan. Under the terms of the Watagan Agreements, it was determined that upon issuance of the bonds the Group lost control of Watagan.

This loss of control was determined to occur on the issuance date of the bonds on the basis that the power over the key operating and strategic decisions of Watagan no longer reside with the Group. Specifically, those powers were transferred to the Bondholders under the terms of the Watagan Agreements as the Bondholders were given control of Watagan’s board of directors via appointment of the majority of directors. This loss of control resulted in the Group de-consolidating the consolidated results of Watagan from the transaction completion date and the Group began to equity account for its 100% equity interest in Watagan as an associate.

While Watagan is deconsolidated for accounting purposes, as a result of the Group’s ongoing 100% equity ownership it remains within the Group’s tax consolidated group.

The book value of Watagan’s net assets has declined since inception and at 30 June 2018 the book value of liabilities exceeded the book value of assets by $311 million. These losses have not been recognised as the accumulated losses exceeds the value of the investment by the Group.

Non-current assets of $1,590 million includes, $724 million, $371 million and $386 million for the Ashton, Austar and Donaldson mines, respectively.

As noted in the directors’ report Austar has recently been subject to prohibition notices issued by the Resource Regulator that restricted current operations, however as announced on 7 August these notices have now been lifted, and Donaldson remains on care and maintenance.

The value of the non-current assets in the Watagan balance sheet has been prepared on the basis that Austar returns to normal production this year and Donaldson will recommence operations at some time in the future which is management’s current intention. However, if it is determined that either or both, Austar or Donaldson, are unable to restart operations or return to previously forecast levels of production or there are materially negative changes to other operating assumptions, impacting all three mines, including coal prices, exchange rates, operating costs, capital expenditure, geological conditions, approvals or changes to existing lease conditions or regulatory outcomes it is likely that the fair value of these mines would be reduced materially. Any impairment of these assets would increase the net asset deficit.

In that event, an impairment may be recognised by the Group on its loan receivable from Watagan, refer to Note D1 for details on the loan, or on the future reconsolidation of Watagan.

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Investment in associates and joint ventures (continued)

Port Waratah Coal Services Ltd

The Group holds a direct shareholding in Port Waratah Coal Services Ltd ("PWCS") totalling 30% (2017: 36.5%) of the ordinary shares of PWCS. Under the shareholder agreement between the Group and other shareholders, the Group has 30% of the voting power of PWCS. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes. The principal activities of PWCS were the provision of coal receivable, blending, stockpiling and ship loading services in the Port of Newcastle.

Other associates

On completion of the establishment of the 51%:49% unincorporated joint venture with Glencore on 4 May 2018, the Group holds 51% of the shares in HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd ("HVO entities"). From this date the Group has determined that it no longer controls these companies. From 4 May 2018 the Group equity accounts the financial results of these companies.

The Group holds 27% (2017: 27%) of the ordinary shares of Newcastle Coal Infrastructure Group Pty Ltd ("NCIG"). Under the shareholder agreement between the Group and other shareholders, the Group has 27% of the voting power of NCIG. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes.

Summarised financial information of associates

The information disclosed below reflects the Group's share of the results of its principal associates and the aggregated assets and liabilities. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Watagan		**PWCS**		**Other**	
	30 June 2018 $M	31 December 2017 $M	**30 June 2018 $M**	31 December 2017 $M	**30 June 2018 $M**	31 December 2017 $M
Cash and cash equivalents	**100**	103	**18**	17	**23**	20
Other current assets	**93**	184	**13**	12	**191**	11
Current assets	**193**	287	**31**	29	**214**	31
Property, plant and equipment	**853**	843	**409**	526	**596**	610
Mining tenements	**324**	330	**-**	-	**-**	-
Exploration and evaluation assets	**298**	298	**-**	-	**-**	-
Goodwill	**-**	-	**1**	1	**-**	-
Other non current assets	**114**	59	**48**	8	**139**	108
Non-current assets	**1,590**	1,530	**458**	534	**735**	717
Total assets	**1,783**	1,817	**489**	563	**949**	748
Current liabilities	**64**	99	**105**	128	**219**	13
Deferred tax liability	**201**	183	**19**	24	**27**	27
Other non-current liabilities	**1,829**	1,756	**173**	220	**1,015**	983
Non-current liabilities	**2,030**	1,939	**192**	244	**1,042**	1,011
Total liabilities	**2,094**	2,038	**297**	372	**1,261**	1,024
Net (liabilities) / assets	**(311)**	(221)	**192**	191	**(312)**	(276)

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Investment in associates and joint ventures (continued)

	Watagan		PWCS		Other	
	30 June 2018 $M	30 June 2017 $M	**30 June 2018 $M**	30 June 2017 $M	**30 June 2018 $M**	30 June 2017 $M
Revenue	**190**	302	**55**	-	**108**	61
Management fees (Yancoal Australia Ltd)	**(29)**	(32)	**-**	-	**5**	-
Interest paid / payable (Bondholders)	**(36)**	(38)	**-**	-	**-**	-
Interest paid / payable (Yancoal Australia Ltd)	**(31)**	(34)	**-**	-	**-**	-
Other finance costs	**(2)**	(2)	**(21)**	-	**(55)**	(27)
Depreciation & amortisation	**(37)**	(59)	**(15)**	-	**(31)**	(16)
Net gain / (loss) on foreign exchange	**(46)**	47	**-**	-	**70**	58
Other expenses	**(134)**	(191)	**(6)**	-	**(30)**	(17)
Income tax benefit / (expense)	**35**	(1)	**(3)**	-	**(31)**	(19)
(Loss) / profit from continuing operations after tax	**(90)**	(7)	**4**	-	**(37)**	(39)
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive (expense) / income	**(90)**	(7)	**4**	-	**(37)**	(39)

Movements in carrying amounts

The Group's share of the Watagan, HVO entities and NCIG profit/(loss) after tax has not been recognised for the half-year ended 30 June 2018 and year ended 31 December 2017 since the Group's share of the associates' accumulated losses exceeds its interest in the associates at 30 June 2018 and year ended 31 December 2017. As the Group does not have contractual agreements or a constructive obligation to contribute to these associates no additional liabilities have been recognised.

Movements in PWCS carrying amounts	**30 June 2018 $M**	31 December 2017 $M
Opening net book value	**191**	-
Acquisition of interest in associate	**-**	197
Share of profit of equity accounted investee, net of tax	**4**	-
Transfer to assets classified as held for sale	**2**	-
Dividends received	**(5)**	(6)
Closing net book value	**192**	191

(ii) Interest in joint venture

Middlemount Coal Pty Ltd

The Group holds a 49.9997% interest in the net assets of Middlemount Coal Pty Ltd ("Middlemount"), an incorporated joint venture, whose principal activity is the development and operation of coal mines in the Bowen Basin.

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Investment in associates and joint ventures (continued)

The following table provides summarised financial information for Middlemount. The information disclosed reflects the Group's share of the results of Middlemount and its aggregated assets and liabilities. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	30 June 2018 $M	31 December 2017 $M
Share of joint venture's assets and liabilities		
Cash and cash equivalents	**9**	2
Other current assets	**45**	78
Current assets	**54**	80
Total non-current assets	**461**	488
Total assets	**515**	568
Other current liabilities	**(51)**	(63)
Non- current financial liabilities	**(273)**	(340)
Other non-current liabilities	**(103)**	(105)
Total non-current liabilities	**(376)**	(445)
Total liabilities	**(427)**	(508)
Net assets	**88**	60

	30 June 2018 $M	30 June 2017 $M
Share of joint venture's revenue, expenses and results		
Revenue	**176**	154
Depreciation and amortisation	**(10)**	(14)
Interest expense	**(11)**	(11)
Other expenses	**(113)**	(102)
Income tax expense	**(14)**	(10)
Profit after income tax	**28**	17
Other comprehensive income	**-**	-

	30 June 2018 $M	31 December 2017 $M
Movement in carrying values		
Opening net book amount	**60**	5
Share of profit of equity-accounted investees, net of tax	**28**	32
Movements in reserves, net of tax	**-**	23
Closing net book amount	**88**	60

The liabilities of Middlemount include an interest-bearing liability of $274 million (face value of $281 million) due to the Group at 30 June 2018 (31 December 2017: $322 million). During the period, Middlemount settled the Priority Loan owed to the other shareholder of Middlemount amounting to $42 million and has made $69 million of loan repayments to the Group. From 1 July 2017, the shareholders of Middlemount agreed to make the loan interest free for 18 months revaluing this loan using the effective interest rate method with the difference being recognised as an equity contribution to the joint venture. The liabilities of Middlemount also include a royalty payable of $8 million due to the Group at 30 June 2018 (31 December 2017: $11 million).

E Group structure (continued)

E3 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2018 $	30 June 2017 $
Sales of goods and services		
Sales of coal to Watagan Mining Company Pty Ltd	**15,715,641**	47,504,487
Sales of coal to Noble Group Limited	**-**	92,037,595
Provision of marketing and administrative services to other related parties - Watagan Group	**2,852,262**	2,826,500
Provision of marketing and administrative services to other related parties - Yancoal International Group	**3,966,414**	4,119,330
Purchases of goods and services		
Purchases of coal from Syntech Resources Pty Ltd	**(27,480,173)**	(21,987,717)
Purchase of coal from Watagan Group	**(33,570,464)**	(56,339,439)
Advances / loans to and repayment of advances		
Repayment of loans to Watagan Mining Company Pty Ltd	**253,334,719**	56,455,026
Advances of loans to Watagan Mining Company Pty Ltd	**(271,158,570)**	(41,455,026)
(Advances) / repayments to Premier Coal Holdings Pty Ltd	**(4,322,730)**	197,951
Repayment of loans Middlemount Coal Pty Ltd	**68,570,781**	-
Loans from Yanzhou Coal Mining Company Ltd	**-**	70,767,930
Finance costs		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	**(4,374,829)**	(4,463,096)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	**(10,746,054)**	71,610
Interest paid on loans from Yancoal International (Holding) Co., Ltd	**(4,402,155)**	(4,423,372)
Interest accrued on loans from Yancoal International (Holding) Co., Ltd	**(130,328)**	340,124
Interest paid on loans from Yanzhou Coal Mining Company Ltd	**(8,909,253)**	-
Interest accrued on loans from Yanzhou Coal Mining Company Ltd	**(18,025,360)**	(23,833,763)
Interest paid on loans from Yancoal International Trading Co., Ltd HK	**-**	(8,384,082)
Interest accrued on loans from Yancoal International Trading Co., Ltd HK	**(844,484)**	680,248
Other costs		
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Ltd (extended portion)	**(47,017,277)**	(42,757,278)
Arrangement fee paid on loans from Yancoal International Resources Development Co., Ltd	**(969,639)**	(989,203)
Arrangement fee accrued on loans from Yancoal International Resources Development Co., Ltd	**(13,744)**	15,872
Port charges paid to NCIG Holdings Pty Limited	**(67,637,732)**	(43,602,125)
Port charges accrued to NCIG Holdings Pty Limited	**3,040,420**	(1,323,390)
Port charges paid to Noble Group Limited	**-**	(664,533)
Finance income		
Interest income on loan to Watagan Mining Company Pty Ltd	**31,652,623**	34,366,362
Interest income capitalised into loan receivable from Middlemount Coal Pty Ltd	**10,588,811**	9,302,529
Other income		
Mining services fees charged to Watagan Mining Company Pty Ltd	**25,873,557**	29,269,492
Royalty income from Middlemount Coal Pty Ltd	**14,662,133**	12,811,541
Bank guarantee fee charged to Yancoal International Group	**1,395,898**	1,129,740
Longwall hire fee charged to Austar Coal Mine Pty Ltd	**1,500,000**	1,500,000
Bank guarantee fee charged to Watagan Group	**771,070**	631,305

E Group structure (continued)

E3 Related party transactions (continued)

(b) Outstanding balances

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

	30 June 2018 $	31 December 2017 $
Current assets		
Trade and other receivables		
Receivable from Yancoal International Group in relation to cost reimbursement	**6,058,700**	10,966,329
Trade receivable from Noble Group Limited in relation to sales of coal	**-**	42,267,396
Royalty receivable from Middlemount Coal Pty Ltd	**7,681,070**	11,171,154
Other receivable from Watagan Group	**12,096,577**	-
Receivable from Premier Coal Holdings Pty Ltd	**4,322,730**	197,951
Loans receivable		
Promissory Notes receivable from Oz Star Ningbo Trading Co Ltd	**37,883,913**	35,897,436
Interest income receivable from Watagan Mining Company Pty Ltd	**16,004,579**	16,292,548
	84,047,569	116,792,814
Non-current assets		
Advances to joint venture		
Receivable from Middlemount Coal Pty Ltd being an unsecured, non-interest-bearing advance	**273,704,122**	331,686,091
Receivable from Watagan Mining Company Pty Ltd being an unsecured, interest-bearing loan	**729,985,215**	712,161,365
	1,003,689,337	1,043,847,456
Current liabilities		
Other payables		
Payables to Yanzhou Coal Mining Company Limited	**157,387,206**	81,065,644
Payables to Yancoal International Resources Development Co., Ltd	**1,444,740**	1,368,984
Payables to Yancoal International (Holding) Co., Ltd	**3,892,183**	3,761,855
Payables to Yancoal International Trading Co., Ltd HK	**7,784,366**	7,523,709
Payables under tax sharing and funding with Watagan Group	**69,459,234**	43,517,939
Other payable to Watagan Group	**-**	31,775,584
	239,967,729	169,013,715
Non-current liabilities		
Other payables		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	**339,598,025**	321,790,897
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	**135,299,689**	128,205,128
Payable to Yancoal International Trading Co., Ltd HK being an unsecured, interest-bearing loan	**290,894,331**	275,641,026
Payable to Yanzhou Coal Mining Company Limited being an unsecured, interest-bearing loan	**845,188,104**	800,869,906
	1,610,980,149	1,526,506,957

From 9 November 2017, on the resignation of William Randall as a Director of the Group, Noble Group Ltd is no longer deemed a related party.

The terms and conditions of the related party non-current liabilities is detailed in Note D2(c) above.

E Group structure (continued)

E3 Related party transactions (continued)

(c) Guarantees

The financiers of the Group have issued undertakings and guarantees to government departments, and various external parties on behalf of the following related entities:

	30 June 2018 $	31 December 2017 $
Syntech Resources Pty Ltd	**84,693,965**	84,693,965
AMH (Chinchilla Coal) Pty Ltd	**49,000**	49,000
Premier Coal Ltd	**29,000,000**	29,000,000
Tonford Holdings Pty Ltd	**10,000**	10,000
Athena Joint Venture	**2,500**	2,500
Ashton Coal Mines Ltd	**15,466,654**	15,466,954
Austar Coal Mine Pty Ltd	**29,275,000**	29,325,000
Donaldson Coal Pty Ltd	**8,002,712**	7,372,000
Yankuang Resources Pty Ltd	**45,324**	45,324
	166,545,155	**165,964,743**

Refer to Note D6 for details of the nature of the guarantees provided.

(d) Terms and conditions

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

The terms of the loan facilities from Yanzhou are as follows:

The US$116 million loan from Yancoal International Resources Development Co., Ltd was charged at a fixed interest rate of 7.00% p.a (inclusive of arrangement fees).

On 31 December 2014 an AU$1,400 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2018 no additional amounts were drawn. As at 30 June 2018 a total of US$832 million has been drawn.

A total of US$243 million has been drawn from the US$243 million loan facility provided by Yanzhou. A fixed interest rate of 7% is charged on the drawdown.

Yanzhou provided corporate guarantees as security for the following facilities:

- Syndicated facility and syndicated bank guarantee facility a fixed rate of 2.5% is charged on the outstanding loan principal and bank guarantee facility balance.

The Directors of Yanzhou have provided a letter of support whereby unless revoked by giving not less than 24 months notice, for so long as Yanzhou owns at least 51% of the shares of Yancoal, Yanzhou will ensure that Yancoal continues to operate so that it remains solvent.

F Other information

F1 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	30 June 2018 $M	31 December 2017 $M
Property, plant and equipment		
Not later than one year		
Share of joint operations	**32**	33
Other	**4**	-
	36	33

(b) Lease expenditure commitments

(i) Non-cancellable operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	30 June 2018 $M	31 December 2017 $M
Not later than one year	**26**	38
Later than one year but not later than five years	**73**	149
Later than five years	**78**	-
	177	187

The Group leases mining equipment, office space and small items of office equipment under operating leases. The leases typically run for 1 month to 10 years with an option to renew at the expiry of the lease period. None of the leases include contingent rentals.

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	30 June 2018 $M	31 December 2017 $M
Not later than one year	**19**	19
Later than one year but not later than five years	**37**	42
Minimum lease payments	**56**	61
Less: future finance charges	**(5)**	(6)
Total lease liabilities	**51**	55
Finance leases are included in the financial statements as:		
Current	**17**	17
Non-current	**34**	38
	51	55

F2 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial periods.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 9 to 46 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Fucun Wang
Director

Sydney
15 August 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

Report on the Half-Year Financial Statements

We have reviewed the accompanying interim financial statements of Yancoal Australia Ltd ("the Company") and controlled entities ("the Group") which comprises the Consolidated Balance Sheet as at 30 June 2018, and 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 explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Statements

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial statements based on our review. We conducted our review in accordance with 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 statements are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yancoal Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half-year financial statements 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*.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial statements of the Group are not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 15 August 2018