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GLOBAL OFFERING

Volume 1

YANCOAL AUSTRALIA LTD
(Incorporated in Victoria, Australia with limited liability)
STOCK CODE: 3668

YANCOAL
兖煤澳大利亚有限公司

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This Prospectus is printed in two parts that together form the Prospectus. You should read each part of the Prospectus in conjunction with the other part in order to understand the matters to which the Prospectus relates, particularly the Hong Kong Public Offering. Prospective investors should read each part of the Prospectus before making any application in response to the Hong Kong Public Offering. Copies of the two parts of the Prospectus are available at the locations set out in the section headed "*How to Apply for Hong Kong Offer Shares*" in this Prospectus. In addition, the complete Prospectus is available at www.hkexnews.hk and www.yancoal.com.au.

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

YANCOAL
兖煤澳大利亚有限公司

Yancoal Australia Ltd

ACN 111 859 119

兗煤澳大利亞有限公司*

(Incorporated in Victoria, Australia with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**59,441,900 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**5,944,200 Shares (subject to reallocation)**
Number of International Offer Shares	**:**	**53,497,700 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$25.84 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock Code	**:**	**3668**

Joint Sponsors

Morgan Stanley — 招银国际 CMB INTERNATIONAL — BOC INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Joint Bookrunners and Joint Lead Managers
(In alphabetical order)

建银国际 CCB International — 光大證券 EBS INTERNATIONAL — 信達國際 CINDA INTERNATIONAL — 海通國際 HAITONG — 中泰國際 ZHONGTAI INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "*Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection*", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about Thursday, 29 November 2018 and, in any event, not later than Wednesday, 5 December 2018. The Offer Price will not be more than HK$25.84 per Offer Share and is expected to be not less than HK$23.48 per Offer Share, unless otherwise announced.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "*Risk Factors*". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "*Underwriting*".

* *For identification purposes only*

26 November 2018

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.yancoal.com.au** and the Stock Exchange at **www.hkexnews.hk** under the "*HKExnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018 at the following locations:

1. any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point, Hong Kong
	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories

2. any of the following offices of the Joint Global Coordinators:

   (a) **Morgan Stanley Asia Limited**, at 46/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong;

   (b) **CMB International Capital Limited**, at 45/F, Champion Tower, 3 Garden Road, Central, Hong Kong;

   (c) **BOCI Asia Limited**, at 26/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong; and

   (d) **Citigroup Global Markets Asia Limited**, at 50/F, Champion Tower, 3 Garden Road, Central, Hong Kong; and

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in "*How to Apply for Hong Kong Offer Shares*".

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Monday, 26 November 2018
Latest time for completing electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Thursday, 29 November 2018
Application lists open[3]	11:45 a.m. on Thursday, 29 November 2018
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC	12:00 noon on Thursday, 29 November 2018
Application lists close[3]	12:00 noon on Thursday, 29 November 2018
Expected Price Determination Date	Thursday, 29 November 2018
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, 5 December 2018
(2) Results of allocations in the Hong Kong Public Offering to be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Wednesday, 5 December 2018
(3) Announcement containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.yancoal.com.au** and **www.hkexnews.hk** from	Wednesday, 5 December 2018
Despatch of Share certificates and **White Form** e-Refund payment instructions/refund cheques on or before[4]	Wednesday, 5 December 2018
Dealings in the Shares on the Stock Exchange expected to commence on	Thursday, 6 December 2018

Notes:

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 29 November 2018, the application lists will not open and close on that day. See "*How to Apply for Hong Kong Offer Shares*".

(4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Thursday, 6 December 2018, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "*Structure of the Global Offering*" and "*How to Apply for Hong Kong Offer Shares*", respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company or any of the Relevant Persons.

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This summary is intended to provide you with an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide whether to invest in the Offer Shares. Some of the particular risks of investing in the Offer Shares are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Offer Shares.

As used in this prospectus, except as otherwise indicated:

- *"**The Group**", "**we**" and "**our**" means the Company, its consolidated subsidiaries and the Company's interests in its associates, joint ventures and joint operations.*
- *"**Our mines**" or "**mines we have ownership interests in and operate**" means HVO, MTW, Moolarben, Stratford Duralie and Yarrabee, each as defined below.*
- *"**100% basis**" means the aggregate of the resources, reserves, production or sales data, or other amount or measure, without taking into account our effective ownership interest therein.*
- *"**Attributable basis**" means our effective ownership interest in the resources, reserves, production or sales data, or other amount or measure, whether established contractually or otherwise.*

OVERVIEW

Introduction

We are Australia's largest pure-play coal producer based on aggregate Coal Reserves and marketable coal production, and have been listed on the ASX since 2012. Of all Australian coal producers, we rank third on both these aforementioned metrics, behind only Glencore and BHP. Our principal business activity is the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. In contrast to coal companies that are currently listed on the Stock Exchange, all of the coal we produce is sold for export to customers located overseas, whether directly, through overseas traders or through other Australian coal companies. We believe that the export-oriented nature of our business is a key differentiator as it allows us to obtain global and market-determined indexed pricing for most of our coal sales.

We have ownership interests in, and operate, five coal mine complexes across New South Wales and Queensland, and manage five others across New South Wales, Queensland and Western Australia. Our mining interests in New South Wales include the Hunter Valley Operations, which is now operated as an unincorporated joint venture with Glencore ("**HVO**"), the integrated operations of the Mount Thorley and Warkworth open cut mines which are located adjacent to each other ("**MTW**"), the open cut and underground mines comprising the Moolarben coal complex ("**Moolarben**"), and the integrated operations of the Stratford and Duralie mines which are located in proximity to each other ("**Stratford Duralie**"). Our mining interests in Queensland are located in the Bowen basin and include the Yarrabee mine ("**Yarrabee**"), and a near-50% share in the Middlemount mine through an incorporated joint venture with Peabody Energy

(“**Middlemount**”). Our mining interests also include the Ashton, Austar and Donaldson mines (the “**Watagan Mines**”) in New South Wales, which we manage on behalf of Watagan Mining Company Pty Ltd (“**Watagan**”), our unconsolidated, wholly-owned subsidiary. Additionally, we manage the Cameby Downs and Premier coal mines in Queensland and Western Australia, respectively, on behalf of our Shanghai and Hong Kong listed controlling shareholder, Yanzhou Coal Mining Company Limited (“**Yanzhou**”). We also have shareholding interests in three major Australian coal export terminals.

As at 30 June 2018, the mines we have ownership interests in and operate (“**our mines**”), Middlemount and the Watagan Mines had, in the aggregate, Coal Reserves of 1,710 Mt, Marketable Coal Reserves of 1,218 Mt, and Measured and Indicated Coal Resources of 5,414 Mt (all on a 100% basis). On an attributable basis, we had Coal Reserves of 1,178 Mt, Marketable Coal Reserves of 837 Mt and Measured and Indicated Coal Resources of 3,964 Mt as at that date. In 2017 and the six months ended 30 June 2018, we sold 19.3 Mt and 16.2 Mt of coal products, respectively, and reported revenue from continuing operations of A$2,601 million and A$2,347 million, respectively.

Our mines and operations employ approximately 4,000 people in addition to the contractors and service providers who support our business, and we seek to continue contributing to the economic growth of the regional Australian areas in which we operate.

History and Material Transactions

We have become the largest Australian pure-play coal producer through both organic growth and a series of corporate acquisitions since our incorporation in November 2004.

We acquired the Southland mine (renamed Austar) in December 2004 and Felix Resources (assets of which included interests in the Moolarben, Yarrabee and Ashton mines) in December 2009. We acquired further interests in the Ashton mine in 2011. We listed on the ASX in June 2012, following our merger with Gloucester Coal, assets of which included interests in the Middlemount, Stratford Duralie and Donaldson mines and the Monash exploration project. Since our listing on the ASX, we have acquired the remaining interests in the Ashton mine and further interests in the Moolarben mine.

In 2014, during the global coal market downturn, we made a major strategic commitment to expand mining operations at Moolarben. Development approval for the Moolarben Stage Two expansion project was received in early 2015 and provided for an increase in Run of Mine (“**ROM**”) production capacity at the low cost Moolarben complex from 8 Mtpa of open cut production to 21 Mtpa across both open cut (13 Mtpa) and underground operations (8 Mtpa). With efficient project management and careful cost control, we were able to execute the Moolarben expansion ahead of schedule and within budget. With construction now complete at both the open cut and underground operations, Moolarben is one of the ten largest producers of thermal coal in Australia based on 2017 saleable production. We have entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben.

In March 2016, we transferred our interests in the Ashton, Austar and Donaldson mines to Watagan as part of a structured financing transaction, further details of which are set forth in “*Business – Our Mining Operations – Watagan Mines – Watagan Agreements*” and “*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation*”.

On 1 September 2017, we completed the acquisition of 100% of the equity interest in C&A from Rio Tinto (the "**C&A Acquisition**"). The consideration for the C&A Acquisition was US$2.69 billion, comprising US$2.45 billion cash payable on completion and US$240 million in future non-contingent royalty payments over five years following completion, and a coal price-linked contingent royalty. On completion, we acquired:

(i) interests in two of Australia's leading tier-one large-scale, long-life and low-cost coal mines located in the Hunter Valley region of New South Wales, including:

  (a) a 67.6% interest in HVO; and

  (b) an 80.0% interest in the Mount Thorley mine and a 55.6% interest in the Warkworth mine, which are located adjacent to each other and are operationally integrated as MTW; and

(ii) a 36.5% interest in Port Waratah Coal Services ("**PWCS**"), which provides the export infrastructure for the acquired mines.

The C&A Acquisition contributed to a substantial increase in our total assets from A$7,660 million as at 31 December 2016 to A$11,914 million as at 30 June 2018. In addition, we began consolidating the profit and loss accounts of C&A from 1 September 2017, the date of completion of the C&A Acquisition, and our results of operations for 2017 and the six months ended 30 June 2018 reflect the consolidation of C&A's results from 1 September 2017 to 30 June 2018. This contributed to the increase in our total revenue from A$1,238 million in 2016 to A$2,601 million in 2017, and our profit after income tax of A$246 million in 2017 compared to a loss after income tax of A$227 million in 2016. A significant contributor to our profitability in 2017 was other income, consisting of a gain on acquisition of A$177 million in connection with mine assets acquired from C&A and a reversal of impairment of mining tenements of A$100 million for the Moolarben mine, both of which are non-recurring items. Our total revenue increased from A$832 million in the six months ended 30 June 2017 to A$2,347 million in the six months ended 30 June 2018, and we had a loss after income tax of A$14 million and a profit after income tax of A$361 million in the same periods, respectively.

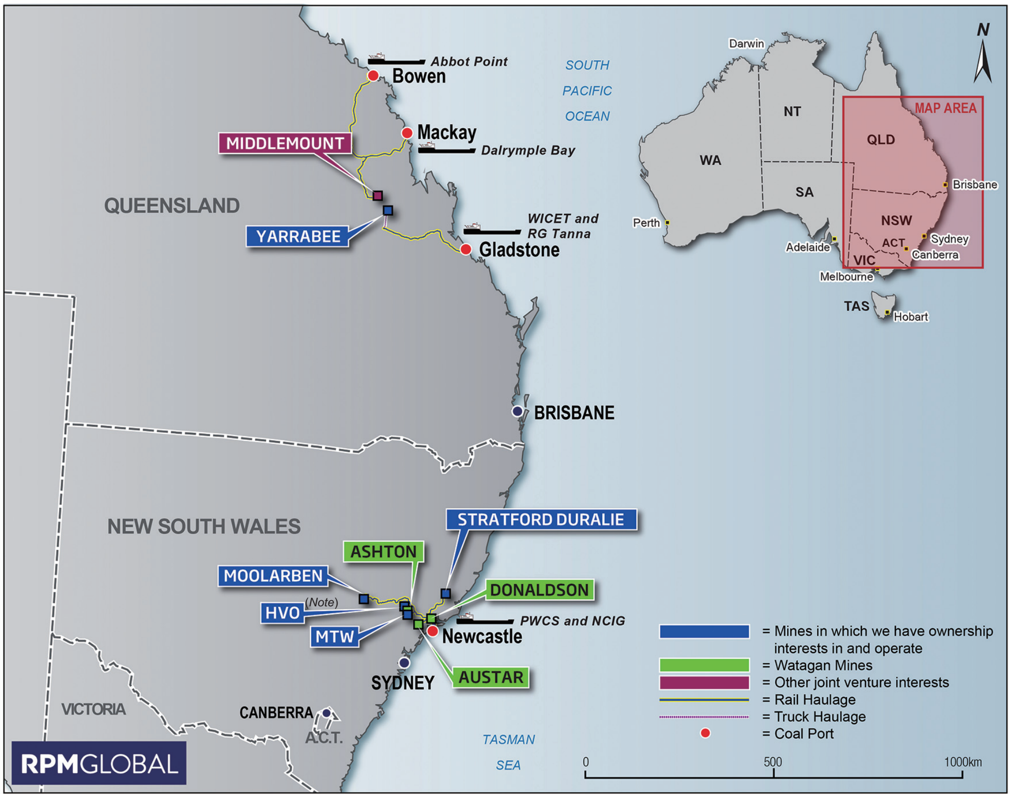
On 7 March 2018, we completed a transaction to acquire an additional 28.9% interest in the unincorporated Warkworth joint venture from MDP for consideration of US$230 million, subject to final post-closing working capital adjustments (the "**Warkworth Transaction**"), which increased our ownership of the Warkworth joint venture from 55.6% to 84.5%.

On 4 May 2018, we completed the sale of a 16.6% interest in the HVO mine to Glencore, reducing our interest in the HVO unincorporated joint venture from 67.6% to 51%, resulting in a 51%:49% unincorporated joint venture between us and Glencore (the "**Glencore Transaction**"). Glencore acquired its 49% interest for consideration of US$1,139 million, of which (i) US$710 million was paid to HVO Resources Pty Ltd ("**HVOR**") for its 32.4% interest in HVO and (ii) US$429 million (with further post-closing adjustments) was paid to us for a 16.6% interest in HVO. As part of this transaction, our effective ownership interest in PWCS was reduced to 30%.

We have entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019 (the "**Moolarben Acquisition**"), and adjusted for the economic benefit of the 4% interest from 15 April 2018 that will flow to us. We intend to finance the Moolarben Acquisition with a portion of the expected proceeds from the Global Offering. See "*Future Plans and Use of Proceeds*" for further details. The Moolarben Acquisition will raise our interest in the unincorporated Moolarben JV to 85%.

Locations

The following map shows the location of the coal mines we have ownership interests in and operate, the Middlemount joint venture, the Watagan Mines, and the ports and railway network serving these areas:


Abbot Point
Bowen
SOUTH PACIFIC OCEAN
Mackay
Dalrymple Bay
MIDDLEMOUNT
QUEENSLAND
YARRABEE
WICET and RG Tanna
Gladstone
BRISBANE
NEW SOUTH WALES
STRATFORD DURALIE
ASHTON
MOOLARBEN
DONALDSON
HVO
(Note)
MTW
PWCS and NCIG
Newcastle
SYDNEY
AUSTAR
VICTORIA
CANBERRA
A.C.T.
TASMAN SEA
RPMGLOBAL
N
Darwin
NT
WA
QLD
SA
NSW
ACT
VIC
TAS
MAP AREA
Brisbane
Perth
Adelaide
Sydney
Canberra
Melbourne
Hobart
= Mines in which we have ownership interests in and operate
= Watagan Mines
= Other joint venture interests
= Rail Haulage
= Truck Haulage
= Coal Port
0
500
1000km

Note:

HVO is operated as a 51:49 unincorporated joint venture with Glencore. The HVO JV is jointly controlled by us and Glencore through a joint venture management committee ("**JVMC**") and is operated by a manager, HV Operations Pty Ltd ("**HV Ops**"), which is appointed by us and Glencore and reports to the JVMC. See "*Business – Joint Venture Agreements – HVO*" for further details of the joint venture agreement with Glencore.

OUR BUSINESS OPERATIONS

Our principal coal products are thermal coal and metallurgical coal. Thermal coal is primarily used as an energy source in the generation of electricity, as well as in cement manufacturing and other major energy intensive industries which use heat and/or steam in their production processes. As a result, thermal coal demand is strongly driven by electricity generation and is generally sold at prices which reflect demand and quality. Metallurgical coal is also known as coking coal. Hard coking coal ("**HCC**") is essential for the production of a strong coke which is used primarily in the steel making process. Semi-hard coking coal ("**SHCC**") and semi-soft coking coal ("**SSCC**") are lower grades of coking coal that are often blended with HCC to reduce the overall cost of coal for steel production. SSCC can also be used as a substitute for thermal coal. Pulverised coal injection ("**PCI**") coal is generally a high calorific value coal, which is injected directly into a blast furnace to provide the carbon and heat in the iron-making process and can be used as a cost effective replacement for coking coal to some extent. The table below sets forth average coal characteristics of the coal sold by the mines we have ownership interests in and operate, and Middlemount:

Coal type	Region	Calorific value	Ash	Total moisture	Fixed carbon	Sulphur	Phosphorous	Volatile matter (%)	HGI	Free swelling index	Fluidity
		(Kcal/kg)	(%)	(%)	(%)	(%)	(%)	(%)			(ddpm)
Low Ash Thermal	Hunter Valley	6,322	≤15%	10	53	0.55	0.008	31	50	NA	NA
High Ash Thermal	Hunter Valley	<6,322	>15%	10	53	0.55	0.008	31	50	NA	NA
SSCC	Hunter Valley	6,784	9.5	10	52	0.65	0.023	36	50	7	800
PCI	Queensland	6,767	11.5	9	77.8	0.68	0.096	9.2	72	NA	NA
Coking Coal	Queensland	NA	10	10	69.5	0.43	0.039	19	85	6	20

All of the coal we produce is sold for export to customers located in various key markets across the Asia Pacific region, whether directly, through overseas traders or through other Australian coal companies.

Mines we have ownership interests in and operate

Our flagship mines are Moolarben, HVO (which is operated as an unincorporated joint venture with Glencore) and MTW, which are respectively the second, third and fifth largest majority Australian-owned thermal coal mines (meaning mines for which thermal coal comprises at least 50% of saleable production) in terms of aggregate thermal and metallurgical coal production on a 100% basis in the first half of 2018. All of these mines are located in New South Wales, and in the aggregate accounted for approximately 91.6% of total attributable coal we sold from our mines in the six months ended 30 June 2018 on a pro forma basis (as if the C&A Acquisition, the Warkworth Transaction, the Glencore Transaction and the Moolarben Acquisition had been completed on 1 January 2017). All three mining operations are large, with long mine life, and produce coal at relatively low cost that is in the first and second quartiles of the FOB cash cost curve and the first quartile of the FOB cash margin curve. Our other mines in which we have ownership interests and operate include Stratford Duralie located in New South Wales and Yarrabee located in Queensland. See "*Business – Our Mining Operations*" for further details.

Middlemount joint venture

Middlemount is an open cut mine operated by Middlemount JV, an incorporated joint venture in which we have a near 50% interest. We acquired our interest in the joint venture as a result of our merger with Gloucester Coal Ltd in June 2012.

Watagan Mines

Our interests in the Ashton, Austar and Donaldson mines are held under Watagan, which is one of our wholly-owned subsidiaries. On account of certain financing transactions, however, from 31 March 2016 we were determined to have lost accounting control of Watagan and its subsidiaries and ceased to consolidate it, further details of which are set forth in "*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation*".

Mining ceased at Donaldson's Abel underground mine in June 2016. Donaldson's coal operation was moved to a "care and maintenance" phase and feasibility studies have been commenced to explore potential future mining options including the introduction of a longwall mining method. As at the Latest Practicable Date, Donaldson had not recommenced operations. Moreover, during the Track Record Period, Austar experienced geotechnical issues, safety issues and suspension of longwall production as a result of coal burst incidents, which resulted in investigations and discussions with the Resources Regulator and certain prohibition notices being issued against Austar. Operations at Austar recommenced on 14 August 2018 subject to certain restrictions and remediation measures set out in a notice issued by the Resources Regulator on 3 August 2018. This prohibition notice imposes certain conditions (e.g. with respect to stress measurement tests, amongst other things) relating to mining up to a particular location in the current B4 longwall panel where the longwall equipment will then be recovered and relocated to the next longwall panel for further mining. As at the Latest Practicable Date, the prohibition notice issued on 3 August 2018 remained in force. Further details of geotechnical issues at Austar are set out in "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown", "Appendix III – JORC Coal Reserves – Reserves Comments"* and in *"Business – Health, Safety and Environmental Matters – Safety Incidents*". Furthermore, the open cut project of the Ashton operation (the "**South East Open Cut**") requires that we come to a commercial arrangement with a privately owned property which forms part of the proposed mining area. We have until April 2020 (or April 2022 if extended) to secure such an arrangement. No such arrangement has been agreed to date. We may seek to extend the deadline beyond 2022 to reach agreement with the owner of such property. Given that the South East Open Cut is not included in the Ashton mine's current five-year plan forecasts and Ashton otherwise remains fully operational, we do not expect any material near-term impact on our operations.

The following table sets forth certain information relating to each of the coal mines in which we have ownership interests and operate, the Middlemount joint venture and the Watagan Mines:

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)[1][2][10]	MTW (OC)[1][10]	Moolarben (OC/UG)[1]	Stratford Duralie (OC)[1]	Yarrabee (OC)[1]	Middlemount (OC)[1]	Ashton[3] (OC/UG)[1]	Austar[3] (UG)[1]	Donaldson[3] (UG)[1]	Total[11]
Background data										
Location	NSW	NSW	NSW	NSW	QLD	QLD	NSW	NSW	NSW	–
Date of initial operation	1949	1981	2010	1995	1982	2011	2005	1916	2006	–
Interest at the Latest Practicable Date (%)	51.0	Mount Thorley: 80 Warkworth: 84.5 Share of coal production: 82.9	81	100	100	49.9997	100	100	100	–
Designed annual production capacity (Mt)[4]	20.0	18.5	21.0	4.6	3.5	5.4	5.5	5.0	5.1	88.6
Permitted annual production capacity (Mt)[4]	38.0	28.0	21.0	5.6	4.0	5.7	8.6	3.6	6.1	120.6
Tenement expiry dates[5]	14 Apr 2019 – 19 Apr 2038	23 Feb 2020 – 17 Mar 2038	12 Feb 2020 – 31 Aug 2036	5 Apr 2019 – 8 Apr 2037	13 Nov 2018 – 31 May 2044	30 Apr 2020 – 30 Sep 2031	21 May 2020 – 16 May 2035	7 Dec 2018 – 3 Feb 2039	21 Jul 2019 – 30 Jun 2038	–
Remaining mine life (years)	43	23	20	35	38	20	13	17	11	–
Coal Resources (as at 30 June 2018)[4][12]										
Measured (Mt) (100% basis)	704	MT:27 W:197	OC:438 UG: 287	OC:11 UG: –	94	73	OC:25 UG: 52	70	OC: 10 UG: 178	2,165
Indicated (Mt) (100% basis)	1,430	MT:75 W:713	OC:105 UG: 131	OC:196 UG: 1	80	47	OC:49 UG: 18	80	OC: – UG: 326	3,249
Measured and Indicated (Mt) (100% basis)	2,134	MT:102 W:910	OC: 543 UG: 418	OC:207 UG: 1	174	120	OC:74 UG: 70	150	OC: 10 UG: 503	5,414
Inferred (Mt) (100% basis)	1,654	MT: 153 W: 527	OC: 69 UG: 129	OC:76 UG: 35	20	1	OC:70 UG: 15	69	OC: – UG: 95	2,913
Total (100% basis)	3,788	MT:255 W: 1,437	OC:612 UG: 547	OC:283 UG: 36	194	121	OC:144 UG: 85	219	OC: 10 UG: 598	8,327
Attributable to the Group[7]										5,916

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)[1][2][10]	MTW (OC)[1][10]	Moolarben (OC/UG)[1]	Stratford Duralie (OC)[1]	Yarrabee (OC)[1]	Middlemount (OC)[1]	Ashton[3] (OC/UG)[1]	Austar[3] (UG)[1]	Donaldson[3] (UG)[1]	Total[11]
Coal Reserves (proved and probable, as at 30 June 2018)[6][12]										
Coal Reserves (Mt)										
100% basis	796	MT:8 W:314	OC:189 UG: 67	44	55	87	OC:14 UG: 33	41	62	1,710
Attributable to the Group[7]										1,178
Marketable Coal Reserves (Mt)										
100% basis	554	MT:5 W:220	OC:148 UG: 67	26	42	67	OC:7.8 UG: 18	31	32	1,218
Attributable to the Group[7]										837
Product type	Met/ Thermal	Met/ Thermal	Thermal	Met/ Thermal	Met/ Thermal	Met/ Thermal	Met	Met/ Thermal	Thermal	–

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)[1][2][10]	MTW (OC)[1][10]	Moolarben (OC/UG)[1]	Stratford Duralie (OC)[1]	Yarrabee (OC)[1]	Middlemount (OC)[1]	Ashton[3] (OC/UG)[1]	Austar[3] (UG)[1]	Donaldson[3] (UG)[1]	Total
ROM coal production (Mt)[8]										
2015	–	–	9.0	1.9	3.4	5.5	3.0	0.8	1.8	25.4
2016	–	–	12.2	1.2	3.6	5.3	2.4	1.2	0.3	26.2
2017	19.5	17.7	14.7	0.9	3.4	5.3	2.8	2.0	–	66.3
1H2018	9.1	8.5	9.8	0.3	1.3	2.5	1.0	0.4	–	32.9
Marketable coal production (Mt)[8]										
2015	–	–	6.9	1.4	2.8	4.4	1.4	0.7	1.3	18.9
2016	–	–	9.3	0.9	3.1	4.1	1.1	1.1	0.2	19.8
2017	14.8	11.8	12.4	0.7	2.9	3.9	1.2	1.9	–	49.4
1H2018	6.4	6.0	8.8	0.2	1.1	2.1	0.4	0.4	–	25.4
Coal sales volume (Mt)[9]										
2015	–	–	5.6	1.5	3.0	–	1.3	0.6	1.4	13.4
2016	–	–	7.4	0.9	3.2	–	0.4	0.1	0.1	12.1
2017	3.1	2.5	10.2	0.7	2.8	–	–	–	–	19.3
1H2018	3.8	4.5	6.5	0.3	1.1	–	–	–	–	16.2

Notes:

(1) UG refers to underground mining operations and OC refers to open cut mining operations.

(2) HVO is operated as a 51:49 unincorporated joint venture with Glencore. The HVO JV is jointly controlled by us and Glencore through the JVMC and is operated by a manager, HV Ops, which is appointed by us and Glencore and reports to the JVMC. See "*Business – Joint Venture Agreements – HVO*" for further details of the joint venture agreement with Glencore.

(3) Owned but not controlled by us under the applicable accounting standards. See "*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation", "Business – Our Mining Operations – Watagan Mines – Watagan Agreements*" and "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents or outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes including permanent shutdown*" for further details.

(4) As defined in the JORC Code and as at 30 June 2018.

(5) See "*Business – Mining and Exploration Licences – Approvals, Permits and Licences to be Obtained*" and "*Appendix III – Competent Person's Report – Appendix F. Tenements*" for further details of the expiry dates of the tenements for each mine site.

(6) As defined in the JORC Code and as at 30 June 2018.

(7) Attributable data is based on our effective ownership interest as at the Latest Practicable Date and is provided on an aggregate, not per mine, basis.

(8) Reported on a 100% basis and subject to the limitations and qualifications set forth in *"Appendix III – Competent Person's Report"*.

(9) Represents ex-mine sales volume reported on an attributable basis and does not include the sales of Middlemount, which is an incorporated joint venture, and Watagan following its deconsolidation from the Group in March 2016.

(10) HVO and MTW were not part of the Group in 2015 and 2016.

(11) Data is subject to rounding, which may result in minor tabulation differences.

(12) The coal resources and reserves stated above must be read in conjunction with the Competent Person's Report in Appendix III to this prospectus which includes disclosures required as per the JORC Code.

Managed Mines

We manage the Cameby Downs and Premier Coal mines, located in Queensland and Western Australia, respectively, on behalf of Yanzhou, our majority shareholder. The management services provided by us include corporate support (comprising human resources, treasury, payroll, insurance, financial accounting, reporting, compliance, management support, technical support, marketing and logistics, corporate communications, government and industry relations, business development, IT services and corporate procurement services), operations management (comprising carrying out exploration programs, preparing business plans, using all reasonable endeavors to meet business KPIs, preparing plans of operations as may be required by laws, and other operational services) and other general services. For the provision of these services, we charge a fee on cost plus 5% margin basis, except for any third party charges attributable to the provision of the management services which will be charged (proportionately) at cost. We will also purchase coal produced by the managed mines for back-to-back on-sale to end customers, with the purchase price being determined with reference to industry index prices and coal quality characteristics.

Production Process and Blending

We utilise large scale open cut mining methods in our open cut mining operations, which include the removal and storage of topsoil material via truck and front-end-loader ("**FEL**") methods, drilling of a blast pattern, blasting of fragment rock, excavation of waste material with truck and shovel or excavator in the upper benches and by draglines in lower benches, and digging, loading and hauling of coal via truck and excavator or FEL methods. Our open cut mines include HVO, MTW, Stratford Duralie, Middlemount and Yarrabee, as well as portions of Moolarben and Ashton.

We utilise longwall mining in our underground mining operations. Longwall mining roadways are cut by continuous miners around the perimeter of a rectangular block or panel of coal to form ventilation and access passageways. Our underground mines include Austar and portions of Moolarben and Ashton.

The products produced by our operations are a mix of premium thermal coal (<15% Ash), semi-soft coking and PCI coals together with mid – high ash thermal coals (15% – 30% Ash). Our premium grade products are typically sold to premium markets where the value of the coal can be reflected by the quality of the product. However, in some circumstances and some markets coal may be blended to satisfy customer requirements. We focus on ensuring that blends satisfy the customers' requirements, but we also pursue blending strategies to optimise our revenue return that would otherwise have been received by selling the products independently. Due to the number of pits, product types and required product specification of our customers, we have the ability to blend ROM coal and washed coal to optimise products and add value.

Infrastructure, Transport and Logistics

Product coal at each of our mines is transferred from loading points within the mines to coal carts (save for Yarrabee in Queensland which is road hauled to the Boonal load out facility on the Blackwater railway system) for transport by rail to PWCS or the Newcastle Coal Infrastructure Group ("**NCIG**") coal terminals in the Port of Newcastle (for HVO, MTW, Moolarben, Ashton, Austar and Donaldson in NSW) or Abbot Point Coal Terminal at the Port of Abbot Point or the Dalrymple Bay Coal Terminal at the Port of Hay Point (for Middlemount in Queensland) or RG Tanna or Wiggins Island Coal Terminals at the Port of Gladstone (for Yarrabee in Queensland). The table below sets forth the allocated capacity and utilisation of our port and rail allocations in 2017:

Infrastructure[(Note)]	Service provider	Capacity allocated to	Contracted capacity in 2017	Utilisation percentage	Excess
			(Mt)		(Mt)
New South Wales					
Port	PWCS, NGIC	Austar, Ashton, Donaldson, Hunter Valley Operations, Moolarben, Mt Thorley Warkworth, Stratford.	54.56	77%	12.63
Above Rail	Pacific National, Aurizon		42.40	96%	1.50
Below Rail	ARTC		46.13	95%	2.44
Queensland					
Port	RGTanna, WICET, APCT	Yarrabee, Middlemount	6.20	92%	0.47
Above Rail	Aurizon, Pacific National		6.20	94%	0.37
Below Rail	Aurizon Network		6.20	94%	0.37

Note:

The above rail infrastructure consists of locomotives and wagons and the below rail infrastructure consists of train tracks.

Our contracts for port and rail infrastructure are generally under long-term take-or-pay agreements with the relevant operators. See "*Business – Infrastructure, Transportation and Logistics*" for further details.

OUR CUSTOMERS AND SUPPLIERS

Our customers are located throughout the Asia-Pacific region, with South Korea, the PRC, Singapore and Japan comprising our largest jurisdictions by revenue during the Track Record Period. We have established long term relationships with major power utilities and steel mills in these and other countries. During the Track Record Period, we also supplied coal to power and steel mills in India, South America and Europe on an ad hoc basis. See "*Financial Information of the Group – Description of Major Line Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue*" for a breakdown of our revenue by geographic region. We also sell coal to customers in the commodities trading business, who purchase our coal for trading purposes or to on-sell the coal to their end customers. However, we are reducing our focus on trading customers in favour of end customers such as power utilities and steel mills. For the financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, revenue from our five largest customers in aggregate amounted to A$630 million, A$480 million, A$839 million and A$788 million, respectively, representing approximately 47.8%, 38.8%, 32.3% and 33.8% of our revenue, respectively, and revenue from our largest customer in those periods amounted to A$247 million, A$162 million, A$216 million and A$225 million, respectively, representing approximately 19%, 13%, 8% and 9.7% of our revenue, respectively.

Our main supply contracts include those for infrastructure, fuel and electricity, explosives for blasting and critical spare parts from original equipment manufacturer suppliers. We have entered into master supply agreements at the Group level with fuel suppliers for the supply of diesel and lubricants to our mining operations. We contract with blasting services experts for the provision of explosives and related explosive application and blasting services. We also have master supply agreements for the supply of spare parts which support our heavy mining equipment. For the financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, our purchases from our five largest suppliers in aggregate amounted to A$333 million, A$353 million, A$508 million and A$326 million, respectively, representing 20.8%, 24.8%, 21.5% and 23.4% of our total purchases for the relevant period, and our purchases from our largest supplier amounted to A$89 million, A$94 million, A$133 million and A$89 million, respectively, representing 5.6%, 6.6%, 5.6% and 6.4% of our total purchases for the relevant period.

MINING AND EXPLORATION LICENCES

Our mining operations in New South Wales are conducted in accordance with the conditions of Mining Leases and Coal Leases granted under the NSW Mining Act, 1992, while exploration activities are undertaken in accordance with Exploration Licences, Authorisations and Assessment Leases, each as issued by the NSW Department of Resources and Energy.

Our mining operations in Queensland are conducted in accordance with the conditions of Mining Leases granted under the *Mineral Resources Act 1989 (QLD)*, while our exploration activities are undertaken in accordance with Exploration Permits for Coal and Mineral Development Licences issued under the *Mineral Resources Act 1989 (QLD)*.

See "*Appendix III – Competent Person's Report – Appendix F. Tenements*" for details on our licences with respect to each mine.

OUR COMPETITIVE STRENGTHS

We believe that the following key strengths provide us with a competitive advantage and position us well to pursue current and future growth opportunities.

- We are Australia's largest pure-play coal producer with a seaborne business focused on major Asian export markets including the PRC.
- We have a diversified portfolio of world class assets that produce high value coal products for our major export markets.
- We have a sustainable platform for future growth.
- Our experienced management team is well positioned to pursue growth opportunities and create further shareholder value.
- We have valuable and strategic operational and trade relationships as well as strong support from our key shareholders.

See "*Business – Our Competitive Strengths*" for further details.

OUR BUSINESS STRATEGIES

We are committed to continuing our strategic growth and to maximising new opportunities to build our business as a leading low cost coal producer in the global seaborne market with a focus on creating long term value for our shareholders. Our management team remains focused on investing in the Australian resources sector, implementing operational efficiencies, reducing costs, exploring new market opportunities and providing our customers with the certainty of product quality and delivery. Key elements of our strategy include the following:

- Evaluate and execute portfolio expansion through value accretive organic and inorganic opportunities.
- Continued focus on operational efficiencies to increase mine productivity and reduce operating costs.
- Grow our business in existing markets and new markets, aided by a dynamic product mix strategy.
- Sustain financial discipline and strengthen our balance sheet to support future growth.
- Maintain high standards of safety and responsible working practices.

See "*Business – Our Business Strategies*" for further details.

KEY RISK FACTORS

Our business is subject to numerous risks and there are uncertainties relating to an investment in the Shares. These risks and uncertainties can be categorised as (i) risks relating to our business and industry and (ii) risks relating to the Global Offering. The following are some of the key risks that affect our business:

- The trading price of our Shares has been volatile and the Minimum Offer Price is higher than the recent trading price of the Shares, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering.

- Coal prices are cyclical and subject to fluctuations, and any significant decline in the prices we receive for our coal products would materially and adversely affect our business, financial condition and results of operations.

- Our coal production is subject to conditions and events beyond our control that could result in high expenses and decreased supply.

- Coal markets are highly competitive and are affected by factors beyond our control.

- Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown.

- We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of operations.

- We derive a significant portion of our revenue from a limited number of customers, and the loss of, or a reduction in, sales to any of these customers could materially and adversely affect our business, financial condition and results of operations.

- Our existing and future indebtedness could restrict our financial and operational flexibility and adversely affect our financial condition.

- We may not be able to meet our capital expenditure requirements or secure additional financing on favourable terms, whether from external sources or our major shareholders, in the future.

- We have had negative reserves and accumulated losses during the Track Record Period, and did not declare or pay any dividends for 2015, 2016 or 2017.

- We operate through a number of joint venture and similar structures, and our operational and financial results will be affected by how these arrangements are managed.

- Our investments in, and obligations with respect to, the Wiggins Island Coal Export Terminal may be adversely impacted by, among other things, the insolvency of its other shareholders.

- We are exposed to fluctuations on exchange rates and interest rates.

See "*Risk Factors*" for further details.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Yankuang Group Company Limited ("**Yankuang**"), our ultimate controlling shareholder, was, directly and indirectly, interested in approximately 51.81% of the shares in Yanzhou, our controlling shareholder, and Yanzhou was interested in approximately 65.45% of the Shares in the Company. Yankuang is principally engaged in the production and sale of coal, coal chemicals and aluminium, power generation, machinery manufacturing and financial investments. Yanzhou is principally engaged in the production of coal and coal chemicals, manufacturing of mechanical and electrical equipment and power and heat generation. Yanzhou has been listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange since 1998.

Immediately following the completion of the Global Offering, (i) Yanzhou will be interested in approximately 62.5% of the Shares in issue (assuming the Over-allotment Option is not exercised), (ii) the Company will remain as a non-wholly owned subsidiary of Yankuang and Yanzhou and (iii) Yankuang and Yanzhou will be the controlling shareholders of the Company.

RECENT DEVELOPMENTS OF OUR BUSINESS SUBSEQUENT TO THE TRACK RECORD PERIOD

Since 30 June 2018,

(i) we have entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, for the Moolarben Acquisition. We intend to finance the Moolarben Acquisition with a portion of the expected proceeds from the Global Offering. See "*Future Plans and Use of Proceeds*" for further details; and

(ii) on 20 August 2018, we obtained a US$300 million term debt facility from certain banks which are party to our A$1,000 million bank guarantee facility from a syndicate of seven domestic and international banks. On 23 August 2018, we fully drew down the US$300 million under this facility. We used this amount to repay a portion of the Syndicated Facility, resulting in an outstanding balance on the Syndicated Facility of US$1,650 million. On 17 September 2018 and 17 October 2018, respectively, we further repaid US$150 million of our debt (US$75 million on the Syndicated Facility and US$75 million on our unsecured loans from related parties) and US$100 million of our debt (US$50 million on the Syndicated Facility and US$50 million on our unsecured loans from related parties) using excess cash flows generated from operations.

As far as the Directors are aware, other than as disclosed above, there have not been any material changes in our operations, nor in the general economic and market conditions in the regions or the industries in which we operate that materially and adversely affected our business operations or financial condition since 30 June 2018 and up to the date of this prospectus, and no material changes have occurred since the effective date of the Competent Person's Report.

SUMMARY FINANCIAL AND OPERATING INFORMATION

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	A$ million	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million* (unaudited)	*%*	*A$ million*	*%*
Revenue	1,319	100.0	1,238	100.0	2,601	100.0	832	100.0	2,347	100.0
Costs and expenses[1]	(1,672)	(126.8)	(1,553)	(125.4)	(2,630)	(101.1)	(885)	(106.4)	(1,980)	(84.3)
Others[2]	(1)	(0.1)	3	0.2	364	14.0	35	4.2	172	7.3
Income tax (expense)/benefit	63	4.8	85	6.9	(89)	(3.4)	4	0.5	(178)	(7.6)
Profit/(loss) after income tax	(291)	(22.1)	(227)	(18.3)	246	9.5	(14)	(1.7)	361	15.4
Other comprehensive (expense)/income for the year	(319)		63		404		274		(141)	
Total comprehensive (expense)/income for the year	(610)		(164)		650		260		220	

We incurred loss after tax of A$291 million in 2015 and A$227 million in 2016, due in significant part to the adverse coal price environment in those years. Our average selling price was A$80 per tonne in those years, compared to A$114 per tonne that we were able to obtain in 2017. As a consequence, our operating cash flows were negatively affected which, combined with increased finance costs, resulted in losses in those years.

Notes:

[1] Includes raw materials and consumables used, employee benefits expenses, depreciation and amortisation, transportation, contractual services and plant hire, government royalties expense, changes in deferred mining costs, coal purchases, other operating expenses and finance costs.

[2] Includes other income, changes in inventories of finished goods and work in progress and share of profit/(loss) of equity-accounted investees, net of tax. In 2017, our other income included a non-recurring gain on acquisition of A$177 million in connection with the acquisition of C&A and a reversal of impairment of mining tenements of A$100 million for the Moolarben mine, both of which were a significant contributor to our profitability in that year.

Price and Sales Volume of Coal

The table below sets forth, for the years indicated, a breakdown of our ex-mine[(1)] sales volume and average selling price between thermal and metallurgical coal[(2)], presented on an attributable basis:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
Thermal coal					
Average selling price (A$ per tonne)	68	71	102	90	117
Sales volume (Mt)	8.1	8.8	15.5	4.9	13.8
Total ex-mine thermal coal revenue (A$ million)	548	617	1,585	447	1,607
Average Newcastle 6,000 NAR spot price (A$ per tonne)[(3)]	76	90	115	107	135
Metallurgical coal					
Average selling price (A$ per tonne)	100	106	165	174	191
Sales volume (Mt)	5.3	3.3	3.8	1.3	2.4
Total ex-mine metallurgical coal revenue (A$ million)	526	350	619	224	468
Average premium hard-coking coal FOB spot price (A$ per tonne)[(3)]	118	195	246	240	273
Total coal					
Average selling price (A$ per tonne)	80	80	114	108	128
Sales volume (Mt)	13.4	12.1	19.3	6.2	16.2
Total ex-mine coal revenue (A$ million)	1,074	967	2,204	670	2,075
Coal purchases[(4)] (A$ million)	214	232	355	165	156
Other[(5)] (A$ million)	–	–	64	–	19
Total coal revenue from customers (A$ million)	1,288	1,199	2,623	835	2,250

Notes:

(1) Ex-mine coal represents coal directly produced at our mines, and excludes coal purchased from other parties.

(2) Includes our attributable interest in production from (a) in 2015, the Moolarben, Yarrabee, Stratford Duralie and Watagan mines, (b) in 2016, the Moolarben, Yarrabee, Stratford Duralie and Watagan mines (until 31 March 2016), (c) in 2017, the Moolarben, Yarrabee, Stratford Duralie, and C&A mines (HVO (67.6%) and MTW (64.1%), from 1 September 2017) and (d) in 2018, the Moolarben, Yarrabee, Stratford Duralie, and C&A mines (HVO (67.6% until 30 April 2018 and 51% thereafter) and MTW (64.1% until 28 February and 82.9% thereafter). Does not include the results of Middlemount, which is an incorporated joint venture in which we hold a 49.9997% interest. For accounting purposes, we equity account for our share of the profit or loss after tax of Middlemount as a single line item.

(3) According to the Industry Report. The A$ per tonne is calculated at an US$:A$ foreign exchange rate of 1.33, 1.35, 1.30, 1.33 and 1.33 in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. The average premium HCC price represents the most readily-available index price for metallurgical coal.

(4) Represents sales made as part of our coal blending strategy attributable to coal purchased from related parties and third parties and any increase or decrease in ex-mine revenue recognised on coal purchased from our mines. See "*Financial Information of the Group – Description of Major Line Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Coal Purchases*" for further details.

(5) Other coal revenue mainly represented acquisition accounting fair value adjustments with respect to the below market customer contract with BLCP Power Limited ("**BLCP**"), which we took on as part of the C&A Acquisition and which obligates us to deliver coal to BLCP at a price that we deem to be below market relative to our long-term coal price forecast.

Operating and Production Costs

The tables below set forth, for the years indicated, a breakdown of our overall and per sales tonne costs:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Cash operating costs					
Workforce employment	227	184	299	100	253
Consumables	149	138	248	76	227
Fuel, electricity, water and other utilities services	64	49	101	33	109
Contractual services and plant hire	195	110	213	62	181
On and off site administration	17	14	22	5	12
Environmental protection and monitoring	8	5	9	4	5
Transportation of workforce	–	–	–	–	–
Product marketing and transport	261	267	312	122	274
Non-income taxes, royalties and other government charges	77	71	173	53	161
Contingency allowances	–	–	–	–	–
Total cash operating costs	998	838	1,377	455	1,222
Non-cash operating costs					
Depreciation and amortisation	200	133	256	80	244
Total production costs	1,198	971	1,633	535	1,466

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ per tonne		
Cash operating costs					
Workforce employment	17	15	15	16	16
Consumables	11	11	13	12	14
Fuel, electricity, water and other utilities services	5	4	5	5	7
Contractual services and plant hire	15	9	12	10	11
On and off site administration	1	1	1	1	1
Environmental protection and monitoring	1	1	–	1	–
Transportation of workforce	–	–	–	–	–
Product marketing and transport	19	22	16	20	17
Non-income taxes, royalties and other government charges	6	6	9	9	10
Contingency allowances	–	–	–	–	–
Total cash operating costs	75	69	71	74	76
Non-cash operating costs					
Depreciation and amortisation	15	11	14	12	15
Total production costs	90	80	85	86	91

Our total production cost per sales tonne was A$90, A$80, A$85, A$86 and A$91 in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. The decrease in 2016 was primarily due to the deconsolidation of the Watagan underground mines and reduced operations at Stratford Duralie, together with ongoing cost saving initiatives across all sites. The increase in 2017 and 2018 was primarily due to the additional depreciation and amortisation of property, plant and equipment and mining tenements recognised on the C&A Acquisition and an increase in raw materials and consumables used.

Our cash operating cost per sales tonne before non-income taxes, royalties and other government charges and contingency allowances, was A$69, A$63, A$62, A$65 and A$66 in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. The decrease in 2016 was primarily due to the deconsolidation of the Watagan underground mines and reduced operations at Stratford Duralie, together with ongoing cost saving initiatives across all sites. Between 2016 and 2017, there was a slight decrease from A$63 to A$62 per sales tonne, and between the six months ended 30 June 2017 and the six months ended 30 June 2018 there was a slight increase from A$65 to A$66 per sales tonne. Cash operating costs between these periods remained relatively unchanged despite an increase in market-driven costs of consumables such as diesel and electricity and despite the fact that in each of the former periods Moolarben (which is a low cost mine that is in the first quartile of the cash cost curve) had a materially high weighting in our overall portfolio. While HVO and MTW are higher operating cost mines than Moolarben, they still fall within the second quartile of the cash cost curve (and rank higher than Moolarben on the cash margin curve) and as such are considered low cost mines. See "*Industry Overview – Competitive Landscape – Cost Competitiveness Analysis*" and "*Financial Information of the Group – Significant Factors Affecting Our Results of Operations and Financial Condition – Operating and Production Costs*" for further details.

Summary Consolidated Statements of Financial Position

	As at 31 December			As at 30 June
	2015	2016	2017	2018
		A$ million		
Current assets	2,124	738	1,689	1,370
Current liabilities	(638)	(499)	(1,013)	(906)
Net current assets	1,486	239	676	464
Non-current assets	5,746	6,922	10,624	10,544
Non-current liabilities	(5,544)	(5,809)	(6,257)	(5,743)
Total equity	1,688	1,352	5,043	5,265

Indebtedness

	As at 31 December			As at 30 June
	2015	2016	2017	2018
		A$ million		
Indebtedness repayable within:				
Less than one year	11	20	17	17
One to two years	80	12	12	415
Two to five years	1,329	2,439	3,316	2,414
Five or more years	3,312	2,479	1,378	1,454
Total indebtedness	4,732	4,950	4,723	4,300

The above table excludes an amount of A$24 million and A$16 million as at 31 December 2017 and 30 June 2018, respectively, with respect to the fair value gain on refinancing of secured bank loans recognised during those periods on the adoption of IFRS 9. See "*Financial Information of the Group – Indebtedness*" for further details on the material terms of our indebtedness, including security interests and guarantees.

Summary Consolidated Cash Flow Statement

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
				(unaudited)	
Net cash (used in)/generated from operating activities	(108)	(24)	408	282	712
Net cash (used in)/generated from investing activities	(314)	(466)	(3,449)	(133)	228
Net cash generated from/ (used in) financing activities	366	525	3,062	(14)	(698)
Net (decrease)/increase in cash and cash equivalents	(56)	35	21	135	242
Cash and cash equivalents at the beginning of the year	204	159	190	190	207
Effects of exchange rate changes on cash and cash equivalents	11	(4)	(4)	(8)	36
Transfer to assets held for sale	(5)	–	–	–	–
Cash and cash equivalents at the end of the period	154	190	207	317	485

Key Financial Ratios

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2015	2016	2017	2018
Return on assets[1]	(3.8)%	(2.9)%	2.5%	6.0%[4]
Return on equity[2]	(13.9)%	(14.9)%	7.7%	14.0%[4]
Gearing ratio[3]	2.80x	3.66x	0.93x	0.81x

Notes:

[1] Return on assets is calculated by dividing profit after income tax by average total assets and multiplying the resulting value by 100%. Average total assets equal total assets at the beginning of the period plus total assets as at the end of the period, divided by two.

[2] Return on equity is calculated by dividing profit after income tax by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the period plus total equity as at the end of the period, divided by two.

[3] Gearing ratio is calculated as gross debt divided by total equity at the end of the period. Gross debt consists of the total balance of interest-bearing liabilities as at the end of the period.

[4] On an annualised basis.

Non-IFRS Financial Measures

Operating EBITDA and operating EBIT are key metrics that our management uses to assess the performance of our individual segments and make decisions on the allocation of resources. Neither operating EBITDA nor operating EBIT is a standard measure under IFRS. As presented by our management, operating EBITDA represents profit or loss before income tax for the year as adjusted for net interest expense, depreciation and amortisation and any significant non-operating items, while operating EBIT represents profit or loss before income tax as adjusted for net interest expense and any significant non-operating items.

While operating EBITDA and operating EBIT provide additional financial measures for investors to assess our operating performance, the use of operating EBITDA and operating EBIT has certain limitations because they do not reflect all items of income and expense that affect our operations. In addition, operating EBITDA and operating EBIT do not reflect changes in working capital, capital expenditure or other investing and financing activities and therefore should not be considered a measure of our liquidity.

As a measure of our operating performance, we believe that the most directly comparable IFRS measure to operating EBITDA and operating EBIT is profit before income tax. The table below sets forth, for the periods indicated, a reconciliation of operating EBITDA and operating EBIT with profit before income tax under IFRS:

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
			A$ million		
Profit before income tax	(354)	(312)	335	(18)	539
Adjustments for:					
Finance costs	162	209	294	105	152
Bank fees and other charges	116	113	109	49	62
Interest income	(50)	(125)	(114)	(57)	(58)
Stamp duty	–	12	167	3	16
Fair value losses recycled from hedge reserve	22	133	229	101	45
Gain on acquisition	(6)	–	(177)	–	–
Gain on disposal	–	–	–	–	(78)
Impairment reversal of mining tenements for Moolarben	–	–	(100)	–	–
Gain on refinance	–	–	(31)	–	–
GILTs and WIPs remeasurement and impairment[(1)]	–	–	–	–	50
Transaction costs	–	3	33	21	10
JV receipt	–	–	(5)	(5)	–
Royalty remeasurement	(2)	6	(8)	(2)	(2)
Operating EBIT	(112)	39	732	197	736
Adjustment for depreciation and amortisation	200	133	256	80	244
Operating EBITDA	88	172	988	277	980

Note:

[(1)] GILTs and WIPs represent our investments in long-term securities and preference securities, respectively, issued by WICET Holdings Pty Limited. See "*Risk Factors – Our investments in, and obligations with respect to, the Wiggins Island Coal Export Terminal may be adversely impacted by, among other things, the insolvency of its other shareholders*."

In 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, our operating EBIT margin (calculated as operating EBIT divided by revenue and multiplied by 100%) was (8.5)%, 3.2%, 28.1%, 23.7% and 31.4%, respectively, while our operating EBITDA margin (calculated as operating EBITDA divided by revenue and multiplied by 100%) was 6.7%, 13.9%, 38.0%, 33.3% and 41.8%, respectively.

Operating EBITDA and operating EBIT should not be considered in isolation or construed as a substitute for analysis of IFRS financial measures. In addition, because operating EBITDA and operating EBIT may not be calculated in the same manner by all companies, our operating EBITDA and operating EBIT may not be comparable to the same or similarly titled measures presented by other companies.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP

The table below sets forth selected unaudited pro forma combined income statement data for the year ended 31 December 2017 and the six months ended 30 June 2018 as if the C&A Acquisition, the Glencore Transaction and the Warkworth Transaction (together, the "**Pro Forma Transactions**") had been completed on 1 January 2017. Such pro forma financial information has been prepared using the procedures and adjustments as described in more detail in Appendix IIB to this prospectus, and should be read in conjunction with the related notes thereto.

		Pro forma adjustments[(1)] for		
	The audited Group as at the six months ended 30 June 2018[(2)]	Acquisition of additional 28.9% interest in Warkworth	Disposal of 16.6% interest in HVO	Unaudited pro forma consolidated statement of profit or loss of the Group for the six months ended 30 June 2018
		A$ million		
Revenue	2,347	48	(89)	2,306
Other income	115	–	(78)	37
Changes in inventories of finished goods and work in progress	24	1	–	25
Raw materials and consumables used	(337)	(9)	18	(328)
Employee benefits	(254)	(5)	10	(249)
Depreciation and amortisation	(244)	(4)	–	(248)
Transportation	(274)	(3)	7	(270)
Contractual services and plant hire	(206)	(5)	11	(200)
Government royalties	(161)	(4)	7	(158)
Coal purchases	(182)	–	–	(182)
Other operating expenses	(170)	–	3	(167)
Finance costs	(152)	–	(1)	(153)
Share of profit of equity-accounted investees, net of tax	33	–	–	33
Profit before income tax	539	19	(112)	446
Income tax expenses	(178)	(6)	34	(150)
Profit for the period	361	13	(78)	296

			Pro forma adjustments[1] for			
	The audited Group for the year ended 31 December 2017	Audited C&A for the eight months ended 31 August 2017	Adjustment for acquisition accounting on C&A Acquisition, including 55.6% interest in Warkworth & 67.6% interest in HVO	Acquisition of additional 28.9% interest in Warkworth	Disposal of 16.6% interest in HVO	Unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2017
			A$ million			
Revenue	2,601	1,424	46	261	(288)	4,044
Other income	325	26	–	–	78	429
Changes in inventories of finished goods and work in progress	7	(11)	–	3	(2)	(3)
Raw materials and consumables used	(349)	(274)	–	(50)	56	(617)
Employee benefits	(302)	(140)	–	(33)	27	(448)
Depreciation and amortisation	(256)	(78)	(97)	(27)	–	(458)
Transportation	(312)	(110)	26	(19)	20	(395)
Contractual services and plant hire	(274)	(169)	–	(26)	39	(430)
Government royalties	(173)	(111)	–	(21)	23	(282)
Coal purchases	(340)	–	–	–	–	(340)
Other operating expenses	(330)	(26)	–	(19)	7	(368)
Finance costs	(294)	(3)	(10)	–	1	(306)
Share of profit of equity-accounted investees, net of tax	32	(16)	–	–	–	16
Profit/(Loss) before income tax	335	512	(35)	69	(39)	842
Income tax (expense)/benefit	(89)	169	(320)	(20)	12	(248)
Profit/(Loss) for the year	246	681	(355)	49	(27)	594

Note:

(1) See the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group in Appendix IIB to this prospectus for further details on the adjustments for the Pro Forma Transactions.

(2) Includes the financial results of C&A for the six months ended 30 June 2018.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions and the estimated expenses in relation to the Global Offering and assuming the Over-allotment Option is not exercised, will be:

- approximately HK$1,183 million, assuming an Offer Price of HK$23.48 (being the Minimum Offer Price);
- approximately HK$1,251 million, assuming an Offer Price of HK$24.66 (being the mid-point of the Offer Price Range); or
- approximately HK$1,320 million, assuming an Offer Price of HK$25.84 (being the Maximum Offer Price).

The Company intends to use the net proceeds of HK$1,251 million, assuming an Offer Price of HK$24.66 (being the mid-point of the Offer Price Range), from the Global Offering as follows:

- approximately HK$600.7 million (or approximately 48% of the net proceeds) will be used to repay outstanding indebtedness of the Group under the Syndicated Facility and, potentially, unsecured loans from related parties. The Syndicated Facility has an interest rate of LIBOR plus 2.8% to 3.1% plus Yanzhou guarantee fees and the unsecured loans from the related parties have an interest rate of 7%. The Syndicated Facility matures in instalments and the unsecured loans from the related parties are due between 2022 and 2024. In each case, the loans have been utilised primarily to finance our capital expenditure and working capital requirements. (See "*Financial Information of the Group – Indebtedness*" for further details);

- approximately HK$375.4 million (or approximately 30% of the net proceeds) will be used to finance potential acquisitions (as at the Latest Practicable Date, the Company has not identified any targets to be acquired). In deciding whether to invest in or acquire a particular asset or business, we consider multiple key factors, including, among others (i) strategic value-accretion, (ii) the return on investment and (iii) future growth potential and the level of synergies created by the investment;

- approximately HK$150.2 million (or approximately 12% of the net proceeds) will be used to finance the acquisition of an additional 4% interest in the unincorporated Moolarben joint venture (see "*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Moolarben Acquisition*" for further details); and

- approximately HK$125.1 million (or approximately 10% of the net proceeds) will be used for working capital and general corporate purposes.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range, the net proceeds from the Global Offering will be allocated to the above purposes on a *pro rata* basis, except that if the proceeds to be allocated to the Moolarben Acquisition exceed the purchase price, the difference will be reallocated to repay outstanding indebtedness of the Group under the Syndicated Facility and, potentially, unsecured loans from related parties.

DIVIDENDS AND DIVIDEND POLICY

We did not declare or pay any dividends during the Track Record Period. On 15 August 2018, we declared a dividend of approximately A$130 million on our ordinary shares, which was paid on 21 September 2018. Subject in each case to applicable laws, the ongoing cash needs of the business, the statutory and common law duties of the Directors and shareholders' approval, the Directors may pay interim and/or final dividends, and in accordance with our Constitution must:

(i) subject to (ii) below, pay as interim and/or final dividends not less than 40% of net profit after tax (pre-abnormal items) in each financial year; and

(ii) if the Directors determine that it is necessary in order to prudently manage our financial position, pay as interim and/or final dividends not less than 25% of net profit after tax (pre-abnormal items) in any given financial year.

Our Australian legal advisers have advised that under Australian law, a company is able to pay dividends out of current year profits even though it has accumulated losses, and there is no restriction in our Constitution that would prevent current year profits from being paid out as dividends in this way. Accordingly, the Company's accumulated losses do not prevent it from being able to pay dividends, provided that current year profits are not used to offset prior period losses and the Company is otherwise able to satisfy the other legal requirements of paying a dividend under Australian law. As a result, the amount of any dividends to be declared or paid will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$23.48	**Based on an Offer Price of HK$25.84**
Market capitalisation of our Shares[(1)]	HK$30,888 million	HK$33,993 million
Unaudited pro forma adjusted net tangible asset value per Share[(2)]	HK$23.54	HK$23.65

Notes:

(1) The calculation of the market capitalisation is based on the assumption that 1,315,513,656 Shares will be in issue and outstanding immediately following the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustments referred to in the Unaudited Pro Forma Financial Information in Appendix IIA to this prospectus and on the basis of 1,315,513,656 Shares in issue immediately following the Global Offering (assuming the Over-allotment Option is not exercised).

The Company is applying for the Listing under the market capitalisation/revenue test of Rule 8.05(3) of the Listing Rules.

AUSTRALIAN ENTITLEMENT OFFER

In connection with the Global Offering, the Company will undertake an accelerated renounceable entitlement offer (or rights offer) of its Shares to the existing Shareholders of the Company (i.e. the Australian Entitlement Offer) which is expected to be announced on Friday, 30 November 2018. The Australian Entitlement Offer is made in compliance with the ASX Listing Rules.

Pursuant to the Australian Entitlement Offer, the Company will issue up to 67,667,409 Shares (representing an offer ratio of 0.05387 new Shares for each existing Share held) at the same price as the final Offer Price for the Global Offering. The Australian Entitlement Offer will be launched shortly after the Offer Price under the Global Offering has been determined. The Offer Shares to be offered pursuant to the Global Offering (other than any Shares which may be issued pursuant to the Over-allotment Option) will form part of the Shares offered pursuant to the Australian Entitlement Offer, as further explained below.

The Australian Entitlement Offer will consist of two tranches as follows:

(a) **institutional tranche:** this will comprise the offer of rights to subscribe for 59,441,900 Shares to the Company's major shareholders, being Yanzhou, CSIL and Cinda (the "**Major Shareholders**"), which hold in aggregate approximately 87.8% of the Shares as at the Latest Practicable Date. The institutional tranche will be conducted immediately following the launch of the Australian Entitlement Offer and settlement of the institutional tranche will take place on the Listing Date; and

(b) **retail tranche**: this will comprise the offer of rights to subscribe for 8,225,509 Shares to the Company's existing Shareholders (other than the Major Shareholders), which hold in aggregate approximately 12.2% of the Shares as at the Latest Practicable Date. The retail tranche will be open for a period of 8 business days commencing from the business day after the Listing Date.

The Major Shareholders have agreed to renounce their rights to participate in the institutional tranche of the Australian Entitlement Offer in respect of an aggregate of 59,441,900 Shares, representing approximately 87.8% of the Shares to be offered pursuant to the Australian Entitlement Offer. Those Shares which are renounced by the Major Shareholders will comprise the Offer Shares which will be offered to investors in the Global Offering.

The remaining approximately 12.2% of the Shares to be offered pursuant to the Australian Entitlement Offer (i.e. 8,225,509 Shares) will not form part of the Global Offering and will be made available in the retail tranche of the Australian Entitlement Offer. Existing Shareholders of the Company (other than the Major Shareholders) may take up their rights or renounce them privately in the retail tranche of the Australian Entitlement Offer. The Shares relating to any unexercised rights at the close of the retail tranche of the Australian Entitlement Offer will be offered in an institutional bookbuild to be conducted in Australia during a business day that is within 4 business days after the close of the retail tranche of the Australian Entitlement Offer. Any proceeds received in excess of the offer price for the Australian Entitlement Offer (net of any expenses and withholdings as required by law) will be returned to the renouncing Shareholders. There is no guarantee that the renounced entitlements will be sold or that a premium will be achieved from any such sale.

The Australian Entitlement Offer is not underwritten (other than to the extent that the Shares of the Major Shareholders are included in the Global Offering in the manner described above). Therefore, the number of Shares to be issued by the Company upon completion of the Australian Entitlement Offer will depend on the extent of the rights being taken up by the existing Shareholders of the Company (or by their assignees) and may not necessarily result in all the Shares offered under the Australian Entitlement Offer being issued.

The Shares to be issued pursuant to any exercise of the Over-Allotment Option will be issued by the Company pursuant to its general power under the ASX Listing Rules to issue shares up to 15% of its issued share capital, and will constitute up to 0.71% of the Company's issued share capital at the date of this prospectus.

LISTING EXPENSES

Total expenses (including estimated underwriting commissions) expected to be incurred in relation to the Listing are A$37.4 million (HK$214.5 million), of which approximately A$29.7 million (HK$170.3 million) is expected to be charged to the consolidated statement of profit or loss of the Group and approximately A$7.7 million (HK$44.2 million) is expected to be capitalised.

Company

Yancoal Australia Ltd

Global Offering

Global offering of initially 59,441,900 Offer Shares (excluding the Shares to be offered pursuant to the exercise of the Over-allotment Option) comprising the following:

Hong Kong Public Offering

5,944,200 Shares (subject to reallocation).

International Offering

53,497,700 Shares (subject to reallocation and the over-allotment option).

Over-allotment Option

Up to 8,916,200 additional Offer Shares representing not more than approximately 15% of the number of Offer Shares initially being offered under the Global Offering, to be issued by the Company.

Offer Price Range

HK$23.48 to HK$25.84.

Price Determination

The Offer Price is expected to be determined on or about Thursday, 29 November 2018 and, in any event, not later than Wednesday, 5 December 2018.

Lock-up Undertakings

- The Company – six months from the Listing Date.
- Each of the Controlling Shareholders – six months absolute lock-up and six months lock-up on disposal of Shares that would result in it ceasing to be a controlling shareholder of the Company.

Market Capitalisation at Listing

Expected to be between HK$30,888 million (based on the Minimum Offer Price) and HK$33,993 million (based on the Maximum Offer Price) (assuming the Over-allotment Option is not exercised).

Listing and Trading

Expected to commence on Thursday, 6 December 2018.

Board Lot

100 Shares

See “*Underwriting*” and “*Structure of the Global Offering*” for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

The Company has issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation:

(a) the discussions of our business strategies, objectives and expectations regarding our future operations, margins, profitability, liquidity and capital resources;

(b) any statements concerning the future development of, and trends and conditions in, the coal market and the general economy of the countries in which we operate or plan to operate;

(c) any statements concerning our ability to control costs;

(d) any statements concerning the nature of, and potential for, the future development of our business; and

(e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements,

as they relate to the Group or our management, are forward-looking statements.

These statements are based on assumptions regarding our present and future business, our business strategies and the environment in which we will operate. These forward-looking statements reflect our current views as to future events and are not a guarantee of our future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in "*Risk Factors*". Important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements include, among other things, the following:

- our operations and business prospects, including without limitation, our production volume or capacity;
- the ownership and consolidation status of our mines, whether owned and operated by us or through joint ventures;
- our future debt levels and capital needs;
- developments in our business strategies and business plans;
- future developments, demand and price trends and other conditions in the coal and coal-related products market in the Asia-Pacific region;
- regulatory changes affecting, among other things, the coal industry, accounting standards and taxes;
- general economic conditions;
- changes in relationships with our customers;
- our relationships with contractors and suppliers and ability to negotiate favourable agreement terms;
- effectiveness of our risk management and health, safety and environmental controls;
- developments of our competitors and other competitive pressures within the coal industry; and
- developments in alternative energy sources to coal.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation, and undertake no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in "*Risk Factors*".

In this prospectus, statements of or references to our intentions or that of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

An investment in the Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in the prospectus, before deciding whether to invest in the Shares. If any of the following events occur or if these risks or any additional risks not currently known to us or which we now deem immaterial materialise, our business, financial condition, results of operations and our ability to meet our financial obligations could be materially and adversely affected. The market price of the Shares could fall significantly due to any of these events or risks or such additional risks, and you may lose your investment. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations and prospects.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Coal prices are cyclical and subject to fluctuations, and any significant decline in the prices we receive for our coal products would materially and adversely affect our business, financial condition and results of operations.

Substantially all of our revenue is derived from the sale of coal products, and therefore our results of operations are highly dependent upon the prices we receive for our coal. In developing our business plan and operating budgets, we make certain assumptions regarding future coal prices and demand for coal. Coal prices are cyclical and fluctuate depending on conditions in the global and regional coal markets. These markets are sensitive to changes in coal mining capacity and output levels, the outcome of future sale contract negotiations, patterns of demand and consumption of coal, environmental, coal import and other regulations, technological developments, the price and availability of competing coal and alternative fuel supplies, changes in international freight rates or other transportation infrastructure costs, changes in foreign exchange rates, labour disruptions, economic downturns, the status of global, regional and local credit markets, and other macroeconomic conditions. As a consequence of any of these factors, the underlying coal price assumptions relied on by us may change and actual coal prices and demand may differ from those expected.

Specifically, the prices for our coal products are affected by conditions in the Asia-Pacific region, particularly in the major coal supplying countries such as Australia and Indonesia, and the major coal consumption countries such as the PRC, India, Japan and South Korea, as well as the coal consumption patterns of the electricity generation and steel industries which are the principal end consumers of our coal products. Power generation from coal remains a cost-effective form of energy, and new thermal generation capacity continues to be installed, in many of our key Asian markets. However, the increasing focus on renewable energy generation and environmental regulations, and the consequential decline in electricity generation from fossil fuels, is expected to result in the share of coal powered electricity generation reducing from 41% of global electricity generation in 2017 to 39% by 2020. A decrease in thermal electricity generation may consequently result in reduced demand for thermal coal. Demand for metallurgical coal, which is widely used in steel production, may decline if adverse conditions in the infrastructure and property sectors in our key markets result in lower demand for steel. The PRC's rapid economic growth, its investment in major infrastructure projects and its shift from being a net exporter of coal to a net importer was a major contributor to the growth in coal demand in the past decade. The pace of economic growth in the PRC has slowed, and while there is optimism regarding demand for metallurgical coal in markets such as India in the long term, this may not be sufficient to replicate the scale of the PRC's demand over the past decade. See "*Industry Overview*". Coal demand and prices may also be affected by the recent tariffs imposed by the U.S. government on steel and other products imported from various countries. In response, certain countries have imposed tariffs on U.S. exports, and others have sought recourse to the World Trade Organisation. While we are not able to predict the outcome of these trade disputes or their effect on our business, it is possible that they will affect demand and prices in our industry.

Local factors also affect coal prices. With the PRC government, which has had significant influence on coal supply and demand, relaxing its domestic production restrictions in December 2016, premium thermal coal spot prices have moved over a broad range from US$98.5 per tonne at the end of 2016 to a low of US$71 per tonne in May 2017 to a high of US$123 per tonne in July 2018. Hard coking coal prices were affected when Cyclone Debbie struck the Queensland coast in 2017, resulting in a substantial increase in the price of premium hard coking coal to an average of US$209 per tonne for the year, an increase of approximately US$100 per tonne compared to 2016. See "*Industry Overview*" and "*Financial Information of the Group – Significant Factors affecting our Results of Operations and Financial Condition – Price and Sales Volume of Coal – Sales Price*". Strong demand and limited supply due to these and other factors have resulted in high coal prices prevailing in the market since the middle of 2017. Both thermal coal and metallurgical coal prices are expected to decline in the next few years.

In November 2018 China imposed a quota on imports of coal, following which China has halted coal imports for the remainder of the year. We believe that this development will not have a material impact on us. However, if the Chinese government were to impose stricter import quotas for 2019 or future periods, our revenues and results of operations in future periods could be adversely affected, unless we are able to find alternative destinations for the coal we designate for export to China.

Our sales contracts provide for either fixed or indexed pricing arrangements. In 2015, 2016 and 2017 and the six months ended 30 June 2018, approximately 7.0%, 12.5%, 9.5% and 9.0% of our coal sales were made pursuant to fixed price arrangements with a term of more than 12 months and approximately 93.0%, 87.5%, 90.5% and 91.0% of our coal sales were made pursuant to indexed pricing arrangements referenced to various product categories, such as the globalCOAL NEWC index, API5 and Platts. However, spot pricing has become significantly prevalent in the market, particularly for metallurgical coal, which may contribute to price fluctuations as buyers and sellers on the spot market are more sensitive to market volatility. If we are required to renegotiate or adjust prices under our coal supply agreements in a manner that results in a sustained decline in the prices we receive for our coal products, our business, financial condition and results of operations would be materially and adversely affected.

Our coal production is subject to conditions and events beyond our control that could result in high expenses and decreased supply.

Our financial performance is dependent on our ability to sustain or increase coal production and maintain or decrease operating costs on a per tonne basis. Our coal production and production costs are subject to conditions and events beyond our control which could disrupt our operations and have a significant impact on our financial results. Adverse operating conditions and events that we have experienced in the past or may experience in the future include:

- changes or variations in coal quality or geologic, hydrologic or other conditions, such as deterioration of seam quality, variations in the thickness of the coal seams, excessive groundwater or inability to safely or economically manage gas risks;

- critical mining, processing and loading equipment failures and unexpected maintenance problems, such as unforeseen delays or complexities in installing and operating longwall mining systems;

- difficulties associated with mining under or around surface obstacles;

- adverse weather and natural disasters, such as heavy rains and flooding, lightning strikes, hurricanes or earthquakes;

- accidental mine water discharges, coal slurry releases and failures of an impoundment or refuse area;

- ground or slope failures;

- excessive drought leading to a lack of efficiencies in the operation of site water;

- mine safety accidents, including fires and explosions from methane and other sources (see also "– *Our operations may be affected by uncertain mining conditions and we may suffer losses resulting from mining safety incidents, which may not be covered by our insurance*.");

- a shortage of skilled and unskilled labour;

- strikes and other labour-related interruptions;

- security breaches or terrorist acts;

- fatalities, personal injuries or property damage arising from unexpected hazards or incidents; and

- competition or conflicts with other natural resource extraction activities and production within our operating areas.

These conditions and events could also adversely affect the value of our coal inventories, which we state at the lower of cost, which is assigned on a weighted average basis and includes direct materials, direct labour and certain overheads, and net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We write down coal stocks from cost to net realisable value when we determine that such write down is appropriate in the course of assessing our stocks for obsolescence. Coal stock write downs amounted to A$12 million, A$1 million, A$1 million and A$1 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

Our coal supply agreements typically require the delivery of a fixed or minimum quantity of coal at a location, at a time and over a period stipulated in the agreement. To the extent that any contracted volumes cannot be delivered as agreed, we may be liable to pay compensation for the resulting losses, costs and charges (including demurrage) incurred by the buyer. Further, there may be changes in the costs of our mining and processing operations as well as capital costs, including due to unforeseen events such as international and local economic and political events, movements in exchange rates or unexpected geological or mining conditions. Any disruption of our operations or increase in costs due to any of the events or conditions described above or otherwise could have a material adverse effect on our business, financial condition and results of operations.

In addition, our mining operations are concentrated in a limited number of mines. Our three flagship mines, HVO (which is operated as an unincorporated joint venture with Glencore), MTW and Moolarben, together accounted for approximately 91.6% of the total coal sales (on an attributable basis) from our mines in the six months ended 30 June 2018 on a pro forma basis (as if the Moolarben Acquisition, the C&A Acquisition, the Warkworth Transaction and the Glencore Transaction had been completed on 1 January 2017), as well as 93.3% of the Coal Reserves and 93.6% of the Marketable Coal Reserves in mines we have ownership interests in and operate as at 30 June 2018 (on a 100% basis). As a result, the effects of any of these conditions or events may be exacerbated and may have a disproportionate impact on our business, financial condition and results of operations.

Coal markets are highly competitive and are affected by factors beyond our control.

We face competition in all aspects of our business, including sales and marketing, pricing of coal, production capacity, coal quality and specifications, transportation capacity, cost structure and brand recognition. Our coal business competes in the domestic and international markets with other large domestic and international coal producers. In addition, ongoing consolidation in the Australian coal industry has increased the level of competition we face. Our competitors in Australia include Peabody Energy, Whitehaven, Centennial Coal and New Hope among the pure-play coal producers, and Glencore, BHP and Anglo American among the diversified mining companies. Our principal competitors in the Asian seaborne market include major Indonesian coal companies such as PT Bumi Resources Tbk and PT Adaro Energy Tbk. We also face competition in our end markets such as the PRC and India, as well as from other coal exporting nations such as the United States, Canada, South Africa, Colombia and Russia.

Production costs are a key competitive differentiator in the coal mining business. Factors that directly influence coal producers' production costs include the geological characteristics of their coal deposits such as the depth of underground reserves (for underground mines) and the strip ratio of open cut reserves (for open cut mines), transportation costs, and labour availability and cost. Furthermore, our competitors may have higher production capacities, stronger brand names and better financial, marketing, distribution and other resources than we do. We may not be able to maintain our competitiveness if changes or developments in the market weaken our existing competitive advantages. Efforts by our competitors to improve the quality of their coal may render obsolete or irrelevant any competitive advantage we have over them. Over the past two decades, a growing world coal market and increased demand for coal worldwide have attracted new investors to the coal industry, encouraged the development of new mines and the expansion of existing mines in various countries, including Australia and the PRC, and resulted in added production capacity throughout the industry. Subsequent overcapacity in the industry has contributed, and may in the future contribute, to lower coal prices. Our inability to maintain our competitive position as a result of these or other factors could have a material adverse effect on our business, financial condition and results of operations.

Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown.

In 2017, the Austar mine, which is owned by Watagan and managed by us, produced approximately 1.7 Mt of semi-hard coking product coal and as at 30 June 2018 had JORC ROM Coal Reserves totalling 41 Mt and Marketable Coal Reserves totalling 31 Mt. Multiple incidents have occurred at the mine due to coal bursts and other occurrences. A major incident in the maingate A9 development panel in the Stage 3 area of the Austar mine on 15 April 2014 led to the death of two workers. The Resources Regulator, which is now part of the Department of Planning and Environment of the New South Wales government, regarded the incident as serious and a possible contravention of health and safety laws, and conducted an investigation into the matter including the mine's safety managements systems and the level of compliance with health and safety laws by officers. The investigation identified that the incident was a result of a pressure burst of such magnitude and volume as to render the installed rib support ineffective. Following the investigation, the Resources Regulator notified Yancoal Australia Ltd and Austar Coal Mine Pty Ltd in April 2016 that it had decided not to institute prosecution proceedings.

On 19 August 2016, a coal burst occurred in longwall panel B2 in the Bellbird South working area of the Austar mine. A prohibition notice was issued by the Resources Regulator in relation to the incident. A prohibition notice is a direction to prohibit an activity issued when a mine inspector reasonably believes that there is a serious risk emanating from an immediate or imminent exposure to a hazard. The prohibition notice in relation to the Austar mine was cancelled on 14 September 2016. Additional safety controls were implemented at the mine, including the introduction of coal burst protection conveyor mats supported from the flippers of the longwall shields, the deployment of restricted face zones on the longwall face and the use of shield flippers to provide protection to workers, and these controls have been subsequently improved over time. No proceedings were commenced by the Resources Regulator in relation to this incident and the option of the Resources Regulator to commence such proceedings expired on 19 August 2018.

On 2 February 2018, an initial coal burst occurred in longwall panel B4 of the Bellbird South area of the Austar mine which resulted in minor injuries to a worker. A prohibition notice was issued as a result of that incident. This notice was varied by a replacement prohibition notice on 8 February 2018 which ceased to have effect on 21 February 2018. Subsequently, a series of coal bursts occurred in longwall panel B4 in the Bellbird South area of the Austar mine on 21 February 2018, 23 February 2018, 13 March 2018 and 15 March 2018, none of which resulted in any injuries to workers although the 23 February 2018 event caused damage to the longwall shearer. Another coal burst occurred on 16 March 2018, and while no injuries were caused a prohibition notice was issued by the Resources Regulator. This prohibition notice was subsequently replaced with a fresh prohibition notice on 9 April 2018, which was in turn replaced by another notice on 12 May 2018 that allowed limited mining activities. An additional coal burst occurred on 17 May 2018 which did not result in any injuries, but caused damage to the longwall shearer and resulted in another prohibition notice being issued on 18 May 2018.

Between 19 February 2018 and 24 May 2018, we made a series of submissions to the Resources Regulator seeking to have the prohibition notices dated 12 May 2018 and 18 May 2018 cancelled. On 1 June 2018, we were notified by the Resources Regulator that its investigation unit had commenced an investigation into all coal bursts that have occurred at the Austar mine since 15 April 2014. As part of this investigation, four notices to obtain documents, information and evidence were issued, which were complied with on 22 June 2018, 27 June 2018, 31 July 2018 and 15 August 2018 respectively, as required. Inspectors from the investigation unit commenced interviews with longwall deputies in the last week of July 2018 and their investigation is ongoing and the results are pending. Four further notices to obtain documents, information and evidence were issued by a separate section of the Resources Regulator, which were complied with on 26 June 2018, 10 July 2018, 20 August 2018 and 24 August 2018 respectively, as required.

Following agreement as to the provision of limited information to the Resources Regulator, the two prohibition notices dated 12 May 2018 and 18 May 2018 were cancelled on 30 July 2018 and 3 August 2018, respectively. Operations at Austar recommenced on 14 August 2018 subject to certain restrictions and remediation measures set out in a notice issued by the Resources Regulator on 3 August 2018. This prohibition notice imposes certain conditions (e.g. with respect to stress measurement tests, amongst other things) relating to mining up to a particular location in the current B4 longwall panel where the longwall equipment will then be recovered and relocated to the next longwall panel for further mining. On 30 August 2018 operations were halted on account of technical issues related to de-stressing activity in certain areas of the long wall, and on 5 September 2018 a prohibition notice was received relating to this activity which was cancelled on 28 September 2018. As at the Latest Practicable Date, the prohibition notice issued on 3 August 2018 remained in force. The nature of the geological and technical challenges faced at the Austar mine exposes us to the risk of future prohibition notices and production delays at the mine.

For further details, see "*Business – Health, Safety and Environmental Matters – Safety Incidents*."

These incidents have resulted in production shutdowns, increased expenses and consequent loss of revenue from the Austar mine. Ongoing work is being undertaken by Watagan in respect of the very challenging geological and geotechnical conditions at the mine, including both the Bellbird South and Stage 3 areas. If similar incidents occur in the future or if it is determined by Watagan that normal operations cannot be recommenced or continued at Austar, or production needs to be stopped indefinitely or permanently, it is likely that the fair value of the mine will be reduced materially, which would adversely affect our financial condition and results of operations.

We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of operations.

Effective on and from 31 March 2016, the Company entered into certain financing arrangements with Watagan (a newly established subsidiary of the Company at the time), Industrial Bank Co., Ltd ("**IBC**"), BOCI Financial Products Limited ("**BOCIF**") and United NSW Energy Limited ("**UNE**" and together, the "**Bondholders**"). These arrangements involved the issue of US$775 million nine-year secured bonds by Watagan to IBC, BOCIF and UNE (the "**Watagan Bonds**"), a loan facility agreement between Watagan and the Company, and certain other agreements or deeds ancillary to the issue of the bonds (together, the "**Watagan Agreements**").

In accordance with the terms of the Watagan Agreements, our interests in the Ashton, Austar and Donaldson mines were transferred to Watagan for consideration of A$1,363 million (equal to the book value of the three mines at the time). Watagan fully funded the purchase with an A$1,363 million loan from us bearing interest at the bank bill swap bid rate on the first day of each interest period plus 7.06% with a maturity date of 1 April 2025. The outstanding interest and principal of this loan is guaranteed by Yankuang, our ultimate controlling shareholder. Watagan can make prepayments of the outstanding loan balance at any time, and (subject to there being no default continuing and other customary conditions) any amounts prepaid may be redrawn by Watagan in the future for specified permitted purposes. As at 30 June 2018 the loan receivable from Watagan was A$730 million (re-drawable to A$1,363 million).

While we wholly-own Watagan, upon the issuance of the Watagan Bonds, the Bondholders were given the power to nominate two of its three directors, which together with other terms included in the Watagan Agreements resulted in the determination that we had lost accounting control of Watagan. The loss of accounting control resulted in us deconsolidating the financial results of Watagan as a subsidiary from our consolidated financial statements with effect from 31 March 2016. From that time, we began to account for our equity interest in Watagan as an associate rather than a subsidiary. We also designated the value of the Ashton, Austar and Donaldson mines as assets classified as held for sale as at 31 December 2015, pending completion of their transfer to Watagan in early 2016. While Watagan is deconsolidated from our consolidated financial statements for accounting purposes, Watagan remains within our tax consolidated group as a result of our ongoing 100% equity ownership of Watagan.

The determination of loss of accounting control of Watagan is a matter of accounting judgement, which could be subject to review and change. The International Financial Reporting Standards ("**IFRS**") under which we prepare our financial statements requires us to make certain judgements and estimates when preparing our financial statements, and are issued by the International Accounting Standards Board ("**IASB**"), along with other authoritative pronouncements and interpretations. The IASB or other agencies and authorities may not agree with the judgements or estimates applied by us. Moreover, the IASB may amend IFRS and the related pronouncements and interpretations or replace them with new standards, and such amendment or replacement is beyond our control. Any changes to IFRS or to the interpretation of those standards, such as a change which would require us to reconsolidate Watagan's results and financial position ahead of the scheduled date in 2025, may have an adverse effect on our reported financial performance or financial position.

Watagan is required to redeem all of the outstanding Watagan Bonds on the maturity date of 8 January 2025 (if the put option is exercised on or after 1 January 2025, the maturity date would be deferred to 1 April 2025), and may elect to redeem any or all of them commencing from 31 March 2019. Additionally, the Bondholders have a put option that allows them to transfer the issued Watagan Bonds at face value to Yankuang during specified put option exercise windows during the first week of January in each of 2019, 2021, 2023 and 2025. The Bondholders may also exercise the put option after 1 January 2019 while an event of default under the bond terms is subsisting in relation to Watagan or Yankuang. The put option must be exercised by a Bondholder in respect of all (but not some) of its respectively held bonds. If the put option is exercised (i) by UNE, as the instructing Bondholder of the investor syndicate, or (ii) with respect to at least 50.1% of the face value of the Watagan Bonds, the put option will be deemed to have been exercised as to all of the bonds.

In accordance with the Watagan Agreements, if Yankuang becomes the sole bondholder of the Watagan Bonds following the purchase of the bonds by Yankuang consequent to the exercise of the put option, certain bondholder rights, including the right to nominate a majority of the board of directors, would terminate, and these rights would revert to the Company as the sole shareholder of Watagan. Watagan would thereafter owe an amount payable to Yankuang for the face value of the put bonds, minus any capitalised interest. Watagan would separately pay to the exercising Bondholders the accrued interest and any capitalised interest on the put bonds.

If (i) Bondholders holding a sufficient proportion of the principal amount of the Watagan Bonds exercise their put option to Yankuang, such that Yankuang acquires all of the bonds (ii) Watagan redeems all of the Watagan Bonds or (iii) certain other events occur (such as a change to the terms and conditions of the Watagan Bonds that gives us the power to nominate the majority of the board of Watagan) that would result in us regaining control of Watagan, we will be required to reconsolidate Watagan as a subsidiary into our consolidated financial statements from the time that control is determined to be regained. We do not currently have any plan or intention to effect the early redemption of the Watagan Bonds.

Upon reconsolidation, we will (i) cease to recognise interest income on the Watagan loan, which in the year ended 31 December 2017 and the six months ended 30 June 2018 was A$67 million and A$32 million, respectively, forego the margin recognised under the various service agreements, and de-recognise the Watagan loan receivable, which as at 30 June 2018 was drawn to A$730 million, as these amounts will become intercompany balances and will be eliminated on consolidation; (ii) recognise an interest expense on the Watagan Bonds (or the Yankuang loan if the put option has been fully exercised), which during the year ended 31 December 2017 and the six months ended 30 June 2018 was A$102 million and A$35 million, respectively, and recognise the fair value of the Watagan Bonds at that time, which as at 30 June 2018 had a book value of A$1,049 million; and (iii) recognise the operating results of Watagan, including the three Watagan Mines, in our statement of profit and loss and recognise the fair value of the assets and liabilities of Watagan (including the Watagan Bonds) on our balance sheet at that time. In 2016 and 2017 and the six months ended 30 June 2017 and 2018, Watagan had loss after tax of A$162 million, A$58 million, A$7 million and A$90 million, respectively. See note 23(a) to the Accountants' Report of the Group in Appendix IA to this prospectus for further stand-alone financial information of Watagan during the Track Record Period.

The loss after tax of A$162 million in 2016 was due in significant part to the Austar mine only commencing longwall mining activities in the Bellbird South area half way through the year following a fatal incident in the Stage 3 area in 2014. The improvement in performance to a loss after tax of A$58 million in 2017 was primarily due to an improvement in coal prices between the periods and a full year of production at Austar, partially offset by an increase in finance costs primarily due to an additional A$30 million of interest owing to the bondholders due to Watagan achieving an EBITDA related threshold. The loss of A$90 million in the six months ended 30 June 2018 was primarily due to a significant reduction in production at the Austar mine due to the occurrence of multiple coal bursts resulting in repeated shutdowns during the period. See "*Risk Factors – We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of* *operations*" and "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown*".

Since Watagan has thus far been loss-making and has incurred ordinary course depreciation and amortisation, the book value of Watagan's net assets has declined since inception and at 30 June 2018 was negative A$311 million as noted in Appendix IA to this prospectus. The book value decline is not necessarily an indicator of Watagan's fair value. If the fair value of Watagan's net assets is negative (meaning that the value of its assets is lower than the value of its liabilities, including any outstanding loan balances) at the time of reconsolidation, goodwill will be recognised by the Company. This goodwill will be subject to impairment testing based on the cash generating units to which it is allocated. To the extent that any goodwill recognised cannot be supported by an impairment model, it will be written off by the Company as a loss on acquisition. Similarly, if, prior to reconsolidation and while we recognise a loan receivable from Watagan, there is a determination of a decline in the fair value of Watagan, an impairment assessment of the carrying value of the outstanding loan balance will be required. As at 30 June 2018, the total assets of the Company were A$11,914 million and the total liabilities of the Company were A$6,649 million, and the total assets of Watagan were A$1,783 million and the total liabilities of Watagan were A$2,094 million. The impact of reconsolidating Watagan as at 30 June 2018, without reflecting any fair value adjustments that may arise on reconsolidation (including the recognition of any potential goodwill as noted above), and after intercompany balance eliminations of A$827 million for both total assets and total liability, would be material. Our gearing ratio (which is calculated as gross debt divided by total equity at the end of the relevant period) would exhibit a material increase from our gearing ratio of 0.81x as at 30 June 2018, primarily due to Watagan's interest-bearing debt and negative equity position as at that date.

During the Track Record Period, Donaldson's remaining Abel underground mine was moved to a care and maintenance phase and feasibility studies were subsequently commenced to explore potential future mining operations. In addition, multiple incidents have recently occurred in the Austar mine's Bellbird South area due to coal bursts and other occurrences. These incidents have resulted in property and site damage and consequent loss of production and shutdowns, including as a result of the regulator issuing notices to stop production for periods of time, during the Track Record Period. Ongoing work is being undertaken by Watagan in respect of the very challenging geological and geotechnical conditions at the Austar mine, including both the Bellbird South and Stage 3 areas that may have a significant adverse impact on future commercial operations. See "*– Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown*" for further details.

The future prospects of the Donaldson and Austar mines are therefore uncertain, and will depend upon the work currently being conducted by Watagan and its advisers. If it is determined, by Watagan, that either or both mines are unable to return to previously forecast levels of production, there is a need to proceed to a permanent shutdown, or there are materially negative changes to other operating assumptions, including coal prices, exchange rates, operating costs or capital expenditure, it is likely that the fair value of those mines, and therefore of Watagan, would be reduced materially. In that event, a material impairment charge may be recognised on the

Watagan loan receivable, prior to reconsolidation, or any goodwill recognised on reconsolidation. In addition, the Bondholders may be more inclined to exercise the put option which, as described above, will result in the reconsolidation of Watagan. We do not control Watagan and as such are not able to control or predict the amount of any such impairment or the extent of the resulting effect on our financial condition and results of operations, which could be material and adverse. See also "*– Our assets may be subject to impairment risks which could adversely affect their value.*"

We derive a significant portion of our revenue from a limited number of customers, and the loss of, or a reduction in, sales to any of these customers could materially and adversely affect our business, financial condition and results of operations.

We generate a substantial portion of our total coal sales from a small number of customers. In 2015, 2016 and 2017 and the six months ended 30 June 2018, our top five customers accounted for 47.8%, 38.8%, 32.3% and 33.8% of our revenue, respectively, in the aggregate, and our top three customers accounted for 39.5%, 29.1%, 21.7% and 26.5% of our revenue, respectively, in the aggregate. The Noble Group Limited and its affiliated entities (the "**Noble Group**") was one of our largest customers by revenue in 2015, 2016 and 2017. We expect revenues from the Noble Group as a percentage of our total revenues to decline as a result of the ad hoc nature of contracts, price movements and spot volumes and spot volume variations. Our current coal sales contract with the Noble Group is due to expire in December 2018.

Through Yancoal Australia Sales Pty Ltd, a subsidiary of the Company, we also commenced arbitration proceedings against the Noble Group in May 2018 seeking relief, including damages, on account of the Noble Group failing to purchase coal under an existing contract. This contract provides for de facto liquidated damages payments from Noble Group in the event that the Noble Group fails to purchase coal from us, which represents the amount claimed by us in these proceedings. As at the Latest Practicable Date, this claim is in the early stages of arbitration proceedings. In a separate matter, on 3 August 2018, the Noble Group commenced proceedings in the Supreme Court of New South Wales (an Australian State court) purporting to terminate a marketing services contract, claiming an allegedly unpaid marketing fee for 2014, damages for losses said to arise from alleged breaches of the contract in 2015 to 2017, and damages for "loss of bargain" as a result of the alleged repudiation of the contract by Gloucester Coal, a subsidiary of the Company. The Noble Group also alleges that the Company caused or procured Gloucester Coal to breach the contract. The claim derives mainly from the Noble Group's allegation that Gloucester Coal failed to notify and pay marketing fees, and to provide certain information to the Noble Group so as to allow the Noble Group to verify the marketing fees payable (if any), which allegedly had the effect of Gloucester Coal repudiating the contract. As at the Latest Practicable Date, the parties continue to exchange pleadings in respect of the proceedings. See "*Business – Legal Proceedings and Non-Compliance*" for further details.

We expect that our revenues will continue to depend on sales to a limited number of major customers for the foreseeable future and the loss of one or more of these major customers, or a significant deterioration in our relationship with them, could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in transportation costs and disruptions to our railway and port linkages could disrupt our coal deliveries and adversely affect our business, financial condition and results of operations.

We rely primarily on third party operated railway networks and ports to transport and deliver coal to our customers. Transportation costs are a significant expense and accounted for 19.8%, 21.6%, 12.0% and 11.7% of our total revenue in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. See also "*Business – Infrastructure, Transportation and Logistics*" and "*Financial Information of the Group – Significant Factors Affecting our Results of Operations and Financial Condition – Price and Sales Volume of Coal – Sales Volume.*"

A deterioration in the reliability of services provided by our transportation service providers or disruptions to any of the transportation services we rely on due to weather-related problems, key equipment or infrastructure failures, industrial action, rail or port capacity constraints, congestions, failure to obtain consents from third parties for access to rail or land, access being removed or not granted by regulatory authorities, failure or delay in the construction of new rail or port capacity, terrorist attacks or other events could impair our ability to supply coal to our customers, resulting in decreased shipments and revenue. In December 2017, the Queensland Competition Authority issued a draft ruling that would reduce the rate of return that can be charged by Aurizon, the only major coal rail network operator in Queensland, on its network routes. In response, Aurizon decided to modify its maintenance practices, as a result of which its customers will not be able to arrange for the transportation of coal in excess of the capacity guaranteed under the terms of their contracts with Aurizon. These events have not had any significant effects on the operations of Middlemount and Yarrabee, our Queensland mines, since our current production volumes from these mines are less than the transportation capacity agreed with Aurizon. However, if the production volumes from these mines increase significantly, we may not be able to transport all of the increased volume. Further, significant increases in transport costs due to factors such as the introduction of emissions control requirements and fluctuations in the price of diesel fuel and demurrage could make our coal less competitive when compared to coal produced from other regions. Disruptions in shipment or increase in costs over longer periods of time could cause our customers to look to other sources for their coal needs, negatively affecting our business, financial condition and results of operations.

We also enter into transportation agreements with national and privately operated railway networks, rail haulage operators and ports to secure transportation capacity, generally via long-term take-or-pay arrangements. As the transportation capacity secured by these agreements is based on assumed production volume, we may have excess transportation capacity (which, in the case of take-or-pay agreements, we will have to pay for even if unused) if our actual production volume is lower than our estimated production volume. Conversely, we may not have sufficient transportation capacity if our actual production volume exceeds our estimated production volume or if we are unable to transfer the full capacity due to contractual limitations such as requirements for the coal to emanate from specified source mines or be loaded onto trains at specified load points. We currently have excess port capacity commitments across our New South Wales operations, which represents a significant cost of operations. In 2017 we reduced our take-or-pay exposure for contracted but unutilised capacity to A$65 million in excess of planned sales (including take-or-pay contracts obtained under the C&A Acquisition) from A$74 million in 2016 (on a 100% basis including Middlemount). For 2018, the take-or-pay commitments are estimated to total approximately A$43 million in excess of our expected access requirements. Our logistics team continues to implement strategic measures to reduce our take or pay exposures, including the trading of our under-utilised contracted capacity between sites and with third parties on an ad hoc basis. However, we may not be able to materially reduce our take-or-pay commitments through such means, or at all.

Our sales contracts with customers allow them to terminate the contracts upon the occurrence of certain events.

Our sales contracts generally contain provisions that allow our customers to suspend or terminate the contracts if, depending on the contract:

- we commit a material breach of the terms of the contract;
- a change in law restricts or prohibits a party from carrying out its material obligations under the contract;
- we become insolvent, pass a resolution for winding up, institute or have instituted against us any proceedings for insolvency or are subject to similar occurrences;
- any document which secures, guarantees or otherwise supports the performance of our obligations under the contract is terminated or expires, or we materially breach the terms of or disaffirm or reject any such document; or
- a material adverse change occurs in our financial standing or creditworthiness such that in the reasonable opinion of our customer (exercising good faith), our ability of to perform our obligations under the contract becomes materially impaired.

See also "*Business – Marketing and Sales Arrangements*". If our customers were to terminate our sales contracts for these reasons or otherwise, our results of operations would be adversely affected.

Our existing and future indebtedness could restrict our financial and operational flexibility and adversely affect our financial condition.

As at 30 June 2018, we had A$4,300 million of indebtedness, of which A$17 million will mature within one year and A$2,414 million will mature within two to five years. Our existing and future indebtedness could have important consequences in relation to our business. For example, it could:

- make it more difficult for us to pay or refinance our debts as they become due during adverse economic and industry conditions because any related decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled debt payments;
- subject us to operating restrictions that limit our flexibility in planning for changes to our business and limiting our ability to pursue our strategic growth plans;
- force us to seek additional capital, restructure or refinance our debts, or sell assets;
- cause us to be less able to take advantage of significant business opportunities such as acquisition opportunities and to react to changes in market or industry conditions;
- cause us to use a portion of our cash flow from operations for debt service, reducing the availability of working capital and delaying or preventing investments, capital expenditure, research and development and other business activities;

- cause us to be more vulnerable to general adverse economic and industry conditions;
- expose us to the risk of increased interest rates because certain of our borrowings are at variable rates of interest;
- expose us to the risk of foreclosure on substantially all of our assets and those of most of our subsidiaries, which secure certain of our indebtedness, if we default on payment or are unable to comply with covenants or restrictions in any of the agreements; and
- limit our ability to borrow, or increase the cost of borrowing, additional monies in the future to fund working capital, capital expenditure and other general corporate purposes.

Our ability to meet our debt service obligations will depend on our future cash flow from operations and our ability to restructure or refinance our debt, which will depend on the condition of the credit and capital markets and our financial condition.

Further, we are subject to various financial covenants under the terms of our banking facilities. These covenants may, for example, require the maintenance of a minimum net worth, net tangible assets or interest cover ratio or a maximum gearing or leverage ratio. Factors such as adverse movements in interest rates and coal prices, appreciation of the A$, deterioration of our financial performance or change in accounting standards could lead to a breach in financial covenants. If there is such a breach, the relevant lenders may require their loans to be repaid immediately or cancel the further availability of their facilities. Some covenant breaches may not be an immediate default but may restrict our ability to make distributions or otherwise limit expenditure.

As a shipper in the NCIG and WICET terminals, some of our source mines are required to maintain a specified minimum level of Marketable Coal Reserves. Non-compliance with this requirement may ultimately result in the termination of the individual contracts and require the payment of our share of any outstanding senior debt in those entities and terminals.

We may not be able to meet our capital expenditure requirements or secure additional financing on favourable terms, whether from external sources or our major shareholders, in the future.

Our business is capital intensive and will require substantial expenditure for, among other things, the construction of our key projects, machinery and equipment and operational capital expenditure. We had capital expenditure of A$333 million, A$383 million, A$345 million and A$84 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, which included, for example, projects such as the Moolarben expansion.

We intend to use cash on hand, funds from operations and additional debt and equity financing to finance our current and future capital expenditure. However, we may not be able to obtain sufficient amounts of capital in a timely manner, on terms acceptable to us, or at all, which could result in a material adverse effect on our business, financial condition and results of operations.

Our debt obligations of A$4,300 million as at 30 June 2018 could have significant consequences for our operations, including reducing the availability of our cash flow to fund working capital, capital expenditure, acquisitions and other general corporate purposes as a result of our debt servicing obligations, limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, our industry and the general economy and potentially limiting our ability to obtain, or increasing the cost of, any additional financing. Our business operations and cash flows are highly sensitive to any fluctuation in the US$ coal price, movements in the A$:US$ exchange rate and coal production from our operations. Accordingly, in developing our business plan and operating budget, we have made certain assumptions regarding coal prices, the A$:US$ exchange rate, future production levels and other factors which determine our financial performance. The actual amount of funding required in the future will depend on a number of factors, including the performance of our business at that time, and may differ from our estimates of capital expenditure required. In addition, our business plans may change from time to time due to changing circumstances, new opportunities or unforeseen contingencies. If our capital expenditure requirements differ from our estimates or we change our business plans, we may need to obtain additional external financing to meet our capital expenditure plans, which may include bank borrowings or issuances of debt securities.

We may not be able to raise sufficient financing to fund our future capital expenditure and service our debt obligations or at all. Further, there is no guarantee that we will be able to refinance our existing committed credit facilities on favourable terms as and when the existing facilities mature. More specifically, US$1.95 billion of our debt as at 30 June 2018 would have become due for repayment in between 2020 and 2022, and we may not be able to refinance this debt. A number of investment groups and financial institutions have announced either a change in, or intention to consider a change in, investment mandates so their groups can no longer invest in or lend to companies with coal exposure. This may impact our ability to refinance our existing debt and to attract new financing.

If a funding shortfall materialises, we may be required to rely on our shareholders, including Yanzhou, to fulfil our funding requirements. Yanzhou has provided us with a A$1.4 billion loan facility (of which A$1.1 billion had been drawn as at 30 June 2018) to support the ongoing operations and the expansion of the Group and enable it to pay debts as and when they fall due. In addition, Yanzhou had provided a letter of support pursuant to which, unless revoked by giving not less than 24 months' notice, for so long as it owns at least 51% of the Shares, it will ensure that the Company continues to operate so that it remains solvent. On 28 July 2017, Yanzhou reconfirmed to the Company that this undertaking remains in place on its current terms, and that Yanzhou has the financial capacity to perform its obligations under it. However, this undertaking may be revoked by Yanzhou by giving not less than 24 months' notice (or such shorter period as the Company may agree). In addition, depending on the form and terms of any funding to be provided by Yanzhou, minority Shareholder approval and other regulatory approvals may be required before that funding can be provided, and any such approvals may not be forthcoming. Yanzhou's support undertaking does not require Yanzhou to fund the Company in a manner which is non-dilutive to other Shareholders or to provide funding on non-commercial terms, and is also dependent on Yanzhou's financial capacity to perform its obligations under the Yanzhou support as and when called upon to do so. As a result, there is no guarantee that the Company can rely on Yanzhou's commitment to remain solvent.

Failure to obtain sufficient financing could cause delays or cause us to abandon our business development plans and have a material adverse effect on our business, financial condition and results of operations.

We had net cash outflows from operating activities for certain periods during the Track Record Period.

In 2015 and 2016, we recorded net cash outflows from operating activities of A$108 million and A$24 million, respectively, primarily attributable to our accounting losses we incurred in the respective periods. See "*Financial Information of the Group – Liquidity and Capital Resources – Cash Flows*" for further details. Given the cyclical nature of our industry, we cannot assure you that we will not record net cash outflows from operating activities in the future. In general, net cash outflows from operating activities may strain our liquidity and require us to meet the shortfall with cash on hand or cash generated from other activities. Any inability to do so could adversely affect our ability to meet our payment obligations as they become due or impede our ability to implement our business strategies as planned, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We have had negative reserves and accumulated losses during the Track Record Period, and did not declare or pay any dividends for 2015, 2016 or 2017.

We had, on a consolidated basis, negative reserves and accumulated losses of A$880 million and A$535 million as at 31 December 2015; A$817 million and A$935 million as at 31 December 2016; A$413 million and A$764 million as at 31 December 2017; and A$554 million and A$403 million as at 30 June 2018. We did not declare or pay any dividends for 2015, 2016 or 2017. On 15 August 2018, we declared a dividend of approximately A$130 million on our ordinary shares, which was paid on 21 September 2018. The declaration and payment of this dividend is in compliance with the requirements of Section 254T of the Australia Corporations Act. Our profitability and our ability to pay dividends will vary from period to period and may not be predictable. For example, a significant contributor to our profitability in 2017 was other income, consisting of a gain on acquisition of A$177 million in connection with mine assets acquired from C&A and a reversal of impairment of mining tenements of A$100 million for the Moolarben mine, both of which are non-recurring items. We cannot provide any assurance that the Company's future results of operations will be sufficient to generate sufficient retained earnings to pay dividends to our shareholders. See "*– We may not declare dividends on our Shares in the future*".

Our operating results have been, and may in the future be, materially affected by acquisitions, disposals and other strategic transactions that we have undertaken and may undertake in the future.

Our historical financial results, including during the Track Record Period, have been materially influenced by our acquisitions, disposals and other strategic transactions. Specifically, on 1 September 2017, we completed the C&A Acquisition. The C&A Acquisition contributed to a substantial increase in our total assets from A$7,660 million as at 31 December 2016 to A$11,914 million as at 30 June 2018. In addition, we began consolidating the profit and loss accounts of C&A from 1 September 2017, the date of completion of the C&A Acquisition, and our results of operations for 2017 and the six months ended 30 June 2018 reflect the consolidation of C&A's results from 1 September 2017 to 30 June 2018. This contributed to the increase in our total revenue from A$1,238 million in 2016 to A$2,601 million in 2017, and our profit after income tax of A$246 million in 2017 compared to a loss after income tax of A$227 million in 2016. Similarly, our total revenue increased from A$832 million in the six months ended 30 June 2017 to A$2,347 million in the six months ended 30 June 2018, and we had a loss after income tax of A$14 million and a profit after income tax of A$361 million in the same periods. Prior to its acquisition by us, C&A itself had disposed of certain of its mining operations in 2016, and undertook a restructuring of its interest in HVO. As a result, the financial information of C&A as disclosed in "*Financial Information of C&A*" is presented on a carve-out basis as if such interests were completed on 1 January 2015. However, the audited consolidated financial statements of C&A as disclosed in the Accountants' Report of C&A as set out in Appendix IB to this prospectus are presented without the carve-outs applied, save as indicated in note 36 therein. We also completed the Glencore Transaction and the Warkworth Transaction in 2018, both of which will influence our financial statements in 2018. See "*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation.*" As a consequence, comparing our results of operations on a period-to-period basis is not meaningful.

We will incur significant expenses upon closure or discontinuance of operations at our mines, which would have an adverse impact on our financial condition and results of operations.

We may be required to close or discontinue operations at particular mines before the end of their mine life due to environmental, geological, geotechnical, commercial, health and safety or other issues. Such closure or discontinuance of operations could result in significant closure and rehabilitation expenses, employee redundancy costs and other costs or loss of revenues. If one or more of our mine sites are closed earlier than anticipated, we will be required to fund the closure costs on an expedited basis and potentially lose revenues, which would have an adverse impact on our financial condition and results of operations. In addition, there is a risk that claims may be made arising from environmental remediation upon closure of our sites. See also "– *Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents or outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown.*"

Many of these costs will also be incurred where mines are placed on care and maintenance before the end of their planned mine life. A move to care and maintenance has the potential to trigger significant employee redundancy costs and a subsequent loss of revenues since ongoing management and rehabilitation of the mine requires a minimal employee presence, which would also have an adverse impact on our financial condition and results of operations. During the Track Record Period, mining ceased at Donaldson's Abel underground mine, which is owned by Watagan and managed by us, in June 2016. As at 30 June 2018, the mine had Coal Reserves of 62 Mt and Marketable Coal Reserves of 32 Mt. The mine was moved to a care and maintenance phase which resulted in some redundancies and incurred costs, although most of the mine workers were re-allocated to other mines. We do not expect further redundancies or related costs as a result of moving to care and maintenance at the Abel mine and have subsequently commenced feasibility studies to explore potential future mining operations.

We operate through a number of joint venture and similar structures, and our operational and financial results will be affected by how these arrangements are managed.

A significant portion of our business is operated though joint venture structures and entities in which we hold equity interests. We have a joint venture partnership in respect of Middlemount Coal Pty Ltd (in which we have a 49.9997% equity interest) and hold equity interests in Newcastle Coal Infrastructure Group Pty Ltd (in which we have a 27.0% equity interest) and Port Waratah Coal Services Limited (in which we have a 36.0% legal interest and a 30.0% effective interest). We also have the following material unincorporated joint ventures: the Moolarben JV (in which we hold a 81.0% interest and have reached an agreement in principle to increase our stake to 85.0%, subject to final approvals and documentation), the Mount Thorley joint venture (in which we hold a 80.0% interest) ("**Mount Thorley JV**") and the Warkworth joint venture (in which we hold a 84.5% interest) ("**Warkworth JV**"). See "*Business – Our Mining Operations*".

With effect from 4 May 2018, we established a 51%:49% unincorporated joint venture between us and Glencore in respect of HVO, in which we acquired a 67.6% interest from Rio Tinto as part of the C&A Acquisition. Glencore acquired its 49% interest in consideration for US$1,139 million in cash, consisting of (i) US$710 million in consideration to HVO Resources Pty Ltd, a wholly owned subsidiary of Mitsubishi Development Pty Ltd ("**MDP**"), for its 32.4% interest in HVO and (ii) US$429 million in consideration to us for a 16.6% interest in HVO, in each case subject to final post-closing adjustments, plus the acceptance of a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by the Company in respect of the C&A Acquisition. The joint venture is jointly controlled through the JVMC whose powers include the approval of budgets, life of mine and year-by-year five year plans governing the HVO JV's activities, supervision of the manager of the joint venture, and the approval of development and expansion proposals. The JVMC comprises three representatives nominated by us and three representatives nominated by Glencore. The general manager of the joint venture is nominated by Glencore while the financial controller is nominated by us. The operations and financial results of HVO, which is our largest asset with Coal Reserves of 796 Mt and Marketable Coal Reserves of 554 Mt (in each case as at 30 June 2018 on a 100% basis) and whose marketable coal production in 2017 was 14.8 Mt, will depend on how we and Glencore manage and operate our joint venture in the future.

The success of our joint ventures depends on a number of factors, including the financial resources of the other shareholders and joint venture partners, their willingness and ability to honour their commitments under the joint venture agreements, the manner in which they exercise control, veto or other governance rights in respect of the joint venture, and the extent to which they cooperate in operational and strategic decisions with respect to the relevant mine. If we become engaged in material disagreements with our joint venture partners, the operational and financial results of the underlying mines may be adversely affected.

Our investments in, and obligations with respect to, the Wiggins Island Coal Export Terminal may be adversely impacted by, among other things, the insolvency of its other shareholders.

In 2010, Felix Resources Limited, now known as Yancoal Resources Limited ("**Yancoal Resources**"), a wholly-owned subsidiary of the Company and the shareholder of Yarrabee Coal Company Pty Limited, entered into a shareholders' agreement with WICET Holdings Pty Limited ("**WICET Holdings**"), its wholly owned subsidiary Wiggins Island Coal Export Terminal Pty Limited ("**WICET Pty Limited**") and certain other parties, in relation to the management of WICET Holdings and WICET Pty Limited. WICET Pty Limited owns and operates the Wiggins Island Coal Export Terminal ("**WICET**"). As at 31 December 2017, Yancoal Resources held a Class A ordinary share entitling it to a 9.38% voting interest in WICET Holdings, Gladstone long-term securities ("**GILTs**") issued by WICET Holdings of A$32 million and E Class Wiggins Island Preference Securities ("**WIPs**") issued by WICET Holdings of A$29 million. Further, Yarrabee Coal Company Pty Limited and the Company entered into a take-or-pay agreement with WICET Pty Limited, pursuant to which Yarrabee Coal Company Pty Limited and the Company as shippers are required to utilise certain services at WICET or procure that a substitute shipper utilises such services. As a result, we may be liable to pay certain specified terminal handling charges for the services provided by WICET even if we are unable to utilise such services or procure their utilisation by a substitute shipper. Our terminal handling charges can also be adjusted by WICET Pty Limited if our share of its operational and finance costs increases, including because of increased operational costs or because another shipper defaults and has its capacity reduced to nil. While our liability to pay the finance cost component of such charges is under most circumstances subject to a cap, such payments may result in an increase in our expenses, which may affect our results of operations.

Under the terms of the agreements, Yancoal Resources holds one Class A share in WICET Holdings, as does each other shipper. A Class A shareholder's voting entitlement in WICET Holdings is equal to its contracted share of the total contracted WICET capacity. Each such shareholder has an indirect exposure to any bank debt owed by WICET Pty Limited ("**WICET Debt**") equal to its voting entitlement. If a Class A shareholder in WICET Holdings becomes insolvent and exits WICET Holdings, the voting entitlement of the remaining Class A shareholders increases pro-rata, which results in their indirect exposure to WICET Debt also increasing. Prior to the Latest Practicable Date, several of the original Class A shareholders of WICET Holdings had entered into administration or insolvency proceedings and subsequently exited WICET Holdings, which resulted in Yancoal Resources' voting entitlement in WICET Holdings increasing to 9.38% and a corresponding increase in our indirect exposure to the WICET Debt. On 18 October 2018, a WICET Class A shareholder, Northern Energy Corporation Limited, and its related shipper Colton Coal Pty Ltd, entered into administration but as of the Latest Practicable Date Northern Energy Corporation Limited has not exited WICET Holdings. If Northern Energy Corporation Limited exits WICET Holdings, Yancoal Resources' voting entitlement and indirect exposure to WICET Debt will increase to 10.34%. While WICET Holdings and the remaining Class A shareholders as at the Latest Practicable Date were solvent, there is no guarantee that they will not enter into insolvency or administration proceedings in the future, which may result in our indirect exposure to the WICET Debt further increasing.

In addition, the senior debt facility, which matured in September 2018, was renegotiated (involving a scheme of arrangement approved by the Supreme Court of New South Wales on 11 September 2018) and resulted in amendments to the terms of such facility, which led to us recognising A$50 million in other operating expenses in the six months ended 30 June 2018, which arose from the partial impairment of our investment in GiLTs and the full impairment of our investment in WIPs. The renegotiation of the senior debt facility has involved the 'financing costs' component of the total terminal handling charge increasing by US$3.35 per tonne and the inclusion of a new review event where there is a reduction in the aggregate contracted tonnage of the shippers below either 12.5 Mtpa or (if WICET Pty Limited is also unable to meet certain solvency and debt service cover ratio requirements) 14 Mtpa (Northern Energy Corporation Limited, and its related shipper Colton Coal Pty Ltd, ceasing to perform their shipping commitments and exiting WICET Holdings would not trigger these tonnage thresholds, as their committed tonnage is only 0.5 Mtpa of total current throughput of 16 Mtpa). These arrangements came into effect on 1 October 2018. An increase in our indirect exposure to the WICET Debt could further adversely impact the recoverability of our investments in WICET Holdings and, in the case of failure in refinancing, or a review event or event of default, could result in the senior lenders or a receiver appointed by them taking steps to recover against the shippers, whether through increased charges or otherwise.

The pro forma financial information included in this prospectus is not indicative of our future financial condition or results of operations.

The pro forma financial information set out in "*Appendix IIB – Unaudited Pro Forma Financial Information of the Enlarged Group"* has been prepared for illustrative purposes only, and shows the impact of the Pro Forma Transactions, as if these acquisitions had been completed on 1 January 2017. Such pro forma information addresses a hypothetical situation and is not necessarily representative of our results of operations and changes in liquidity and capital resources as they would have appeared in our financial statements had the relevant transaction occurred during the year ended 31 December 2017, and is not intended to be indicative of our future financial condition and results of operations. The adjustments set forth in such pro forma information are based upon available information and assumptions that our management believes to be reasonable. If the assumptions underlying the preparation of such pro forma information do not occur, our actual financial results could be materially different from those indicated in such pro forma information. Further, the rules and regulations related to the preparation of pro forma financial information in other jurisdictions may vary significantly from the basis of preparation for our pro forma combined income statement. Therefore, such pro forma information should not be relied upon as if it has been prepared in accordance with those standards and practices.

Our assets may be subject to impairment risks which could adversely affect their value.

Our balance sheet includes a number of assets that are subject to impairment risk or are required to be carried at fair value, including mining tenements, exploration and evaluation assets, intangible assets (including goodwill), the loans to Middlemount and Watagan, the royalty receivable from Middlemount, investments accounted for using the equity method and deferred tax assets. The values of these assets are generally derived from the fundamental valuation of the underlying mining operations and as such are subject to many of the risks to which our operations are exposed, including coal price and demand fluctuations, foreign exchange risks, changes in coal production and estimates of reserves and resources, and operating risks. Adverse changes in these risk factors could lead to a reduction in the valuation of our assets and result in an impairment charge or fair value loss being recognised. See also "– *We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of operations*."

Our ability to collect payments from our customers could be impaired if their creditworthiness and financial health deteriorate.

Our ability to receive payment for coal sold and delivered depends on the continued creditworthiness and financial health of our customers. Competition with other coal suppliers could force us to extend credit to customers and on terms that could increase our risk of payment default. In recent years, downturns in the economy and disruptions in the global financial markets have, from time to time, affected the creditworthiness of our customers and limited their liquidity and access to credit. For example, changes in the financial circumstances of the Noble Group, which had been our second largest customer for 2017 in terms of revenue, has led to the downgrading of its overall credit rating by multiple rating agencies and several instances of late payment of accounts receivable owed to us since August 2017. We have taken a number of actions in response, including changing the required payment method from telegraphic transfer to irrevocable letters of credit, imposing interest on late payments and withholding delivery of products until certain contractual requirements are met. However, while we have been provided with irrevocable letters of credit supporting the Noble Group's payment obligations, we cannot provide any assurance that further financial problems at the Noble Group will not have an adverse effect on us. Additionally, such arrangements do not address other types of contractual default. For example, we recently commenced arbitration proceedings against the Noble Group in May 2018 seeking relief, including damages, on account of the Noble Group failing to purchase coal under an existing contract.

There is no guarantee that another customer will not commit any payment defaults in the future. Customers in certain countries may be subject to other pressures and uncertainties that may affect their ability to pay, including trade barriers, exchange controls and local economic and political conditions.

Proved and probable coal reserves are expressions of judgement based on knowledge, experience and industry practice, and any adjustments to estimated proved and probable coal reserves could adversely affect our development and mining plans.

Estimates of proved and probable coal reserves are expressions of judgement based on knowledge, experience and industry practice. In determining the feasibility of developing and operating our mines, we use estimates of coal reserves and resources that are made by competent persons appointed by us in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Numerous uncertainties inherent in estimating quantities and the value of recoverable and marketable coal reserves exist, including many factors beyond our control. As a result, estimates of reserves are, by their nature, uncertain. When calculating reserves estimates, we make assumptions about:

- geological and hydrological conditions;
- production from the mining area;
- the effects of regulations, including environmental, health and safety regulations and taxes;
- future coal prices; and
- future operating costs.

Coal resource and reserve estimates are regularly revised based on actual production experience, and determinations of coal resources or reserves that appear valid when made may change significantly when new information becomes available. Should we encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, coal resource and reserve estimates may have to be adjusted and mining plans, coal processing methods and infrastructure may have to be altered in a way that might adversely affect our operations. Moreover, a decline in the price of coal, stabilisation at a price lower than recent levels, increases in production costs, decreases in recovery rates or changes in applicable laws and regulations, including environmental, permitting, title or tax regulations, may mean that the tonnage of coal that can be feasibly extracted may be significantly lower than our coal resource and reserve estimates. As a result, estimated coal reserves and resources may require revisions. If it is determined that mining of certain coal reserves is uneconomic or not possible due to safety issues, this may lead to a reduction in our aggregate coal reserve estimates.

Further, actual facts may vary considerably from the assumptions we use in estimating our reserves. Our reserve amounts have been determined based on assumed coal prices and historical and assumed operating costs. Coal price and operating cost assumptions are by their nature uncertain, and our assumptions can vary significantly from those of other market participants, external consultants and industry experts. Some of our reserves may become unprofitable or uneconomic to develop if the long-term market price for coal decreases or our operating costs and capital expenditure requirements increase. In addition, our exploration activities may not result in the discovery of additional coal deposits that can be mined profitably or of coal products that meet the required quality specifications. For these reasons, our actual recoverable and marketable reserves and our actual production, costs, revenues and expenditures relating to reserves may vary materially from our estimates. Our estimates may not accurately reflect our actual reserves or be indicative of future production, costs, revenues or expenditures.

Adjustments to proved and probable coal reserves could also affect our development and mining plans. Our recovery rates will vary from time to time, which will increase or decrease the volumes of coal that we can sell from period to period. Any significant reduction in the volumes and grades of the coal reserves we recover from what those estimated could have a materially adverse effect on our business, financial condition and results of operations. In addition, our volume of production from our mine properties will decline as our reserves are depleted.

Exploration of mineral properties and development of resources could involve significant uncertainties.

We have two exploration projects, Monash and Oaklands, both located in NSW. Both of these projects are long term greenfield development projects which require additional exploration, scoping studies and development strategies to realise a path to commercial development. We may have additional exploration projects in other regions in the future. Any discovery of a coal deposit does not guarantee that the mining of that deposit would be commercially viable. The success of any mining exploration program depends on various factors including, among other things, whether mineral bodies can be located and whether the locations of mineral bodies are economically viable to mine. The size of the deposit, development and operating costs, coal prices and recovery rates are all key factors in determining commercial viability. In addition, the development of these resources could face significant uncertainties, may take several years and require capital expenditure from the initial exploration phase until commencement of production, during which time market fundamentals, capital costs and economic feasibility may change. As a result, actual results may differ from those anticipated by third party independent technical studies.

Furthermore, there are a number of uncertainties inherent in the development and expansion of mining operations, including: (i) the availability and timing of necessary governmental permits, licences and approvals; (ii) the timing and cost necessary to construct mining and processing facilities; (iii) the availability and cost of labour, utilities, and supplies; (iv) the accessibility of transportation and other infrastructure; and (v) the availability of funds to finance construction and production activities. As a result, we cannot assure you that any of our exploration activities will result in the discovery of valuable resources or reserves, or that reported resources can be converted into reserves in the future.

Our business may be adversely affected if we are unable to acquire additional coal resources and convert them into economically recoverable coal reserves.

Our existing coal reserves will decline as mining continues. Therefore, our growth and long-term success will depend on our ability to acquire additional coal resources within our exploration areas and to convert such coal resources into economically recoverable coal reserves. New coal resources may not be found or may not be economically recoverable. If we are unable to discover new coal resources or are unable to acquire additional coal resources and reserves, this could have a material adverse effect on our business, financial condition, results of operations and prospects.

Even if we discover additional resources or acquire additional coal resources, it could take a number of years from the initial phases of drilling until exploitation is possible, during which time the economic viability of production may change depending on the price of coal, which is subject to significant volatility, and other factors, including fuel, labour, equipment and other operating costs, government regulations and exchange rate fluctuations. If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial write-offs. As a result of any of the foregoing factors, we may not be able to discover any viable resources, may be unable to exploit any resources discovered or may not be able to recover all or any portion of our investment in those exploration activities.

Coal mining operations in Australia have inherent title risks associated with grant and renewal of tenements, native title rights and Aboriginal land claims.

Tenements and related approvals

Exploring or mining for coal in NSW and Queensland is unlawful without a tenement granted by the relevant state government. Interests in tenements in NSW and Queensland are governed by the respective state legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it reporting commitments, as well as other conditions requiring compliance. Obtaining mining tenements and carrying out certain activities under mining tenements in NSW and Queensland often involves first obtaining consents from landholders and other third parties (some of whom may in certain circumstances have a right of veto), as well as various approvals including environmental approvals. There is a risk that the requisite consents and approvals may not be able to be obtained on time or on acceptable commercial terms, or may not be able to be obtained at all. Further, all of the granted tenements in which we have or may earn an interest will be subject to applications for renewal or grant (as the case may be). We have filed advance applications for renewal of certain tenements covering the MTW and HVO mines, and these applications were pending approval by the relevant authority as at the Latest Practicable Date. The grant or renewal of each tenement or licence in NSW and Queensland is usually at the discretion of the relevant government authority which will consider various factors, which may include our compliance with any conditions placed on an existing licence, when making its decisions. There is no certainty that an application for grant or renewal of a tenement will be granted at all or on satisfactory terms or within expected timeframes.

Moreover, the conditions attached to tenements may change. The permitting rules are complex and may change over time, making our responsibility to comply with the applicable requirements more onerous, more costly or impractical, and thereby precluding or impairing continuing or future mining operations. Consequently, we may not be able to acquire title to or interest in tenements, or we may not be able to retain our interest in tenements in the long run or renew the licences or leases, if the relevant conditions are not met or if insufficient funds are available to meet expenditure commitments. If a tenement is not renewed, we may lose the opportunity to discover and/or develop any mineral resources on that tenement.

Native title

It is also possible that, in relation to tenements which we have an interest in or will in the future acquire, there may be areas over which legitimate native title rights of Aboriginal Australians exist. Where the grant or renewal of a tenement is in respect of land in relation to which native title may exist, the provisions of the Native Title Act 1993 (Cth) need to be complied with in order for the tenement to be validly granted. Compliance with the Native Title Act 1993 (Cth) and the relevant native title process to be followed for the grant of the tenement may be prolonged or delayed, and substantial compensation may be payable as part of any agreement reached, including for the impairment of the relevant native title rights and interests.

Although there is no determination of native title which overlaps with the areas over which we have interests under tenements, there are registered native title claims overlapping some or all of the areas in which HVO, MTW, Ashton, Austar and Moolarben mines are located. While it is unlikely that these claims, should they be successful, will affect the validity of the existing mining tenements, we may be required to enter into a compensation agreement with the native title holders in areas of overlap before a new mining lease or assessment lease is granted or an existing lease renewed.

Our interests in tenements, our ability to gain access to new tenements, or our ability to progress from the exploration phase to the development and mining phases of operations, may be adversely affected by areas that are subject to native title claims.

Aboriginal land claims

Under the Aboriginal Land Rights Act 1983 (NSW), Aboriginal Land Councils can claim crown land if certain requirements are met. If a claim is successful, freehold title over the relevant land is transferred to the claimant council. Further, councils are afforded certain statutory rights which can include an effective veto over the grant of future mining tenements over any area of such land. Some of our tenements are located in areas that are subject to outstanding Aboriginal land claims, and additional Aboriginal land claims may be made in the future over other areas in which our tenements are located. Any such claims may result in our ability to explore or mine for coal in these areas being subject to the decisions of the relevant Aboriginal Land Councils, which may adversely affect our ability to develop projects and, consequently, our operational and financial performance.

Certain conditions of the approvals granted for commencement of mining operations at one of our mines have not been fulfilled, and we are unable to commence development work at that site.

Pursuant to the New South Wales Environmental Planning & Assessment Act, the required environmental approvals for the Ashton South East Open Cut Project were granted by the New South Wales Land and Environment Court on 17 April 2015. Under the terms of such approval, we are precluded from undertaking any development work on the project site until we have purchased, leased or licensed a privately owned property which forms part of the mining area for that project. As at the Latest Practicable Date, no agreement had been concluded with the owner of the relevant property. While we have until April 2020 (or April 2022 if extended) to reach agreement with the property owner (or their successors in title), or to seek a further extension to the environmental approval beyond 2022, there is no guarantee that such agreement will be reached or an application for extension of the approval will be successful. If we are unable to reach an agreement in respect of the relevant property, we may not be able to commence development work on the project site, which could render the project unviable.

Coal mining operations in Australia are subject to certain domestic risks.

Our coal mining operations in Australia are subject to certain domestic risks, which include the following.

- *Land access*. The granting of mining tenements does not remove the need to enter into land access arrangements with third party land holders (where the land underlying the mining tenement is owned by a third party). In some cases, the underlying land may be owned by a competitor, pastoralist or other third parties. There is no guarantee that we will be able to obtain all required land access rights required for the operation of our mines from the relevant land holders.

- *Coordination agreements*. Coal mining tenements in NSW and Queensland are frequently granted over land over which other tenements and other exploration interests have been or may be granted. Where tenements overlap in Queensland, depending on the type of tenements which are overlapping, it is necessary for the holders to enter into coordination agreements or joint development plans. Where tenements overlap in New South Wales, it may be a condition of the grant or renewal of certain tenements that the tenement holder enters into, or makes every reasonable attempt (and be able to demonstrate its attempts) to enter into, cooperation agreements with the holders of any overlapping authorisation. In some cases, the interests of the overlapping tenement holders may not be aligned and accordingly, mining operations may be delayed or adversely affected. One of our mines and its associated tenements adjoin or are overlapped by petroleum tenements, exploration licences and interests, mining leases and private land leases held by third parties, and there is no guarantee that the relevant third parties will adhere to any coordination agreements or similar arrangements we enter into with them. Further, we may not be able to reach an agreement with any overlapping tenement holders on terms satisfactory to us in the future. If agreement cannot be reached with overlapping tenement holders, the matter may be referred to the relevant governmental authority or court who may make a decision which adversely impacts upon or prevents the project proposed by us.

- *Environmental conditions and action groups*. Before any mining tenure is granted in Australia, the applicant must undertake a comprehensive public environmental assessment on the impact of the proposed mining operations. Such an assessment involves a public consultation process, which often involves encountering organised environmental or community groups that seek to restrict or block contemplated mining operations. The relevant authorities frequently impose conditions on environment approvals that may materially affect mining operations. Environmental lobby groups in both Queensland and New South Wales have recently made submissions to governmental authorities in an attempt to prevent or delay new mine developments or expansion of existing mines on the basis of environmental concerns. For example, it is possible that community groups, or their representatives, may commence legal action relating to the closure of Wallaby Scrub Road which was gazetted by the New South Wales government in connection with the planned westward expansion of the Warkworth mine. Further, community groups such as those in Bulga, situated near the MTW mines, have voiced numerous grievances against mine operations, and noise and dust emissions in particular. Increased community concern and actions taken by community and environmental groups may delay or prevent the development of new mines or the expansion of existing mines, or may result in conditions being imposed on such mines or costs being incurred that adversely affect the profitability of those mines.

We purchase services from third-party service providers to carry out certain coal mining and other work and may enter into disputes with such service providers.

We engage third-party service providers and contractors to provide certain services in our exploration, mining and other processes. The services we procure from these service providers differ depending on our needs at any given mine, but generally include secondment of workers to assist us in extracting coal at our mines, renting certain production equipment to us, providing specialist services such as blasting, and advising us on mining technology and coal production. See "*Business – Employees – Third Party Contractors*." Our aggregate expenses in relation to contractors for 2015, 2016 and 2017 and the six months ended 30 June 2018 were A$155 million, A$78 million, A$134 million and A$96 million, respectively.

Production at our coal mines could be disrupted by any significant failure by our contractors to comply with their obligations under their operating agreements (whether as a result of financial or operational difficulties or otherwise) or any termination or significant breach of an operating agreement by a contractor. We might not be able to find suitable replacement contractors within a reasonable period of time or at all, if any of our contractors were to cease to perform their services or to terminate their operating agreements.

If a dispute arises between any such service provider and us in connection with the performance of either party's obligations and the parties cannot resolve the differences in a timely manner, the operation of the relevant coal mine may be materially and adversely effected. Further, our service providers may enter into insolvency or similar proceedings, which could impact their ability to perform their contracted services as well as our ability to recover amounts owed to us. There can be no assurance that we will be successful in attempting to enforce our contractual rights or recover all or any monies owed by our counterparty (including under any claim for damages) through legal action.

Any protracted dispute with our contractors or any material labour dispute between our contractors and their employees could materially and adversely affect our operations and production, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may become involved in litigation and other legal proceedings, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

Like all companies in the resources sector, we are exposed to the risk of claims, litigation and other legal proceedings involving the Company, our subsidiaries and the Directors (either as the complainant or as the defendant). Such claims or proceedings may be made or instituted by persons alleging they are owed fees or other contractual entitlements, employees, regulators, competitors or other third parties. Such claims or proceedings could divert our management's time and attention and consume financial resources in their defence or prosecution. For example, we are involved in a dispute with one of our infrastructure services providers relating to fee payments, which we do not consider to be payable to the services provider or in the amount claimed. In addition, we have commenced arbitral proceedings against the Noble Group in relation to breaches of a contract by the Noble Group and, separately, the Noble Group has commenced proceedings in the Supreme Court of New South Wales (an Australian State court) in relation to alleged breaches and repudiation of a different contract by Gloucester Coal, a subsidiary of the Company. Given the early stage nature of these matters and ongoing fact-finding, we are not able to assess whether the potential impact on us will be material.

Further, Gloucester SPV Pty Ltd ("**Gloucester SPV**"), a subsidiary of the Company, is one of several respondents to proceedings commenced in 2015 by Oceltip Pty Ltd ("**Oceltip**"), an independent third party, against Noble Resources Pte Ltd ("**Noble Resources**"), a subsidiary of the Noble Group, in the Supreme Court of Queensland. The subject of the dispute involves the transfer of Noble Resources' right to receive certain royalty payments under a royalty deed to Gloucester SPV, who since the transfer now enjoys the right to those royalty payments. The consideration for the transfer was A$168 million and as at the Latest Practicable Date we estimate the potential value of the royalty streams to be approximately A$195 million. Oceltip's claim disputes the validity of the transfer and seeks to enforce its pre-emptive rights under the royalty deed against Noble Resources. On 14 November 2018, a related claim was served on Gloucester Coal and Gloucester SPV in which Oceltip has alleged that Gloucester SPV induced or procured Noble Resources' alleged breach of the royalty deed by reason of transferring the rights to receive those payments to Gloucester SPV, and has claimed unspecified damages. As at the Latest Practicable Date, the Oceltip matters remain at a preliminary stage and may be consolidated into a single proceeding, and we are unable to assess the Group's potential exposure (if any) on account of these matters.

Save as disclosed in "*Business – Health, Safety and Environmental Matters*", during the Track Record Period and up to the Latest Practicable Date, neither we nor any of the Directors was engaged in any litigation, claim or arbitration of material importance nor, to the best of the Directors' knowledge, is any litigation, claim or arbitration of material importance pending or threatened against us or the Directors in relation to the Group. See "*Business – Legal Proceedings and Non-Compliance.*" There is no guarantee that we will not be involved in any such matters in the future, or that no additional liability will arise out of any pending proceedings that we do not consider to be of material importance. Any unfavourable decision in connection with such proceedings, individually or in the aggregate, could adversely affect our reputation, business, financial condition and results of operations.

We may experience difficulty in integrating our acquisitions, which could result in a material adverse effect on our business, financial condition and results of operations.

Historically, we have grown through acquisitions. We acquired the Southland Mine (renamed Austar) in December 2004 and Felix Resources (assets of which included interests in the Moolarben, Yarrabee and Ashton mines) in December 2009. We listed on the ASX in June 2012, following our merger with Gloucester Coal, assets of which included interests in the Middlemount, Stratford Duralie and Donaldson mines and the Monash exploration project. In September 2017 we completed the acquisition of Coal & Allied Industries Limited from Rio Tinto, as a consequence of which we acquired interests in HVO and MTW in New South Wales, which are among the largest thermal coal operations in Australia, as well as related export infrastructure. In March 2018, we acquired an additional 28.9% interest in Warkworth from MDP.

We have devoted and continue to devote significant resources to the integration of our operations in order to achieve the anticipated synergies and benefits of our acquisitions.

Acquisitions and expansion involve uncertainties and a number of risks, including:

- difficulty in integrating the assets, operations and technologies of the acquired companies or assets, including their employees, corporate cultures, managerial systems, processes and procedures and management information systems and services;

- complying with the laws, regulations and policies applicable to the acquired businesses;

- failure to achieve the objectives or benefits, or to generate sufficient revenue to recover the costs and expenses, resulting from the acquisition and integration of such companies or assets;

- managing relationships with employees, customers and business partners during the course of integrating new businesses;

- managing ongoing relationships with joint venture partners where we acquire interests in joint ventures (see also "*– We operate through a number of joint venture and similar structures, and our operational and financial results will be affected by how these arrangements are managed.*");

- integrating other acquired employee groups with our employee groups and maintaining productive employee relations;

- attracting, training and motivating members of our management and workforce;

- accessing our capital resources and internally generated funds to fund acquisitions, which may divert financial resources otherwise available for other purposes;

- enhancing our operational, financial and management controls, particularly those of our newly acquired assets and subsidiaries, to maintain the reliability of our reporting processes;

- difficulty in exercising control and supervision over the newly acquired operations, including failure to implement and communicate our safety management procedures resulting in additional safety hazards and risks; and

- potential ongoing financial obligations and unforeseen or hidden liabilities of the acquired businesses and assets.

In the event that we are unable to efficiently and effectively integrate newly acquired companies, including C&A, we may be unable to achieve the objectives or anticipated benefits of such acquisitions, which may adversely impact our business, financial condition and results of operations. In addition, we may have to write down the carrying value of the intangible assets associated with any acquired companies, which could adversely affect our results of operations.

We are exposed to fluctuations in exchange rates and interest rates.

As a company with sales across the Asia-Pacific region but operating entirely in Australia, our financial results are exposed to foreign exchange rate movements, particularly those relating to the Australian dollar and U.S. dollar rate. In particular, our sales under coal supply contracts are generally priced and payable in U.S. dollars, while our day-to-day costs are primarily denominated in our functional currency, the Australian dollar. In addition, imported plant and equipment may be priced in U.S. dollars or another foreign currency. Our debt is primarily denominated in U.S. dollars, although we also incur debt, and have debt facilities available, in Australian dollars. Some of our foreign exchange risk is hedged through natural cash flow hedges. See also *"– We do not make use of hedging instruments to hedge foreign exchange risks in respect of U.S. dollar denominated loans, and the natural cash flow hedge created by hedging a portion of these loans against our U.S. dollar denominated sales may not be sufficient to offset our foreign exchange losses*" and "*Financial Information of the Group – Significant Factors affecting our Results of Operations and Financial Condition – Foreign Exchange Rate Fluctuations*". The impact of exchange rate movements will vary depending on factors such as the nature, magnitude and duration of the movements and the extent to which currency risk is hedged under hedging arrangements.

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash and variable rate borrowings. Our interest rate risk primarily arises from fluctuations in the LIBOR rate in relation to our U.S. dollar-denominated borrowings. A substantial majority of our borrowings denominated in U.S. dollars are linked to floating LIBOR rates, the fluctuation of which is beyond our control. See "*Financial Information of the Group – Significant Factors affecting our Results of Operations and Financial Condition – Financing Arrangements and Interest Rate Movements*". We do not currently have any interest rate hedging arrangements. Our lending rates may increase in the future as a result of reasons beyond our control, and may result in an adverse effect on our business, financial condition and results of operations.

We do not make use of hedging instruments to hedge foreign exchange risks in respect of U.S. dollar denominated loans, and the natural cash flow hedge created by hedging a portion of these loans against our U.S. dollar denominated sales may not be sufficient to offset our foreign exchange losses.

We do not currently use bank issued instruments to hedge foreign exchange risks in respect of U.S. dollar denominated loans. However, the scheduled repayment of the principal amounts on our U.S. dollar denominated loans are designated to hedge the cash flow risks on the portion of forecast U.S. dollar denominated sales that are not hedged through bank issued instruments, resulting in a natural cash flow hedge. Specifically, U.S. dollar denominated loan repayments within a six-month period are designated to hedge the forecast U.S. dollar denominated sales during the same period after the designation of the hedge relationship based on a dollar for dollar basis until the hedge ratio reaches one.

Unrealised foreign exchange gains or losses arising on the translation of hedged U.S. dollar denominated loans are deferred on our balance sheet to a cash flow hedge reserve in equity. Such deferred gains or losses are recycled to the income statement during the six-month period in which the loan is scheduled to be repaid. There is no guarantee that this natural cash flow hedge will be sufficient to offset our foreign exchange losses, and material foreign exchange losses could negatively affect our financial condition. As at 30 June 2018, we had A$791 million of unrealised foreign exchange losses before tax and A$554 million of unrealised foreign exchange losses after tax deferred on our balance sheet in equity through our natural cash flow hedge.

Our Controlling Shareholders are state-owned enterprises in the PRC, and will be able to exercise significant influence over certain activities of the Group.

Yanzhou, which currently holds 65.45% of the Shares and will be interested in 62.5% of the Shares immediately following the completion of the Global Offering, and Yankuang, as the majority shareholder of Yanzhou, will be in a position to exercise significant influence over matters which require approval of the Shareholders. The interests of Yanzhou and Yankuang may not necessarily be aligned with the interests of other Shareholders. In particular, Yanzhou, Yankuang, and their respective subsidiaries conduct business in the coal mining industry. Actions of Yanzhou and Yankuang could favour their own respective interests over the interests of other Shareholders, which could materially affect our business, financial condition, results of operations and prospects.

Furthermore, Yanzhou and Yankuang are state-owned enterprises in the PRC. As a consequence, they are required in their capacity as our Controlling Shareholders to obtain regulatory approvals in the PRC in respect of a range of actions that we may engage in. These approvals may not be received in a timely manner or at all, which could delay or prevent actions that we may wish to undertake.

We have existing contractual arrangements, and may in the future continue to enter into contractual arrangements, with our Controlling Shareholders.

We have entered into loan, guarantee and coal sales agreements with the Yanzhou Group, a management and transitional services agreement with Yanzhou and Yankuang and certain other arrangements and transactions with Yanzhou and Yankuang, further details of which are set out in "*Connected Transactions*." These connected transactions were reviewed and approved according to the procedures under relevant regulations and policies. However, we may continue to enter into related party transactions with our Controlling Shareholders and, as such, any material financial or operational developments experienced by our Controlling Shareholders that lead to the disruption of their operations or impair their ability to perform their obligations under their agreements with us could materially affect our business, financial condition and results of operations and future prospects.

Our business, financial condition and results of operations are subject to government royalties on the production of coal.

In addition to corporate income tax, we are required to pay government royalties, direct and indirect taxes and other imposts in the jurisdictions in which we operate. The production of coal in Queensland and New South Wales is subject to the payment of royalties to the state governments. In both states, these royalties are calculated as a percentage of the value for which the coal is sold and payable on an *ad valorem* basis. The relevant State Governments may increase these royalties or change their method of calculation or the interpretation or application of the relevant policies, or impose new royalties or similar taxes. Any resulting increase in our tax cost could have a material adverse effect on our business, financial condition and results of operations.

The Company may lose the benefit of existing and carried forward tax losses, which may have an adverse effect on its profits.

As at 30 June 2018, our tax consolidated group had approximately A$2.4 billion of available carried forward tax losses which can be applied to reduce future liability for income tax on its taxable profits, so long as they remain available. The Company's ability to use carried forward losses in the future will depend, in part, on its continued satisfaction of the loss recoupment tests under Australian tax laws and be subject to the availability of sufficient future taxable profits. Further, the Company's ability to obtain the benefit of existing tax losses and claim other tax attributes will depend on future circumstances and may be affected by any changes in our ownership structure (including the ownership structure of Yanzhou). Such changes may be beyond our control, and there is no guarantee that the Company will be able to utilise the benefit of all (or any) of the carried forward tax losses.

If the Company's ability to utilise its tax losses is impacted, it will be required to pay higher levels of corporate income tax in future periods than may otherwise have been the case, which will reduce the available profit to be applied towards the payment of dividends or use for other purposes such as investment or the reduction of debt.

There is uncertainty about the applicability or recoverability of our deferred tax assets, which may affect our taxes payable for future periods.

Our deferred tax assets include unused tax losses and tax credits which we carry forward to the extent that our management believes it is probable that taxable profits will be available against which such unused tax losses and credits can be utilised. Our deferred tax assets amounted to A$1,166 million, A$1,339 million, A$1,219 million and A$1,086 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. There is no expiry date on our ability to utilise such tax losses, although they are subject to the continuous satisfaction of certain tax rules. See notes 4 and 30 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details on our accounting policy with respect to deferred tax assets and on the movements of our deferred tax assets during the Track Record Period. Such determination requires significant judgment from our management on the tax treatment of certain transactions as well as an assessment of the probability, timing and adequacy of future taxable profits for the deferred tax assets to be recovered. If such judgments turn out to be imprecise, we may need to adjust our tax provisions accordingly. In addition, when we utilise carried forward tax losses against our future taxable profit, our taxable profits are reduced, which in turn reduces the tax payable. We cannot predict any future movements in our deferred tax assets or the effect that such movements could have on our taxes payable for future periods.

Transactions with international related parties may be impacted by the application of Australia's transfer pricing rules, which may have an adverse effect on the Company's profits.

Australian transfer pricing rules adopt the arm's length principle. The application of the arm's length principle in relation to financing issues has evolved in recent years following the decision of the Full Federal Court in *Chevron Australia Holdings Pty Ltd v FCT* [2017] FCAFC 62. Following this decision, the Australian Taxation Office has published formal guidance setting out its approach to assessing risk in respect of related party cross-border financing arrangements, and has increased its review activities. It is expected that further guidance will also be released by the Australian Taxation Office in the near future to provide specific risk indicators for particular types of financing arrangements, such as financial guarantees and interest free loans.

The Company has undergone a significant transformation with its 2017 capital raising and the C&A Acquisition, which has resulted in a change in its operational and capital structure. These, together with recent increases in coal prices, have led to an improved financial position of the Company. In addition, the Global Offering and the Australian Entitlement Offer will result in a further change to the Company's capital structure.

The Company engages in several international related party transactions on an annual basis in relation to its operations in Australia that are subject to the arm's length principle, which include loan, guarantee, coal sale and administrative service arrangements. See "*Connected Transactions*" for further details. No specific formal review of our connected transactions has been undertaken by the Australian Taxation Office within the relevant review periods. However, changes in Australian law and guidance from the Australian Taxation Office may affect the interpretation of the arm's length principle in relation to our related party transactions. Such changes may adversely impact the taxation outcomes associated with our connected transactions, and consequently could have a material adverse effect on our business and financial condition.

Australia's thin capitalisation rules impose limits on the level of debt deductions that can be claimed for income tax purposes, which may have an adverse effect on the Company's profits.

Australia's thin capitalisation measures apply to the total debt of the Australian operations of the Company (including foreign and domestic related-party and third-party debt), and may result in a denial of certain debt related deductions after application of transfer pricing measures applicable to related party debt. The Company has at certain points in the past exceeded the safe harbour thin capitalisation limits (which prescribe a debt to asset ratio of 60%), and as a consequence has not claimed those debt deductions. The Company is currently operating outside the safe harbour thin capitalisation limits and, while the Global Offering and the Australian Entitlement Offer are expected to improve its thin capitalisation position, there is no guarantee that our position will improve.

Our coal operations are extensively regulated in Australia, and government regulations may limit our activities and adversely affect our business, financial condition and results of operations.

Our operations are subject to laws and regulations of general application governing the use and granting of mining rights, land tenements, access and use, exploration licences, mining operation time and recovery rates, environmental requirements including site-specific environmental licences, permits and statutory authorisations, workplace health and safety, trade and export, competition, access to infrastructure, pricing of transportation services, foreign investment and return on investments and taxation. These regulations may be implemented by various federal, state and local government departments and authorities including the Australian Department of Industry and the Department of Environment. The adoption of new legislation or regulations or the new interpretation of existing legislation or regulations or changes in conditions attaching to approvals may materially and adversely affect our operations, our tax costs and cost structure or product demand. The occurrence of any of the foregoing may cause us to substantially change our existing operations, incur significant compliance costs and increase the risk of our future investment or prevent us from carrying out mining operations, which could have a material adverse effect on the profitability of our operations and our overall business, financial condition and results of operations. See also "– *Our business, financial condition and results of operations may be adversely affected by present or future environmental regulations in Australia and other countries, and we may be exposed to legal claims and increased costs due to the environmental impacts of our operations*".

In particular, changes in laws and regulations in the following areas may substantially affect our business, financial condition and results of operations:

- *Environment and planning*: In recent years, the State governments of Queensland and New South Wales have introduced various policies in the interests of protecting high-value agricultural and urban land and environment areas from the effects of mining. These include the Queensland government's Regional Planning Interests Act and the New South Wales government's Strategic Regional Land Use Policy, Aquifer Interference Policy, and 2015 amendments to the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007. In 2013, the New South Wales State government introduced the fit and proper person consideration which allows it to consider a miner's conduct, financial capabilities and technical expertise in making decisions about mining rights, including the grant, transfer, renewal, cancellation and suspension of such rights. In the last five years, the maximum penalties for breaches of mining and environmental legislation have also been significantly increased. In the same time period, the Queensland State government has reviewed the method of calculating the financial assurance required to be provided by mining companies in respect of their rehabilitation liability, which has led to a significant increase in financial assurance amounts that are required to be covered by bank guarantees. Further, the Audit Office of New South Wales has carried out a review of rehabilitation liabilities in respect of mines and the Department of Planning and Environment is implementing a number of reforms to strengthen operational rehabilitation requirements for all mining projects in New South Wales. These reforms may lead to a material increase in the amount of security required in respect of rehabilitation liabilities.

- *Workplace health and safety*: In Australia, workplace safety is regulated by the States and Territories, and almost all States and Territories have introduced virtually identical general safety legislation. Many States have also prescribed specific mining legislation. The process of harmonising the mining legislation across the country has been undertaken, but as at the Latest Practicable Date, New South Wales has been the only major mining State to amend its mining legislation (Western Australia and Queensland are yet to adopt the national model). Since 2016, there has been a focus on the re-emergence of black lung disease (Coal Workers' Pneumoconiosis) in the mining sectors in Queensland and New South Wales, and in September 2016 the Queensland government established a parliamentary committee to inquire and report on the re-emergence of the disease. As a result, it is likely that workplace health and safety regulations may be amended in the near future. Western Australia is currently considering introducing a modernised Work Health and Safety Act, which is expected to include amended mine safety legislation and to mirror parts of the national model.

Our business, financial condition and results of operations may be adversely affected by present or future environmental regulations in Australia and other countries, and we may be exposed to legal claims and increased costs due to the environmental impacts of our operations.

Our coal mining operations require water and other materials, and produce waste water, gas emissions and solid waste materials. In addition, surface mining operations also result in noise and air quality impacts. As an Australian coal producer, we are subject to extensive and increasingly stringent environmental protection laws and regulations. These laws and regulations:

- restrict and impose conditions on usage of water and waste water management;

- impose fees and limits on the discharge of waste substances into the air, water and land, including carbon emissions;

- require provisions for land reclamation and rehabilitation;

- impose fines and other penalties for serious environmental offences; and

- establish the conditions (including environmental requirements) for domestic mining operations.

Extensive environmental regulations in Australia, and in other countries that could affect our business, may impose costs on our mining operations, and future regulations could increase those costs, limit our ability to produce and sell coal, or reduce demand for our coal products. In particular, the regulatory response to the risk of climate change, including unilateral and collective action by Australia and other countries, may affect demand for coal, coal prices and the competitiveness of our products in the world energy market. Our operations (including the operations of any assets or companies acquired by us) may not have met or may not in the future meet all environmental or related regulatory requirements.

Further, our operations may substantially impact the environment or cause exposure to hazardous materials. While we regularly assess the major environmental impacts of our operations, these assessments may not constitute a comprehensive evaluation of all possible environmental impacts. Historical or future contamination or other incidents could lead to opposition from community and action groups and may also subject us to legal claims or increased expenses. For example, a number of penalty notices were issued by the New South Wales Environment Protection Agency against our Hunter Valley operations over the last three years in relation to excessive blast pressure and water leakages and overflows, for which we paid fines amounting to A$15,000 each. We may also be subject to requirements in relation to the investigation and clean-up of soil, surface water, groundwater and other media.

Environmental legislation may change in a manner that requires compliance with additional standards and introduce a heightened degree of responsibility for companies and their directors and employees. In particular, there may be increased regulation on the usage and treatment of water at mining operations. There may also be unforeseen environmental liabilities resulting from coal related activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential mine closure and relinquishment costs and obligations for which we may become liable as a result of our activities may increase as a result of legislative and policy changes. In addition, our budgeted amount for environmental regulatory compliance may not be sufficient, and we may need to allocate additional funds for this purpose. If we breach applicable environmental or related regulatory requirements, we may incur fines or penalties, be required to curtail or cease operations or be subject to increased compliance costs or costs for rehabilitation or rectification works at one or more of our sites, any of which may have a material adverse effect on our business, financial condition and results of operations.

Our ability to generate the expected economic returns from our mining assets may be adversely affected by present or future environmental regulations in Australia and other countries.

Our mining operations are subject to extensive and increasingly stringent environmental regulations in Australia and in other countries. Changes in and future environmental regulations could increase the standards and costs of compliance, and adversely affect our ability to generate the expected economic returns from our mining assets over their useful lives. We may not always be able to comply with future laws and regulations in relation to environmental protection economically or at all. There can be no assurance that we will be able to fully and economically utilise the entire coal resources of the mines we operate currently or in the future or that some of our mining assets will not become “stranded assets” that are not able to generate the expected economic returns over their useful lives.

We may not be able to obtain all necessary approvals, permits and licences.

Pursuant to applicable laws and regulations in Australia, we are required to obtain and renew from to time a number of regulatory approvals, permits and licences with respect to our exploration activities, mining operations for our existing mines as well as our development-stage or exploration projects, including obtaining planning approvals, land access and land owner consents, and address any native title issues, impacts on the environment and objections from local communities. While the requirement to obtain such approvals and to address potential and actual issues for existing and future mining projects is applicable to all companies in the coal sector, there is no guarantee that we will be in a position to secure all of the required consents, approvals and rights necessary to maintain our current production profile from our existing operations or to develop our growth projects in a manner which will result in profitable mining operations and the achievement of our long-term production targets. We are still in the process of obtaining or renewing some of the regulatory approvals, permits and licences required for our business operations, and may experience substantial delays in obtaining such regulatory approvals, permits and licences. As at 14 November 2018, we had the following material regulatory approvals, permits and licences with respect to our mines that are subject to pending renewals:

Regulatory Approval, Permit and Licences	**Expiry Date**
HVO	
Mining lease ("**ML**") 1324	19 August 2014
ML 1337	9 September 2014
ML 1359	1 November 2015
ML 1428	14 April 2019
ML 1482	14 April 2019
Exploration licence ("**EL**") 5291	28 April 2018
EL 5417	8 May 2018
EL 5418	8 May 2017
EL 8175	23 September 2018
Authorisation 72	24 March 2018
MTW	
ML 1412	10 January 2018
Moolarben	
EL 6288	22 August 2017
Stratford Duralie	
Authorisation 311	28 November 2017
Authorisation 315	28 November 2017
EL 6904	9 October 2017
ML1409	6 January 2018
ML1427	5 April 2019
Oaklands	
Assessment Lease 18	25 June 2018
Ashton	
EL4918	17 December 2015
Donaldson	
EL 6964	10 December 2015
Yarrabee	
ML 80050	31 October 2018
Austar	
Mining Purposes Lease 269	7 December 2018

As at 14 November 2018, we had the following material regulatory approvals, permits and licences with respect to our mines that have been applied for but were yet to be granted:

- HVO: Assessment lease application ("**ALA**") 52, ALA 58 and ALA 59; Mining Lease Application ("**MLA**") 489, MLA 495, MLA 496, MLA 520, MLA 534, MLA 535, MLA 542, MLA 543; Exploration Licence Application ("**ELA**") 5525, ELA 5526 and ELA 5527;

- MTW: ELA 5678 and MLA 548;

- Stratford Duralie: MLA 552;
- Middlemount: ML 700027;
- Ashton: MLA 500, MLA 351 and MLA 394; and
- Austar: MLA 521.

If any of these or our other mining licences, safety production licences, environmental or other certificates, approvals or permits are revoked, not renewed or not obtained, we could be required to cease operations of the affected tenement, mine or production facility, rehabilitate the disturbed area and be subject to regulatory or administrative penalties. Depending on the size of the ML and activities being conducted (or to be conducted) on that ML, the impact could be material. Moreover, if an EL is not renewed, it may preclude future potential expansion projects and earnings. As a result, the loss of some or all of our mining licences, coal production licences, safety production licences, environmental or other certificates, approvals or permits may have a material adverse effect on our business, financial condition and results of operations. See "*Business – Mining and Exploration Licences*".

In addition, some regulatory consents in New South Wales may contain conditions which grant the owners of prescribed properties affected by the operation of a mine a right to have their properties acquired by the mine operator. The exercise of this right by affected owners of prescribed properties (both individually and in the aggregate) may impact our operational and financial performance. Moreover, Australian environmental approval processes require a technical environmental assessment to be prepared prior to granting approval, as well as public consultation. Community groups may lobby for more restrictive conditions to be imposed on approvals granted or for the approval to be declined, either of which may result in a material adverse effect on our business and results of operations.

Our risk management and internal control systems may not fully protect us against the various risks inherent in our business.

While we manage regulatory compliance by monitoring and evaluating our internal controls and risk management systems to ensure that we are in compliance with all relevant statutory and regulatory requirements, there can be no assurance that deficiencies in our internal controls and compliances will not arise, or that we will be able to implement, and continue to maintain, adequate measures to rectify or mitigate any such deficiencies in our internal controls, in a timely manner or at all. As we continue to grow, there can be no assurance that there will be no instances of such inadvertent non-compliances with statutory requirements, which may subject us to regulatory action, including monetary penalties, which may adversely affect our business and reputation.

Any changes in accounting standards may have an adverse effect on our reported financial performance or financial position.

We prepare our financial statements in accordance with the International Financial Reporting Standards ("**IFRS**") and other authoritative pronouncements and interpretations issued by the International Accounting Standards Board ("**IASB**"). The IASB may amend IFRS and the related pronouncements and interpretations or replace them with new standards, and such amendment or replacement is beyond our control. Any changes to IFRS or to the interpretation of those standards, or any disagreements by authorities of the judgments or estimates applied by us as required by IFRS, may have an adverse effect on our reported financial performance or financial position.

The future adoption of IFRS 16 on the accounting treatment of our leases may impact our financial results.

Our business operations involve leases for certain items of property, plant and equipment, including operating leases for mining equipment, office space and small items of office equipment. As at 31 December 2015, 2016 and 2017 and 30 June 2018, we had total operating lease commitments of A$6 million, A$92 million, A$187 million and A$177 million, respectively.

We will adopt IFRS 16 on 1 January 2019. Under IFRS 16, which replaces certain other accounting standards for leases, at the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

With respect to our future leases under IFRS 16, we expect that for our property, plant and equipment which have minimum lease payments over the lease term, the combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the statement of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there would otherwise be no impact on the total amount of expenses recognised over the lease term. We expect that during the lease term, a certain portion of these lease commitments will be recognised in our consolidated statement of financial position as right-of-use assets and lease liabilities. As a result, if we were to simultaneously enter into a large number of leases with similar durations, under IFRS 16, we would expect to record higher expenses and liabilities attributable to such leases towards the beginning of the lease period, resulting in a lower net assets position. Towards the end of the lease period, we would to expect to record lower expenses and liabilities. As a result, while under this scenario, the total expenses attributable to each lease over the course of the respective lease period would not change, our financial results may be materially affected on a year-to-year basis. See note 3 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details on IFRS 16 and how we expect the adoption of IFRS 16 to affect our financial results.

We are dependent on key personnel as well as the availability of qualified technical personnel.

We are dependent on certain key senior management employees. If we lose the services of any of our key management employees, we may have difficulties in finding, relocating and integrating adequate replacement personnel, which could seriously hamper our operations. We are also dependent on attracting qualified technical employees to provide services in relation to certain of our coal and other mining operations.

Coal mining is a labour-intensive industry. Our future success will depend greatly on our and our mining contractors' continued ability to attract and retain skilled and qualified personnel. Even if we are able to attract, integrate and retain new qualified technical personnel, this may be achieved on uneconomic terms. Any failure by us to retain our current workforce or hire comparable personnel in the future could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations may be affected by uncertain mining conditions and we may suffer losses resulting from mining safety incidents, which may not be covered by our insurance.

Mining activities are inherently risky and hazardous. Our business is subject to a number of risks and hazards generally which may affect the safety of our workforce as well as our costs of producing coal. Specifically, our operations are subject to adverse environmental conditions, deterioration in the quality or variations in the thickness of coal seams, industrial accidents such as roof collapses, mine water discharge and flooding, explosions from methane gas or coal dust, ground falls and other mining hazards, labour disputes, power interruptions, critical equipment failure (including in particular any protracted breakdown of, or issues with, our coal handling and preparation plants or major excavators and longwalls), unusual or unexpected geological conditions, ground or slope failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and fires. The occurrence of any of the foregoing events or conditions would have a material adverse impact on our business, financial condition and results of operations.

Although we conduct geological and geotechnical assessments on mining conditions and adapt our mining plans to the mining conditions at each mine, any such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to our properties or properties of others, reduction in the amount of coal produced, delays in development or mining, increased costs, monetary losses and possible legal liability. Although we have implemented safety measures at our mining sites which are subject to independent audits, trained our employees on occupational safety and maintain liability insurance for personal injuries as well as limited property damage for certain of our operations, safety incidents may occur.

Consistent with what we believe to be industry practice, we maintain insurance to protect against certain risks in amounts we consider to be reasonable. However, our insurance may not cover all the potential risks associated with our operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums and may not be able to pass on any increased costs relating to insurance to our customers. If such costs exceed the levels which we expect, there could be a material adverse effect on our business, financial condition and results of operations.

We may not always be able to detect or prevent fraud, bribery or other misconduct by our employees, customers or other third parties on a timely basis.

Any fraud, misrepresentation, money laundering or other misconduct by our employees, customers, service providers, business partners or other third parties could result in violations of relevant laws and regulations by us and subject us to corresponding regulatory sanctions. These unlawful activities and other misconduct may have occurred in the past and may occur in the future, and may result in civil and criminal liability under increasingly stringent laws or cause serious reputational or financial harm to us. While we have in place and are implementing measures aimed at detecting and preventing employees' and external parties' fraud, misrepresentation, money laundering, commercial bribery and other misconduct, we may not be able to timely detect or prevent such activities, which could subject us to regulatory investigations and criminal and civil liability, harm our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to protect our other intellectual property rights, which could have a material adverse effect on our business.

We own intellectual property such as trademarks and know-how. See "*Business – Intellectual Property*".

We believe that our intellectual property rights are important to our success. Besides applicable laws, we rely on a combination of confidentiality policies and agreements, nondisclosure and other contractual arrangements to protect our intellectual property rights. We cannot assure you that we will be able to detect any unauthorised use of, or take appropriate, adequate and timely actions to enforce, our intellectual property rights. Consequently, we may not be able to effectively prevent unauthorised use of our patents in other countries where such patents are not registered.

The measures we take to protect our intellectual property rights may not be adequate, and monitoring and preventing unauthorised use is difficult. The protection of our intellectual property may be compromised as a result of (i) expiration of the protection period of our registered intellectual property rights; (ii) infringement by others of our intellectual property rights; and (iii) refusal by relevant regulatory authorities to approve our pending patent applications. If we are unable to adequately protect our intellectual property rights, our reputation may be negatively impacted and our business may be materially and adversely affected.

Failure of our information technology systems could adversely affect our business.

Our business relies on the performance, reliability and availability of our information technology systems. The proper functioning of our significant information technology systems, including in particular enterprise software from SAP that we use to manage our business operations and customer relations, Citect SCADA used to manage our control systems, and Intelex, Damstra and Pegasus used for our environment, health and safety systems, is important for our business. These systems and our information technology infrastructure in general may be adversely affected by factors such as server damage, equipment faults, power failure, computer viruses, misuse by employees or contractors, telecommunications failures, external malicious intervention such as hacking, terrorism, fire, natural disasters, or weather interventions. Such events are largely beyond our control, and may affect our ability to carry on our operations efficiently, which could harm our business and results of operations.

Our business and industry may be affected by the price of natural gas as well as the development of alternative energy sources and climate change.

We supply coal as fuel to, among others, the thermal power generation industry and, as a result, are affected by the demand and growth of the thermal power industry. Thermal coal as a fuel source competes, among others, with natural gas, and the price of natural gas can therefore affect coal sales. The natural gas market has been volatile historically and prices in this market are subject to wide fluctuations in response to relatively minor changes in supply and demand. Changes in supply and demand could be prompted by any number of factors, such as worldwide and regional economic and political conditions; the level of global exploration, production and inventories; natural gas prices; and transportation availability. If natural gas prices decline significantly, it could lead to reduced coal sales and have a material adverse effect on our financial condition, results of operations and cash flows.

The thermal power generation industry is also affected by the development of alternative energy sources, climate change and global environmental factors. While the majority of global energy consumption is from conventional energy sources such as coal, alternative energy industries are rapidly developing and are gradually gaining widespread acceptance. Coal combustion generates significant greenhouse gas and other pollutants, and the effects of climate change resulting from global warming and increased pollution levels may provide incentives for governments to promote or invest in "green" energy technologies such as wind, solar, nuclear and biomass power plants, or to reduce their consumption of conventional energy sources such as coal. On 4 November 2016, the Paris Agreement within the United Nation's Framework Convention on Climate Change came into force, which aims to control the increase in global temperatures, increase the ability of countries to adapt to the adverse impacts of climate change and provide channels to finance projects that lead to greenhouse gas reductions. As at the Latest Practicable Date, the Paris Agreement had been signed by 197 countries, including Australia and the PRC. In recent years, the PRC has also taken steps to address severe air pollution in many cities by adopting a range of policies to lower carbon emissions and reduce coal usage, and is targeting increasing the share of non-fossil fuels in primary energy consumption to 20% by 2030.

With the increased concern and development on low-carbon economy and environmental protection globally, coal consumption is expected to gradually decrease. If alternative energy technologies continue to develop and prove suitable for wide commercial application, demand for conventional energy sources such as coal could gradually be reduced. Further, efforts to increase energy efficiency, control greenhouse gas emissions and enhance environmental protection may also result in a decrease in coal consumption. In 2017, coal accounted for approximately 41% of global electricity generation. This proportion is expected to decline to 39% of global electricity generation by 2020, driven by growth in non-hydro renewable energy sources. While new thermal generation capacity is being installed in countries in Asia, there is no assurance that this will continue to be the case, particularly given the proliferation of renewable energy assets and other energy sources in our key markets. For further details, see "*Industry Overview*". A decrease in the demand and consumption of thermal coal, particularly in Asia and other developing countries, would have a material adverse effect on the coal mining industry and, consequently, our business, financial condition and results of operations. See "– *Our business, financial condition and results of operations may be adversely affected by present or future environmental regulations in Australia and other countries, and we may be exposed to legal claims and increased costs due to the environmental impacts of our operations*".

Decreases in demand for steel in our principal markets, and the consequent decline in demand for metallurgical coal, could adversely affect our business, financial condition and results of operations.

A significant proportion of demand growth for metallurgical coal is expected to come from increased steel production in developing nations in Asia. In the past decade, the PRC became a net importer of coal from being a net exporter, which was a major contributor to the growth in seaborne coal demand during this period. The pace of economic growth in the PRC has now slowed, and it is uncertain whether the "One Belt, One Road" initiative will result in a new surge in infrastructure building across Asia in a manner that will boost steel, and metallurgical coal, demand. Global metallurgical coal import demand growth between 2017 and 2020 is forecast to be around 2.8% CAGR, lower than the estimated 3.6% CAGR between 2012 and 2017. The demand outlook for export metallurgical coal in the near to medium term is expected to shift from a focus on demand growth in the PRC to growth in India and other emerging markets in Southeast Asia. Indian demand is expected to be assisted by the country's comparatively strong economic growth and is likely to receive an additional boost from the government's plans to increase spending on infrastructure development, including railways. Although India aims to reduce reliance on imported coals, high Indian demand and the relatively poor quality of most domestic coals is expected to result in increased metallurgical coal imports, including from Australia. There is, however, no assurance that increased steel demand in India and Southeast Asian countries will be able to offset reduced demand in the PRC, or that consequently, metallurgical coal demand and prices will remain stable or increase in the future.

Future governmental policy changes in the PRC may be detrimental to the global coal market and impact our business, financial condition or results of operations.

The PRC government has from time to time implemented regulations and promulgated new laws or restrictions, sometimes with little advance notice, which may impact worldwide coal demand, supply and prices. In early 2016, the PRC government announced a 276-work day limitation on the annual operating days for coal mines. As a result of these and other restrictions, the PRC's domestic thermal coal production in 2016 decreased by 10% to 2.7 Bt, while thermal coal imports in 2016 increased by 26%. The PRC's domestic coal production is expected to be further impacted by the government's plan to close 800 Mt of coal capacity by 2020. In addition, the PRC has recently introduced domestic supply restrictions focused on enforcing environmental and safety rules at existing operations as well as consolidating production around larger, more modern operations. For further details, see "*Industry Overview*". In 2018 China imposed a quota on imports of coal, which we understand was reached in mid-November, following which China has halted coal imports for the remainder of the year. We believe that this development will not have a material impact on us. If the Chinese government were to impose stricter import quotas for 2019 or future periods then, unless we are able to find alternative destinations for the coal we designate for export to China, our revenues and results of operations in future periods could be adversely affected. It is possible that further policy changes in the PRC may negatively impact the global coal market and, consequently, impact our business, financial condition or results of operations.

In addition, similar actions by government entities in countries that produce and/or consume large quantities of coal and other energy related commodities may have a material impact on the prices at which we sell our products.

RISKS RELATING TO THE GLOBAL OFFERING

The trading price of our Shares has been volatile and the Minimum Offer Price is higher than the recent trading price of the Shares, which may result in substantial losses for investors subscribing for or purchasing our Shares pursuant to the Global Offering.

There has been significant volatility in the trading price of our Shares on the ASX. In the 52 weeks preceding 18 November 2018, the Latest Practicable Date, the trading price of our Shares has ranged between A$2.60 and A$5.95. As at the Latest Practicable Date, our Share price was A$3.18, which is lower than the Minimum Offer Price. Although the trading price of our Shares on the ASX might not be indicative of the expected market price for our Shares on the Stock Exchange following the Global Offering, unless the trading price of our Shares increases between the date of this prospectus and the listing date, investors subscribing for Shares in the Global Offering will incur an immediate mark-to-market loss. Further, trading in the Shares on the ASX has historically been low, which has contributed to the substantial fluctuations in their trading price. The trading price of our Shares on the ASX might continue to be, and the trading price of our Shares on the Stock Exchange following Listing could be, subject to substantial fluctuations and high volatility as a result of various factors. Some of these factors are beyond our control, including:

- low levels of liquidity in trading in our Shares;
- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations or from variations in the price that we can realise for our coal sales);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation, regulatory investigations and environmental interruptions;
- tariffs and other trade restrictions, other governmental actions, changes in general economic conditions or other developments affecting us or our industry;
- general investor perception and inflation and interest rates;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, our Controlling Shareholder or other Shareholders.

The liquidity of our Shares on the Stock Exchange could be limited.

Our Shares have not been traded on the Stock Exchange before the Global Offering and there could be limited liquidity in our Shares on the Stock Exchange. As at the Latest Practicable Date, approximately 11% of the Shares are held by public investors and trading in the Shares on the ASX has historically been low. This low liquidity may continue on the ASX and may also be experienced on the Stock Exchange following the Global Offering, including on account of, among other things, a substantial portion of the Global Offering being placed with the Cornerstone Investor who is restricted from disposing of its Shares for six months following the Listing Date. Although Shareholders will be able to transfer our Shares from the Australian register to the Hong Kong register, and vice versa, there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This could adversely affect investors' ability to purchase or liquidate Shares on the Stock Exchange. There is also no assurance that an open market will in fact develop for our Shares on the Stock Exchange. There can also be no guarantee that the price at which our Shares are traded on the Stock Exchange will be substantially the same as or similar to the price at which our Shares are traded on the ASX or that any particular volume of our Shares will trade on the Stock Exchange.

The time lag of moving Shares between the Hong Kong and Australian markets could be longer than expected, and our Shareholders might not be able to settle or undertake any Share sale during this period.

There is no direct trading or settlement between the Stock Exchange and ASX. To enable the movement of Shares between the two stock exchanges, our Shareholders are required to comply with specific procedures and bear the necessary costs. Under normal circumstances and assuming that there are no deviations from the usual cross-border share movement procedures, our Shareholders can expect normal cross-border movement between the principal register of members in Australia and the branch register of members in Hong Kong, and vice versa, to complete within three to six Business Days depending on how their Shares are or will be registered (i.e. in certificated form or within CCASS in Hong Kong). However, we cannot assure you that the transfer of Shares will be completed in accordance with this timeline. There could be unforeseen market circumstances or other factors that could delay the movement, thereby preventing our Shareholders from settling or effecting the sale of their Shares.

There may be differences between the Australian and Hong Kong stock markets, and undue reliance should not be placed on prior ASX trading data.

Our Shares have been listed and traded on the ASX since 2012. Following the Global Offering, it is our current intention that our Shares will continue to be traded on the ASX. Our Shares traded on the Stock Exchange will be registered by our Hong Kong branch share registrar. As there is no direct trading or settlement between the stock markets of Australia and Hong Kong, the time required to move shares between the principal register of members in Australia and the branch register of members in Hong Kong could vary and there is no certainty when Shares being moved will be available for trading or settlement. The ASX and the Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of our Shares on the ASX and the Stock Exchange might not be the same.

Further, fluctuations in the price of our Shares on the ASX could adversely affect the price of our Shares on the Stock Exchange and vice versa. Moreover, fluctuations in the exchange rate between Australian dollars and Hong Kong dollars can also adversely affect the trading prices of our Shares on the ASX and the Stock Exchange. Due to the different characteristics of the stock markets of Australia and Hong Kong, the historical prices of our Shares on the ASX might not be indicative of the performance of our Shares on the Stock Exchange after the Global Offering. You should therefore not place undue reliance on the prior ASX trading information.

We will be concurrently subject to Hong Kong and Australian listing and regulatory requirements.

As we are listed on the ASX and will be listed on the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

Australian taxes may differ from tax laws of other jurisdictions, including Hong Kong.

The Company is incorporated in Australia. Prospective investors should consult their tax advisers concerning the overall tax consequences of acquiring, owning, or selling the Shares. Australian tax law may differ from the tax laws of other jurisdictions, including Hong Kong. Please see "*Appendix IV – Taxation and Regulatory Overview*" for further information.

Investments in our Company may be subject to restrictions under Australian foreign investment laws.

The Foreign Investment Review Board ("**FIRB**") is a non-statutory body which provides advice to the Australian Treasurer ("**Treasurer**") in connection with foreign investment proposals pursuant to the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("**Australia Foreign Acquisitions and Takeovers Act**"), the Foreign Acquisitions and Takeovers Fees Imposition Act 2015 and the Foreign Acquisitions and Takeovers Regulation 2015.

Whether FIRB approval is required for a foreign investor to acquire an interest in the Company is determined on a case by case basis. It is the responsibility of the investor to determine if it requires FIRB approval before acquiring Offer Shares under the Global Offering or Shares in the secondary market. Further, it is the responsibility of the investor to otherwise ensure that it complies with the Australia Foreign Acquisitions and Takeovers Act in relation to investments in Australian companies or businesses, including obtaining any governmental or other consents which may be required, and that it complies with other necessary approval and registration requirements and other formalities.

A "foreign person" (as defined in the Australia Foreign Acquisitions and Takeovers Act) ("**Foreign Person**") is required to obtain FIRB approval from the Treasurer to acquire Offer Shares as part of the Global Offering, or acquire Shares in the secondary market, if they are a Foreign Government Investor from the PRC. Due to the operation of association rules under the Australia Foreign Acquisitions and Takeovers Act and the current level of ownership of the Company by Foreign Government Investors from the PRC, any acquisition of Offer Shares by Foreign Government Investors from the PRC will require prior approval by the Treasurer. In addition, a Foreign Person is required to obtain prior approval from the Treasurer to acquire Offer Shares as part of the Global Offering if they are a Foreign Government Investor from a country other than the PRC and they are acquiring 10% or more of the Shares as part of the Global Offering. These approvals are "notifiable actions", which means that failure to notify them is an offence under the law.

Investors should seek independent legal advice prior to making an acquisition of Offer Shares as part of the Global Offering or acquire Shares in the secondary market. For more information, please see "*Appendix IV – Taxation and Regulatory Overview – Regulations in Relation to Foreign Investment in Australia*" and "*Appendix V – Summary of the Constitution of the Company and the Australia Corporations Act*".

We may not declare dividends on our Shares in the future.

Our Constitution provides that, subject to applicable laws, the ongoing cash needs of the business, the statutory and common law duties of the Directors and shareholders' approval, the Directors may pay interim and/or final dividends, and must:

(i) subject to (ii) below pay as interim and/or final dividends not less than 40% of net profit after tax (prior to any abnormal items) in each financial year; and

(ii) if the Directors determine that it is necessary in order to prudently manage our financial position, pay as interim and/or final dividends not less than 25% of net profit after tax (prior to any abnormal items) in any given financial year.

As a result, the amount of any dividends to be declared or paid will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations and will be subject to the approval of our Shareholders. See "*Financial Information of the Group – Dividends and Dividend Policy*". There is no assurance that dividends of any amount will be declared or distributed in any year.

The Company has an obligation to withhold tax on distributions of dividends paid to non-residents to the extent the distributions are unfranked.

Australia follows an imputation system in relation to corporate tax whereby the concept of franking broadly represents the net Australian corporate tax paid. When a corporate tax entity makes a distribution to its members, it can impute tax credits to the distribution to alleviate withholding tax payable by non-resident shareholders.

Dividends paid by the Company may be franked with an imputation credit to the extent that Australian corporate income tax has been paid by the Company. Where the Company pays a dividend from untaxed profits, no franking credit would be available. Such distributions are referred to as unfranked dividends.

To the extent dividends paid by the Company to non-resident shareholders are unfranked, such dividends are subject to Australian dividend withholding tax of up to 30% (which may be reduced if dividends are paid to residents of treaty countries). In particular, unfranked dividends paid to Shareholders resident in Hong Kong will be subject to withholding tax at 30% while unfranked dividends paid to Shareholders resident in the PRC eligible for treaty relief will be subject to withholding tax at 15%. Due to the current tax profile of the Company, any dividends paid by the Company during FY2018 to FY2019 would be expected to be unfranked. Accordingly, dividend withholding tax would be expected to be deducted from such dividend payments made during this period.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market, including any future offering of Shares or conversion of our unlisted Shares into listed Shares, could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The market price of our Shares could decline as a result of future sales or issuances of a substantial number of our Shares or other securities relating to our Shares in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or perceived sales may also adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a favourable time and price. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after the Listing Date. See "*Underwriting – Underwriting Arrangements and Expenses*". We cannot assure you that our Controlling Shareholders will not dispose of the Shares they may own now or in the future. In addition, a substantial portion of the Offer Shares will be subscribed to by the Cornerstone Investor who is restricted from disposing of its Shares for six months following the Listing Date. For further details, see "*Cornerstone Investor*". We cannot assure you that upon the expiry of the six-month lock-up, there will not be a sale of a substantial number of Shares by the Cornerstone Investor.

Moreover, if additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the Shares.

Purchasers of Shares in the Global Offering will incur dilution to the extent Shareholders participate in the Australian Entitlement Offer.

As required by the standard ASX timetable for pro rata entitlement offers, the Australian Entitlement Offer will be open for acceptance by eligible existing Shareholders of the Company (other than the Shareholders of the Company that renounce their entitlement to subscribe to Shares) for a period of eight business days, commencing on the business day after the date of settlement of the Global Offering (i.e. on the business day after the Listing Date). If any Shareholder subscribes to Shares under the Australian Entitlement Offer during this period, it will result in a dilution in the shareholding of purchasers of our Shares in the Global Offering. The Australian Entitlement Offer is not underwritten and therefore dilution will only occur to the extent that eligible existing Shareholders of the Company elect to take up their entitlements, which will involve the issue of up to 8,225,509 Shares (assuming that the level of take up of the retail tranche of the Australian Entitlement Offer is 100%), representing 0.63% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised. The full exercise of the Over-allotment Option will involve the issue of up to 8,916,200 Shares, representing 0.67% of the Shares in issue immediately upon completion of the Global Offering but before the full exercise of the Over-allotment Option, assuming that the level of take up of the retail tranche of the Australian Entitlement Offer is 100%.

The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We cannot assure you that the Shares will remain listed on the Stock Exchange.

Although it is currently intended that the Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the Shares. Among other factors, the Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of Shares would not be able to sell their Shares through trading on the Stock Exchange if the Shares were no longer listed on the Stock Exchange.

You may face difficulties in enforcing your shareholder rights since the laws of Australia for minority shareholders' protection could be different from those under the laws of Hong Kong and other jurisdictions.

We are a company incorporated in Australia with limited liability, and the laws of Australia differ in some respects from those of Hong Kong or other jurisdictions where investors might be located. Our corporate affairs are governed by our Constitution and related charters and policies, the Corporations Act 2001 (Cth) ("**Australia Corporations Act**") and the laws of Australia. The laws of Australia relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. This could mean that the remedies available to our Company's minority Shareholders could be different from those they would have under the laws of Hong Kong and other jurisdictions.

Certain facts and other statistics with respect to the coal market and industry in this prospectus may not be fully reliable.

Certain facts and other statistics in this prospectus relating to the global and regional coal market and industry have been derived from various official government publications and other publicly available data. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of our affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics. Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.

There may be coverage in the media regarding the Global Offering and our operations.

We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

The members of the Board are as follows:

Name	Address	Nationality
Executive Director		
Fucun WANG (王福存)	3711/101 Bathurst Street Sydney NSW 2000 Australia	Chinese
Non-executive Directors		
Baocai ZHANG (張寶才)	Room 104, Unit 2, Building 57 Chunqiuhuating Xiao Qu 77 Boxue Road Qufu, Shandong Province China	Chinese
Cunliang LAI (來存良)	Room 301, Unit 2, Building 16 XingLong Coal Mine East District 88 Xinglong Road Xing Long Zhuang County Yanzhou City Shandong Province China	Chinese
Xiangqian WU (吳向前)	Room 201, Unit 2, Building 9 1676 Kuangjian East Road Zoucheng City Shandong Province China	Chinese
Fuqi WANG (王富奇)	Room 401, Unit 1, Building 5 899 Kangfu Road Zoucheng City Shandong Province China	Chinese
Qingchun ZHAO (趙青春)	Room 501, Unit 1, Building 27 436 Jianshe Road, Zoucheng Shandong Province China	Chinese
Xing FENG (馮星)	19-9-301 Yilin Jiayuan Chaoyang District Beijing China	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Gregory James FLETCHER	296 Woolooware Road Burraneer NSW 2230 Australia	Australian
Geoffrey William RABY	Room 9D, Tower 4 GuangCai International Mansion No 18 Gongrentiyuchang West Road Chaoyang District Beijing China	Australian
David James MOULT	73 Fingal Avenue Glenhaven NSW 2156 Australia	Australian
Helen Jane GILLIES	105 Rowntree Street Birchgrove NSW 2041 Australia	Australian

See “*Directors and Senior Management*” for further details.

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Joint Global Coordinators

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road, Central
Hong Kong

Joint Bookrunners

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
46/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering only)
50/F, Champion Tower
3 Garden Road, Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering only)
33 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central, Central
Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Cinda International Securities Limited
45/F, COSCO Tower
183 Queen’s Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Zhongtai International Securities Limited
19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Lead Managers

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public
Offering only)
46/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International
Offering only)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public
Offering only)
50/F, Champion Tower
3 Garden Road, Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering
only)
33 Canada Square
Canary Wharf
London
E14 5LB
United Kingdom

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central, Central
Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Cinda International Securities Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Zhongtai International Securities Limited
19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Financial Adviser

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Legal Advisers to the Company

As to Hong Kong and U.S. laws:
Freshfields Bruckhaus Deringer
55th Floor, One Island East
Taikoo Place, Quarry Bay
Hong Kong

As to Australian laws:
Gilbert + Tobin
Level 35, Tower Two, International Towers
Sydney, 200 Barangaroo Avenue
Barangaroo NSW 2000
Australia

As to PRC laws:
King & Wood Mallesons
40th Floor, Tower A, Beijing Fortune Plaza
7 Dongsanhuan Zhonglu, Chaoyang District
Beijing, 100020, PRC

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. laws:
Slaughter and May
47th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to Australian laws:
Herbert Smith Freehills
ANZ Tower 161 Castlereagh Street
Sydney NSW 2000
Australia

Auditor

ShineWing Australia
Chartered Accountants, Australia
Level 8, 167 Macquarie Street
Sydney, NSW 2000
Australia

Joint Reporting Accountants

SHINEWING (HK) CPA Limited
Certified Public Accountants, Hong Kong
43/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

ShineWing Australia
Chartered Accountants, Australia
Level 8, 167 Macquarie Street
Sydney, NSW 2000
Australia

Competent Person

RPM Advisory Services Pty Ltd
13/F, 68 Yee Wo Street
Causeway Bay
Hong Kong

Industry Consultant

AME Consulting Pty Ltd
342 Kent St
Sydney, NSW 2000
Australia

Taxation Adviser

KPMG
Level 38, Tower Three, International Towers
300 Barangaroo Avenue, Sydney
Barangaroo NSW 2000

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered Office

Level 18, Darling Park 2
201 Sussex Street
Sydney, NSW 2000
Australia

Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Company Secretary

Laura Ling ZHANG (張淩)
(*Member of the Hong Kong Institute of Chartered Secretaries*)

Authorised Representatives

Baocai ZHANG (張寶才)
298 Fushan South Road
Zoucheng City
Shandong Province
China

Laura Ling ZHANG (張淩)
Level 18, Darling Park 2
201 Sussex Street
Sydney, NSW 2000
Australia

Audit and Risk Management Committee

Gregory James FLETCHER (*Chair*)
Qingchun ZHAO
David James MOULT
Helen Jane GILLIES

Nomination and Remuneration Committee

Helen Jane GILLIES (*Chair*)
Baocai ZHANG
Xiangqian WU
Gregory James FLETCHER
David James MOULT

Health, Safety and Environment Committee

David James MOULT (*Chair*)
Fucun WANG
Fuqi WANG
Geoffrey William RABY

Strategy and Development Committee

Baocai ZHANG (*Chair*)
Qingchun ZHAO
Fuqi WANG
Xing FENG
Geoffrey William RABY

Compliance Adviser

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

Principal Bankers

Commonwealth Bank of Australia
240 Queen Street
Brisbane QLD 4000
Australia

Bank of China Ltd, Sydney Branch
39-41 York Street
Sydney NSW 2000
Australia

Australian Share Registry

Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street
Sydney, NSW 2000
Australia

Hong Kong Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai
Hong Kong

Company’s Website

www.yancoal.com.au
(A copy of this prospectus is available on the Company’s website. Except for the information contained in this prospectus, none of the other information contained on the Company’s website forms part of this prospectus)

HISTORY

The Company was established on 18 November 2004 as Yancoal Australia Pty Limited by Yanzhou when Yanzhou acquired the Austar underground mine in the Hunter Valley region of New South Wales in Australia. The Group has subsequently grown its business via strategic acquisitions to become the largest pure-play coal producer in Australia.

On 23 December 2009, the Group completed the successful takeover of Felix Resources, a coal producer then listed on the ASX, which included interests in the Moolarben, Yarrabee and Ashton mines. On 23 March 2010, the Company was converted to a public company named Yancoal Australia Ltd.

On 6 July 2012, the Group completed the strategic merger with Gloucester Coal, a coal producer then listed on the ASX, and became listed on the ASX. The Group acquired interests in the Middlemount joint venture, the Stratford Duralie and Donaldson mines and the Monash exploration project through the merger with Gloucester Coal.

On 31 December 2014, Yancoal SCN Limited ("**Yancoal SCN**"), a wholly-owned subsidiary of the Company, issued 18,005,102 subordinated capital notes ("**SCNs**") at US$100 each which were listed on ASX on 2 January 2015. As at 31 January 2018, all outstanding SCNs were redeemed by Yancoal SCN or converted into Shares of the Company, and Yancoal SCN was delisted from the ASX on 2 February 2018. See "*Financial Information of the Group – Indebtedness – Subordinated Capital Notes*" for further details on the SCNs.

On 31 March 2016, as a result of certain financing arrangements, the Group transferred its interests in the Ashton, Austar and Donaldson mines to Watagan, which is wholly-owned but not controlled from an accounting perspective by the Group. Further details of the Watagan Agreements are set out in "*Financial Information – Acquisitions, Disposals and Deconsolidation*".

On 1 September 2017, the Group completed the C&A Acquisition which included interests in HVO and MTW. On 7 March 2018, the Group increased its interest in the Warkworth joint venture pursuant to the Warkworth Transaction. On 4 May 2018, the Group completed the Glencore Transaction pursuant to which a joint venture with Glencore was established in relation to HVO and the Group's interest in HVO was reduced. Further details of each of these transactions are set out in "*– Major Acquisitions and Disposals – C&A Acquisition*".

KEY MILESTONES

The following table sets out the key milestones of the Group since its founding:

Year	Event
2004	Acquisition of 100% of Southland Mine (renamed Austar)
2009	Acquisition of 100% of Felix Resources (which included assets of an 80% interest in Moolarben, Yarrabee and a 60% interest in Ashton)
2011	Acquisition of a further 30% interest in Ashton

Year	Event
2012	Merger with Gloucester Coal (which included assets of a near 50% interest in Middlemount, Stratford Duralie, Donaldson and Monash) and listing on the ASX
2014	Acquisition of the remaining 10% interest in Ashton
2015	Acquisition of a further 1% interest in Moolarben
2016	Transfer of 100% of Ashton, Austar and Donaldson to Watagan
2017	Completion of the C&A Acquisition
2018	Acquisition of a further 28.9% in the Warkworth joint venture
2018	Completion of the Glencore Transaction

MAJOR ACQUISITIONS AND DISPOSALS

C&A Acquisition

On 1 September 2017, the Group completed the acquisition of the entire issued share capital of C&A from Rio Tinto for US$2.69 billion in value, comprising US$2.45 billion cash paid on completion and US$240 million in future non-contingent royalty payments over five years following completion, and a coal price linked contingent royalty.

C&A is a leading Australian producer of high quality thermal coal and semi-soft coking coal, indirectly owning, at the time of acquisition, participating interests in three coal mine operations, namely a 67.6% interest in HVO, a 80.0% interest in the Mount Thorley mine and a 55.6% interest in the Warkworth mine, and other associated assets (the "**C&A Acquisition**"). Further details of the assets of C&A are set out in "*Business – Our Mining Operations"*.

To support the funding of the C&A Acquisition, the Company conducted a pro-rata renounceable entitlement offer of 23,464,929,520 Shares to raise US$2.35 billion (the "**Entitlement Offer**"), and an associated placement of 1,000,000,000 Shares to Shandong Taizhong Energy Co., Ltd ("**Taizhong**") and 500,000,000 Shares to Evercharm International Investments Ltd ("**General Nice**") to raise a further US$150 million (the "**Placement**"). The Company completed the Entitlement Offer and the Placement on 31 August 2017 and the Shares issued under the Entitlement Offer and the Placement commenced trading on ASX on 1 September 2017.

Warkworth Transaction

On 7 March 2018, the Group completed its purchase of an additional 28.9% interest in the Warkworth joint venture from MDP for US$230 million (which is subject to finalisation of a working capital adjustment which includes cash), increasing its interests in the Warkworth joint venture from 55.6% to 84.5% and its share of coal production from the integrated Mount Thorley Warkworth operations from 64.1% to 82.9% .

Glencore Transaction

On 27 July 2017, the Company entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore in relation to HVO. Glencore acquired a 32.4% interest from Mitsubishi Development Pty Ltd ("**MDP**") for cash consideration of US$710 million and a 16.6% interest from Group for cash consideration of US$429 million. Pursuant to the terms of the joint venture agreement, Glencore is also responsible for a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by the Company in respect of the C&A Acquisition. The cash consideration amount of US$429 million which was paid by Glencore for its interest in HVO is subject to post-completion finalisation of purchase price adjustments for HVO's net debt, working capital and cash flows. The Glencore Transaction including the establishment of the joint venture was completed on 4 May 2018, further details of which are set out in *"Business – Joint Venture Agreements – HVO"*. The Group's interest in HVO was reduced from 67.6% to 51.0% on completion of the Glencore Transaction.

Moolarben Acquisition

The Company has entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019, and adjusted for the economic benefit of the 4% interest from 15 April 2018, that will flow to the Company. The Moolarben Acquisition will raise our interest in the unincorporated Moolarben JV to 85%.

LISTINGS ON THE ASX

The Shares of the Company have been listed on the ASX since 28 June 2012. On 31 December 2014, Yancoal SCN issued 18,005,102 SCNs which were listed on ASX on 2 January 2015. On 2 February 2018, Yancoal SCN was delisted from the ASX following the redemption by Yancoal SCN or conversion into the Company's Shares of all outstanding SCNs. See "*Financial Information of the Group – Indebtedness – Subordinated Capital Notes"* for further details on the SCNs.

To the best of the Directors' knowledge and belief as at the date of this prospectus, the Company has complied with its financial reporting obligations (which are contained in Chapter 2M of the Australia Corporations Act) and its continuous disclosure obligations (which are contained in section 674 of the Australia Corporation Act) during the period that those obligations have applied since listing on the ASX.

The Company intends to maintain its primary listing on the ASX alongside its proposed primary listing of Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Australian Entitlement Offer. The Directors consider that it would be desirable and beneficial to the Company to have the Shares listed on the Stock Exchange as the dual primary listing of the Company on the ASX and the Stock Exchange will allow the Company to increase diversity of its investor base and increase liquidity in the Shares, provide the Company better access to a wider range of private and institutional investors, increase its exposure to the Hong Kong and Mainland China markets, enhance the Company's profile in the Asia region and better position the Company for organic and inorganic growth in the future.

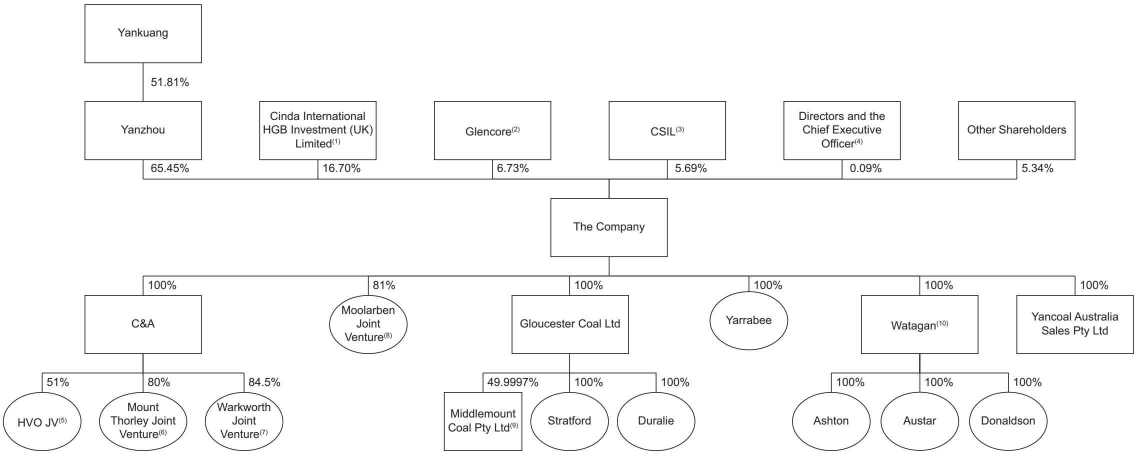
THE REORGANISATION

In preparation for the Listing, the Shareholders approved the Share Consolidation by ordinary resolution at the general meeting of the Company held on 26 September 2018 pursuant to section 254H of the Australia Corporations Act. The Share Consolidation took effect on 28 September 2018 which resulted in the issued capital of the Company being consolidated on the basis of one Share for every 35 Shares in issue on 1 October 2018, and fractional entitlements as a result of holdings not being evenly divisible by 35 were rounded up to the nearest whole number. The issued share capital of the Company immediately following the Share Consolidation was 1,256,071,756 Shares.

CORPORATE STRUCTURE

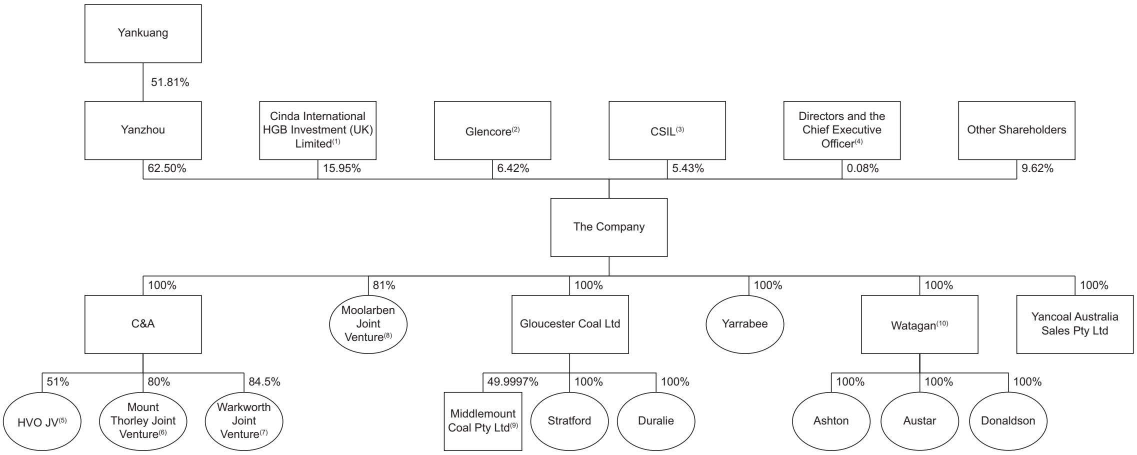
Corporate Structure as at the date of this prospectus

The simplified corporate structure of the Group as at the date of this prospectus is as follows:


Yankuang
51.81%
Yanzhou
Cinda International HGB Investment (UK) Limited(1)
Glencore(2)
CSIL(3)
Directors and the Chief Executive Officer(4)
Other Shareholders
65.45%
16.70%
6.73%
5.69%
0.09%
5.34%
The Company
100%
81%
100%
100%
100%
100%
C&A
Moolarben Joint Venture(8)
Gloucester Coal Ltd
Yarrabee
Watagan(10)
Yancoal Australia Sales Pty Ltd
51%
80%
84.5%
49.9997%
100%
100%
100%
100%
100%
HVO JV(5)
Mount Thorley Joint Venture(6)
Warkworth Joint Venture(7)
Middlemount Coal Pty Ltd(9)
Stratford
Duralie
Ashton
Austar
Donaldson

Corporate Structure Immediately Following the Completion of the Global Offering

Immediately following the completion of the Global Offering and the Australian Entitlement Offer (assuming the Over-allotment Option is not exercised and other existing Shareholders do not take up their entitlements under the Australian Entitlement Offer), the simplified corporate structure of the Group will be as follows:


Yankuang
51.81%
Yanzhou
Cinda International HGB Investment (UK) Limited(1)
Glencore(2)
CSIL(3)
Directors and the Chief Executive Officer(4)
Other Shareholders
62.50%
15.95%
6.42%
5.43%
0.08%
9.62%
The Company
100%
81%
100%
100%
100%
100%
C&A
Moolarben Joint Venture(8)
Gloucester Coal Ltd
Yarrabee
Watagan(10)
Yancoal Australia Sales Pty Ltd
51%
80%
84.5%
49.9997%
100%
100%
100%
100%
100%
HVO JV(5)
Mount Thorley Joint Venture(6)
Warkworth Joint Venture(7)
Middlemount Coal Pty Ltd(9)
Stratford
Duralie
Ashton
Austar
Donaldson

Notes:

(1) Cinda International HGB Investment (UK) Limited is a wholly owned subsidiary of China Cinda Asset Management Co., Ltd.. Its interests in the Shares are held by J P Morgan Nominees Australia Limited as nominee.

(2) Glencore is a wholly owned subsidiary of Glencore Holdings Pty Limited which is in turn wholly owned by Glencore plc.

(3) CSIL is a wholly owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd.

(4) Mr. Baocai Zhang, the Chair of the Board and a Non-executive Director, is interested in Shares representing approximately 0.02% of the issued share capital of the Company. Mr. Gregory Fletcher, an Independent Non-executive Director, is interested in Shares representing approximately 0.00% of the issued share capital of the Company. Dr. Geoffrey Raby, an Independent Non-executive Director, is interested in Shares representing approximately 0.00% of the issued share capital of the Company. Mr. Reinhold Schmidt, the Chief Executive Officer, is interested in Shares representing approximately 0.02% of the issued share capital of the Company. The remaining Shares are held by directors of subsidiaries of the Company.

(5) The HVO JV is an unincorporated joint venture. Coal & Allied Operations Pty Ltd (a wholly owned subsidiary of the Company) is interested in 51.0% and Anotero Pty Ltd (a wholly owned subsidiary of Glencore) is interested in 49.0% of the HVO Joint Venture.

(6) The Mount Thorley joint venture is an unincorporated joint venture. Mount Thorley Operations Pty Limited (a wholly owned subsidiary of the Company) and POSCO Australia Pty Ltd (a wholly owned subsidiary of Pohang Iron & Steel Company Limited, an independent third party) are interested in 80% and 20% of the Mount Thorley joint venture, respectively.

(7) The Warkworth joint venture is an unincorporated joint venture. CNA Resources Limited and CNA Warkworth Australia Pty Limited (wholly owned subsidiaries of the Company) collectively hold 84.5%, and Mitsubishi Materials Corporation (an independent third party), and Nippon Steel & Sumitomo Metal Corporation (an independent third party) are interested in 6% and 9.5% of the Warkworth Joint Venture, respectively.

(8) The Moolarben JV is an unincorporated joint venture. Moolarben Coal Mines Pty Ltd (a wholly owned subsidiary of the Company), Sojitz Moolarben Resources Pty Limited (an independent third party), and a consortium of Korean companies (comprising Korea Resources Corporation, Korea Southern Power Co., Ltd, Korea Midland Power Co., Ltd, Korea Western Power Co., Ltd and Korea South-East Power Corporation, each an independent third party) are interested in 81%, 10% and collectively 9% of the Moolarben Joint Venture, respectively. Upon completion of the Moolarben Acquisition, the Group's interest in the Moolarben JV will increase to 85%.

(9) Middlemount Coal Pty Ltd is an incorporated joint venture. Gloucester (SPV) Pty Ltd (a wholly owned subsidiary of the Company) and Peabody Custom Mining Pty Ltd (a wholly owned subsidiary of Peabody Energy, an independent third party) are interested in 49.997% and 50.003% of Middlemount Coal Pty Ltd, respectively.

(10) Watagan is wholly owned but not controlled from an accounting perspective by the Company. See "*Business – Our Mining Operations – Watagan Mines – Watagan Agreements*" for further details.

*This section contains information relating to our markets. Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various publicly available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, AME Consulting Pty Limited (“**AME**”), to prepare an industry research report (“**Industry Report**”) upon which this Industry Overview section is based. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market share and growth, is from the Industry Report. See “– Sources of Information”. All price forecasts are presented in real 2018 terms while historical data is presented in nominal terms. For the purposes of forecasts, A$:US$ exchange rates have been assumed to remain constant at a rate of A$1:US$0.76. All cost curves are prepared on the basis of publicly available financial and technical information published by companies. Historical cost information is reconciled to company financial reports, where available.*

While we have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by us or the Relevant Persons. Although we have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect, we make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. Accordingly, you should not place undue reliance on such information or statistics.

SOURCES OF INFORMATION

In connection with the Global Offering, we have commissioned AME, an independent third party, to conduct research and analysis of, and to produce a report on, the global coal market. AME is a research and advisory firm headquartered in Sydney, Australia, with offices in Hong Kong, Toronto, London and Johannesburg. AME provides professional resource engineering and industry analysis services across the energy, metals and mining industries. AME’s independent research was undertaken through both primary and secondary research through various resources. Primary research involved contacting market participants and industry experts, such as producers, steelmakers and industry consultants and associations. Secondary research involved desktop research of government departments and statistics, trade data, industry journals, company reports, information in the public domain and data from AME’s proprietary research database. AME attempted to obtain information from multiple sources to cross-reference and ensure consistency. Information and data collected was analysed, assessed and reasonably validated using AME’s in-house techniques.

The Industry Report has been prepared by AME independent of our influence. We have paid AME a fee of US$70,000 for the preparation of the report which we consider in line with market rates. Except as otherwise noted, all data and forecasts in this section are derived from the Industry Report. Our Directors confirm, after taking reasonable care, that there is no adverse change in the market information since the date of the Industry Report which may qualify, contradict or have an impact on the information disclosed in this section.

OVERVIEW

Coal Types and Uses

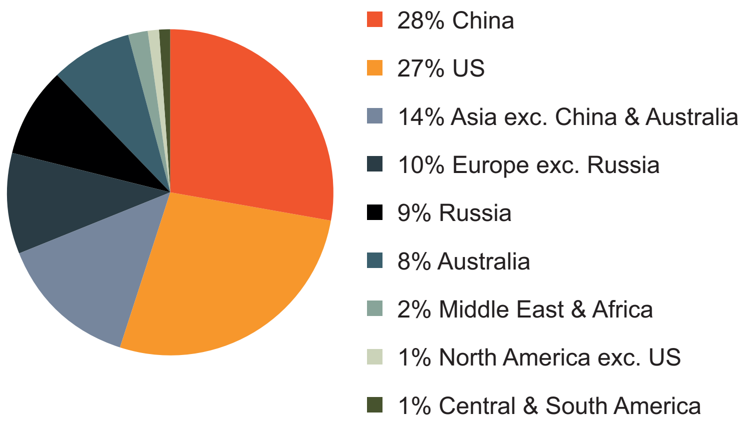
Coal falls broadly into two main types based on its end-use, namely thermal coal and metallurgical coal. Thermal coal, also referred to as steaming coal, is primarily used as an energy source in the generation of electricity. Other applications include direct heating, space and water heating, process heating and cement manufacturing. Metallurgical coals include premium and standard HCC, SHCC, SSCC and low-volatile or high volatile PCI coal. Premium HCC generally represents a substantial portion of the coal in major steel mill coking coal blends and merchant coke plant blends. Lower ranked coking coals, including SHCC and SSCC, are used as a coking blend component. PCI coal is generally a high calorific value coal which is injected directly into a blast furnace to provide the carbon and heat in the iron-making process.

Coal Quality

Generally, the most important factors that determine coal quality include energy content, mineral matter content (i.e. ash), volatile matter, fixed carbon, sulphur, nitrogen, trace elements and moisture levels. The major controllable determinants are mineral matter content and moisture, both of which are non-useful material and often have detrimental effects on the combustion process, present environmental problems in collection and disposal or, if not properly collected, in air quality, and result in added transportation cost. For metallurgical coal, specific physical and plastic properties are also important.

Global Hard Coal Reserves

At the end of 2016, total proved global coal reserves were estimated to be approximately 1,139 Bt, of which global hard coal reserves were estimated to be 816 Bt. In 2016, the PRC was estimated to hold the largest hard coal reserve base at 230 Bt followed by the U.S. with 221 Bt, while Russia and Australia were estimated to have 70 Bt and 68 Bt, respectively. The following chart shows the geographical breakdown of estimated global hard coal reserves as at the end of 2016.



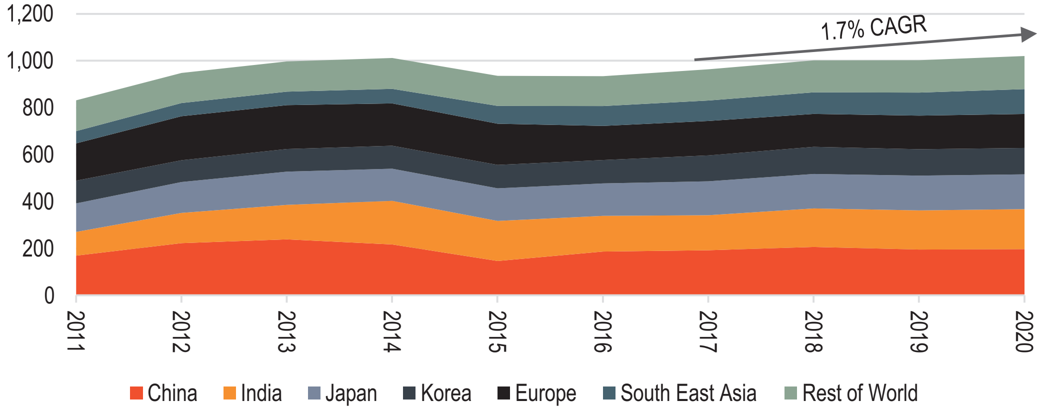
Source: Industry Report; British Petroleum Statistical Review 2017.

Despite significant coal consumption over the last 15 years, total reserves of hard coal as at the end of 2016 increased by over 50% from the prevailing reserve levels in 2002. The greatest increase in reserves came from the PRC and other major producing countries such as Australia and Russia.

SEABORNE THERMAL COAL

Demand Analysis

AME estimates that global seaborne thermal coal import demand in 2016 declined for the third straight year to 934 Mt. However, demand in 2017 grew by approximately 3% to 964 Mt and AME forecasts that demand will reach 1,020 Mt by 2020, representing a CAGR of 1.7% over that period. The following chart shows the estimated seaborne thermal coal demand for key countries and regions in Mt.



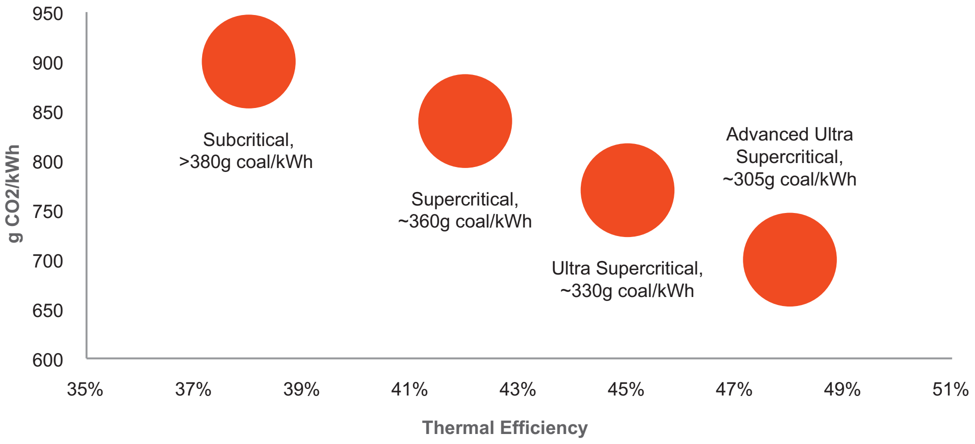
Source: Industry Report.

During the first half of 2016, the PRC imported 70 Mt of thermal coal, an increase of 4.3% year on year. As a result of the PRC government's restrictions on domestic coal supply, domestic thermal coal production in 2016 decreased by 10% to 2.7 Bt. Thermal coal imports in 2016 increased by 26% to 196 Mt, of which 187 Mt was seaborne coal, and grew further in 2017 to 201 Mt, of which 192 Mt was seaborne coal. A shortage of gas in the north of the PRC, which caused end users to switch to coal, saw imports of almost 23 Mt in January 2018, the highest monthly figure since January 2014. Domestic coal production in the PRC is expected to be further impacted by the government's plan to close 800 Mt of coal capacity by 2020, and seaborne coal, which is not subject to these policies, is expected to benefit as a result. In addition, the PRC has recently introduced domestic supply restrictions focused on enforcing environmental and safety rules at existing operations as well as consolidating production around larger, more modern operations.

Japanese thermal coal demand accounted for an estimated 14% of global seaborne thermal coal demand in 2017, and Japanese imports are expected to grow to approximately 148 Mt by 2020. With an estimated 70% of its thermal coal being imported from Australia in 2017, Japan is a key market for Australian thermal coal. Power utilities in Japan generally prefer purchasing high calorific value thermal coal and the Hunter Valley's coal is well suited for the Japanese market. South Korea imported a record 111 Mt of thermal coal in 2017, an increase of 11% over 2016, and South Korean imports are expected to grow to approximately 113 Mt by 2020. However, coal's market share is expected to decline over the long term as South Korea works towards achieving its policy objective of 20% non-hydro renewables by 2030.

Thermal coal's primary use is in electricity production, and thermal coal demand is therefore driven strongly by electricity generation. In 2017, coal accounted for approximately 41% of global electricity generation. This proportion is expected to decline to 39% by 2020, driven by the growth in non-hydro renewables. However, countries in Asia and developing countries continue to install new thermal generation capacity in addition to renewable energy capacity. Over the next few years, coal is expected to continue to be the dominant source of energy, particularly in large developing regions such as the PRC and India, and electricity generation from coal is expected to grow in absolute terms.

A key reason for the continuing role of coal in power generation is the increasing replacement of sub-critical boilers with super-critical and ultra super-critical boilers. This technology, generally referred to as high efficiency, low emissions ("**HELE**"), results in the increase of thermal efficiency in the burning of coal and reduction in the amount of coal burned per kWh, which reduces carbon emissions per kWh. Currently, 14 units of HELE plants are under construction in Japan, eight in South Korea and three in Taiwan, which are key markets in North Asia. Combined with the use of higher energy, lower ash coals, this can lead to further reductions in the emissions intensity of power generation as well as the levels of other pollutants. The following chart shows the increasing efficiency of new coal fired technologies.

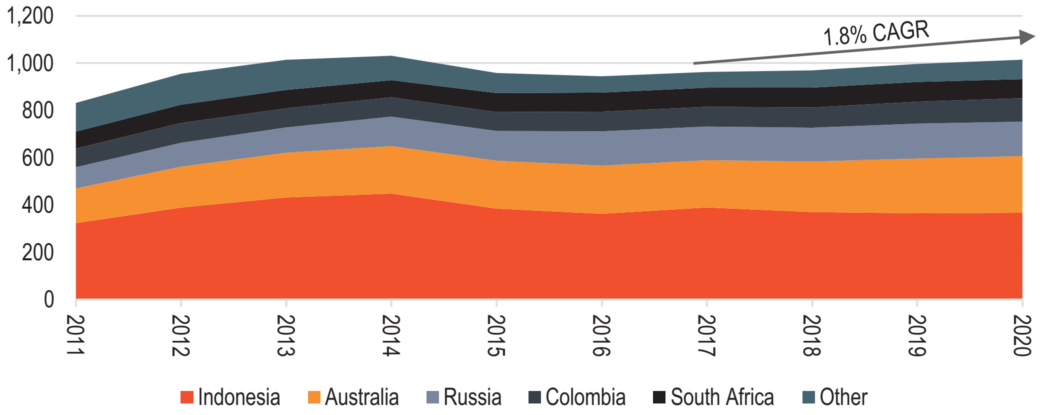


Source: Industry Report; International Energy Agency.

The installation of new thermal coal generation capacity in South and Southeast Asia is expected to result in seaborne thermal coal demand increasing at a CAGR of approximately 1.7% over 2017 to 2020. As markets for domestic coal decline in these regions, producers exposed to the export market will be able to take advantage of diversified marketing opportunities in other markets more reliant on imported coal. Further, producers of high quality coal will be better able to access the PRC market as the government restricts coal production and imports that do not meet their increasingly strict requirements on energy content and trace element levels.

Supply Analysis

AME estimates that global seaborne thermal coal exports fell by 1.5% in 2016. The declining pricing environment from 2014 to the first half of 2016 saw investment in uncommitted new capacity dry up. During this period, several financing institutions began implementing rules limiting their ability to invest in coal related projects, making the financing of new projects more difficult. Despite this, AME estimates that global seaborne thermal coal exports rose by approximately 1.9% in 2017 to 962 Mt and global thermal coal exports are expected to further increase by 0.5% in 2018. AME forecasts that thermal coal supply will grow at a CAGR of approximately 1.8% over the period between 2017 and 2020 to reach 1,014 Mt. The following chart shows the estimated seaborne thermal coal exports from key countries and regions in Mt.



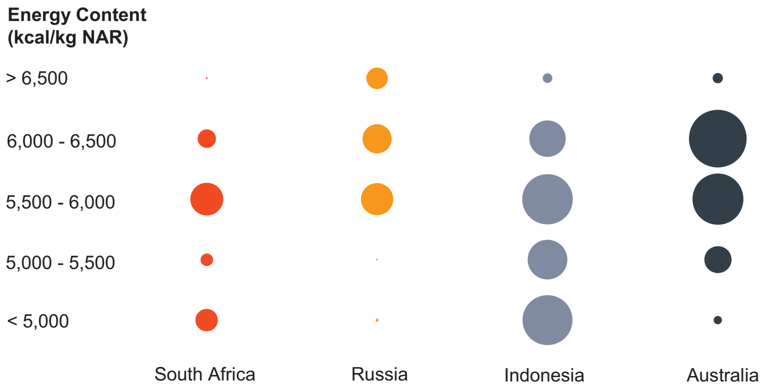
Source: Industry Report.

Australia is the second-largest seaborne thermal coal exporting country by volume, having exported approximately 205 Mt in 2017 which accounted for approximately 20% of the global thermal coal market. Australian seaborne thermal coal exports are estimated to grow by 12% in 2018 and continue to grow to reach 240 Mt in 2020. Australian seaborne thermal coal export products can largely be characterised as low-sulphur, high-energy coals, and are generally compared against either the Newcastle 5,500 kcal/kg net as received ("**NAR**") benchmark or the premium Newcastle 6,300 kcal/kg gross as received benchmark. Extensive historic investment in Australian coal assets by Japanese and South Korean companies has generally seen power plants in these countries designed to run on Australian benchmark coals. The following table sets out the estimated average energy content of seaborne thermal coal in 2017 by country.

	New South Wales	Australia	Indonesia	Colombia	Russia	South Africa
Ash (% adb)	15.7	15.6	4.8	6.9	12.6	17.2
Volatile matter (% adb)	31.6	30.2	40.1	35.1	31.8	25.4
Total sulphur (% adb)	0.6	0.6	0.6	0.6	0.3	0.7
Calorific value NAR (kcal/kg)	5,950	5,800	5,100	6,000	6,050	5,700

Source: Industry Report.

The following chart sets out the energy content of the estimated seaborne thermal coal exports in 2017 of the major coal producing countries.



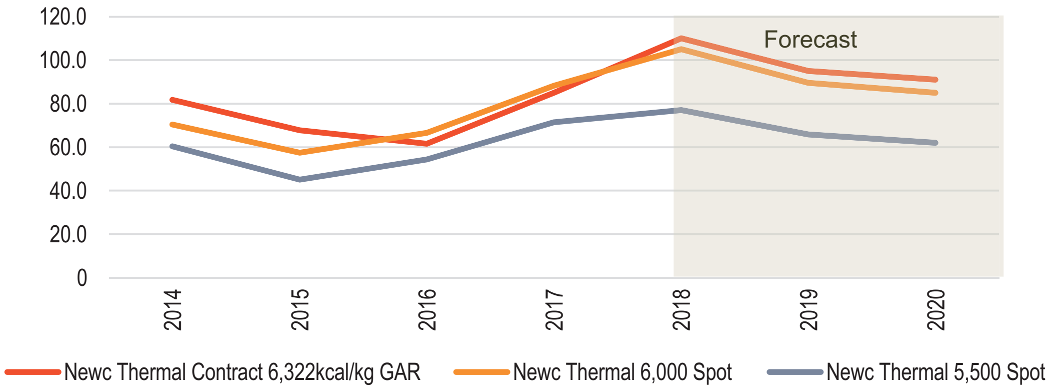
Source: Industry Report.

Note: Ball size represents relative market contribution.

Price Analysis

Historically, thermal coal was priced on the basis of annual supply contracts, with the main contract being the Japanese Financial Year negotiated between Japanese utilities and New South Wales producers for Newcastle benchmark coal. The first spot market developed in Northwest Europe. While the size of the spot market has grown, seaborne thermal coal is still primarily priced on contracts.

Strong demand and limited supply saw the Newcastle spot price in 2017 trade above the Newcastle Japanese Financial Year contract price for the second consecutive year, which is unusual. With the PRC temporarily relaxing its domestic production restrictions in December 2016, premium thermal coal spot prices fluctuated from US$98.5 per tonne at the end of 2016 to US$71 per tonne in May 2017 and US$123 per tonne in July 2018. The average spot price is expected to be approximately US$105 per tonne for the full year and thereafter steadily decline to US$85 per tonne in 2020. This decline is expected based on the assumption that certain projects will commence production over the next two years and ease the tight market conditions that have led to recent high prices. Any delay in the supply of additional coal would result in this tightness persisting longer than expected. As high coal prices have prevailed since the middle of 2017, the discount for high ash coal 5,500 kcal/kg NAR against 6,000 kcal/kg NAR has increased compared to 2011 and 2012. The following chart shows the historical and forecast annual average thermal coal prices in US$ per tonne.

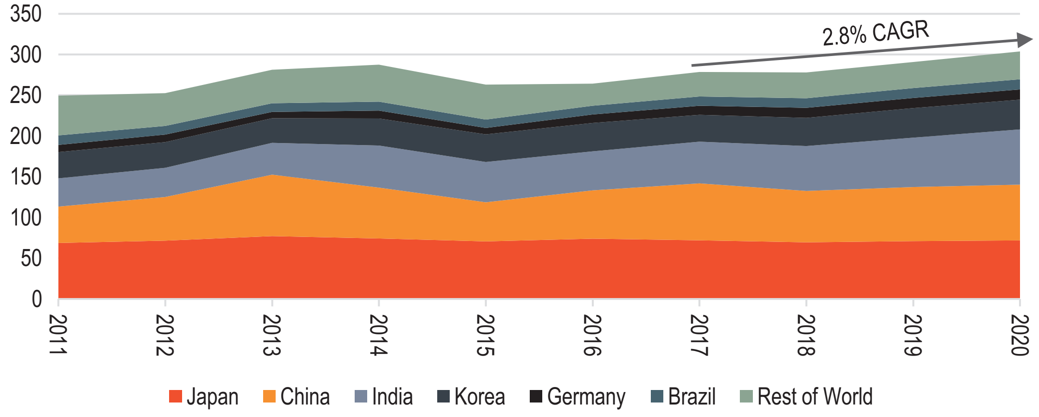


Source: Industry Report.

SEABORNE METALLURGICAL COAL

Demand Analysis

AME estimates that global seaborne metallurgical coal demand will grow from approximately 279 Mt in 2017 to 304 Mt in 2020. The following chart shows the estimated seaborne metallurgical coal demand for key countries and regions in Mt.



Source: Industry Report.

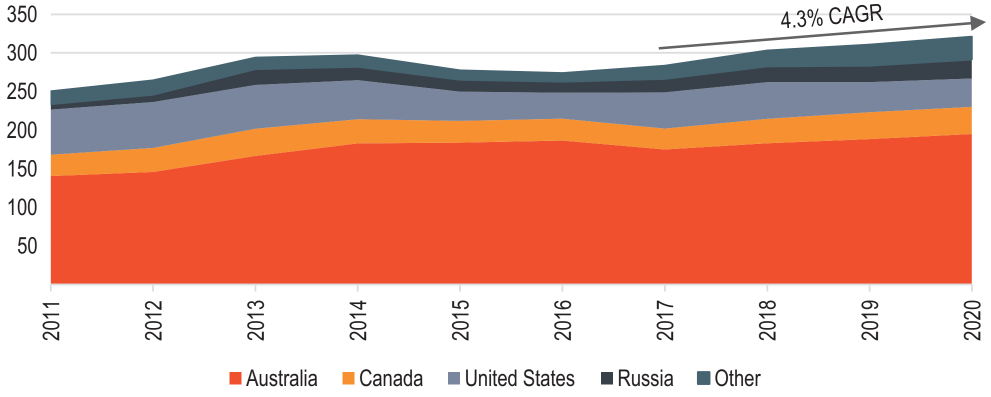
Demand for seaborne export metallurgical coal over the next ten years is expected to shift from a focus on the PRC to India and other emerging markets, particularly in Southeast Asia. The PRC's move from being a net exporter of coal to a net importer was a major contributor to the growth in coal demand in the past decade. The pace of economic growth in the PRC has slowed, and while there is optimism regarding demand in India over the long term the scale of the PRC's boost to demand between 2009 and 2013 is unlikely to be replicated.

Metallurgical coal's primary use is in the production of coke for blast furnace steelmaking, and demand for metallurgical coal is therefore heavily dependent upon crude steel production. Global steel demand growth is expected to increase in the medium term as the PRC's strong property sector and growing infrastructure investment result in higher steel demand. However, as steel demand moves toward more consumer-related sectors such as white goods, demand per capita consumption will begin to level out. The key upside potential to this assumption is the PRC's 'One Belt One Road' policy; the successful implementation of this global infrastructure pathway could see demand per capita continue to rise to the upper end of the demand per capita curve witnessed in developed economies.

In 2017, global crude steel production grew by approximately 4% to 1,688 Mt as steel output was supported by strong demand and prices. In the PRC, crude steel production rose by 3.3% to 832 Mt. Indian crude steel output increased by 6.4% to 102 Mt, benefitting from new projects and robust demand. Finished steel demand is estimated to have grown by 1.3% in 2016 and a further 4.3% in 2017 to reach 1,584 Mt, and is forecast to grow at a CAGR of 1.5% between 2017 and 2020.

Supply Analysis

AME estimates that the global supply of seaborne metallurgical coal will grow from 283 Mt in 2017 to 321 Mt in 2020, representing a CAGR of 4.3%. Over this period, Australia is forecast to continue to account for approximately 53% of seaborne export metallurgical coal supply. The following chart shows the estimated seaborne metallurgical coal exports from key countries and regions in Mt.

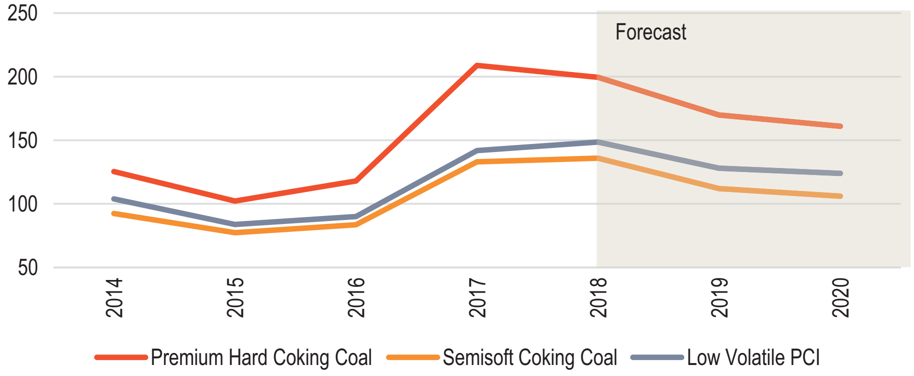


Source: Industry Report.

AME estimates that seaborne metallurgical coal supply was 274 Mt in 2016, and in 2017 increased by an estimated 3.5% year on year to 283 Mt. This strong growth is expected to continue in 2018 with supply increasing to approximately 303 Mt. It is estimated that seaborne metallurgical coal supply will hit 321 Mt by 2020, an increase of approximately 17% from 2016, and grow further in the long term to meet the demand growth from India and other industrialising countries.

Price Analysis

Historically, metallurgical coal prices were negotiated between key Japanese steel mills and large Australian producers on an annual basis. With the rise of spot pricing indices due to the emergence of the PRC and India as large import markets and the resulting pressure on Japanese end users to move to spot pricing, the markets have moved to a quarterly pricing basis. The following chart shows the historical and forecast annual average metallurgical coal prices in US$ per tonne.



Source: Industry Report.

With Cyclone Debbie impacting Queensland in the middle of quarterly benchmark negotiations, Japanese steel producers temporarily moved from the negotiated contract system for HCC to a price reflecting the average of the HCC indices. This led to agreement on quarterly premium benchmark prices approximately equal to the concurrent spot prices and representing an average of US$209 per tonne across 2017. AME expects this price to decline in 2018 to US$200 per tonne. The contract prices for low-volatile PCI coal and SSCC continue to be negotiated on a quarterly basis. Metallurgical coal prices are expected to decline further and bottom out in 2020 before increasing in the long term.

COMPETITIVE LANDSCAPE

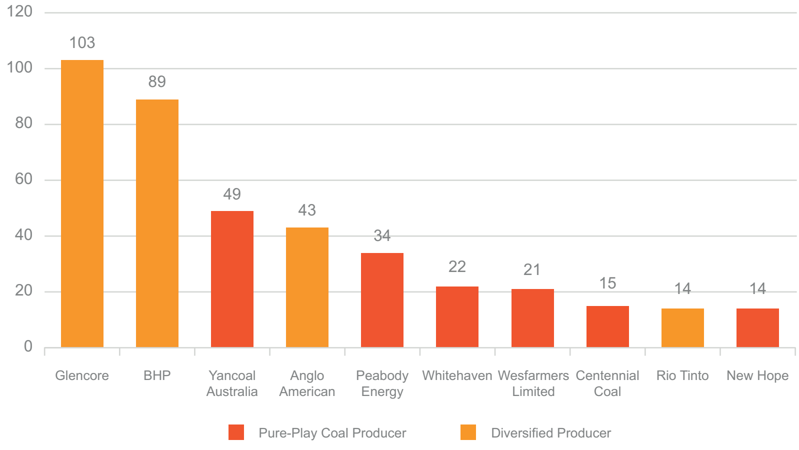
Market Share Analysis

According to AME, we operate in four distinct market segments: thermal coal, HCC, low-volatile PCI coal and SSCC. Thermal coal accounts for nearly 81% of our overall production (on an attributable basis). Our market share in the seaborne export markets for each of these segments as well as in the Hunter Valley thermal seaborne export coal market, on a pro forma basis (as if the C&A Acquisition had been completed on 1 January 2017) for production in 2017 on a 100% basis, are as follows:

Product	Seaborne market share
Hunter Valley thermal coal	21%
Global thermal coal	3%
HCC	1%
Low-volatile PCI coal	10%
SSCC	10%

Source: Industry Report.

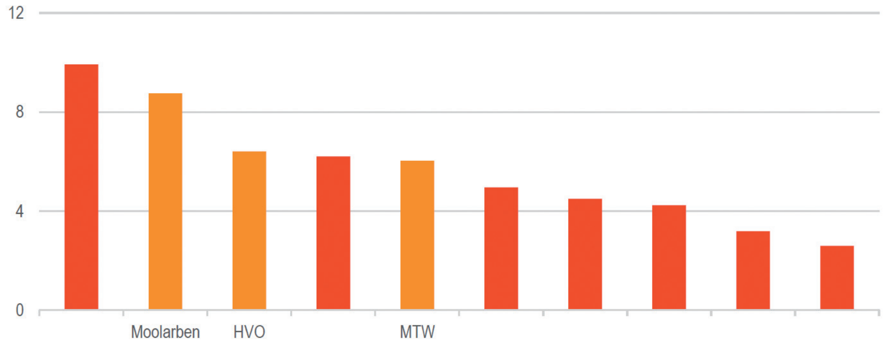
On a pro forma basis, we were the third largest coal producer and the largest pure-play coal producer in Australia in 2017 in terms of both coal production and reserves. The following chart shows the coal production in Mt of the largest coal producers in Australia by production in 2017, on a 100% basis.



Source: Industry Report.

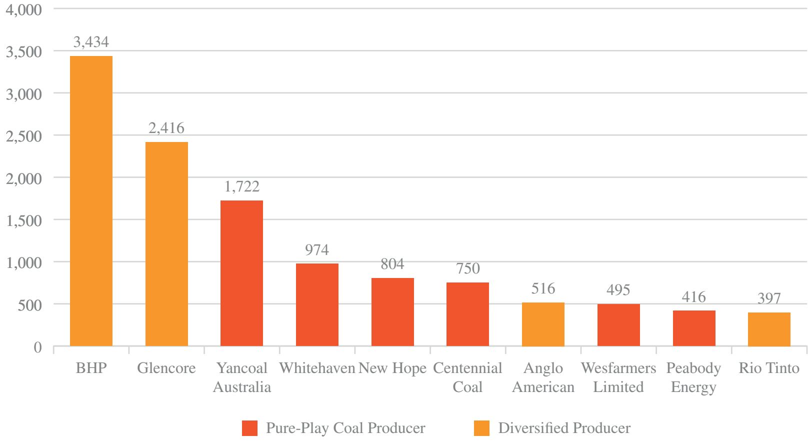
Note: On a pro forma basis assuming the C&A Acquisition completed on 1 January 2017.

Moreover, the Moolarben, HVO and MTW mines are three of the top five majority Australian-owned thermal coal mines (meaning mines for which thermal coal comprises at least 50% of saleable production) in terms of aggregate thermal and metallurgical coal production on a 100% basis in the first half of 2018, as shown in the chart below (in Mt).



Source: Industry Report.

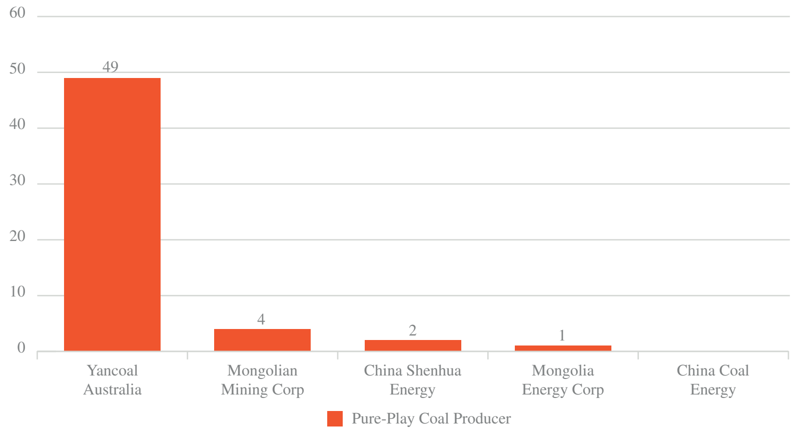
The following chart shows the coal reserves in Mt of the largest coal producers in Australia by reserves in 2017, on a 100% basis.



Source: Industry Report.

Note: On a pro forma basis for the Company assuming the C&A Acquisition completed on 1 January 2017.

When compared to pure-play coal producers listed on the Stock Exchange, we are the largest exporter of coal and the only coal producer whose coal is entirely sold for export overseas, whether directly, through overseas traders or through other Australian coal companies. Coal producers listed on the Stock Exchange largely operate in the PRC and Mongolia, and as a result are exposed to changes in PRC government policy regarding coal mining and coal imports, including policies such as the 276-working day restriction and closure of the border between the PRC and Mongolia. The following chart shows a comparison of our seaborne coal exports in Mt against that of the largest pure-play coal producers listed on the Stock Exchange by exports in 2017, on a 100% basis.

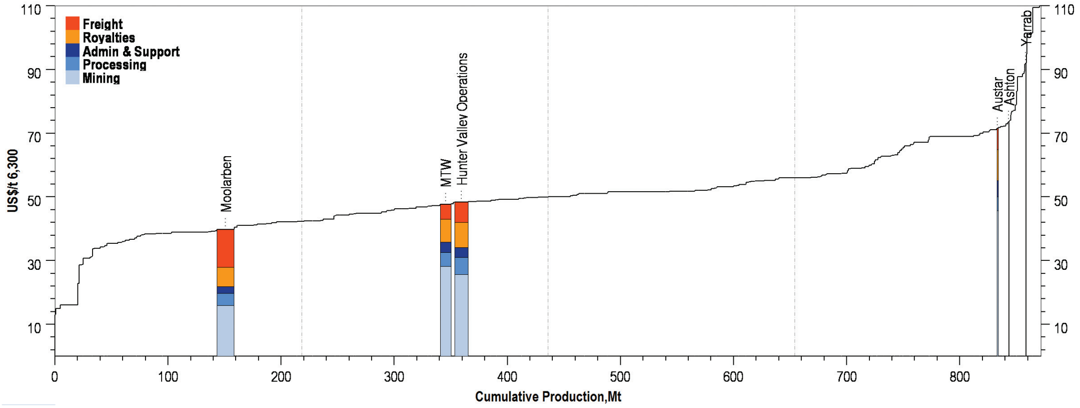


Source: Industry Report.

Note: On a pro forma basis for the Company assuming the C&A Acquisition completed on 1 January 2017.

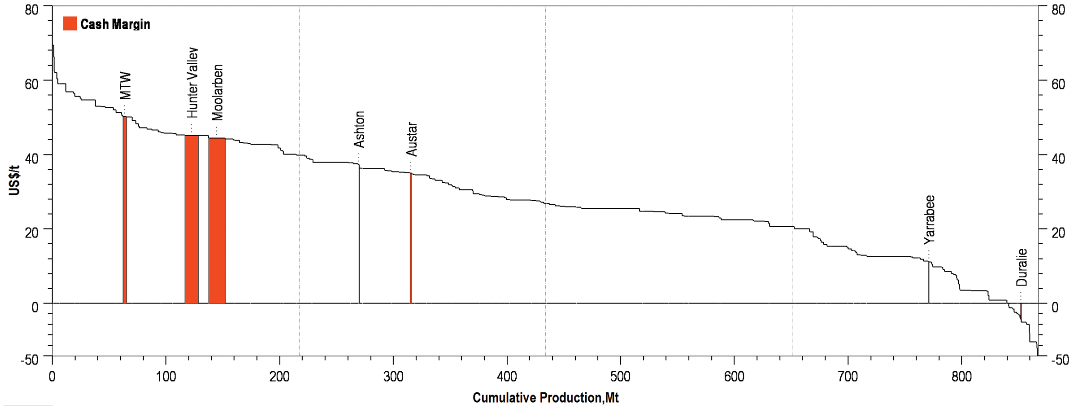
Cost Competitiveness Analysis

On a cash cost curve, the cash costs of Moolarben, HVO (which is operated as an unincorporated joint venture with Glencore) and MTW, our largest thermal coal production assets which together accounted for approximately 88.7% of the total coal sales (on an attributable basis) from our mines in 2017 on a pro forma basis (as if the Moolarben Acquisition, the C&A Acquisition, the Warkworth Transaction and the Glencore Transaction had been completed on 1 January 2017), are all located in the first and second quartiles. The following chart shows the estimated free on board ("**FOB**") cash cost curve for 2018 of our thermal coal producing assets in US$ per tonne on a calorific adjusted basis.



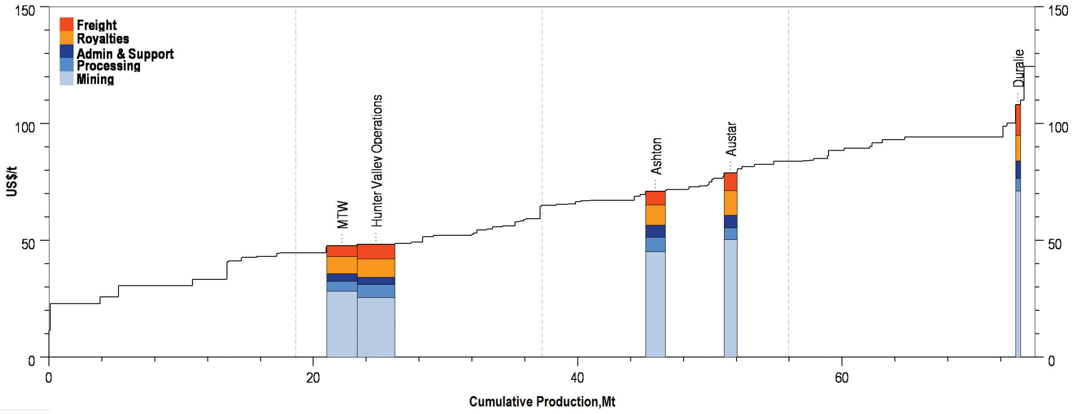
Source: Industry Report.

On a cash margin curve, the majority of our thermal coal production is located in the first and second quartiles, accounting for the higher pricing received for higher quality offsetting higher cost of production. The following chart shows the estimated FOB cash margin curve for 2018 of our thermal coal producing assets in US$ per tonne.



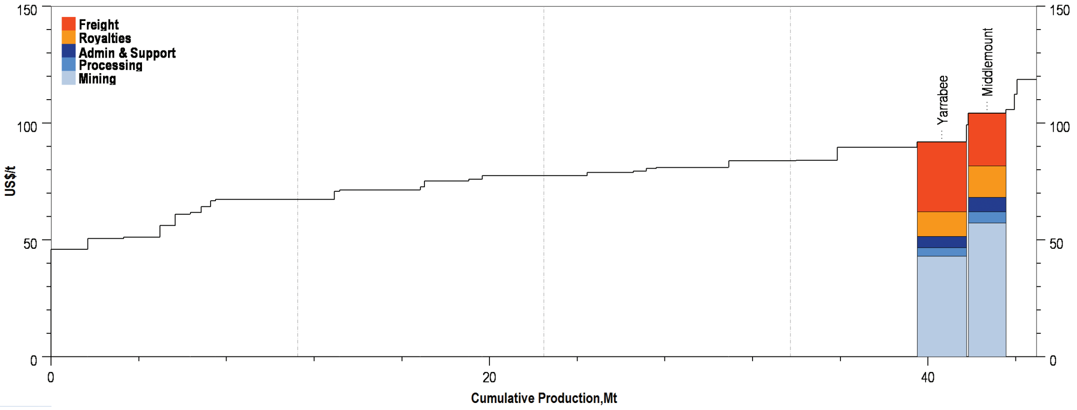
Source: Industry Report.

As most of our SSCC is produced at our large-scale thermal coal operations in the Hunter Valley, the cash costs for these are relatively low. The following chart shows the estimated FOB cash cost curve for 2018 of our SSCC producing assets in US$ per tonne.



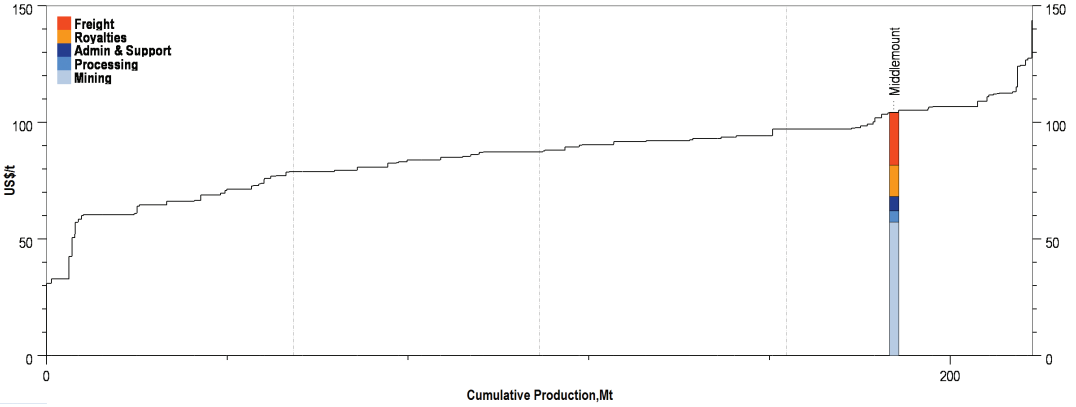
Source: Industry Report.

Our low-volatile PCI coal production is sourced from Middlemount and Yarrabee, where higher strip ratios and complex geology result in higher operational costs. The following chart shows the estimated FOB cash cost curve for 2018 of our low-volatile PCI coal producing assets in US$ per tonne.



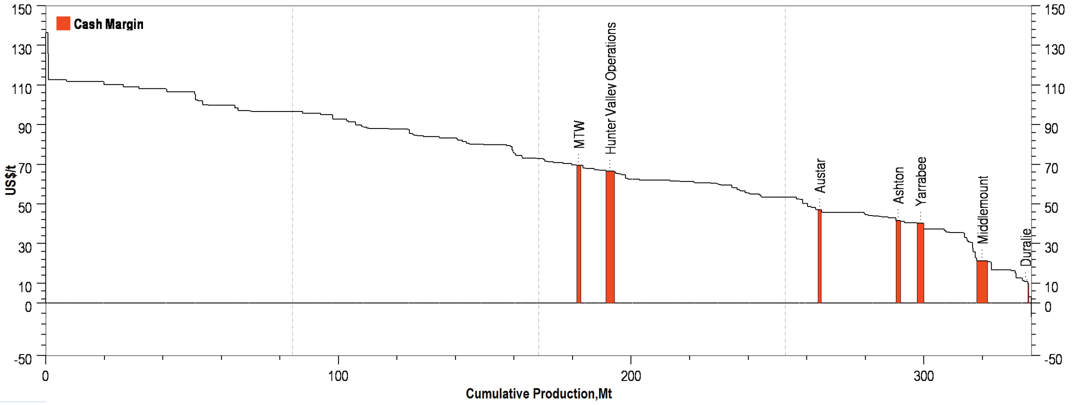
Source: Industry Report.

The following chart shows the estimated FOB cash cost curve for 2018 of our only HCC producing asset, Middlemount, in US$ per tonne.



Source: Industry Report.

As our metallurgical coal operations typically produce lower priced coal, these products have lower margins despite our operations having moderate costs. The following chart shows the estimated FOB cash margin curve for 2018 of our metallurgical coal producing assets in US$ per tonne.



Source: Industry Report.

OVERVIEW

Introduction

We are Australia's largest pure-play coal producer based on aggregate Coal Reserves and marketable coal production, and have been listed on the ASX since 2012. Of all Australian coal producers, we rank third on both these aforementioned metrics, behind only Glencore and BHP. Our principal business activity is the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. In contrast to coal companies that are currently listed on the Hong Kong Stock Exchange, all of the coal we produce is sold for export to customers located overseas, whether directly, through overseas traders or through other Australian coal companies. We believe that the export-oriented nature of our business is a key differentiator as it allows us to obtain global and market-determined indexed pricing for most of our coal sales.

We have ownership interests in, and operate, five coal mine complexes across New South Wales and Queensland, and manage five others across New South Wales, Queensland and Western Australia. Our mining interests in New South Wales include HVO, which is now operated as an unincorporated joint venture with Glencore, the integrated operations of the MTW open cut mines which are located adjacent to each other, the open cut and underground mines comprising Moolarben, and the integrated operations of Stratford Duralie. Our mining interests in Queensland are located in the Bowen basin and include Yarrabee, and a near-50% share in Middlemount through an incorporated joint venture with Peabody Energy. Our mining interests also include the Ashton, Austar and Donaldson mines in New South Wales, which we manage on behalf of Watagan, our unconsolidated, wholly-owned subsidiary. Additionally, we manage the Cameby Downs and Premier coal mines in Queensland and Western Australia, respectively, on behalf of our Shanghai and Hong Kong listed controlling shareholder, Yanzhou. We also have shareholding interests in three major coal export terminals in Australia.

As at 30 June 2018, the mines we have ownership interests in and operate, Middlemount and the Watagan Mines had, in the aggregate, Coal Reserves of 1,710 Mt, Marketable Coal Reserves of 1,218 Mt, and Measured and Indicated Coal Resources of 5,414 Mt (all on a 100% basis). On an attributable basis, we had Coal Reserves of 1,178 Mt, Marketable Coal Reserves of 837 Mt and Measured and Indicated Coal Resources of 3,964 Mt as at that date. In 2017 and the six months ended 30 June 2018, we sold 19.3 Mt and 16.2 Mt of coal products, respectively, and reported revenue from continuing operations of A$2,601 million and A$2,347 million, respectively.

Our mines and operations employ approximately 4,000 people in addition to the contractors and service providers who support our business, and we seek to continue contributing to the economic growth of the regional Australian areas in which we operate.

History

We have become the largest Australian pure-play coal producer through both organic growth and a series of corporate acquisitions since our incorporation in November 2004.

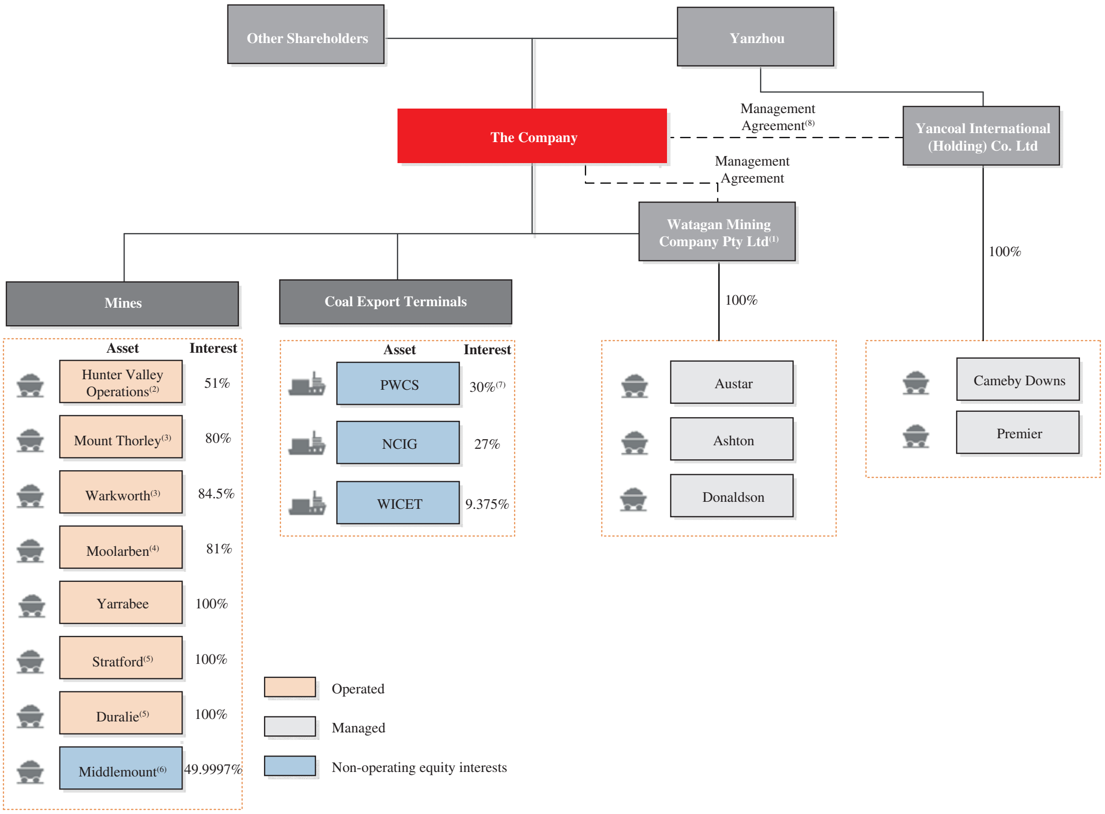
We acquired the Southland mine (renamed Austar) in 2004 and Felix Resources (assets of which included interests in the Moolarben, Yarrabee and Ashton mines) in December 2009. We acquired further interests in the Ashton mine in 2011. We listed on the ASX in June 2012, following our merger with Gloucester Coal, assets of which included interests in the Middlemount, Stratford Duralie and Donaldson mines and the Monash exploration project. Since our listing on the ASX, we have acquired the remaining interests in the Ashton mine and further interests in the Moolarben mine.

In 2014, during the global coal market downturn, we made a major strategic commitment to expand mining operations at Moolarben. Development approval for the Moolarben Stage Two expansion project was received in early 2015 and provided for an increase in ROM production capacity at the low cost Moolarben complex from 8 Mtpa of open cut production to 21 Mtpa across both open cut (13 Mtpa) and underground operations (8 Mtpa). With efficient project management and careful cost control, we were able to execute the Moolarben expansion ahead of schedule and within budget. With construction now complete at both the open cut and underground operations, Moolarben is one of the ten largest producers of thermal coal in Australia based on 2017 saleable production. We have entered into an agreement to increase our interest in Moolarben by 4%, subject to satisfaction of certain conditions precedent.

In March 2016, we transferred our interests in the Ashton, Austar and Donaldson mines to Watagan as part of a structured financing transaction, further details of which are set forth in "*Our Mining Operations – Watagan Mines – Watagan Agreements*". In September 2017 we completed the acquisition of C&A from Rio Tinto, as a consequence of which we acquired interests in HVO and MTW, which are among the ten largest thermal coal operations in Australia, as well as related export infrastructure. In May 2018, we established a 51:49 unincorporated joint venture with Glencore in relation to HVO, one of the mines we acquired as part of the C&A transaction.

Organisational Structure

The chart below sets forth our simplified organisational structure and provides an overview of our assets and operations:


Other Shareholders
Yanzhou
The Company
Management Agreement(8)
Yancoal International (Holding) Co. Ltd
Management Agreement
Watagan Mining Company Pty Ltd(1)
100%
100%
Mines
Coal Export Terminals
Asset
Interest
Hunter Valley Operations(2)
51%
Mount Thorley(3)
80%
Warkworth(3)
84.5%
Moolarben(4)
81%
Yarrabee
100%
Stratford(5)
100%
Duralie(5)
100%
Middlemount(6)
49.9997%
Asset
Interest
PWCS
30%(7)
NCIG
27%
WICET
9.375%
Austar
Ashton
Donaldson
Cameby Downs
Premier
Operated
Managed
Non-operating equity interests

Notes:

(1) Watagan is a wholly-owned subsidiary of the Company. However, Watagan is managed by a board of directors (which we do not control) and therefore under the applicable accounting standards we do not consolidate Watagan in our financial statements. However, we manage and operate the Watagan Mines and receive fees in respect of the management services we provide. See "*Financial Information – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation"* and "*– Our Mining Operations – Watagan Mines – Watagan Agreements*" for further details.

(2) The Hunter Valley Operations, or HVO, are an amalgamation of three previously independent mining operations. We acquired our interest in HVO as part of the C&A Acquisition, following which we managed HVO directly and owned 67.6% of HVO. Upon the completion of the Glencore Transaction on 4 May 2018, our ownership of HVO was reduced to 51.0%, and HVO is operated as a 51:49 unincorporated joint venture with Glencore. The HVO JV is jointly controlled by us and Glencore through the JVMC and is operated by a manager, HV Ops, which is appointed by us and Glencore and reports to the JVMC. See *"– Joint Venture Agreements"* for further details of the joint venture agreement with Glencore.

(3) Mount Thorley and Warkworth are separate mines; however, they are located adjacent to each other and are managed as an integrated operation (pursuant to an operations integration agreement) referred to as MTW. We acquired an 80% interest in Mount Thorley and a 55.6% interest in Warkworth on 1 September 2017 as part of the C&A Acquisition, following which we began managing MTW. On 7 March 2018, we purchased an additional 28.9% of Warkworth from Mitsubishi, which increased our ownership of Warkworth to 84.5% and increased our share of MTW's coal production from 64.1% to 82.9%.

(4) We hold an 81% interest in, and we are the manager of, Moolarben (through our joint venture with Sojitz, which holds 10%, and a consortium of South Korean companies which collectively hold 9%. The Company has entered into an agreement, subject to satisfaction of certain conditions precedent, with one of the Korean consortium members, to acquire an additional 4% interest in Moolarben for total consideration of A$84 million. The acquisition will raise our interest in Moolarben to 85%.

(5) Stratford and Duralie are separate mines; however they are located in proximity to each other and we consider them as an integrated operation which we refer to as Stratford Duralie.

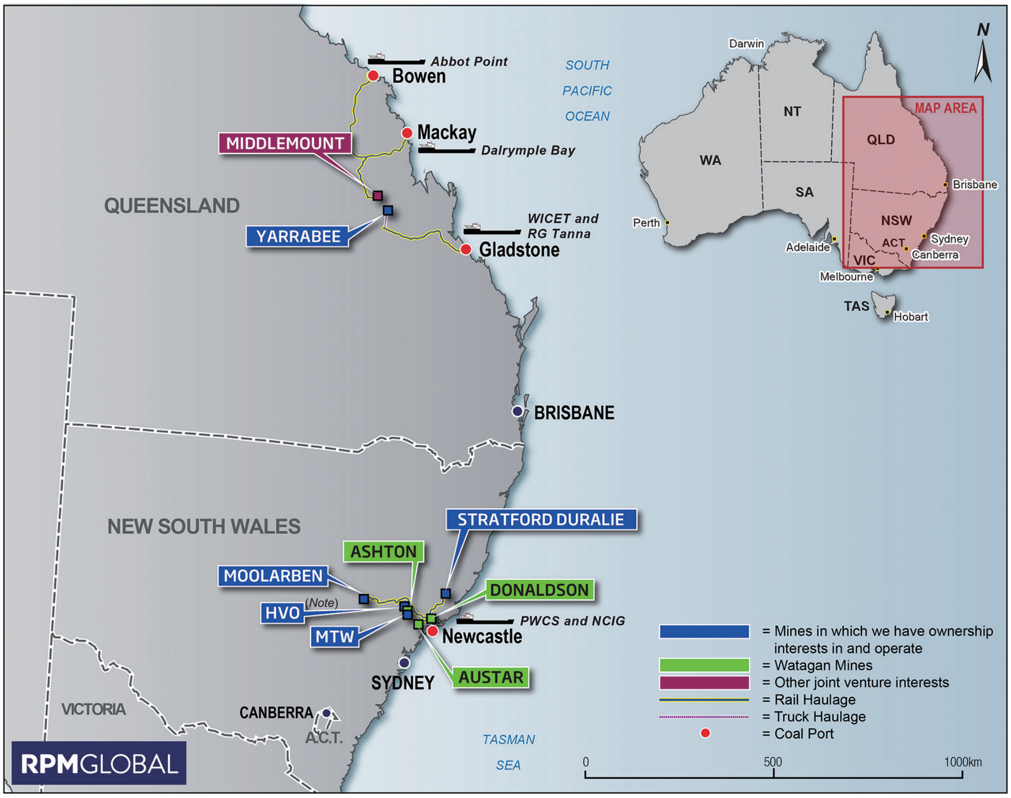
(6) Middlemount is operated by an incorporated joint venture between Peabody Energy and the Company, with the Company having a near-50% interest in the joint venture.

(7) On completion of the Glencore Transaction, the beneficial interest in C&A's shareholdings in Newcastle Coal Shippers, through which we indirectly hold 6.5% of PWCS, was transferred to Glencore Coal (NSW) Pty Limited, a subsidiary of Glencore. As a result, C&A's beneficial interest in PWCS was reduced to 30%. Legal title in Newcastle Coal Shippers remains with C&A until completion of a pre-emptive process, at which time C&A's legal interest in PWCS will transfer to Glencore Coal (NSW) Pty Limited.

(8) The Company provides services to Yancoal International (Holding) Co. Ltd's subsidiaries under the management agreement.

Locations

The following map shows the location of the coal mines we have ownership interests in and operate, the Middlemount joint venture, the Watagan Mines, and the ports and railway network serving these areas:


Abbot Point
Bowen
SOUTH
PACIFIC
OCEAN
Mackay
Dalrymple Bay
MIDDLEMOUNT
QUEENSLAND
YARRABEE
WICET and
RG Tanna
Gladstone
BRISBANE
NEW SOUTH WALES
STRATFORD DURALIE
ASHTON
MOOLARBEN
(Note)
HVO
MTW
DONALDSON
PWCS and NCIG
Newcastle
SYDNEY
AUSTAR
VICTORIA
CANBERRA
A.C.T.
TASMAN
SEA
RPMGLOBAL
N
Darwin
NT
WA
SA
QLD
MAP AREA
Brisbane
NSW
ACT
Sydney
Canberra
VIC
Perth
Adelaide
Melbourne
TAS
Hobart
🟦 = Mines in which we have ownership interests in and operate
🟩 = Watagan Mines
🟪 = Other joint venture interests
= Rail Haulage
= Truck Haulage
● = Coal Port
0
500
1000km

Note:

HVO is operated as a 51:49 unincorporated joint venture with Glencore. The HVO JV is jointly controlled by us and Glencore through the JVMC and is operated by a manager, HV Ops, which is appointed by us and Glencore and reports to the JVMC. See "– *Joint Venture Agreements*" for further details of the joint venture agreement with Glencore.

OUR COMPETITIVE STRENGTHS

We are Australia's largest pure-play coal producer with a seaborne business focused on major Asian export markets including the PRC.

Our business is focused exclusively on coal production and we are the largest pure-play coal producer in the Australian coal sector based on aggregate Coal Reserves and marketable coal production. As at 30 June 2018 the mines we have ownership interests in and operate, Middlemount and the Watagan Mines had, in the aggregate, Coal Reserves of 1,710 Mt (on a 100% basis) and in 2017 they produced, on a pro forma, 100% basis (assuming the completion of the C&A Acquisition as at 1 January 2017) 49 Mt of coal and coal products. In comparison, Whitehaven and New Hope, which are the second and third largest pure-play coal producers in Australia in terms of Coal Reserves, reported 974 Mt and 804 Mt, respectively, of Coal Reserves as at 31 December 2017 each on a 100% basis. In terms of production volume in 2017, Whitehaven and New Hope produced 22 Mt and 14 Mt, respectively, while Peabody Energy, the second largest pure-play coal producer in Australia, produced 34 Mt, of coal and coal products. Only BHP and Glencore produce more coal in Australia than we do, though both are diversified miners who operate a number of other significant commodities businesses in Australia and globally.

Our business is substantially based on exporting the coal we produce to major Asian markets including the PRC. In 2017 we derived all of our revenue from sales of coal for export to customers located overseas, whether directly, through overseas traders or through other Australian coal companies. We believe that the export-oriented nature of our business is a key differentiator, because we are able to obtain global and market determined indexed pricing for most of our coal sales. Conversely, the Chinese coal companies that are currently listed on the Stock Exchange mainly produce and sell coal domestically in the PRC, and are more susceptible to locally regulated pricing, or local production restrictions. Production restrictions on the coal industry that are imposed by the government in China also favour the global seaborne coal market, in which we are a competitive player. Furthermore, the availability of proximate rail and port connectivity to our mines, and the relatively short voyage times from the east coast of Australia to our key export markets, enable us to price our coal competitively for those markets.

We have a diversified portfolio of world class assets that produce high value coal products for our major export markets.

We have ownership interests in, and operate, five mine complexes, namely HVO (which is operated as an unincorporated joint venture with Glencore), MTW, Moolarben, Stratford Duralie and Yarrabee, and also manage the Ashton, Austar and Donaldson mines on behalf of Watagan. We also have a near 50% share of the Middlemount joint venture. We believe that the geological characteristics of our coal deposits enables us to extract coal at a relatively lower cost, with many of our mines receiving some of the highest margins in the market for our coal, according to the Industry Report. Further, our mines are located in close proximity to rail and port facilities, which provides us with a competitive transportation cost advantage. We produce and export a variety of coal grades, which presents significant coal blending and marketing opportunities, and allows us to manage customers' coal quality specifications to maximise financial performance.

Thermal coal accounts for approximately 81% of our overall production (on an attributable basis), and Moolarben, HVO and MTW are the second, third and fifth largest producers majority Australian-owned thermal coal mines (meaning mines for which thermal coal comprises at least 50% of saleable production) in terms of aggregate thermal and metallurgical coal production on a 100% basis in the first half of 2018. All three mining operations have long mine life and produce coal at relatively low cost that is in the first and second quartiles of the FOB cash cost curve and the first quartile of the FOB cash margin curve (see *"Industry Overview – Cost Competitiveness Analysis"*). We believe that Australian thermal coal, with its high energy content and relatively low impurities, is highly valued in our key export markets such as Japan, South Korea and the PRC. Historically, a consequence of extensive investment in Australian coal assets by Japanese and South Korean companies has been that power plants in those countries are designed to efficiently utilise Australian benchmark coals such as those we produce, and as a result Japanese and South Korean power plants are significant end users of our thermal coal.

Furthermore, we anticipate that with the increasing emphasis on reducing greenhouse gas emissions globally and environmental policies that are encouraging a shift to cleaner fuels, the focus of new coal fired power generation in many of our key Asian markets will be on high efficiency, low emission (HELE) technology, in order to reduce the carbon emission intensity of each kWh of electricity produced. It is expected that the focus of coal demand for these HELE plants will be on higher energy, lower ash coals, such as those produced by our mines.

We have a sustainable platform for future growth.

We have a large high quality reserve and resource base that we believe provides us with a sustainable asset base to maintain current and anticipated production, as well as to exploit future brownfield and greenfield opportunities. As at 30 June 2018, the mines we have ownership interests in and operate, Middlemount and the Watagan mines had, in the aggregate, Coal Reserves of 1,710 Mt and Marketable Coal Reserves of 1,218 Mt, and Measured and Indicated Coal Resources of 5,414 Mt (all on a 100% basis). Based on current Marketable Coal Reserves, the average remaining mine life of our mines is 24 years, with HVO (which is operated as an unincorporated joint venture with Glencore), MTW and Moolarben, our flagship mines, having 43, 23 and 20, years of remaining mine life, respectively. These mine lives could increase if we are able to convert Coal Resources to Coal Reserves.

All of our assets are located in Australia, which is a developed economy characterised by a stable political system, well established mining laws and industrial policies, world class safety and environmental standards, as well as favourable investment conditions in the mining sector. We have been listed on the ASX since 2012 and have been subject to its strong corporate governance regime. We have also conducted our business to the required health and safety standards and in compliance with the high standards of environmental regulation in Australia.

We believe that the volume and quality of our coal reserves and resources, together with our operating environment in Australia, provide us with a sustainable platform to capitalise on market opportunities and deliver value to our shareholders.

Our experienced management team is well positioned to pursue growth opportunities and create further shareholder value.

Our management team consists of executives with deep experience in the coal sector and the financial sector. Given their diverse backgrounds, our executives are familiar with operating in a developed, Western-style environment and in pursuing revenue and growth opportunities in Eastern markets. With a strong focus on optimising execution and delivering growth, our current senior management team and board of directors have worked closely together to enable us to attain our current position as the largest Australian pure-play coal producer over the past few years. This has been achieved through a mix of organic strategies, such as the efficient project management and successful implementation of the Stage Two Moolarben expansion project ahead of schedule and below budget, which enabled us to increase ROM production capacity at the low cost Moolarben complex from 8 Mtpa of open cut production to 21 Mtpa across both open cut (13 Mtpa) and underground operations (8 Mtpa), and through inorganic transactions such as the successful acquisition of C&A and the HVO joint venture with Glencore. We believe that given their experience and recent track record, our management is well positioned to create shareholder value through revenue growth, the successful delivery of brownfield and greenfield projects, and opportunistic strategic transactions.

We have valuable and strategic operational and trade relationships as well as strong support from our key shareholders.

We have operational and trade partners who are highly experienced in our industry, as well as key shareholders in Yanzhou and Cinda, who have been instrumental in our development and strategy.

Glencore is one of our key operational partners and is also our shareholder. Our joint venture in relation to HVO combines the experience and efficiencies of two of Australia's largest coal producers, enabling us to benefit from operational synergies. We also expect to benefit from Glencore's economies of scale, through access to group-wide contracts for equipment replacement and parts, overheads and support services rationalisation and mining technology.

We have long-term relationships with end-users in key global markets. Our strong trade relationships with customers in Japan, South Korea, the PRC, Singapore and Taiwan underline our successful marketing efforts in our key export markets. We have also been able to establish long-term relationships with customers through a strategy of focusing on major end-users such as power utilities and steel mills. We are also focused on maximising new sales opportunities generated from the C&A Acquisition, including the marketing of semi-soft coal products into India and Europe and premium thermal coals across Asian markets.

Yanzhou and Cinda, our key shareholders, play an important role in the success of our business and have been supportive of our growth. Yanzhou is one of the leading underground coal producers in the PRC and is listed on the Hong Kong and Shanghai stock exchanges. As a highly regarded and competitive player in the market, Yanzhou has supported us with various aspects of our business, including by taking up US$1.0 billion of its entitlements during the C&A US$2.45 billion entitlement offer in 2017. Cinda, one of the leading coal investors in the PRC, made a strategic investment by underwriting US$734.3 million of the US$2.45 billion entitlement offer in 2017 to finance the acquisition of C&A and subsequently obtained representation on our board of directors.

OUR BUSINESS STRATEGIES

We are committed to continuing our strategic growth and to maximising new opportunities to build our business as a leading low cost coal producer in the global seaborne market with a focus on creating long term value for our shareholders. Our management team remains focused on investing in the Australian resources sector, implementing operational efficiencies, reducing costs, exploring new market opportunities and providing our customers with the certainty of product quality and delivery.

Evaluate and execute portfolio expansion and improvement through value accretive organic and inorganic opportunities.

We believe that we have demonstrated our ability to pursue successful organic and inorganic growth focused on improving our portfolio production mix, i.e., increasing the percentage of sales from our lowest cost operations. We have continued to deliver brownfield expansion projects on time and budget through efficient and robust project management such as our recent execution of the Moolarben Stage Two expansion project which provided for an increase in ROM production capacity at the low cost Moolarben complex from 8 Mtpa of open cut production to 21 Mtpa across both open cut

(13 Mtpa) and underground operations (8 Mtpa), and that our proven project identification and execution expertise positions us well to pursue organic growth opportunities within our existing asset portfolio. The recent successful completion of the acquisition of the low cost C&A operations and the related HVO joint venture with Glencore demonstrate our ability to pursue and complete major strategic transactions, and we will continue to be opportunistic in pursuing such inorganic growth opportunities, with a strong focus on transactions that will be value-accretive to our shareholders.

We believe that our portfolio offers further potential organic growth opportunities, particularly following our acquisition of the C&A assets. These include underground expansion opportunities at MTW, maximising the potential of the open cut operations at Moolarben, and evaluating, together with Glencore, exploitation of opportunities with respect to "barrier coal" deposits in and around HVO. We believe that we have demonstrated the ability to deliver projects on time and within budget.

Continued focus on operational efficiencies to increase mine productivity and reduce operating costs.

We continue to implement operational efficiency initiatives across all our mines, with a commitment to reducing costs and supporting future growth opportunities. We believe that the scale of our operations provides us with an opportunity to share our core operating principles across our business, driving efficiency, performance and productivity to achieve enhanced revenue and profitability.

As we complete the integration of the assets acquired as part of the C&A Acquisition, we aim to improve operational synergies among HVO, MTW and Moolarben in particular, by maximising the benefits of the mines' adjacent geographic locations. These benefits include the potential of increased marketable reserves, mine life and reduced strip ratio/costs as a result of mining coal from barriers between the mining leases (at HVO specifically), equipment optimisation across various sites, as well as coal blending and reduction in take-or-pay liabilities through the optimisation of logistics and port allocation. We continue to explore how varying mining methods may be implemented across these assets and our other operations to improve mine productivity and operational performance, and reduce costs. HVO, MTW and Moolarben are amongst the ten largest thermal coal mines in Australia and are situated in close proximity to a common railway network.

Specific recent synergy initiatives we have undertaken with regard to the C&A assets include a focus on utilisation requirements for heavy mobile machinery, review of loading fleet capacity, implementation of greater operational accountability and monitoring measures, as well as a dragline shutdown cost reduction project at MTW. We have also obtained benefits from our enhanced scale of operations resulting in cost reductions from vendors and other counterparties, including negotiated price reductions for rail haulage services at HVO and MTW.

We intend to continue increasing productivity across our fleet of excavators, bulldozers, graders and haul trucks, by optimising our maintenance practices to ensure improvements in equipment availability, and by providing best practice training to our personnel to enhance equipment utilisation. To optimise costs, we continue to seek more favourable terms across the procurement contracts that support our business. The combination of our strategic portfolio improvement and our productivity and cost optimisation initiatives across all operations in recent years have been effective, resulting in our FOB cash costs (excluding royalties) decreasing from A$78/saleable tonne in 2013 to A$63/saleable tonne in the six months ended 30 June 2018 (with respect to coal from the mines we operated in the respective years).

Grow our business in existing markets and new markets, aided by a dynamic product mix strategy.

We intend to continue growing our business in our key thermal and coking coal markets, which are Japan, South Korea, the PRC and Taiwan. During the Track Record Period, we also supplied coal to power plants and steel mills in other Asian countries such as Malaysia, Vietnam, Thailand, India and Indonesia, as well as customers in South America and Europe on an ad hoc basis. We plan to pursue market opportunities that can generate profitable medium to long term returns, particularly against a backdrop of policies intended to reduce long term carbon density. We believe that we have had success in the PRC, where our dedicated focus on key major end users such as Huaneng Power International, Baosteel Stainless Steel and Yuan Li Steel resulted in the PRC's share of our total revenue by end user increasing from 8.3% in 2015 to 24.9% in 2017. We plan to continue targeting a more diverse market portfolio across our focus markets. The Industry Report predicts growth in coal demand in major markets such as India, which continue to be dependent on thermal power and where there are widespread coal supply shortages. While India sources most of its coal from South Africa and Indonesia, Australia is expected to remain an alternative and competitive source of coal for this growing market, which may offer us growth opportunities there.

We believe that anticipating and responding to our customers' changing needs and requirements is an important aspect of our growth strategy and a competitive advantage. Our operating scale combined with the diversity of our assets enables us to deliver a range of coals to meet our customers' specifications. We collaborate with our customers to provide suitable blends, including the generation of new blends, across the product spectrum. The acquisition of C&A has provided us with access to a wider range of coal grades, which has enabled us to realise blending synergies on certain contracts. We also anticipate the further growth of HELE plants across our key Asian markets, which should provide additional opportunities to blend coal to meet the high energy, low emission requirements and specifications of those plants.

Sustain financial discipline and strengthen our balance sheet to support future growth.

We intend to maintain our focus on financial discipline and look for ways to further strengthen our balance sheet to support our future growth. We intend to use a portion of the proceeds of the Offering to refinance our existing indebtedness and reduce our overall weighted average cost of capital.

We also believe that our acquisition of the C&A assets has materially strengthened our balance sheet and created a pathway to a long term sustainable capital structure and future cash flow generation. We believe that following the acquisition our balance sheet is well capitalised, with a gearing ratio (which we define as gross debt divided by total equity at the end of the period) of 0.8 as at 30 June 2018 compared to 3.7 as at 31 December 2016. In addition, we repaid debt of US$450 million in May 2018 and US$50 million in June 2018, which we believe has further improved our financial position. We intend to explore further opportunities to reduce our finance costs, through voluntary prepayments or lower cost refinancings. For example, on 17 September 2018 and 17 October 2018, we further repaid US$150 million and US$100 million, respectively, of our bank and related party debt using excess cash flows generated from operations. Following the completion of the Global Offering and the Australian Entitlement Offer, we expect our leverage ratio to further improve, providing us with the balance sheet and cash flow strength to consider the possibility of meeting the dividend mandate set forth in our Constitution and to pursue strategic opportunities when they become available.

Maintain high standards of safety and responsible working practices.

We believe that we have a strong record of compliance with environmental, health and safety legislation in Australia's highly regulated environment. We aim to maintain high standards of safety across our business. We believe that sound safety practices are a cornerstone of our business and we strive to ensure the provision of a safe workplace for the approximately 4,000 people who work in our mines. To support this commitment, we continue to implement safety training and incident response practices across each of our operations; for example, we have introduced the Critical Controls initiative to identify and mitigate against significant onsite risks.

KEY DATA AND OPERATIONAL METRICS

The following tables set forth certain information relating to each of the coal mines in which we have ownership interests and operate, the Middlemount joint venture and the Watagan Mines:

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)[1][2][10]	MTW (OC)[1][10]	Moolarben (OC/UG)[1]	Stratford Duralie (OC)[1]	Yarrabee (OC)[1]	Middlemount (OC)[1]	Ashton[3] (OC/UG)[1]	Austar[3] (UG)[1]	Donaldson[3] (UG)[1]	Total[11]
Background data										
Location	NSW	NSW	NSW	NSW	QLD	QLD	NSW	NSW	NSW	–
Date of initial operation	1949	1981	2010	1995	1982	2011	2005	1916	2006	–
Interest at the Latest Practicable Date (%)	51.0	Mount Thorley: 80 Warkworth: 84.5 Share of coal production: 82.9	81	100	100	49.9997	100	100	100	–
Designed annual production capacity (Mt)[4]	20.0	18.5	21.0	4.6	3.5	5.4	5.5	5.0	5.1	88.6
Permitted annual production capacity (Mt)[4]	38.0	28.0	21.0	5.6	4.0	5.7	8.6	3.6	6.1	120.6
Tenement expiry dates[5]	14 Apr 2019 – 19 Apr 2038	23 Feb 2020 – 17 Mar 2038	12 Feb 2020 – 31 Aug 2036	5 Apr 2019 – 8 Apr 2037	13 Nov 2018 – 31 May 2044	30 Apr 2020 – 30 Sep 2031	21 May 2020 – 16 May 2035	7 Dec 2018 – 3 Feb 2039	21 Jul 2019 – 30 Jun 2038	–
Remaining mine life (years)	43	23	20	35	38	20	13	17	11	–

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)(1)(2)(10)	MTW (OC)(1)(10)	Moolarben (OC/UG)(1)	Stratford Duralie (OC)(1)	Yarrabee (OC)(1)	Middlemount (OC)(1)	Ashton(3) (OC/UG)(1)	Austar(3) (UG)(1)	Donaldson(3) (UG)(1)	Total(11)
Coal Resources(4)(12) (as at 30 June 2018)										
Measured (Mt) (100% basis)	704	MT:27 W:197	OC:438 UG: 287	OC:11 UG: –	94	73	OC:25 UG: 52	70	OC: 10 UG: 178	2,165
Indicated (Mt) (100% basis)	1,430	MT:75 W:713	OC:105 UG: 131	OC:196 UG: 1	80	47	OC:49 UG: 18	80	OC: – UG: 326	3,249
Measured and Indicated (100% basis)	2,134	MT:102 W:910	OC: 543 UG: 418	OC:207 UG: 1	174	120	OC:74 UG: 70	150	OC: 10 UG: 503	5,414
Inferred (Mt) (100% basis)	1,654	MT: 153 W: 527	OC: 69 UG: 129	OC:76 UG: 35	20	1	OC:70 UG: 15	69	OC: – UG: 95	2,913
Total (100% basis)	3,788	MT:255 W: 1,437	OC:612 UG: 547	OC:283 UG: 36	194	121	OC:144 UG: 85	219	OC: 10 UG: 598	8,327
Attributable to the Group(7)										5,916

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)(1)(2)(10)	MTW (OC)(1)(10)	Moolarben (OC/UG)(1)	Stratford Duralie (OC)(1)	Yarrabee (OC)(1)	Middlemount (OC)(1)	Ashton(3) (OC/UG)(1)	Austar(3) (UG)(1)	Donaldson(3) (UG)(1)	Total(11)
Coal Reserves(6)(12) (proved and probable, as at 30 June 2018)										
Coal Reserves (Mt)										
100% basis	796	MT:8 W:314	OC:189 UG: 67	44	55	87	OC:14 UG: 33	41	62	1,710
Attributable to the Group(7)										1,178
Marketable Coal Reserves (Mt)										
100% basis	554	MT:5 W:220	OC:148 UG: 67	26	42	67	OC:7.8 UG: 18	31	32	1,218
Attributable to the Group(7)										837
Product type	Met/ Thermal	Met/ Thermal	Thermal	Met/ Thermal	Met/ Thermal	Met/ Thermal	Met	Met/ Thermal	Thermal	–

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			
	HVO (OC)[1][2][10]	MTW (OC)[1][10]	Moolarben (OC/UG)[1]	Stratford Duralie (OC)[1]	Yarrabee (OC)[1]	Middlemount (OC)[1]	Ashton[3] (OC/UG)[1]	Austar[3] (UG)[1]	Donaldson[3] (UG)[1]	Total
ROM coal production (Mt)[8]										
2015	–	–	9.0	1.9	3.4	5.5	3.0	0.8	1.8	25.4
2016	–	–	12.2	1.2	3.6	5.3	2.4	1.2	0.3	26.2
2017	19.5	17.7	14.7	0.9	3.4	5.3	2.8	2.0	–	66.3
1H2018	9.1	8.5	9.8	0.3	1.3	2.5	1.0	0.4	–	32.9
Marketable coal production (Mt)[8]										
2015	–	–	6.9	1.4	2.8	4.4	1.4	0.7	1.3	18.9
2016	–	–	9.3	0.9	3.1	4.1	1.1	1.1	0.2	19.8
2017	14.8	11.8	12.4	0.7	2.9	3.9	1.2	1.9	–	49.4
1H2018	6.4	6.0	8.8	0.2	1.1	2.1	0.4	0.4	–	25.4
Coal sales volume (Mt)[9]										
2015	–	–	5.6	1.5	3.0	–	1.3	0.6	1.4	13.4
2016	–	–	7.4	0.9	3.2	–	0.4	0.1	0.1	12.1
2017	3.1	2.5	10.2	0.7	2.8	–	–	–	–	19.3
1H2018	3.8	4.5	6.5	0.3	1.1	–	–	–	–	16.2

Notes:

(1) UG refers to underground mining operations and OC refers to open cut mining operations.

(2) HVO is operated as a 51%:49% unincorporated joint venture with Glencore. The HVO JV is jointly controlled by us and Glencore through the JVMC and is operated by a manager, HV Ops, which is appointed by us and Glencore and reports to the JVMC. See "– *Joint Venture Agreements – HVO*" for further details of the joint venture agreement with Glencore.

(3) Owned but not controlled by us under the applicable accounting standards. See "*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation*", "*– Our Mining Operations – Watagan Mines – Watagan Agreements*" and "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents or outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown*" for further details.

(4) As defined in the JORC Code and as at 30 June 2018.

(5) See "*– Mining and Exploration Licences – Approvals, Permits and Licences to be Obtained*" and "*Appendix III – Competent Person's Report – Appendix F. Tenements*" for further details of the expiry dates of the tenements for each mine site.

(6) As defined in the JORC Code and as at 30 June 2018.

(7) Attributable data is based on our effective ownership interest as at the Latest Practicable Date and is provided on an aggregate, not per mine, basis.

(8) Reported on a 100% basis and subject to the limitations and qualifications set forth in *"Appendix III – Competent Person's Report"*.

(9) Represents ex-mine sales volume reported on an attributable basis and does not include the sales of Middlemount, which is an incorporated joint venture, and Watagan following its deconsolidation from the Group in March 2016.

(10) HVO and MTW were not part of the Group in 2015 and 2016.

(11) Data is subject to rounding, which may result in minor tabulation differences.

(12) The coal resources and reserves stated above must be read in conjunction with the Competent Person's Report in Appendix III to this prospectus which includes the disclosures required as per the JORC Code.

COAL PROPERTIES

Our principal coal products are thermal coal and metallurgical coal, which are widely used in the thermal power and steel production industries, respectively. All of the coal we produce is sold for export to customers located in various key markets across the Asia Pacific region, whether directly, through overseas traders or through other Australian coal companies. The end users for our coal products include major power utilities and steel mills in Japan, South Korea, the PRC, Singapore and Taiwan. During the Track Record Period, we have also supplied coal to power and steel mills in other Asian countries, such as Malaysia, Vietnam, Thailand and Indonesia, as well as customers in South America and Europe on an ad hoc basis.

Thermal coal

Thermal coal is primarily used as an energy source in the generation of electricity. Thermal coal is also used in cement manufacturing and other major energy intensive industries which use heat and/or steam in their production processes. As a result, thermal coal demand is strongly driven by electricity generation and is generally sold at prices which reflect demand and quality.

A wide range of thermal coals are available from Australian coal producers with coal characteristics varying from mine to mine. Australian export thermal coal typically has high energy content, moderate ash levels and is generally low in contaminants such as sulphur and other trace elements that reduce the value of the coal.

Historically, the Hunter Valley region, where two of our flagship mining assets, HVO (which is operated as an unincorporated joint venture with Glencore) and MTW, are located, has been the source of large volumes of high quality bituminous coal. As a result, for several decades these coals have been used as the basis for the design of power plants in the major developed economies of Japan, South Korea and Taiwan, and the developing economies in South-east Asia. Japanese power utilities and some customers in South Korea and Taiwan seek high energy, low ash coal to enhance boiler efficiency and/or reduce ash disposal costs. Our operations typically produce three thermal product coal types based on ash content: low ash, medium ash and high ash. These three product types attract different customers and prices with specifications varying between customers. The PRC remains a major market for imported coal, with demand over 200 Mt per annum. The thermal coal the PRC typically imports coal has a net calorific value ranging from 4,500 – 5,500 kcal/kg, although environmental concerns are likely to drive increased demand for higher quality, lower ash coals.

Metallurgical coal

Metallurgical coal is also known as coking coal. HCC is essential for the production of a strong coke which is used primarily in the steel making process. SHCC and SSCC are lower grades of coking coal that are often blended with HCC to reduce the overall cost of coal for steel production. SSCC can also be used as a substitute for thermal coal. PCI coal can be used as a cost effective replacement for coking coal to some extent.

Australian coking coals are known for their high quality coking characteristics and are generally low in contaminants such as sulphur and phosphorous.

Semi-hard coking coal

SHCC is produced at the Stratford, Austar and Middlemount mines. SHCC is highly regarded by steel mills throughout Asia for various reasons as a blend coal for steel making. For example, Austar SHCC has the highest fluidity levels of any coking coal in Australia and blends well with coking coals of low fluidity.

Semi-soft coking coal

SSCC can be produced in a limited number of seams in the lower Hunter Coalfield within which we have a large footprint. SSCC is highly regarded by steel mills throughout Asia for various reasons, most particularly the low impurities in the coal. Our SSCC is sought in significant and increasing proportions by North Asian steel mills for their coking coal blends.

Pulverised coal injection

PCI coal is generally a high calorific value coal, which is injected directly into a blast furnace to provide the carbon and heat in the iron-making process and can be used as a cost effective replacement for coking coal to some extent. The PCI process increases the economic efficiency of steel-making by using lower cost coals to reduce consumption of higher cost hard coking coals. PCI has become a standard practice in many of the world's major steelworks, particularly in Asia where substantially all of our customers are located.

Coal deposits in the Bowen Basin of central Queensland, where our owned Yarrabee mine and the near 50% owned Middlemount joint venture are located, include extensive resources of low and medium volatile coals that are well-suited to the PCI market.

The table below sets forth average coal characteristics of the coal sold by the mines we have ownership interests in and operate, and Middlemount:

Coal type	Region	Calorific value (Kcal/kg)	Ash (%)	Total moisture (%)	Fixed carbon (%)	Sulphur (%)	Phosphorous (%)	Volatile matter (%)	HGI	Free swelling index	Fluidity (ddpm)
Low Ash Thermal	Hunter Valley	6,322	≤15%	10	53	0.55	0.008	31	50	NA	NA
High Ash Thermal	Hunter Valley	<6,322	>15%	10	53	0.55	0.008	31	50	NA	NA
SSCC	Hunter Valley	6,784	9.5	10	52	0.65	0.023	36	50	7	150
PCI	Queensland	6,767	11.5	9	77.8	0.68	0.096	9.2	72	NA	NA
Coking Coal	Queensland	NA	10	10	69.5	0.43	0.039	19	85	6	20

Note:

Coal qualities are at air dried basis with the exception of Calorific Value which is "gross as received". Total Moisture is as received.

OUR MINING OPERATIONS

Overview of coal mining operations

The table below sets forth the mines in which we have ownership interests and operate and from which we generate income primarily through the sale of coal to the export market. For a description of the ownership interests, see *"– Organisational Structure".*

New South Wales		Queensland	
Mine	**Ownership**	**Mine**	**Ownership**
HVO[(Note)]	51.0%	Yarrabee	100.0%
Mount Thorley	80.0%		
Warkworth	84.5%		
Moolarben	81.0%		
Stratford	100.0%		
Duralie	100.0%		

Note:

HVO is operated as a 51:49 unincorporated joint venture with Glencore. The HVO JV is jointly controlled by us and Glencore through the JVMC and is operated by a manager, HV Ops, which is appointed by us and Glencore and reports to the JVMC. See "*– Joint Venture Agreements – HVO*" for further details of the joint venture agreement with Glencore.

We have a 49.9997% shareholding interest in Middlemount Coal Pty Ltd, the incorporated joint venture which operates the Middlemount mine.

The table below sets forth our managed mines, from which we generate income through management fees:

New South Wales		Queensland		Western Australia	
Mine	**Owner**	**Mine**	**Owner**	**Mine**	**Owner**
Ashton	Watagan	Cameby Downs	Yanzhou	Premier	Yanzhou
Austar	Watagan				
Donaldson	Watagan				

The Ashton, Austar and Donaldson mines are owned by Watagan, which is wholly-owned but not controlled by us under applicable accounting standards, and therefore not consolidated, by us. We receive fees in respect of management services provided to the Watagan Group for the management of the Ashton, Austar and Donaldson mines. See "*Financial Information – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation"* and *"– Our Mining Operations – Managed Mines – Watagan Mines – Watagan Agreements*" for further details.

During the Track Record Period, mining ceased at Donaldson's Abel underground mine in June 2016. Donaldson's coal operation was moved to a "care and maintenance" phase and feasibility studies have been commenced to explore potential future mining options including the introduction of a longwall mining method. As at the Latest Practicable Date, Donaldson had not recommenced operations.

During the Track Record Period, Austar experienced geotechnical issues, safety issues and suspension of longwall production as a result of coal burst incidents, which resulted in investigations and discussions with the Resources Regulator and certain prohibition notices being issued against Austar. Operations at Austar recommenced on 14 August 2018 subject to certain restrictions and remediation measures set out in a notice issued by the Resources Regulator on 3 August 2018. This prohibition notice imposes certain conditions (e.g. with respect to stress measurement tests, amongst other things) relating to mining up to a particular location in the current B4 longwall panel where the longwall equipment will then be recovered and relocated to the next longwall panel for further mining. On 30 August 2018 operations were halted on account of technical issues related to de-stressing activity in certain areas of the long wall, and on 5 September 2018 a prohibition notice was received relating to this activity which was cancelled on 28 September 2018. As at the Latest Practicable Date, the prohibition notice issued on 3 August 2018 remained in force. Further details of geotechnical issues at Austar are set out in "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown*", "*Appendix III – JORC Coal Reserves – Reserves Comments*" and in "*Health, Safety and Environmental Matters – Safety Incidents*".

Mines we have ownership interests in and operate

Our flagship mines are Moolarben, HVO (which is operated as an unincorporated joint venture with Glencore) and MTW, which are respectively the second, third and fifth largest majority Australian-owned thermal coal mines (meaning mines for which thermal coal comprises at least 50% of saleable production) in terms of aggregate thermal and metallurgical coal production on a 100% basis in the first half of 2018. These mines in aggregate accounted for approximately 91.6% of the total coal sales (on an attributable basis) from our mines in the six months ended 30 June 2018 on a pro forma basis (as if the C&A Acquisition, the Warkworth Transaction, the Glencore Transaction and the Moolarben Acquisition had been completed on 1 January 2017). All three mining operations are large, with long mine life, and produce coal at relatively low cost that is in the first and second quartiles of the cost curve (see *"Industry Overview – Cost Competitiveness Analysis" for further details*).

(a) New South Wales mines

(i) HVO

Overview. HVO is a multi-pit open cut mine located 24 kilometres north-west of Singleton in the Hunter Valley Basin of NSW. HVO produces a mixture of thermal and semi-soft coking coal for export to international markets and produced approximately 14.8 Mt of thermal and semi-soft coking product coal in 2017. As at 30 June 2018, HVO had Coal Reserves of 796 Mt and Marketable Coal Reserves of 554 Mt.

History. HVO is an amalgamation of three previously independent mining operations, namely Howick, Hunter Valley No.1 and Lemington. The current West Pit, which was part of the Howick mine, began coal production in 1968. Lemington began coal production in 1971. Hunter Valley No. 1 began coal production in 1979. In 2000, C&A merged Howick and Hunter Valley No.1 to create HVO, and in 2001, Lemington was acquired and merged with these two mines.

Ownership. We acquired our interest in HVO on 1 September 2017 as part of the C&A Acquisition, following which we managed HVO directly and owned 67.6% of HVO. Upon the completion of the Glencore Transaction on 4 May 2018, our ownership of HVO was reduced to 51.0%, and HVO is currently operated as a 51:49 unincorporated joint venture with Glencore. See "*– Acquisitions and Disposals*" below for further details on the C&A Acquisition and the Glencore Transaction and "*– Joint Venture Agreements – HVO*" for further details of the joint venture agreement with Glencore.

Operations. HVO uses dragline and truck and shovel methods, and is operational 24 hours a day, seven days a week. ROM coal is processed through two on-site coal preparation plants to produce low, medium and high ash thermal coals and a semi-soft coking coal for the export market. Product coal is loaded onto trains for transportation 99 kilometres through the Hunter Valley rail network to the PWCS and NCIG loading terminals at Newcastle where it is shipped to international customers.

Expansion potential. The current coal reserves and life of mine plans of HVO exclude potentially significant coal within the boundary pillar of the tenement holding due to restrictions on mining across the tenement boundary on the neighbouring tenement. The establishment of the joint venture with Glencore presents potential for the barrier coal neighbouring Glencore tenements to be exploited together with Glencore. According to the Competent Person's Report, the majority of this coal is within the breakeven strip ratio which would become economic if mining were to occur across the tenement and as such presents upside to the current life of mine plan. We engaged a third party consultant to estimate the potential boundary coal at HVO which indicates that an additional coal tonnage of between 100 and 120 Mt could be exploited with extensions of the current mining pits. Further detailed integrated planning will need to be conducted to confirm the estimated tonnage. As at the Latest Practicable Date, we have no current plans to develop this potential expansion project.

(ii) MTW

Overview. MTW is an integrated operation of two open cut mines, Mount Thorley and Warkworth, located adjacent to each other 15 kilometres south-west of Singleton in the Hunter Valley of NSW. MTW produces a mixture of thermal coal and semi-soft coking coal for export to international markets and produced more than 11.8 Mt of thermal and semi-soft coking product coal in 2017. As at 30 June 2018, Mount Thorley had Coal Reserves of 8 Mt and Marketable Coal Reserves of 5 Mt, and Warkworth had Coal Reserves of 314 Mt and Marketable Coal Reserves of 220 Mt.

History. Both Mount Thorley and Warkworth have been in operation since 1981. C&A became the manager of Mount Thorley in 1989 and purchased an interest in Warkworth in 2001. Under an operational integration agreement entered into in January 2004, the two mines were integrated and managed together to realise operational and mine planning efficiencies.

Ownership. We acquired our interest in MTW on 1 September 2017 as part of the C&A Acquisition, following which we began managing MTW and owned 80% of Mount Thorley and 55.6% of Warkworth. On 7 March 2018, we purchased an additional 28.9% of Warkworth from Mitsubishi Development Pty Ltd which increased our ownership of Warkworth to 84.5% and increased our share of coal production from the integrated MTW mine from 64.1% to 82.9%. See "*– Acquisitions and Disposals"* below for further details on the C&A Acquisition and the Warkworth Acquisition.

Operations. MTW uses a dragline and truck and shovel methods, and is operational 24 hours a day, seven days a week. ROM coal is processed through two on-site coal preparation plants to produce low, medium and high ash thermal coal and semi-soft coking coal for the export market. Product coal is loaded onto trains for transportation 80 kilometres through the Hunter Valley rail network to the PWCS loading terminal at Newcastle where it is shipped to international customers.

Expansion potential. Within the MTW lease areas there is a significant amount of coal identified as potential underground targets. Based on a conceptual level study, potential underground targets at MTW have been identified in the Mount Arthur, Vaux and Bayswater seams which have seam characteristics generally favourable for longwall mining that is currently utilised at our Moolarben, Ashton and Austar mining operations. The conceptual underground mine has an estimated 270 Mt of potential ROM coal mineable reserves over an approximate 40 year mine life. Further details and assumptions of the production estimates of the underground mining targets are set out in *"Appendix III – Competent Person's Report – HVO/MTW Underground Mining Potential – Production Estimate".*

To date, all underground mine planning that has been completed is at a conceptual level only and no capital estimate is available. Further drilling and mining studies are required to determine if any resource is economically viable and before any decision on whether to develop the potential expansion project and commit material resources on developing the project can be made.

(iii) Moolarben

Overview. The Moolarben Coal Complex is an open cut and underground coal asset located approximately 40 kilometres north of Mudgee in the Western Coalfields of NSW. Moolarben produces thermal coal for export to international markets and produced more than 12.4 Mt of product thermal coal in 2017. As at 30 June 2018, the Moolarben open pit operation had Coal Reserves of 189 Mt and Marketable Coal Reserves of 148 Mt and the Moolarben underground operation had Coal Reserves of 67 Mt and Marketable Coal Reserves of 67 Mt.

History. Moolarben open cut mining areas commenced operations in 2010 and underground mining areas commenced operation in 2016. We committed to developing the Moolarben Stage Two expansion project in 2014 during the global coal market downturn. Now fully developed, mining operations at the Moolarben Coal Complex comprise a multi-pit open cut mine, a longwall underground mine, and mining related infrastructure (including coal processing and transport facilities). The integrated Moolarben Coal Complex has approval to produce up to 13 Mt ROM coal from the open cut mine and 8 Mt from the underground mine for a total of 21Mt ROM coal per annum. Moolarben is now one of the top ten thermal coal mines in Australia by saleable production.

We have applied for modification approval to optimise the open cut mine and related infrastructure and increase the production limit of the open cut mine to 16 Mt ROM coal per annum. All necessary documentation has been lodged with the regulator, which is now finalising its assessment. While the timing of a decision will be determined by the Department of Planning and by the Independent Planning Commission, we expect that the application will be determined by the end of 2018.

Ownership. We acquired our interest in Moolarben in December 2009 as part of our acquisition of Felix Resources. We hold an 81% interest in, and we are the manager of, Moolarben (through our joint venture with Sojitz Moolarben Resources Pty Ltd, which holds 10%, and the Australian subsidiaries of a consortium of South Korean companies (comprising Korea Resources Corporation ("**KORES**"), Korea Southern Power Co., Ltd, Korea Midland Power Co., Ltd, Korea Western Power Co., Ltd and Korea South-East Power Corporation), which collectively hold 9%). We have entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019, and adjusted for the economic benefit of the 4% interest from 15 April 2018 that will flow to the Company (the "**Moolarben Acquisition**"). The Moolarben Acquisition will raise our interest in Moolarben to 85%. See note 45 to the Accountants' Report of the Group in Appendix IA to this prospectus for certain stand-alone financial information of Moolarben during the Track Record Period.

Operations. Moolarben utilises conventional truck and excavator methods in its open-cut mining areas, and longwall operations in its underground mining areas. Moolarben is operational 24 hours a day, seven days a week. ROM coal from the open cut operation is processed through an on-site coal preparation plant while ROM coal from the underground operation is bypassed, in each case to produce thermal coals for the export market. Product coal is loaded onto trains for transportation 270 kilometres through the Hunter Valley rail network to the NCIG and PWCS loading terminals at Newcastle where it is shipped to international customers.

Modification. We are seeking approval from the NSW Department of Planning & Environment and Federal Department of the Environment and Energy to modify the current approvals. The modification involves optimisations to approved Stage 1 and Stage 2 operations to increase ROM coal production, minor extensions or reductions to open cut pit limits, rehabilitation, water management and relocated/additional surface infrastructure.

(iv) Stratford Duralie

Overview. Stratford is an open-cut mine located approximately 100 km north of Newcastle in the Gloucester Basin in New South Wales. Duralie is an open-cut mine located in the Southern part of the Gloucester Basin, 20 km south of the Stratford mine. The Duralie operation is integrated with the Stratford Operation through its use of the Stratford infrastructure and processing facilities. Stratford Duralie produces high fluidity semi-hard coking and thermal coals for export to international markets and supplied approximately 0.7 Mt of thermal and semi-soft coking coal in 2017. As at 30 June 2018, Stratford Duralie had Coal Reserves of 44 Mt and Marketable Coal Reserves of 26 Mt.

Ownership. Stratford Duralie is 100% owned by us as a result of our merger with Gloucester Coal Ltd in June 2012 and has been managed by us since.

History. Stratford commenced operations in June 1995 and Duralie commenced mining operations in 2003. Stratford ceased coal production in July 2014 and recommenced operations in May 2018 under the Stratford Extension Project, which was approved in June 2015. This allows for the efficient extraction of additional coal resources within an existing mine and ensures the continuation of Stratford's strong association with the nearby Duralie mine.

Operations. Stratford Duralie uses conventional truck and excavator methods. ROM coal from the Duralie and Stratford coal mines is processed at the centralised Stratford Coal Handling and Preparation Plant. ROM coal from each of the Stratford and Duralie mining areas is washed and blended if required to produce the required export coking and thermal product coal specifications. Product coal is then transported 110 kilometres by rail to the Port of Newcastle for export to international markets. It may also be blended with coals from our other mines to realise premium coal prices for the blended product.

While the Duralie mine is reaching the end of its current mining operations, the Stratford extension project has commenced production, which we expect will contribute to sustained coal production at Stratford Duralie.

(b) Queensland mine

Yarrabee

Overview. Yarrabee is an open cut coal mine located approximately 40 kilometres north-east of Blackwater in central Queensland's Bowen Basin. Yarrabee produces low volatile PCI and thermal coal for export to international markets and produced approximately 2.9 Mt product coal in 2017. As at 30 June 2018, Yarrabee had Coal Reserves of 55 Mt and Marketable Coal Reserves of 42 Mt.

History. Yarrabee commenced production in 1982 as a small open-cut mine with a limited life. Since acquiring the mine, we have delineated further Coal Resources and Coal Reserves that have extended the mine life and increased production.

Ownership. We acquired 100% of Yarrabee in December 2009 as part of our acquisition of Felix Resources.

Operations. Yarrabee uses conventional truck and excavator methods. ROM coal is mined from a number of pits and is either processed at the site's coal handling preparation plant or bypassed for crushing only. About 40% of the ROM coal is bypassed due to its superior in situ quality. Product coal is road hauled to the Boonal load out facility on the Blackwater railway system and then railed 280 kilometres to the RG Tanna and Wiggins Island Coal Terminals at the Port of Gladstone for export to steelmakers in the Asian region.

Yarrabee produces a low volatile, low ash coal that can be blended to produce PCI or thermal coal. In 2017, Yarrabee prioritised PCI coal over thermal coal to maximise increased PCI market demand opportunities.

Middlemount joint venture

Overview. Middlemount is an open cut mine located 90 kilometres north-east of Emerald in Queensland's Bowen Basin. Middlemount produces low volatile PCI coal and hard coking coal used for export to international markets and produced 3.9 Mt of product coal in 2017. As at 30 June 2018, Middlemount had Coal Reserves of 87 Mt and Marketable Coal Reserves of 67 Mt.

History. Full-scale operations at the open cut mine commenced in late 2011.

Ownership. Middlemount is operated by Middlemount Coal Pty Ltd, an incorporated joint venture between Peabody Energy and the Company (with the Company having a near 50% interest in the joint venture). We acquired our interest in the joint venture as a result of our merger with Gloucester Coal Ltd in June 2012.

Operations. Middlemount uses conventional truck and excavator methods. ROM coal is washed at an onsite facility with a ROM capacity of about 5.4 Mtpa. Middlemount produces low volatile PCI coal and hard coking coal for export markets. Product coal is transported 306 kilometres by rail via the Goonyella System to the Port of Hay Point or 306 kilometres by rail via the Newlands network to the Port of Abbot Point. Middlemount has contracted rail and port capacity through Dalrymple Bay Coal Terminal at the Port of Hay Point and Abbot Point Coal Terminal at the Port of Abbot Point.

Watagan Mines

Our interests in Ashton, Austar and Donaldson are held under Watagan, which is one of our wholly-owned subsidiaries. On account of certain financing transactions, however, it was determined that from 31 March 2016 we lost accounting control of Watagan and its subsidiaries and ceased to consolidate it, further details of which are set forth in "*Financial Information – Acquisitions, Disposals and Deconsolidation*". We manage and operate the mines and receives fees in respect of management services provided by us, further details of which are set forth in "*– Watagan Agreements*" below.

(a) Ashton

Overview. Ashton is an operating underground mine and a potential open cut project located 14 kilometres north of Singleton in the Upper Hunter Valley region of NSW. Ashton produces semi-soft coking coal for export to international markets and produced approximately 1.2 Mt semi-soft coking product coal in 2017. As at 30 June 2018, the Ashton underground operation had Coal Reserves of 33 Mt and Marketable Coal Reserves of 18 Mt and the Ashton open cut project had Coal Reserves of 14 Mt and Marketable Coal Reserves of 7.8 Mt.

History. Ashton commenced underground operations in 2005. We acquired 60% of Ashton in December 2009 as part of our acquisition of Felix Resources. We acquired a further 30% interest and the remaining 10% interest in 2011 and 2014, respectively. In June 2016, the NSW Planning Assessment Commission granted approval for an integration modification of Ashton. The modification enables Ashton's underground and open cut project to be integrated with a combined production up to output of 8.6 Mtpa ROM with an underground output of 5.45 Mtpa.

The Ashton operation includes an approved open cut project (the "**South East Open Cut**") which has the potential to produce up to 3.6 Mtpa of ROM coal. While the NSW Land and Environment Court granted approval for the South East Open Cut project (subject to conditions) on 17 April 2015, the NSW Court of Appeal determined to uphold a condition attached to the South East Open Cut project approval, which provides that no development work associated with the project can occur until Ashton Coal Operations Pty Ltd has come to a commercial arrangement with respect to a privately owned property which forms part of the proposed mining area. We have until April 2020 (or April 2022 if extended) to secure such an arrangement. No such arrangement has been agreed to date. We may seek to extend the deadline beyond 2022 to reach agreement with the owner of such property. Given that the South East Open Cut is not included in the Ashton mine's current five-year plan forecasts and Ashton otherwise remains fully operational, we do not expect any material near-term impact on our operations.

Operations. The current Ashton operation consists of a underground multi-seam longwall operation, which will be supplemented by the approved open cut truck and excavator operation in 2025, coal handling and preparation plant and a rail siding. The underground Ashton mine is operational 24 hours a day, seven days a week.

ROM coal from the underground operation is processed through an on-site coal preparation plant to produce a semi-soft cooking coal product.

Ashton is located next to the main northern railway. Product coal is loaded onto trains at a dedicated rail siding and railed 94 kilometres where coal is exported via PWCS at the Port of Newcastle. Product coal is exported to international markets for sale to a number of Asian based steel mills.

(b) Austar

Overview. Austar is an underground mine located 8 kilometres southwest of Cessnock in the Newcastle Coalfields. Austar produces a premium semi-hard coking coal which has very high fluidity, low ash and low phosphorous which makes it a premium blending coal for our customers. Austar produces coal for export to international markets and produced approximately 1.9 Mt of semi-hard coking product coal in 2017. As at 30 June 2018, Austar had Coal Reserves of 41 Mt and Marketable Coal Reserves of 31 Mt.

ROM coal is processed at Austar's Coal Handling and Preparation Plant using a combination of dense medium cyclones and spiral techniques with capacity to process 5.0 Mtpa. Product coal is transported by rail 65 kilometres to the Port of Newcastle for shipping.

History. We purchased 100% of the Southland Coal Mine, which consisted of the former Ellalong Pelton and Southland Collieries with mining operations dating back to 1916, and renamed it Austar in December 2004. Austar commenced operation in April 2005.

Operations. Austar is an underground mine using conventional longwall methods or Longwall Top Coal Caving ("**LTCC**") methods depending on the seam thickness. ROM coal is processed through the on-site coal preparation plant to produce semi-hard coking coal for the export market. Product coal is transferred by conveyor to the rail line for transportation through the Hunter Valley rail network to the PWCS loading terminal at Newcastle where it is shipped to international customers.

Austar faces geotechnical issues relating to coal bursts, rib control and periodic weighting. Investigations are also being conducted into challenging geological structures in the Stage 3 area, which may lead to adverse impact on mine life or permanent shutdown. Longwall production at Austar was suspended for periods of time as a result of coal burst incidents during The Track Record Period, which resulted in investigations and discussions with the Resources Regulator and certain prohibition notices being issued against Austar. Operations at Austar recommenced on 14 August 2018 subject to certain restrictions and remediation measures set out in a notice issued by the Resources Regulator on 3 August 2018. This prohibition notice imposes certain conditions (e.g. with respect to stress measurement tests, amongst other things) relating to mining up to a particular location in the current B4 longwall panel where the longwall equipment will then be recovered and relocated to the next longwall panel for further mining. On 30 August 2018 operations were halted on account of technical issues related to de-stressing activity in certain areas of the long wall, and on 5 September 2018 a prohibition notice was received relating to this activity which was cancelled on 28

September 2018. As at the Latest Practicable Date, the prohibition notice issued on 3 August 2018 remained in force. Further details of geotechnical and safety issues at Austar are set out in "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents or outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown*", "*Appendix III – JORC Coal Reserves – Reserves Comments*" and in "*– Health, Safety and Environmental Matters – Safety Incidents*".

(c) Donaldson

Overview. Donaldson is located in the northeast corner of the Sydney Basin, 25 kilometres northwest of the Port of Newcastle. Donaldson includes an open cut mine which closed in April 2013, and the Abel underground mine which was placed on care and maintenance in June 2016. As at 30 June 2018, Donaldson had Coal Reserves of 62 Mt and Marketable Coal Reserves of 32 Mt.

History. Donaldson is 100% owned by us as a result of our merger with Gloucester Coal Ltd in June 2012 and has been managed by us since. Abel previously produced thermal and semi-soft coking coal for export. However the mine ceased operations in June 2016 and was placed on care and maintenance. Feasibility studies to consider potential future mining options, including possible longwall mining methods, have commenced and the majority of Abel's underground mining employees were successfully redeployed to the neighbouring Ashton and Austar mines.

Operations. Historically, the large majority of past mining at the Donaldson mine was extracted by bord and pillar method. Following extraction, ROM coal was hauled to the third party coal washing and loading facilities at Bloomfield Coal Handling and Preparation Plant. Product coal was transported by rail and exported through the Port of Newcastle.

We moved Donaldson to care and maintenance in 2016 in response to ongoing global market challenges as the operation considers the future development of new underground working areas. Care and maintenance includes the ongoing rehabilitation of the Donaldson site in accordance with existing approvals, as well as the management of the site both above and below ground as we works to consider all options for the potential further mining of the Abel underground. As Donaldson has all required permits and contains coal reserves, recommencement of production is at our discretion, and is dependent on optimal market conditions and the performance of our other operations to best fit our asset portfolio. As at the Latest Practicable Date, Donaldson had not recommenced operations.

(d) Watagan Agreements

Effective on and from 31 March 2016, the Company entered into certain financing arrangements with Watagan and the Bondholders. These arrangements involved the issue of the Watagan Bonds, a loan facility agreement between Watagan and us, and certain other agreements or deeds ancillary to the issue of the Watagan Bonds.

While we wholly own Watagan, upon the issuance of the Watagan Bonds, the Bondholders were given the power to nominate two of its three directors, which together with other terms included in the Watagan Agreements resulted in the determination that we had lost accounting control of Watagan. The loss of accounting control resulted in us deconsolidating the financial results of Watagan as a subsidiary from our consolidated financial statements with effect from 31 March 2016. From that time, we began to account for our equity interest in Watagan as an associate rather than a subsidiary.

Watagan is required to redeem all of the outstanding Watagan Bonds on the maturity date of 8 January 2025 (if the put option is exercised on or after 1 January 2025, the maturity date would be deferred to 1 April 2025), and may elect to redeem any or all of them commencing from 31 March 2019. Additionally, the Bondholders have a put option that allows them to transfer the issued Watagan Bonds at face value to Yankuang during specified put option exercise windows during the first week of January in each of 2019, 2021, 2023 and 2025. The Bondholders may also exercise the put option after 1 January 2019 while an event of default under the bond terms is subsisting in relation to Watagan or Yankuang. The put option must be exercised by a Bondholder in respect of all (but not some) of its respectively held bonds. If the put option is exercised (i) by UNE, as the instructing Bondholder of the investor syndicate, or (ii) with respect to at least 50.1% of the face value of the Watagan Bonds, the put option will be deemed to have been exercised as to all of the bonds.

In accordance with the Watagan Agreements, if Yankuang becomes the sole bondholder of the Watagan Bonds following the purchase of the bonds by Yankuang consequent to the exercise of the put option, certain bondholder rights, including the right to nominate a majority of the board of directors, would terminate, and these rights would revert to the Company as the sole shareholder of Watagan. Watagan would thereafter owe an amount payable to Yankuang for the face value of the put bonds, minus any capitalised interest. Watagan would separately pay to the exercising Bondholders the accrued interest and any capitalised interest on the put bonds.

If (i) Bondholders holding a sufficient proportion of the principal amount of the Watagan Bonds exercise their put option to Yankuang such that Yankuang acquires all of the bonds, (ii) Watagan redeems all of the Watagan Bonds or (iii) certain other events occur (such as a change to the terms and conditions of the Watagan Bonds that gives us the power to nominate the majority of the board of Watagan) that would result in us regaining control of Watagan, we will be required to reconsolidate Watagan as a subsidiary into our consolidated financial statements from the time that control is determined to be regained. See *"Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation"* and "*Risk Factors – We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of operations*" for a discussion of the potential accounting consequences of reconsolidating Watagan. See note 23(a) to the Accountants' Report of the Group in Appendix IA to this prospectus for certain stand-alone financial information of Watagan during the Track Record Period. We do not currently have any plan or intention to effect an early redemption of the Watagan Bonds.

The material decisions of Watagan are made by the Watagan Board. Mine plans for each year and annual capital expenditure and operational expenditure budgets are approved by the Watagan Board. We, as the manager and operator of the mines, have day-to-day operational jurisdiction over the operations (save for any significant revision to the mine plan which must be reverted back to the Watagan Board for approval).

As part of the Watagan Agreements, the following agreements were entered into:

- a Management and Mining Services Agreement between the Company, Yancoal Mining Services Pty Ltd ("**Yancoal Mining Services**", a wholly-owned subsidiary of the Company) and Watagan dated 31 March 2016 for a term of ten years appointing Yancoal Mining Services as the mine operator of each of Ashton, Austar and Donaldson to provide mining services (at a fee of cost plus 5%) and the Company as the exclusive provider of management services (which are largely back office support functions) (for certain fees adjustable based on a consumer price index); and

- a Marketing and Logistics Representation and Infrastructure Agreement each for a term of ten years appointing the Company as (i) the sole and exclusive marketing and logistics representative of the Watagan Group for the promotion, marketing, sale, transportation and handling of all saleable coal produced from the three mines and the purchase of any coal for the Watagan Group from third parties; and (ii) the sole and exclusive provider of infrastructure services and representative of the Watagan Group in relation to management of the port and rail access and rail haulage contracts for the three mines.

These services are generally capable of termination by Watagan on six months' notice, subject to payment of an agreed termination fee.

Managed Mines

We manage the Cameby Downs and Premier Coal mines, located in Queensland and Western Australia, respectively, on behalf of Yanzhou, our majority shareholder. The management services provided by us include corporate support (comprising human resources, treasury, payroll, insurance, financial accounting, reporting, compliance, management support, technical support, marketing and logistics, corporate communications, government and industry relations, business development, IT services and corporate procurement services), operations management (comprising carrying out exploration programs, preparing business plans, using all reasonable endeavors to meet business KPIs, preparing plans of operations as may be required by laws, and other operational services) and other general services. For the provision of these services, we charge a fee on cost plus 5% margin basis, except for any third party charges attributable to the provision of the management services which will be charged (proportionately) at cost. Further details of the agreements are set out in *"Connected Transactions – Provision of Management Services by the Company"*. We will also purchase coal produced by the managed mines for back-to-back on-sale to end customers, with the purchase price being determined with reference to industry index prices and coal quality characteristics.

EXPLORATION PROJECTS

We have two exploration projects, Monash and Oaklands, both located in NSW. The Monash underground project is situated in the Hunter Valley and has reported Coal Resources of 96.8 Mt of thermal coal (16.8 Mt Indicated and 80 Mt Inferred as at 30 June 2018). The Oaklands project is a sub-bituminous thermal coal deposit located near the Victoria border. No Coal Resources have been reported for this project. Both of these projects are long term greenfield development opportunities which require additional exploration, scoping studies and development strategies to realise a path to commercial development. As at the Latest Practicable Date, we have no current plan to develop these projects.

JOINT VENTURE AGREEMENTS

HVO

Pursuant to the Glencore Transaction, Coal & Allied Operations Pty Ltd ("**CNAO**", a wholly owned subsidiary of the Company), Anotero Pty Ltd ("**Anotero**", a wholly owned subsidiary of Glencore) and HV Ops which is 51% owned by CNAO and 49% owned by Anotero) entered into a joint venture agreement dated 4 May 2018 to form an unincorporated joint venture. CNAO has a 51% interest in and Anotero has a 49.0% interest in the HVO JV. The HVO JV is jointly controlled through the JVMC whose powers include the approval of budgets, life of mine and year-by-year five year plans governing the HVO JV's activities, supervision of the manager of the HVO JV, and the approval of development and expansion proposals. The day to day management is delegated to HV Ops as manager of the HVO JV. The JVMC comprises three representatives nominated by CNAO and three representatives nominated by Anotero. The general manager of the HVO JV is nominated by Anotero while the financial controller is nominated by CNAO. Glencore provides corporate support services to the JV including human resources, treasury, payroll, insurance, compliance, technical support, logistics, corporate communications, government and industry relations, corporate procurement and IT services.

MTW

Pursuant to the Co-Venture Deed entered into between R.W. Miller & Company Pty. Limited ("**Millers**", a wholly owned subsidiary of the Company), Pohang Steel Australia Pty. Limited and Pohang Iron & Steel Company Limited dated 10 November 1981, an unincorporated joint venture was established between Millers and Pohang Steel for the Mount Thorley co-venture with Millers appointed as the manager of the Mount Thorley co-venture. Following the C&A Acquisition, we are, through Millers, interested in 80% and POSCO is interested in 20% of the Mount Thorley Co-Venture.

Pursuant to the joint venture agreement dated 15 March 1977 and the deed of assignment and assumption dated 6 March 2018 entered into among, *inter alios*, Warkworth Mining Limited, CNA Resources Limited (CNAR), CNA Warkworth Australasia Pty Ltd (CNAW), Mitsubishi Materials (Australia) Pty Ltd (MMA), Nippon Steel & Sumitomo Metal Australia Pty Ltd (NSSMA), the parties established an unincorporated joint venture for the Warkworth joint venture. The Operating Committee is responsible for the management and control of the Warkworth Joint Venture and representation on the Operating Committee is based on participating interests.

Pursuant to the Operational integration Agreement dated 4 March 2004, the parties to the Mount Thorley Co-Venture and the Warkworth Joint Venture were integrated at an operational level to share the costs and production of coal between the two joint ventures. Following the C&A Acquisition and the Warkworth Acquisition as described above, we have an economic interest in 82.9% of the integrated MTW operations.

Moolarben

Pursuant to a joint venture agreement entered into between Moolarben Coal Mines Pty Ltd ("**MCM**", a wholly owned subsidiary of the Company), Sojitz Moolarben Resources Pty Limited ("**Sojitz**") dated 21 September 2007, the deed of variation and assumption entered into among, *inter alia*, MCM, Sojitz, Moolarben Coal Operations Pty Ltd ("**MCO**"), a consortium of South Korean companies (comprising Korea Resources Corporation, Korea Southern Power Co., Ltd, Korea Midland Power Co., Ltd, Korea

Western Power Co., Ltd and Korea South-East Power Corporation (collectively, the "**Korean Consortium**") and Hanwha Resources (Australia) Pty Ltd ("**Hanwha**") dated 20 February 2008, and the sale and purchase deed entered into between MCM and Hanwha dated 30 April 2015, an unincorporated joint venture was established among MCM, Sojitz, the Korean Consortium ("**Moolarben JV**") with MCO as manager of the Moolarben JV. MCM is interested in 81%, Sojitz is interested in 10% and the Korean Consortium is interested in collectively 9% of the Moolarben JV. The Joint Venture Policy Committee (the "**JVPC**") is responsible for the management and control of the Moolarben JV. The JVPC's powers include the adoption or modification of mine development and annual programs and budgets and the supervision of MCO. The JVPC comprises representatives nominated by MCM and Sojitz. Each participant can appoint one representative for each 10% interest they hold.

Middlemount with Peabody Energy

Middlemount Coal Pty Ltd ("**Middlemount**") is 49.9997% owned by Gloucester (SPV) Pty Ltd ("**GSPV**", a wholly owned subsidiary of the Company) and 50.0003% owned by Peabody Custom Mining Pty Ltd ("**PCMP**", a wholly owned subsidiary of Peabody Energy), and is governed by an interim shareholders agreement dated 24 December 2010 and six subsequent deeds of amendment and agreement entered into among Middlemount, GSPV and PCMP.

MINING AND EXPLORATION LICENCES

The major mining and exploration licences and authorisations for our operations are set forth in *"Appendix III – Competent Person's Report – Appendix F. Tenements".*

New South Wales

Our mining operations are conducted in accordance with the conditions of Mining Leases and Coal Leases granted under the NSW Mining Act, 1992. Each mine in New South Wales is required to develop a Mining Operations Plan ("**MOP**") as part of the Mining Lease conditions. MOPs provide information about the specific mine operations over the following years, including mining, rehabilitation, decommissioning and closure. Each of our mines' MOPs requires approval of the Department of Industry Division of Resources and Energy.

Our exploration activities are undertaken in accordance with Exploration Licences, Authorisations and Assessment Leases (as applicable) issued by the NSW Department of Resources and Energy which approves exploration of resources, and applies conditions to ensure that exploration activities are undertaken to the satisfaction of the Department.

All tenements (including mining and exploration tenements) under the NSW Mining Act 1992 are subject to periodic renewal. We monitor the expiry dates of our tenements and renew our tenements periodically in the ordinary course of business. Whilst there can be no guarantee that a mining or exploration tenement will be renewed, or that the area of land over which the tenement renewed remains the same, the Directors are not aware of any issues that would compromise the likelihood of a Tenement being renewed in full.

All material environmental permits are in place for the current mining areas at our operations in NSW. These operations also hold ancillary permits, licences, leases and easements that allow the mining activates to operate under the relevant laws, such as water extraction licences. Our licences and permits are subject to regular review and renewal, and additional conditions and/or operational requirements can be imposed.

The material mining and planning and environmental approvals required to operate a coal mine in NSW are as follows:

- a planning approval (or development consent) granted under the *Environmental Planning and Assessment Act 1979 (*"**EP&A Act**");
- an Environment Protection Licence issued under the Protection of the *Environment Operations Act 1997* ("**POEO Act**");
- If required, an approval granted by the Commonwealth under the *Environment Protection and Biodiversity Conversation Act 1999 (Cth)* ("**EPBC Act**");
- a Mining Lease granted under the *Mining Act 1992* (NSW); and
- ancillary approvals for development and activities such water access licences under the *Water Act 1912* (NSW) or the *Water Management Act 2000* (NSW) to authorise the extraction of water, and the consent for road works under the *Roads Act 1993.*

(a) Planning approvals

The EP&A regulates the assessment and approval of coal mining development in NSW. Typically, a coal mining proponent will carry out exploration activities to determine whether an appropriate resource exists. If an appropriate resource is discovered, approval is then obtained under the EP&A Act to authorise production. After planning approval is granted under the EP&A Act, most major environmental approvals (including an Environment Protection Licence under the POEO Act and a Mining Lease under the *Mining Act 1992* (NSW)) are granted.

Our operations in NSW are currently authorised under the EP&A Act (including various modification currently under assessment) and are carried out subject to a suite of conditions issued under the planning approvals.

(b) Environmental approvals

Our mining operations are undertaken in accordance with Environment Protection Licences issued by the NSW Environment Protection Authority under the POEO Act. Environmental Protection Licences outline requirements and limits for activities such as mining coal and emissions. They also establish environmental monitoring and reporting requirements. Environmental Protection Licences for coal mines will most often contain conditions which authorise certain water, noise and air pollution and will typically have monitoring and reporting commitments, and may require a pollution reduction program.

(c) Commonwealth approvals for NSW mining operations

Our mining operations in NSW have an approval from the Commonwealth Minister for the Environment and Energy in accordance with the EPBC Act authorising it to carry out open cut mining operations at mines in NSW subject to specific conditions.

Queensland

Our mining operations are conducted in accordance with the conditions of Mining Leases granted under the *Mineral Resources Act 1989* (QLD). Our exploration activities are undertaken in accordance with Exploration Permits for Coal and Mineral Development Licences (as applicable) issued pursuant to the *Mineral Resources Act 1989* (QLD).

All tenements (including mining and exploration tenements) under the *Mineral Resources Act 1989* (QLD) are subject to periodic renewal. We monitor the expiry dates of our tenements and renew our tenements periodically in the ordinary course of business. Whilst there can be no guarantee that a mining or exploration tenement will be renewed, or that the area of land over which the tenement renewed remains the same, the Directors are not aware of any issues that would compromise the likelihood of a Tenement being renewed in full.

All material environmental permits are in place for the current mining areas at our operations in Queensland. These operations also hold ancillary permits, licences, leases and easements that allow the mining activates to operate under the relevant laws, such as water extraction licences. Our licences and permits are subject to regular review and renewal, and additional conditions and/or operational requirements can be imposed.

Depending on the nature and size of the mining project, the proponent may be required to obtain the following material approvals under Queensland law:

- a declaration that a mining project is a ‘coordinated project’ subject of an environmental impact assessment under the *State Development and Public Works Organisation Act 1971* (Qld) if the project is a large development which may trigger a State level planning approval pathway. An environmental impact assessment would require an approval by the Coordinator-General;

- a Regional Interest Development Approval under the *Regional Planning Interests Act 2014* (Qld); and

- a development permit for project infrastructure or for a material change of use of an environmentally relevant activity under the *Sustainable Planning Act 2009* or associated planning scheme.

The material mining and environmental approvals required to operate a coal mine in Queensland are as follows:

- an Environmental Authorisation issued by the Queensland Department of Environment and Sciences (“**Queensland DES**”) under the *Environmental Protection Act 1994* (Qld) (“**Queensland EP Act**”) which authorises and regulates the mining resource activity;

- If required, an approval granted by the Commonwealth under the EPBC Act;

- a Mining Lease granted under the *Mineral Resources Act 1989* (QLD); and

- a water licence under the *Water Act 2000 (*Qld) for the allocation and use of surface water and groundwater for mining activities.

(a) Planning approvals

Our mining projects and operations in Queensland are carried out in accordance with relevant planning approvals and applicable state, regional and local planning laws and controls.

(b) Environmental approvals

Our mining coal activities in Queensland are undertaken in accordance with Environmental Authorities issued by Queensland DES under the Queensland EP Act. Our Environmental Authorities are subject to conditions which regulate mining activities and emissions.

Typically, an Environmental Authority contains a condition requiring a plan of operations to be prepared on how rehabilitation obligations will be met. The Queensland DES then makes a decision about amount and form of financial assurance that needs to be provided to the Queensland Government to guarantee that there are funds available to the Government to carry out rehabilitation if required. Our operations are carried out in compliance with the conditions of the Environmental Authority including the provision of the plan of operation and financial security to the Queensland Government in respect of our mining activities in Queensland.

(c) Commonwealth approvals for Queensland mining operations

Our mining operations in Queensland have an approval from the Commonwealth Minister for the Environment and Energy in accordance with the EPBC Act authorising it to carry out mining operations at mines in Queensland.

Western Australia

The *Mining Act 1978* (WA) ("**WA Mining Act**") and the *Environmental Protection Act 1986* (WA) ("**WA EP Act**") are the principle pieces of legislation which regulate the environmental impacts of mining in Western Australia.

The key environmental related approvals that are typically required for a large scale mining operation are as follows:

- Mining Proposal, Mine Closure Plan, and Mining Lease approved by the WA Department of Mines and Petroleum ("**DMP**") under the WA Mining Act;

- Ministerial Statement Issued by the WA Minister for Environment under Part IV of the WA EP Act (also referred to as a Part IV Approval);

- Works Approval to construct prescribed polluting activities on premises and an Operating Licence to operate prescribed polluting activities on premises issued by the Department of Water and Environmental Regulation ("**DWER**") under the WA EP Act;

- If required, an approval granted by the Commonwealth under the EPBC Act; and

- ancillary environmental approvals including Groundwater Licence issued by the DWER under the *Rights in Water and Irrigation Act 1914* ("WA Water Act") to take groundwater.

Approvals, Permits and Licenses to be Obtained

As at 14 November 2018, we had the following material regulatory approvals, permits and licences with respect to our mines that are subject to pending renewals:

Regulatory Approval, Permit and Licences	**Expiry Date**
HVO	
Mining lease ("**ML**") 1324	19 August 2014
ML 1337	9 September 2014
ML 1359	1 November 2015
ML 1428	14 April 2019
ML 1482	14 April 2019
Exploration licence ("**EL**") 5291	28 April 2018
EL 5417	8 May 2018
EL 5418	8 May 2017
EL 8175	23 September 2018
Authorisation 72	24 March 2018
MTW	
ML 1412	10 January 2018
Moolarben	
EL 6288	22 August 2017
Stratford Duralie	
Authorisation 311	28 November 2017
Authorisation 315	28 November 2017
EL 6904	9 October 2017
ML1409	6 January 2018
ML1427	5 April 2019
Oaklands	
Assessment Lease 18	25 June 2018
Ashton	
EL4918	17 December 2015
Donaldson	
EL 6964	10 December 2015
Yarrabee	
ML 80050	31 October 2018
Austar	
Mining Purposes Lease 269	7 December 2018

As at 14 November 2018, we had the following material regulatory approvals, permits and licences with respect to our mines that have been applied for but were yet to be granted:

- HVO: ALA 52, ALA 58 and ALA 59; MLA 489, MLA 495, MLA 496, MLA 520, MLA 534, MLA 535, MLA 542, MLA 543; ELA 5525, ELA 5526 and ELA 5527;
- MTW: ELA 5678 and MLA 548;
- Stratford Duralie: MLA 552;
- Middlemount: ML 700027;
- Ashton: MLA 500, MLA 351 and MLA 394; and
- Austar: MLA 521.

The Company does not carry out any activities the subject of an Assessment Lease application or Exploration Licence application until the tenement that is the subject of the application is granted. Similarly, the Company does not carry out any activities the subject of a Mining Lease Application until the production tenement that is the subject of the application is granted.

NSW legislation and regulations passed in 2017 require mining leases to be held in respect of "ancillary mining activities", being processes and infrastructure that support a principal mining operation such as pipelines and roads. Under a NSW Government Gazette, a person will be exempt from the requirement to hold a mining lease in respect of ancillary mining activities carried out or under construction prior to 15 November 2010 ("**Exempt Mining Activities**"), provided those activities had not been abandoned for a continuous period exceeding 12 months (other than for repair or maintenance) and certain other conditions are satisfied, including lodgement of an application prior to 16 November 2017 for the variation of a mining lease or a separate mining lease in respect of Exempt Mining Activities. The Company will have the benefit of this exemption in respect of Exempt Mining Activities in NSW until the relevant applications are determined.

The loss of some or all of our mining licences, coal production licences, safety production licences, environmental or other certificates, approvals or permits may have a material adverse effect on our business, financial condition and results of operations. See "*Risk Factors – We may not be able to obtain all necessary approvals, permits and licences"*. Over the past five years, we have not had any tenement renewal application rejected, and given that there are no material non-compliances identified on any of the current tenements and that we believe that we have appropriate systems in place for managing the timely renewal of tenements, we have no reason to doubt that all production tenements will be successfully renewed in due course. Similarly, the Directors are not aware of any issues that would compromise the likelihood of a production tenement being renewed. On the basis of the above, we believe that there is no material legal impediment for us to obtain or renew the material regulatory approvals, permits and licenses needed for our mines, and no material risk of failing to do so.

INFRASTRUCTURE, TRANSPORTATION AND LOGISTICS

Product coal from our mines is transferred from loading points within the mines to coal wagons (save for Yarrabee in Queensland which is road hauled to the Boonal load out facility on the Blackwater railway system) for transport by rail to the PWCS or the NCIG coal export terminals in the Port of Newcastle (for HVO, MTW, Moolarben, Ashton, Austar and Donaldson in NSW) or Abbot Point Coal Terminal at the Port of Abbot Point or the Dalrymple Bay Coal Terminal at the Port of Hay Point (for Middlemount in Queensland) or RGTCT or WICET coal export terminals at the Port of Gladstone (for Yarrabee in Queensland). Our port and rail capacity is generally contracted via long-term take-or-pay arrangements. Further details of which are set forth in *"– Take-or-pay arrangements"* below.

New South Wales

The NSW network is a regulated network that is often referred to as the Hunter Valley Coal Chain ("**HVCC**") of which our supply chains form a sub-set. Both rail networks and port facilities are regulated and operated by third parties with which we have contracted capacities. According to the Competent Person's Report, the current HVCC and the contracts we have in place for rail and port capacities are sufficient to support our forecast production. Any expansion, including the potential expansion described in *"– Our Mining Operations"* above will require additional rail and port capacity to be secured, as we have done with previous expansion of operations.

NSW Rail Supply Chain

We have contracted "below rail" access to train tracks with the Australian Rail Track Corporation ("**ARTC**"), a federal government owned corporation which manages the interstate rail network in Australia and coordinates rail allocation on the HVCC for each coal producer, for below-rail access in the HVCC. ARTC is regulated by the Australian Competition and Consumer Commission. We have "above rail" contracts for locomotives and wagons with Pacific National, Aurizon Operations, and Genesee & Wyoming Australia. With the exception of Austar (contracted to Pacific National), all our NSW mines can use at least two of the three rail providers named above.

Our rail allocation is under take-or-pay contracts. During the Track Record Period, we have experienced under-utilisation of our contracted railway capacities.

NSW Port Facilities

Coal products from our NSW operations are transported by rail to the Port of Newcastle and exported via PWCS or NCIG, which are operated by third parties. PWCS and NCIG have a combined capacity of 211 Mtpa of which we had aggregate contracted capacity of 54.56 Mt in 2017. We currently have take-or-pay contracts with PWCS and NCIG. During the Track Record Period, we have experienced on-going under-utilisation of contracted port capacities.

(a) PWCS

We acquired a 36.5% interest in PWCS as part of the C&A Acquisition in September 2017. This interest comprises a direct shareholding of 30%, which is held by C&A (and its subsidiaries), and an indirect shareholding of 6.5%, which is held through direct and indirect shareholdings in Newcastle Coal Shippers (which holds a 36.9% shareholding in PWCS). On completion of the Glencore Transaction, the beneficial interest in C&A's shareholdings in Newcastle Coal Shippers was transferred to Glencore Coal (NSW) Pty Limited, a subsidiary of Glencore. As a result, C&A's beneficial interest in PWCS was reduced to 30%. Legal title in Newcastle Coal Shippers remains with C&A until completion of a pre-emptive process, at which time C&A's legal interest in PWCS will transfer to Glencore Coal (NSW) Pty Limited.

PWCS consists of two sub terminals, namely Carrington Terminal and Kooragang Terminal. Carrington Terminal has throughput capacity of 25 Mtpa. Coal is received mainly by rail and some quantities by road, to two offloading facilitates. Kooragang Terminal has throughput capacity of 120 Mtpa. All coal is received via rail into four offloading facilities. HVO, MTW, Moolarben, Stratford Duralie, Ashton, Austar and Donaldson have an aggregate allocation of approximately 35.1 Mtpa with PWCS.

(b) NCIG

We are one of five shareholders, and own 27%, of NCIG, which owns the Newcastle coal export terminal. The terminal has storage capacity of 5.7 Mt, which is allocated based on their respective capacity allocations. NCIG has a current throughput capacity of 66 Mtpa, and we have contracted port capacity allocation of approximately 19.6 Mtpa.

Queensland

The mines of Bowen Basin, including our Yarrabee and Middlemount operations, are connected to the ports by four separate rail networks: Moura, Blackwater, Goonyella and Newlands, which are collectively referred to as the Central Queensland Coal Network ("**CQCN**"). The CQCN have a total capacity of approximately 360 Mtpa.

QLD Rail Supply Chain

Coal from Yarrabee is transported by rail via the Blackwater rail system to the Port of Gladstone while coal from Middlemount is railed via the Goonyella and Newlands rail networks to the Port of Abbot Point.

The "below rail" infrastructure of train tracks of CQCN is owned and managed by Aurizon Network, which is governed by lease arrangements with the State of Queensland. Access to CQCN is regulated by the Queensland Competition Authority. The "above rail" infrastructure of locomotives and wagons is operated by Aurizon and Pacific National. Middlemount has rail contracts with Pacific National while Yarrabee has rail contracts with Aurizon.

QLD Port Facilities

Coal products from our Yarrabee mine is transported by rail to the Port of Gladstone and exported via Wiggins Island Coal Terminal ("**WICET**") or RG Tanna Coal Terminal ("**RGTCT**"). Coal products from Middlemount is transported by rail to the Port of Abbot Point and exported via Abbot Point Coal Terminal or to Port of Hay Point and exported via Dalrymple Bay Coal Terminal.

(a) Abbot Point Coal Terminal

Abbot Point Coal Terminal has coal handling and stockpile areas, a rail unloading facility, a single trestle jetty and a conveyer connected to a berth and shiploader. The terminal has capacity of 50 Mtpa and Middlemount has contracted port capacity entitlements of 3 Mtpa.

(b) Dalrymple Bay Coal Terminal

Dalrymple Bay Coal Terminal has four berths, three shiploaders, a train loading facility and coal stockyards. The terminal has capacity of 85 Mtpa.

(c) Wiggins Island Coal Export Terminal

We are one of five shareholders of, and hold a 9.38% voting interest in, WICET. WICET has offshore wharf and loading facilities, rail unloading facilities, train unloader and stockyard. WICET has a current design capacity of 27 Mtpa and a current contracted capacity of 16 Mtpa.

Details in relation to the insolvency of other shareholders of WICET are set forth in *"Risk Factors – Our investments in, and obligations with respect to, the Wiggins Island Coal Export Terminal may be adversely impacted by, among other things, the insolvency of its other shareholders"*.

(d) RG Tanna Coal Terminal

RGTCT is operated by Gladstone Ports Corporation which is owned by the Queensland government. RGTCT has four berths, three ship loaders, three train unloading stations and coal stockyards with live capacity of 5.8 Mt in up to 22 separate stockpiles. RGTCT has a current capacity of 74 Mtpa.

Take-or-pay arrangements

Port and rail (consisting of above rail infrastructure of locomotives and wagons and below rail infrastructure of train tracks) capacity in New South Wales and Queensland is generally contracted via long-term take-or-pay contracts. We will generally be required to pay for our contracted rail or port tonnage irrespective of whether it is utilised. Unused port or rail capacity can arise as a result of circumstances including insufficient production from a given mine, a mismatch between port and rail capacity for a mine, including timing of new capacity, or an inability to transfer the used capacity due to contractual limitations such as required consent of the provider of the port or rail services, or because the coal must emanate from specified source mines or be loaded onto trains at specified load points. See also *"Risk Factors – Fluctuations in transportation costs and disruptions to our railway and port linkages could disrupt our coal deliveries and adversely affect our business, financial condition and results of operations".*

In 2017, we significantly reduced our take-or-pay exposure for contracted but unutilised capacity from A$74 million to A$65 million in rail and port commitments in excess of planned sales (A$4.7 million of which is attributable to the assets acquired in the C&A Acquisition). Our logistics team continues to implement strategic measures to reduce our take or pay exposures, including the trading of our under-utilised contracted capacity between sites and with third parties on an ad hoc basis.

The table below sets forth the allocated capacity and utilisation of our port and rail allocations in 2017:

Infrastructure(Note)	Service provider	Capacity allocated to	Contracted capacity in 2017 (Mt)	Utilisation percentage	Excess (Mt)
New South Wales					
Port	PWCS, NCIG	Austar, Ashton, Donaldson, Hunter Valley Operations, Moolarben, Mt Thorley Warkworth, Stratford	54.56	77%	12.63
Above Rail	Pacific National, Aurizon		42.40	96%	1.50
Below Rail	ARTC		46.13	95%	2.44
Queensland					
Port	RGTanna, WICET, APCT	Yarrabee, Middlemount	6.20	92%	0.47
Above Rail	Aurizon, Pacific National		6.20	94%	0.37
Below Rail	Aurizon Network		6.20	94%	0.37

Note:

The above rail infrastructure consists of locomotives and wagons and the below rail infrastructure consists of train tracks.

New South Wales

We currently have port and rail capacity commitments across our NSW operations in excess of our production volumes, which represents a cost to our NSW operations. While NSW infrastructure capacity is contracted per mine-site, total contracted capacity can be considered available to all mine-sites as a group as industry mechanisms exist to trade capacity amongst contracted parties. We utilise trading opportunities between our mining operations and with third party mines as a key part of the strategy to reduce overall take-or-pay exposure in NSW in the long term, capture savings as a result of economies of scale; as well as respond to short and mid-term sales or production peaks and troughs without increasing overall cost for the Group.

Upon completion of the C&A Acquisition in September 2017, we became liable for infrastructure capacity under a number of Mount Pleasant related infrastructure agreements, which are currently held by C&A and its subsidiaries or MACH Energy and subject to an infrastructure utilisation deed between the parties. The infrastructure agreements included take-or-pay rail and port commitments with an aggregate annualised A$37 million potential order of magnitude take-or-pay exposure which expired on 31 March 2018 (the "**RT Payment Date**") and our commitment for this period was A$22 million.

Among the infrastructure agreements, a contract for NCIG capacity is in the name of the C&A subsidiary, which is subject to a novation deed transferring that capacity to MACH Energy on first commercial production from Mount Pleasant. MACH Energy must indemnify C&A for all take-or-pay liability in relation to the NCIG capacity following the RT Payment Date, until such time that MACH Energy becomes the holder of that NCIG capacity.

Queensland

Our Queensland mine sites are members of separate coal chains, therefore the opportunity to offset excess take-or-pay capacity is not easily achievable. We have identified synergies between the Middlemount and Yarrabee mine-sites where the opportunity may exist to mitigate the impact of major events or incidents affecting a whole coal chain.

Site Infrastructure

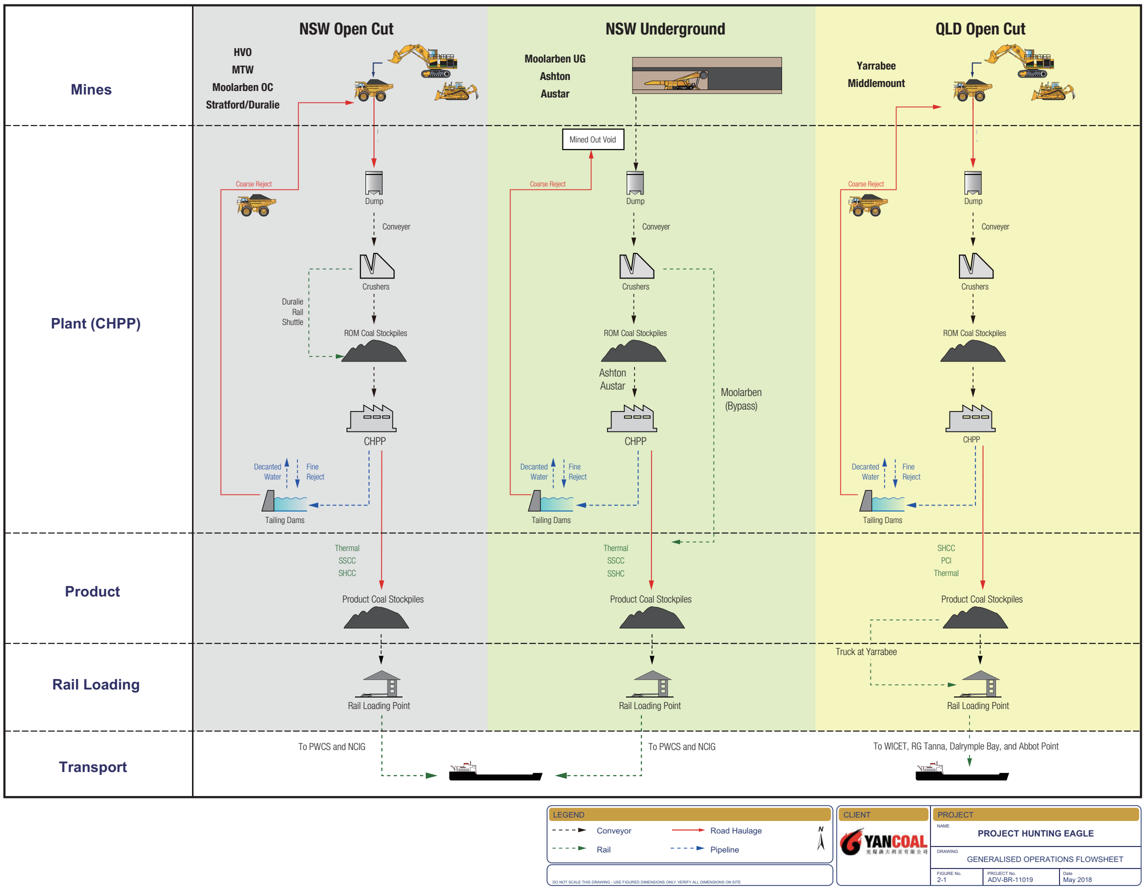
We believe that the supporting regional and local infrastructure for our mines are well established and have capacity to continue supporting our life of mine operation. Our mines are located in close proximity to regional townships and are serviced by national highways and good quality tarred roads. Each of our mining sites has infrastructure that we believe is fit for purpose and in suitable condition to support the estimated project life.

All of our operating mines have installed transport infrastructure such as rail loading facilities, and site access roads conveyers which are generally in good working condition. Our open cut mining projects require periodic construction of haul roads and site access roads which is standard market practice for operating open cut mines.

Our operations are also equipped with facilities such as warehouses, storage yards and emergency-service facilities to support mining activities.

PRODUCTION PROCESS

The following diagram sets forth the key processes in mining operations:


Mines
Plant (CHPP)
Product
Rail Loading
Transport
NSW Open Cut
HVO
MTW
Moolarben OC
Stratford/Duralie
Coarse Reject
Dump
Conveyer
Crushers
Duralie
Rail
Shuttle
ROM Coal Stockpiles
CHPP
Decanted
Water
Fine
Reject
Tailing Dams
Thermal
SSCC
SHCC
Product Coal Stockpiles
Rail Loading Point
To PWCS and NCIG
NSW Underground
Moolarben UG
Ashton
Austar
Mined Out Void
Coarse Reject
Dump
Conveyer
Crushers
ROM Coal Stockpiles
Ashton
Austar
Moolarben
(Bypass)
CHPP
Decanted
Water
Fine
Reject
Tailing Dams
Thermal
SSCC
SSHC
Product Coal Stockpiles
Rail Loading Point
To PWCS and NCIG
QLD Open Cut
Yarrabee
Middlemount
Coarse Reject
Dump
Conveyer
Crushers
ROM Coal Stockpiles
CHPP
Decanted
Water
Fine
Reject
Tailing Dams
SHCC
PCI
Thermal
Product Coal Stockpiles
Truck at Yarrabee
Rail Loading Point
To WICET, RG Tanna, Dalrymple Bay, and Abbot Point
LEGEND
Conveyor
Road Haulage
Rail
Pipeline
N
DO NOT SCALE THIS DRAWING - USE FIGURED DIMENSIONS ONLY. VERIFY ALL DIMENSIONS ON SITE
CLIENT
YANCOAL
PROJECT
NAME
PROJECT HUNTING EAGLE
DRAWING
GENERALISED OPERATIONS FLOWSHEET
FIGURE No.
2-1
PROJECT No.
ADV-BR-11019
Date
May 2018

Extraction and conveyance

We utilise large scale open cut mining methods in our open cut mining operations, which include the removal and storage of topsoil material via truck and FEL methods, drilling of a blast pattern, blasting of fragment rock, excavation of waste material with truck and shovel or excavator in the upper benches and by draglines in lower benches, and digging, loading and hauling of coal via truck and excavator or FEL methods. We utilise additional equipment in some of our operations that are typically lower in unit operating costs if the geological structure permits, such as draglines in HVO and MTW and dozer push in Moolarben and Middlemount for additional waste removal.

We utilise longwall mining in our underground mining operations. Longwall mining roadways are cut by continuous miners around the perimeter of a rectangular block or panel of coal to form ventilation and access passageways. A longwall shearer is set up at one end of the panel and travels back and forth across the width of the panel, cutting a slice of coal with each pass. Coal is then transferred to the surface by conveyers. The area at the coal face is supported by a series of large hydraulic roof supports which provide a protective cocoon for workers to operate safely. Longwall mining is generally considered to be the safest underground extraction method for coal.

Longwall top coal caving ("**LTCC**") is a type of longwall mining applicable to very thick seams (greater than 4.5 metres) where coal is being left because "conventional" longwall equipment typically cannot mine beyond a mining height of around five metres. As a result it generally enables an increased recovery for only an incremental additional cost. LTCC is utilised at Austar when the coal seam is of sufficient thickness.

Coal handling preparation plants ("CHPPs")

CHPPs are typically separated into four functional areas: (1) ROM coal receival, (2) beneficiation or washing, (3) reject disposal, and (4) product coal stockpiling and train loading.

ROM coal receival

ROM coal from the open cut or underground coal faces is trucked or conveyed to the ROM coal receival area where it is crushed to a maximum size (typical <50mm) that enables it to be efficiently washed. ROM coal can also be stockpiled in this area prior to crushing to assist with wash scheduling, blending or when the CHPP is down for maintenance. After crushing, coal is then either stockpiled, and later reclaimed, or fed directly into the plant for washing.

Beneficiation or washing

Washing or beneficiation is the separating of the coal from the waste products. Once fed into the plant, the coal is separated into up to three washing streams being coarse, mid-size and fine-size which are each washed using different types of separating equipment. Coarse coal is washed in a mixture of water and magnetite to create a dense medium in which coal will float and waste will sink. Fine coal uses gravity separation or froth flotation. The washed coal from the streams is conveyed to product stockpiles which may or may not be combined dependent on product types. The sunk waste or reject goes to disposal areas.

Reject disposal

The coarse and fine waste, or reject, can be disposed of together or more commonly disposed separately with coarse reject being trucked to the waste dumps (to be disposed of with the overburden from the mine) and fine reject, or tailings, being pumped to a tailing storage facility.

Product coal stockpiling and train loadout

Washed coal (commonly called product coal, saleable coal or marketable coal) is stockpiled into separate stockpiles depending on its quality. It is then loaded onto trains for railing to the port. Blending can occur on the product stockpiles when two or more separate coal products are combined to meet a particular market specification.

Bypass coal is ROM coal that does not require washing to meet the marketing specification. ROM coal is crushed and bypass coal is placed directly onto the product coal stockpile.

Each of our mining operations has one or two CHPPs on-site, save for Donaldson which historically utilised the third party Bloomfield Coal Handling and Preparation Plant. Most of our on-site CHPPs have sufficient designed and production capacity and are generally well maintained to support the current ROM coal targets at each mine.

Processing and Blending

The products produced by our operations are a mix of premium thermal coal (<15% Ash), semi-soft coking and PCI coals together with mid – high ash thermal coals (15% – 30% Ash). Our premium grade products are typically sold to premium markets where the value of the coal can be reflected by the quality of the product. However, in some circumstances and some markets coal may be blended to satisfy customer requirements. We focus on ensuring that blends satisfy customer requirements, but we also pursue blending strategies to augment our revenue return that would otherwise have been received by selling the products independently. Due to the number of pits, product types and required product specification of our customers, we have the ability to blend ROM coal and washed coal to optimise products and add value. We have a dedicated marketing department which analyses both short term and medium term market conditions with the aim of strategically blending the various coal products from each operation to maximise the revenue generated. In addition, as we further integrate HVO and MTW into our operations, we plan to deploy our blending strategy to further optimise our mining operations.

Blending of our coal products starts at the pits which have the ability to blend coal on the ROM coal stockpiles. Coal is then reclaimed via FEL and trucks for separate stacking and reclaiming based on coal quality prior to processing through our coal processing plants.

Product coal is conveyed or trucked from the CPP to rail loading points and segregated into product coal stockpiles at each loading point. Product coal may be blended from the stockpiles to meet specific customer and marketing requirements, and is then transported by rail to port terminals for seaborne export.

Transportation and Export

Details of the transportation of coal product from our mines to the ports of export are set forth in *"– Infrastructure, Transportation and Logistics"* above.

CUSTOMERS

All of the coal we produce is sold for export to customers located in various key markets across the Asia Pacific region, whether directly, through overseas traders or through other Australian coal companies. The end users for our coal products include major power utilities and steel mills in Japan, South Korea, the PRC, Singapore and Taiwan. During the Track Record Period, we have also supplied coal to power and steel mills in other Asian countries, such as Malaysia, Vietnam, Thailand, India and Indonesia, as well as customers in South America and Europe on an ad hoc basis.

In addition to major power utilities and steel mills in Asia, we also sell coal to customers in the commodities trading business, who purchase our coal for trading purposes or to on-sell the coal to their end customers. We sell to coal traders primarily to (i) enable access into markets where we have no direct relationship with end users and (ii) provide flexibility to sell any short-term unsold positions. Once we have developed relationships with new end users, we may opt to sell to them directly rather than through coal traders. For example, during the Track Record Period, we implemented a sales strategy of shifting away from coal traders in Singapore to sell directly to end users, which resulted in an overall decrease in the percentage of revenue attributable to customers located in Singapore, though total revenue from Singapore increased in line with our overall sales growth.

For the financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, revenue from our five largest customers in aggregate amounted to A$630 million, A$480 million, A$839 million and A$788 million, respectively, representing approximately 47.8%, 38.8%, 32.3% and 33.8% of our revenue, respectively, and revenue from our largest customer in those periods amounted to A$247 million, A$162 million, A$216 million and A$225 million, respectively, representing approximately 19%, 13%, 8% and 9.7% of our revenue, respectively. To the best of our knowledge, as at the Latest Practicable Date, our five largest customers, except for Glencore, were independent third parties.

We have a mix of long term, annual and spot customer contracts. Some of our customer contracts are evergreen in nature, which are annual contracts with the same customer for the same coal type, have been ongoing for several years, and are renewed every year. However, as our strategy is to have a mix of contract tenures in our customer portfolio, we have contracts with tenures for the next three to five, eight to ten and fifteen year periods.

Our strategy is to have a mix of pricing structures in our contractual base. This mix includes fixed prices for contracts of three, six and 12 month periods and spot contracts. Adjustment to fixed prices are typically based on the quality of coal supplied and variation to contract specifications. Sales are also priced on an index basis using indices such as the globalCOAL benchmark price for seaborne thermal coal, API5 and Platts coking coal index for the various product categories.

We have an experienced in-house team responsible for marketing and the co-ordination of marketing of coal for all our mine sites. In addition, there are certain third party marketing arrangements applicable to certain mine sites.

Marketing And Sales Arrangements

Middlemount

Following the merger with Gloucester Coal in June 2012, we acquired the rights to receive a royalty of free on board trimmed sales from the Middlemount Mine. This royalty continues for the life of the Middlemount Mine. The marketing function of Middlemount coal is split between us and Peabody Energy, the joint venture partner.

Moolarben

Moolarben Coal Sales Pty Ltd, a wholly owned subsidiary of the Company, is the exclusive marketing agent for coal produced by Moolarben. The Company has entered into the Moolarben Japan marketing agency agreement, pursuant to which Sojitz has the exclusive marketing rights in respect of all coal produced by Moolarben which is sold to certain entities in Asia.

Ashton

Under the terms of a market representation agreement between Ashton Coal Mines Limited ("**ACM**") and Itochu, Itochu has exclusive marketing rights in Japan in respect of coal produced by Ashton. Itochu has retained these exclusive marketing rights following completion of the Company's acquisition (via its wholly owned subsidiary, White Mining (NSW) Pty Ltd) of the outstanding interests in Ashton.

C&A Marketing and Sales Arrangements

Pursuant to the Glencore Transaction, we were appointed as the exclusive marketing representative for sales of HVO coal products in the PRC, Taiwan (other than for certain specified customers), Thailand and Malaysia.

In connection with the C&A Acquisition, we have entered into coal sale and marketing arrangements with Evercharm International Investments Ltd ("**General Nice**", an entity associated with General Nice Development Ltd.) and Shandong Taizhong Energy Co., Ltd ("**Taizhong**"). General Nice and Taizhong were placement investors in the Company in August 2017.

Under the agreements, we will provide thermal coal to each of Tianjin Belong Faith Energy Minerals Co., Ltd, a subsidiary of General Nice, and Hong Kong Taizhong Energy Pty Ltd, a subsidiary of Taizhong, for a term not exceeding 36 months at a price linked to a published index on terms otherwise materially consistent with market standards. In addition, we have appointed Taizhong to be the exclusive marketing agent for the sale of coal by us to a specified customer in the PRC.

Noble marketing services

Gloucester Coal entered into a marketing services agreement with Noble and Noble Marketing in connection with Gloucester Coal's acquisition of 100% of Noble's interest in Donaldson (prior to the merger between the Company and Gloucester Coal in 2012).

The marketing services agreement appoints Noble Marketing to provide, as and when required by Gloucester Coal, long-term international marketing services, advice and information from time to time in relation to the sale and marketing of coal produced or sold by Gloucester Coal.

These arrangements are obligations of the Company as a consequence of its merger with Gloucester Coal. This appointment of Noble Marketing does not preclude the Company from using its own internal resources instead of Noble Marketing but is otherwise exclusive, with the exception of other pre-existing exclusive marketing arrangements entered into by members of the Gloucester Coal group.

The marketing services fee to be provided for Noble Marketing's services in each calendar year is to be calculated based on the sales of coal by Gloucester Coal. As the transaction amounts had been below the threshold stipulated under the agreement, we have not incurred any fees under the agreement during the Track Record Period. The marketing services agreement will expire on 31 December 2040.

We are involved in certain legal proceedings which involve members of the Noble Group. See "*– Legal Proceedings and Non-compliance*".

QUALITY CONTROL AND PRODUCT DEVELOPMENT

Most of our coal supply agreements require the delivery of coal meeting specified quality thresholds for characteristics such as moisture content, sulphur content and ash content.

We blend and maximise utilisation of our different coal products from our diverse controlled and managed operations to better manage coal quality specifications, meet changing demands and realise higher overall coal product price.

SUPPLIERS

Our main supply contracts include infrastructure, fuel and electricity, explosives for blasting and critical spare parts from original equipment manufacturer suppliers.

Arrangements with Suppliers

Our contracts for port and rail infrastructure are generally under long-term take-or-pay agreements with the relevant operators, as further described in "– *Infrastructure, Transportation and Logistics*" above. We have entered into master supply agreements at the Group level with fuel suppliers for the supply of diesel and lubricants to our mining operations. We contract with blasting services experts for the provision of explosives and related explosive application and blasting services. We also have master supply agreements for the supply of spare parts which support our heavy mining equipment. For the financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, our purchases from our five largest suppliers in aggregate amounted to A$333 million, A$353 million, A$508 million and A$326 million, respectively, representing 20.8%, 24.8%, 21.5% and 23.4% of our total purchases for the relevant period, and our purchases from our largest supplier amounted to A$89 million, A$94 million, A$133 million and A$89 million, respectively, representing 5.6%, 6.6%, 5.6% and 6.4% of our total purchase for the relevant period. As at the Latest Practicable Date, none of the Directors, their associates or the Controlling Shareholders is related to or owns any interest in any of our five largest suppliers. We usually make payments to our suppliers and settle trade payables by account transfer or remittance. Save for infrastructure which is operated by government-owned or regulated entities, there are generally multiple potential suppliers for each product or service. We procure products and services through a tender process for the most competitive value proposition. We have not experienced any shortage of supplies and were not dependent on any single supplier during the Track Record Period.

Utilities

We use electricity and water in our operations. Prices are determined by the relevant utility suppliers and there are typically multiple suppliers for electricity and water. We procure utilities through a tender process for the most competitive prices.

All of the operating sites have fully developed electrical reticulation systems in place. The sites have access to sufficient power supply to achieve the proposed life of mine development plans with routine ongoing maintenance to the supply network. We have not experienced any material disruption in electricity supply during the Track Record Period.

Water required for our operations is sourced by various methods, including wells, surface sumps and local rivers. As such, numerous water rights permits are required for our mines. All permits are currently in good standing to support current production. Mine sites have on-site storage for water.

Water management systems are established for each mine and include the capture of surface water and groundwater within licensed limits for the ongoing use at each mine site. Water is used primarily for dust suppression and use in coal processing plants. Potable water is produced from a number of sources including town water supply, surface and groundwater, processed water from onsite water treatment plants and purchases of water that are transported by truck onto the mine sites.

Coal Purchased Externally

In addition to selling coal produced from our operated or managed mines, we purchase coal from both related and third parties primarily as part of our coal blending strategy where by combining the qualities of our own coal with the qualities of others producers' coal results in an enhanced end-product capable of achieving a higher sale price. Our coal purchases amounted to A$158 million, A$211 million, A$340 million and A$182 million in 2015, 2016, 2017 and the six months ended 30 June 2018, respectively, representing 12.0%, 17.0%, 13.1% and 7.7% of our total revenue in those periods.

ACQUISITIONS AND DISPOSALS

Through organic and strategic acquisitive growth, we became Australia's largest pure-play coal producer. During the Track Record Period, we entered into the following transactions as part of our commitment to continued strategic growth:

C&A Acquisition

We acquired 100% of C&A from Rio Tinto on 1 September 2017. We entered into a binding agreement US$2.69 billion in value comprised US$2.45 billion cash payable on completion and US$240 million in non-contingent royalty payments payable over five years following completion which are not conditional on the volume of saleable coal produced by C&A and are secured with bank guarantees provided at completion, and a coal price linked contingent royalty of US$2.0 per tonne (indexed for the consumer price index) for a period of 10 years commencing on the third anniversary of completion payable if the Newcastle benchmark thermal coal price exceeds US$75 per tonne (indexed for the consumer price index) which is capped at US$410 million.

On completion in September 2017, we acquired the following interests in two of Australia's leading large-scale, long-life and low-cost coal mines located in the Hunter Valley region of New South Wales, as well as required export infrastructure:

- a 67.6% interest in HVO;
- an 80.0% interest in the Mt Thorley mine and a 55.6% interest in the Warkworth mine; and
- a 36.5% interest in PWCS.

See "*Financial Information – Acquisitions, Disposals and Deconsolidation – C&A Acquisition*" for further details.

Warkworth Acquisition

On 7 March 2018, we completed the purchase of an additional 28.9% interest in the Warkworth joint venture from MDP for US$230 million (which is subject to finalisation of a working capital adjustment which includes cash), increasing our interest in the Warkworth joint venture from 55.6% to 84.5% and our share of coal production from the integrated Mount Thorley Warkworth operations from 64.1% to 82.9%**.**

Glencore Transaction

On 27 July 2017, we entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore Coal Pty Ltd ("**Glencore**") in relation to HVO, following completion of Yancoal's acquisition of C&A.

The joint venture arrangement provides significant synergies and commercial opportunities for both the Group and Glencore, combining the management experience and operational skills of two of Australia's leading coal producers. The HVO joint venture came into effect on 4 May 2018.

To establish the HVO JV, Glencore paid cash consideration of US$1,139 million for 49% of HVO, of which US$710 million was paid to HVO Resources Pty Ltd, a wholly owned subsidiary of Mitsubishi Development Pty Ltd, and US$429 million was paid to the Company (with further post-closing adjustments), plus a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by the Company in respect of the C&A Acquisition. Our ownership of HVO was reduced to 51.0%, and in PWCS to 30%, following the completion of the Glencore Transaction.

For further details on the management and marketing arrangements of HVO, see *"– Marketing and Sales Arrangements" and "Connected Transactions – Management Services in relation to the HVO JV"*.

Moolarben Acquisition

The Company has entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019, and adjusted for the economic benefit of the 4% interest from 15 April 2018, that will flow to the Company. The Moolarben Acquisition will raise our interest in the unincorporated Moolarben JV to 85%. The Moolarben Acquisition is subject to customary conditions precedent to completion.

COMPETITION

The global coal industry features a large number of both multinational coal producers with global supplies and reach as well as regional players which may have a more limited operating scale but a locally strong presence. As a pure-play Australian coal producer for which all of our products are exported to end customers located in the Asia-Pacific region, our main competitors consist of other Australian coal producers whose primary export markets overlap with ours. These competitors include Peabody Energy, Whitehaven, Centennial Coal and New Hope among the pure-play coal producers, and Glencore, BHP and Anglo American among the diversified mining companies. We also compete with Indonesian coal producers in the Asian seaborne market, which together are the largest exporters of thermal coal by volume but whose products are generally of lower quality, according to the Industry Report. These competitors include PT Bumi Resources Tbk. and PT Adaro Energy Tbk. which, in addition to having large coal deposits, also have the advantage of proximity to key Asian markets. In addition, within our end user markets, we may compete with domestic suppliers, particularly in the PRC, which is the world's largest overall coal producer and where major local producers may enjoy home market advantages. Furthermore, we may also face competition from other major coal exporting nations such as the United States, Canada, South Africa, Colombia and Russia.

Players in the export coal industry generally compete on cost and product quality. Higher quality coal is generally able to command higher market prices, which in turn could generate greater profitability and offset what may be a higher cost of production. Factors that directly influence coal producers' production costs include the geological characteristics of their coal deposits such as the depth of underground reserves (for underground mines) and the strip ratio of open cut reserves (for open cut mines), transportation costs, and labour availability and cost. Coal producers may achieve cost advantages through greater scale of operations and producing from multiple mines, which may generate economies of scale synergies and enable coal blending to yield higher quality products for export.

There are significant barriers to entry in the coal industry, including high capital expenditure requirements and expertise and resources needed to identify and develop new mines, as well as regulatory barriers in the form of various government approvals and ongoing inspection and compliance obligations.

See *"Industry Overview – Competitive Landscape"* and *"Risk Factors – Coal markets are highly competitive and are affected by factors beyond our control"* for further details.

SEASONALITY

Our operations in Queensland and to a lesser extent in NSW are subject to seasonal weather conditions such as heavy rainfall and cyclones which may cause interruptions to production or disrupt access to coal transportation and handling services. During the Track Record Period, we did not experience material suspensions or delays in our production. In 2017, we successfully planned and completed drainage works prior to the arrival of Cyclone Debbie in Queensland which mitigated the impact of heavy weather impact at Yarrabee. Seasonal factors may also affect demand; for example, an unusually severe winter in the PRC in 2017-18 had an impact on global coal prices.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Environmental policies

Operating to stringent environmental management conditions, including the on and off-site management and monitoring of potential dust and noise impacts, we continue to work with Australian State and Federal Government departments to ensure full transparency in our environmental reporting. Each of our operations also implements robust rehabilitation plans, working to minimise potential impacts on the local environment and ultimately return completed mining areas to quality pastoral, woodland, forestry or native vegetation (as required) for future use. Leading edge sustainability practices ensure we are instituting and updating our water management, land use and monitoring plans throughout every stage of the mining process, from prior-to-commencement, until well after eventual close.

As part of our rehabilitation plans, we seed and plant across our operations. Total seeding and planting across all operations in 2017 is 285 hectares. Total new disturbance across all operations in 2017 is 442 hectares. We seed and plant disturbed areas at each operation progressively.

Environmental non-compliances

On 24 December 2015 (prior to the C&A Acquisition), C&A notified the Commonwealth Department of the Environment that 16.5 hectares of a critically endangered ecological community (Central Hunter Valley eucalypt forest and woodland ecological community) ("**CHVEF**") was inadvertently cleared without the relevant approvals under the (Commonwealth) *Environment Protection and Biodiversity Conservation Act 1999*. C&A subsequently sought and obtained the relevant approvals under that act for future clearing of CHVEF. As those approvals do not operate retrospectively, C&A has entered into an enforceable undertaking with the Australian Minister for the Environment and Energy to provide a compensatory offset property, and to vegetate it appropriately.

On 15 December 2016 (prior to the C&A Acquisition), the Environment Protection Authority (New South Wales) commenced a prosecution against Warkworth Mining Limited, a subsidiary of C&A and an operator of the Warkworth joint venture, for an alleged breach of section 64 of the (NSW) Protection of the Environment Operations Act 1997 (breach of a licence condition, being the failure to carry out activities in a competent manner) relating to the partial failure of a temporary sediment dam wall at MTW and the uncontrolled release of water from the dam. Warkworth Mining Limited is a joint venture company owned by each of the Warkworth joint venture participants in proportion to their respective joint venture shares. Warkworth Mining Limited is the statutory operator of the Warkworth mine and holds the mining tenements. Our Australian legal advisers, Gilbert + Tobin, has advised us that that Warkworth Mining Limited, as holder of the Environment Protection Licence, is primarily exposed to a risk of regulatory action and prosecution in the event that there is a non-compliance with that Licence. The conviction was recorded prior to our acquisition of this asset and the fine and costs order were paid.

While we are committed to high levels of environmental protection and sustainability practices, we may also be involved in other environment non-compliance incidents from time to time in the ordinary course of business, which we believe would not individually or in the aggregate have a material adverse impact on our business or financial condition.

Occupational safety measures and policies

We have adopted policies to comply with occupational health, safety, environment and other laws. The Board has approved a Health, Safety and Environment Policy which applies across the Company. In addition, each mine site has its own health, safety and environment ("**HSE**") policies and procedures to deal with their particular HSE issues. The Board has established a Health, Safety and Environment Committee which assists the Board to fulfil its responsibilities in relation to the HSE matters arising out of the Group's activities, consider, assess and monitor whether or not the Group has in place the appropriate policies, standards, systems and resources required to meet the Company's HSE commitments and provide necessary focus and guidance on HSE matters across the Group. The committee meetings are held at one of the Company's mine sites, whenever possible, to receive feedback from the health, safety and environment forum held at the mine site and to address any mine specific health, safety and environment issues.

All of our mine sites are independently audited to ensure compliance with the relevant legislation and regulations, and audited to ensure the health and safety management system is effective. We have an ongoing process to ensure safe, compliant and effective mine sites. We address areas of improvement with specific training for individuals or crews, and redesigning of processes or system enhancements.

Health and safety duties and obligations

Officers (including directors) have certain duties and obligations under workplace health and safety laws in each jurisdiction in which we operate. These duties are generally non-delegable and can be held concurrently by multiple persons. The Yancoal directors hold such duties for each mine that is operated or managed by Yancoal, including the Watagan Mines. In the case of the Watagan Mines, such duties are held concurrently between the Yancoal and Watagan boards. In respect of joint venture mines that are partly owned but not operated, by Yancoal (including the HVO and Middlemount mines), the Yancoal directors do not hold due diligence duties because Yancoal is not the operator of those mines (although certain officers of Yancoal who sit on joint venture subsidiary boards may hold such duties).

Safety incidents

On 15 April 2014, a major incident in the maingate A9 development panel in the Stage 3 area of the Austar mine on 15 April 2014 led to the death of two workers. The Resources Regulator, which is now part of the Department of Planning and Environment of the New South Wales government, regarded the incident as serious and a possible contravention of health and safety laws, and conducted an investigation into the matter including the mine's safety management systems and the level of compliance with health and safety laws by officers. The investigation identified that the incident was a result of a pressure burst of such magnitude and volume as to render the installed rib support ineffective. Following the investigation, the Resources Regulator notified Yancoal Australia Ltd and Austar Coal Mine Pty Ltd in April 2016 that it had decided not to institute prosecution proceedings.

On 19 August 2016, a coal burst occurred in longwall panel B2 in the Bellbird South working area of the Austar mine. A prohibition notice was issued by the Resources Regulator in relation to the incident. A prohibition notice is a direction to prohibit an activity issued when a mine inspector reasonably believes that there is a serious risk emanating from an immediate or imminent exposure to a hazard. The prohibition notice in relation to the Austar mine was cancelled on 14 September 2016. Additional safety controls were implemented at the mine, including the introduction of coal burst protection conveyor mats supported from the flippers of the longwall shields, the deployment of restricted face zones on the longwall face and the use of shield flippers to provide protection to workers, and these controls have been subsequently improved over time. No proceedings were commenced by the Resources Regulator in relation to this incident and the option of the Resources Regulator to commence such proceedings expired on 19 August 2018.

On 2 February 2018, an initial coal burst occurred in longwall panel B4 of the Bellbird South area of the Austar mine which resulted in minor injuries to a worker. A prohibition notice was issued as a result of that incident. This notice was varied by a replacement prohibition notice on 8 February 2018 which ceased to have effect on 21 February 2018. Subsequently, a series of coal bursts occurred in longwall panel B4 in the Bellbird South area of the Austar mine on 21 February 2018, 23 February 2018, 13 March 2018 and 15 March 2018, none of which resulted in any injuries to workers although the 23 February 2018 event caused damage to the longwall shearer. Another coal burst occurred on 16 March 2018, and while no injuries were caused a prohibition notice was issued by the Resources Regulator. This prohibition notice was subsequently replaced with a fresh prohibition notice on 9 April 2018, which was in turn replaced by another notice on 12 May 2018 that allowed limited mining activities. An additional coal burst occurred on 17 May 2018 which did not result in any injuries, but caused damage to the longwall shearer and resulted in another prohibition notice being issued on 18 May 2018.

Between 19 February 2018 and 24 May 2018, we made a series of submissions to the Resources Regulator seeking to have the prohibition notices dated 12 May 2018 and 18 May 2018 cancelled. On 1 June 2018, we were notified by the Resources Regulator that its investigation unit had commenced an investigation into all coal bursts that have occurred at the Austar mine since 15 April 2014. As part of this investigation, four notices to obtain documents, information and evidence were issued, which were complied with on 22 June 2018, 27 June 2018, 31 July 2018 and 15 August 2018 respectively, as required. Inspectors from the investigation unit commenced interviews with longwall deputies in the last week of July 2018 and their investigation is ongoing and the results are pending. Four further notices to obtain documents, information and evidence were issued by a separate section of the Resources Regulator, which were complied with on 26 June 2018, 10 July 2018, 20 August 2018 and 24 August 2018 respectively, as required.

Following agreement as to the provision of limited information to the Resources Regulator, the two prohibition notices dated 12 May 2018 and 18 May 2018 were cancelled on 30 July 2018 and 3 August 2018, respectively. Operations at Austar recommenced on 14 August 2018 subject to certain restrictions and remediation measures set out in a notice issued by the Resources Regulator on 3 August 2018. This new prohibition notice imposes certain conditions (e.g. with respect to stress measurement tests, amongst other things) relating to mining to up to a particular location in the current B4 longwall panel where the longwall equipment will then be recovered and relocated to the next longwall panel for further mining. On 30 August 2018 operations were halted on account of technical issues related to de-stressing activity in certain areas of the long wall, and on 5 September 2018 a prohibition notice was received relating to this activity which was cancelled on 28 September 2018. As at the Latest Practicable Date, the prohibition notice issued on 3 August 2018 remained in force. The nature of the geological and technical challenges faced at the Austar mine exposes us to the risk of future prohibition notices and production delays at the mine.

Additional risk mitigation controls (meeting the statutory health and safety standard of “so far as is reasonably practicable” as stipulated by the relevant legislation) to manage and mitigate the hazard of coal bursts have been implemented on the current longwall panel B4 operation and are proposed to be implemented on any future longwall operations where high coal burst hazard exists. These consist of measures including, but not limited to (i) increased longwall equipment automation whereby workers are located 50 metres from the operating shearer, (ii) introduction of variable web cutting method instead of bi-directional cutting methods, (iii) implementation of de-stress drilling from the tailgate roadway and/or the longwall face (if required) into the longwall block in advance of the retreating longwall face, (iv) extension of the coal burst protection mats supported from the tips of the longwall shields across the entire longwall face, (iv) installation of polypropylene “spikes” across the body of the operating shearer to contain coal bump and burst material on the armoured face conveyor and (v) ongoing borescope holes and cuttings tests to determine the level of “softening” and areas of increased stress as the longwall face retreats, respectively.

Due to the nature of coal burst risk in longwall mining, the location, timing and magnitude of coal bursts cannot be predicted and as a result are difficult to prevent. As such, the coal burst control strategy employed at Austar emphasises mitigation, which is in line with industry practice. Since the initial coal burst on 2 February 2018, which resulted in minor injuries to a worker, the mitigation controls implemented had been effective at preventing injuries in subsequent coal burst events at the longwall B4 panel.

The Directors are of the view that (a) these risk mitigation controls are sufficient to minimise risks to health and safety to any persons in the vicinity of the longwall face at the Austar Coal Mine while the shearer is in operation so far as is reasonably practicable as required by the relevant legislation; and (b) any matters giving rise, or that will give rise, to a serious risk to the health or safety of any person emanating from an immediate or imminent exposure to a hazard associated with production or use of the shearer at the longwall have been remedied. However, these measures may not be sufficient to prevent similar incidents or production shutdowns in the future. See "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents or outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown.*" for further details.

As a result of the C&A Acquisition, we inherited a safety prosecution that was underway in respect of an incident at MTW which happened prior to the acquisition of our interests in MTW. These proceedings were discontinued in 2017 upon MTW agreeing to undertake an enforceable undertaking social project that will be completed in 2019.

After considering the remedial actions taken by the Group and the nature and scale of our business, the Directors are of the view that our internal control system is adequate and effective for our current operations and that the incidents listed above do not have any material impact on the suitability of the Directors under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules.

Save as disclosed above, no significant events were recorded at our mine sites during the Track Record Period, with sites continuing to operate to legislative and safety standards. We remain committed to proactively improving the systems and processes employed across sites to educate, communicate and record employee safety initiatives. Under the direction of the Health, Safety and Environment Committee, we continue to build the leadership, capabilities, systems and reporting procedures required to deliver on its objectives of achieving zero harm at its operations.

While we are committed to the health and safety of our employees and contractors, there are safety incidents and personal injury claims made against the Group in the ordinary course of business which are generally covered by our insurance policies and which we believe would not individually or in the aggregate have a material adverse impact on our business or financial condition.

SOCIAL SUSTAINABILITY AND COMMUNITY DEVELOPMENT

In the ordinary course of business, we receive complaints from local communities, generally in respect of noise, blasting and air quality. We keep comprehensive records of complaints received at each mine site. In addition to maintaining complaints and information hotlines, we also engage with our surrounding communities through community consultative committees. During the Track Record Period, none of these complaints received was as a result of any material breach of mining approval conditions by our mining operations.

We allocate funds at both the site and corporate levels to financially support community groups and programmes on health, environment, sport, education, community and training. We also invest in local initiatives, fund environmental projects and support social and education initiatives. We work cooperatively with community stakeholders through community consultative committees, local newsletters and media to help ensure our surrounding communities are engaged and informed of matters relevant to our operations. Amongst other matters, we provide annual funding to The Clontarf Foundation, which runs programmes in NSW, Queensland, Victoria, WA and the Northern Territory. This Foundation's mission is to ensure education and social engagement for Aboriginal school-aged male students.

PROPERTIES

As at the Latest Practicable Date, we owned freehold properties and leased long-term leasehold properties at each of our operated and managed mines which consisted of approximately 1,640 parcels of land with a total site area of approximately 71,000 hectares and approximately 270 dwellings (excluding properties in Middlemount). These properties include real property within tenements, ancillary properties surrounding the mining leases and remote properties acquired for housing accommodation, as well as offset properties to compensate for disturbance of native vegetation.

As none of our properties had a carrying amount of 15% or more of our consolidated total assets, we are not required to include a valuation report in this prospectus with respect to our property interests.

INTELLECTUAL PROPERTY

We began employing the LTCC technology for the first time in Australia at Austar in September 2006. LTCC technology is ideal in thick coal seams and enables greater resource recovery, and is utilised in Austar depending on the mining conditions.

As at the Latest Practicable Date, we have applied for the registration of one trademark and have registered 14 domain names which are material to our business. See "*Appendix VII – Statutory and General Information – Further Information About the Business – Intellectual Property*" for further details.

As at the Latest Practicable Date, the Group has not been engaged in any material litigation or legal proceedings relating to the violation of intellectual property rights.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry and markets in which we operate. See "*Risk Factors*" for further discussion.

Our risk management policies and procedures have been designed and implemented to identify, manage and mitigate any exposure to risks relating to our business, including economic, environmental, safety and social sustainability risks. We undertake regular monitoring and assessment of these risks and implements risk mitigation strategies to minimise its exposure to such risks where appropriate.

The Board, through the Audit and Risk Management Committee, is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. The Audit and Risk Management Committee receives periodic reports on the performance of our risk management framework, as well as on key risk exposures to satisfy itself that it continues to be sound. A review of the risk management framework was conducted in 2017.

Formal risk identification activities are undertaken on an annual basis, with Risk Identification and Analysis undertaken at a functional level, as well as at each of the organisation's mine sites. In addition, where appropriate, project specific risk assessments are conducted. The EGM of Risk Management and Auditing is responsible for establishing and managing the company wide risk management system, risk management framework and practices, reviewing the impact of the risk management framework on its control environment and insurance arrangements and reviewing the risk of major investment projects. Together with the Chair of the Executive Committee, the Board and the Audit and Risk Management Committee, the Executive General Manager of Risk Management and Auditing is responsible for developing a risk matrix and framework and for implementing related risk assurance processes and audits of compliance for the Group.

The responsibility for managing risks, risk controls or risk management action plans is embedded within the business and undertaken as part of everyday activities.

INSURANCE

We maintain director and officer liability insurance, property damage insurance for our properties, plant and equipment and third-party liability insurance to cover claims in respect of third party injury or property damage arising from incidents occurring on our properties or as a result of our operations. We do not currently maintain business interruption insurance. Insurance coverage and terms are benchmarked against industry peers. After taking into account the assessment of the risk exposure of our operations, the Directors are of the view that our insurance coverage is appropriate.

We will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice in line with business needs and industry practice. See "*Risk Factors – Our operations may be affected by uncertain mining conditions and we may suffer losses resulting from mining safety incidents, which may not be covered by our insurance*".

EMPLOYEES

We had 1,890,1,866, 3,983 and 3,041 employees (including casual labour which are full-time equivalents) as of 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. After giving effect to the Glencore Transaction and as at the Latest Practicable Date, we had 3,064 employees. The following table shows a breakdown of our employees by function and location as at 30 June 2018:

Function	Total
Mining operations	1,781
Maintenance	808
General administration	452
Total	3,041

Our recruitment process is merit based and we recruit internally and externally through recruitment agencies. Employee individual training plans are managed by each employee and endorsed and supported by their line managers. Our remuneration policies are to ensure remuneration is equitable, align with the long-term interests of the Company and Shareholders, comply with diversity policy, provide market competitive remuneration to attract and retain skilled and motivated employees and structure incentives to link reward with performance.

Labour Unions and Disputes

A substantial portion of our employees are members of the Construction, Forestry, Maritime, Mining and Energy Union ("**CFMMEU**"). Each of our mine sites (except for Yarrabee) has made collective agreements known as enterprise agreements with CFMMEU. These agreements primarily cover employees' responsibilities, remuneration, benefits and grounds for termination of employment. Current enterprise agreements are typically three to four years in duration. As employees have the right to take protected industrial action during the negotiation of new enterprise agreements, we occasionally experience industrial action from CFMMEU members in the ordinary course of business. In March 2018, during the renegotiation of the enterprise agreement at Ashton, we experienced an industrial action from CFMMEU members which resulted in a 24-hour stoppage, which was withdrawn by CFMMEU. We are also involved in labour disputes and unfair dismissal claims in the ordinary course of business. During the Track Record Period, we did not experience any strikes, work stoppages, labour disputes or actions which individually or in the aggregate had a material adverse impact on our business or financial condition.

Third Party Contractors

While our mining operations are self-operated and not contracted, we enter into agreements with independent third party contractors and other third party services providers for ancillary or specialised mining services and contracted labour for the provision of additional mining services when required. In 2015, 2016, 2017 and the six months ended 30 June 2018, we had incurred total contracting fees of A$155 million, A$78 million, A$134 million and A$96 million, respectively.

Contractors at our mine sites are required to comply with the site's health and safety management system. While the contractors are generally responsible for compliance with applicable legislation and regulations and safety standards and liable for workers' compensation and employer's liability in relation to any death of or injury to any employee of the contractor, we are also accountable for ensuring their compliance. To give flexibility to our operations, we generally contract with such third party contractors on a short term or project basis.

In the selection of third party contractors, we take into account a variety of factors, including qualifications, relevant skills and experience, ability to perform the activity, price and reputation in the industry. To the best of our knowledge, each of our third party contractors has obtained the relevant material licences and permits to conduct activities it engaged.

As there are a number of local contractors providing similar services for coal mines, we believe we are able to engage replacement contractors on similar terms and conditions if any of our existing contractors discontinues its services.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

We are involved in certain disputes which involve members of the Noble Group, which was one of our largest customers from 2015 to 2017. Brief details of these disputes are set out below:

(1) We commenced arbitration proceedings against the Noble Group in May 2018 seeking relief, including damages, on account of the Noble Group's failure to purchase coal from us between 2015 and 2017 under an existing contract between us and the Noble Group dated 30 June 2014. The contract provides for the sale to the Noble Group of coal mined from operations owned and/or managed by us, and includes *de facto* liquidated damages payments where the Noble Group fails to purchase coal from us. We estimate these liquidated damages to be approximately US$35.7 million, excluding interest, and have claimed this amount in these proceedings. As at the Latest Practicable Date, this claim is in the early stages of arbitration proceedings.

(2) On 3 August 2018, the Noble Group commenced proceedings against us in the Supreme Court of New South Wales (an Australian State court) claiming, among other things, amounts in respect of certain marketing fees that are alleged to have become payable under a contract and for damages (as described in more detail below) flowing from an alleged repudiation of that same contract. These claims arise from a contract entered into in 2011 between Noble Resources Pte Ltd ("**Noble Resources**"), a subsidiary of the Noble Group, and Gloucester Coal, a subsidiary of the Company, which has a term ending in 2040. Under this contract, Gloucester Coal appointed Noble Resources to provide marketing services in relation to coal exports, and Gloucester Coal pays a marketing fee to Noble Resources calculated on the basis of tonnage of export coal mined from the Stratford, Duralie and Donaldson mines (which were acquired by the Company in 2012; Duralie is the only one of these mines currently producing). As Noble Resources does not operate those mines, Noble Resources regularly requests information as to the quantity and timing of exports from those mines in order to verify the marketing fee payable, if any.

The Noble Group's claims derive mainly from its allegation that Gloucester Coal failed to notify and pay marketing fees, and failed to provide certain information to the Noble Group so as to allow the Noble Group to verify the marketing fees payable (if any), which allegedly had the effect of Gloucester Coal repudiating the contract. The Noble Group also alleges that the Company caused or procured Gloucester Coal to breach the contract. The Noble Group asserts that Gloucester Coal is in breach of contract in the sum of approximately US$172.5 million, comprising claimed losses for 2014 of approximately US$1.5 million, claimed estimated losses for 2015 to 2017 of US$44 million, and claimed estimated damages for "loss of bargain" of US$127 million (which represents the amount Noble Group alleges would be payable from 2018 to 2040). That is, the maximum claim that has been asserted against the Company by the Noble Group is US$172.5 million in relation to these proceedings. As at the Latest Practicable Date, the parties continue to exchange pleadings in respect of the proceedings. We and Gloucester Coal intend to vigorously defend the proceedings.

(3) Gloucester SPV Pty Ltd ("**Gloucester SPV**"), a subsidiary of the Company, is one of several respondents to proceedings commenced in 2015 by Oceltip Pty Ltd ("**Oceltip**") against Noble Resources in the Supreme Court of Queensland. Oceltip is an independent third party of the Group and we have no commercial relationship with Oceltip. The subject of the dispute involves the transfer of Noble Resources' right to receive certain royalty payments under a royalty deed to Gloucester SPV, who since the transfer now enjoys the right to those royalty payments. The consideration for the transfer was A$168 million and as at the Latest Practicable Date we estimate the potential value of the royalty streams to be approximately A$195 million. Oceltip's claim disputes the validity of the transfer and seeks to enforce its pre-emptive rights under the royalty deed against Noble Resources. There is no claim for damages against Gloucester SPV in those proceedings, and as such those proceedings did not involve a dispute between the Noble Group and the Company. The damages claim was directed only to Noble Resources (and was pleaded in the alternative to its primary claim for declarations and specific performance). As a consequence, there is no ability for Oceltip to seek compensation from Gloucester SPV, Gloucester Coal or Yancoal in the event it is successful in these proceedings). On 14 November 2018, a related claim was served on Gloucester Coal and Gloucester SPV in which Oceltip has alleged that Gloucester SPV induced or procured Noble Resources' alleged breach of the royalty deed by reason of transferring the rights to receive those payments to Gloucester SPV, and has claimed unspecified damages.

As at the Latest Practicable Date, the Oceltip matters remain at preliminary stage and may be consolidated into a single proceeding, and we are unable to assess the Group's potential exposure (if any) on account of these matters.

Given the early stage nature of these matters above and ongoing fact-finding, we are not yet in a position to determine whether the potential impact on us will be material. The Noble Group is undertaking a financial restructuring through proposed schemes of arrangement, which were sanctioned by the relevant courts in the United Kingdom and Bermuda on 13 and 14 November 2018, respectively. As of the Latest Practicable Date we are not able to predict the outcome of such schemes or the effect, if any, that such schemes (or any compromise or arrangement reached in connection therewith), may have on our rights or entitlements against the Noble Group.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, neither we nor any of the Directors was engaged in any litigation, claim or arbitration of material importance nor, to the best of the Directors' knowledge, is any litigation, claim or arbitration of material importance pending or threatened against us or the Directors in relation to the Group.

In addition, as at the Latest Practicable Date, neither we nor any of the Directors was the subject of any actual, pending or threatened bankruptcy or receivership claims.

Save as disclosed in *"– Health, Safety and Environmental Matters – Safety Incidents"* above, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant laws and regulations in relation to our business in all material respects and there were no material breaches or violations of laws or regulations applicable to us that would have a material adverse effect on our business or financial condition taken as a whole.

Save for the regulatory approvals, permits and licences set out in "– *Mining and Exploration Licences – Approvals, Permits and Licenses to be Obtained*" which have been applied for but have yet to be granted, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences and permits necessary for the operation of our business in the jurisdictions in which we operate and such licences and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licences and permits necessary for the operation of our business. Further information on the material licences and permits necessary for the operation of our business is set out in below in "– *Mining and Exploration Licences*" and *"Appendix IV – Taxation and Regulatory Overview"*.

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, including the notes thereto, set out in the "Appendix IA – Accountants' Report of the Group". Our audited consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance.

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Responsibility Statement and Forward-looking Statements".

We also present in this prospectus a discussion and analysis of the financial condition and results of operations of C&A. See "Financial Information of C&A" for further details. The pro forma effects of the C&A Acquisition, along with certain other transactions as described in more detail in this "Financial Information" section, are set out in "Appendix IIB – Unaudited Pro Forma Financial Information of the Enlarged Group".

OVERVIEW

We are Australia's largest pure-play coal producer based on aggregate Coal Reserves and marketable coal production, and have been listed on the ASX since 2012. Of all Australian coal producers, we rank third on both these aforementioned metrics, behind only Glencore and BHP. We have ownership interests in, and operate, five mine complexes across New South Wales and Queensland and manage five others across New South Wales, Queensland and Western Australia.

Our principal business activity is the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. On an ex-mine basis, in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, our average selling price for thermal coal was A$68, A$71, A$102, A$90 and A$117 per tonne, respectively, and our average selling price for metallurgical coal was A$100, A$106, A$165, A$174 and A$191 per tonne, respectively. Total ex-mine sales volume in the same periods was 8.1 Mt, 8.8 Mt, 15.5 Mt, 4.9 Mt and 13.8 Mt for thermal coal, respectively, and 5.3 Mt, 3.3 Mt, 3.8 Mt, 1.3 Mt and 2.4 Mt for metallurgical coal, respectively.

In contrast to coal companies that are currently listed on the Hong Kong Stock Exchange, all of the coal we produce is sold for export to customers located overseas, whether directly, through overseas traders or through other Australian coal companies. During the Track Record Period, our largest jurisdictions by revenue were the South Korea, the PRC, Singapore and Japan. We had revenue of A$1,319 million, A$1,238 million, A$2,601 million, A$832 million and A$2,347 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, and a loss after income tax of A$291 million, A$227 million and A$14 million in 2015 and 2016 and the six months ended 30 June 2017, respectively, and a profit after income tax of A$246 million and

A$361 million in 2017 and the six months ended 30 June 2018, respectively. The increases in 2017 and the six months ended 30 June 2018 were largely attributable to the C&A Acquisition, the Moolarben expansion and a substantial increase in coal prices.

BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with IFRS and on a going concern basis. All financial information presented in this section relates to the historical audited financial information of the Group, unless indicated otherwise as being pro forma financial information. In addition, due to significant acquisitions, disposals and deconsolidation which have taken place since the beginning of the Track Record Period (as described in more detail below), this historical financial information is not necessarily indicative of the Group's current financial performance and position, and results from earlier periods may not be comparable to those from later periods going forward.

All sales and production volume data in this section is presented on an attributable basis, unless indicated otherwise as being presented on a 100% basis.

ACQUISITIONS, DISPOSALS AND DECONSOLIDATION

This discussion and analysis should be reviewed in the context of certain material acquisitions, disposals and deconsolidation of mines and other assets and interests that we have undertaken during the Track Record Period. These are described below. In addition, the pro forma effects of the C&A Acquisition, Glencore Transaction and Warkworth Transaction, each as described in further detail below, are presented in "– *Pro Forma Financial Information of the Enlarged Group*" and Appendix IIB to this prospectus.

C&A Acquisition

On 1 September 2017, we completed the C&A Acquisition, for which the consideration was US$2.69 billion, comprising US$2.45 billion cash payable on completion, US$240 million in future non-contingent royalty payments over five years following completion, and a coal price-linked contingent royalty (with further post-closing adjustments). On completion, we acquired:

(i) interests in two of Australia's leading tier-one large-scale, long-life and low-cost coal mines located in the Hunter Valley region of New South Wales, including:

  (a) a 67.6% interest in the HVO mine; and

  (b) an 80.0% interest in the Mount Thorley mine and a 55.6% interest in the Warkworth mine, which are located adjacent to each other and are operationally integrated as MTW; and

(ii) a 36.5% interest in PWCS, which provides the export infrastructure for the acquired mines.

Prior to its acquisition by us, C&A itself had disposed of certain of its mining operations in 2016, including interests in projects located in Bengalla and Mount Pleasant, and undertook a restructuring of its interest in HVO. As a result, the financial information of C&A as disclosed in "*Financial Information of C&A*" is presented on a carve-out basis as if such interests were disposed of on 1 January 2015. However, the audited consolidated financial statements of C&A as disclosed in the Accountants' Report of C&A as set out in Appendix IB to this prospectus are presented without the carve-outs applied, save as indicated in note 36 therein.

The C&A Acquisition contributed to a substantial increase in our total assets from A$7,660 million as at 31 December 2016 to A$11,914 million as at 30 June 2018. In addition, we began consolidating the profit and loss accounts of C&A from 1 September 2017, the date of completion of the C&A Acquisition, and our results of operations for 2017 and the six months ended 30 June 2018 reflect the consolidation of C&A's results from 1 September 2017 to 30 June 2018. This contributed to the increase in our total revenue from A$1,238 million in 2016 to A$2,601 million in 2017, and our profit after income tax of A$246 million in 2017 compared to a loss after income tax of A$227 million in 2016. Similarly, our total revenue increased from A$832 million in the six months ended 30 June 2017 to A$2,347 million in the six months ended 30 June 2018, and we had a loss after income tax of A$14 million and a profit after income tax of A$361 million in the same periods, respectively.

Glencore Transaction

On 4 May 2018, we completed the Glencore Transaction by selling a 16.6% interest in the HVO mine to Glencore, reducing our interest in the unincorporated HVO JV from 67.6% to 51% and resulting in a 51%:49% unincorporated JV between us and Glencore. Glencore acquired its 49% interest for consideration of US$1,139 million, of which (i) US$710 million was paid to HVOR for its 32.4% interest in HVO and (ii) US$429 million (with further post-closing adjustments) was paid to us for a 16.6% interest in HVO. Glencore will also pay us a 27.9% share of US$240 million of future non-contingent royalty payments and 49% of coal price-linked royalty payments associated with HVO, which are payable by us to Rio Tinto pursuant to the terms of the C&A Acquisition agreements. HVOR is wholly owned by Mitsubishi Development Pty Ltd. ("**MDP**"), which exercised its tag-along right in connection with the C&A Acquisition.

We classified our 16.6% interest in HVO to be sold to Glencore as assets held for sale as at 31 December 2017, based on our determination that the Glencore Transaction was likely to be completed. Following completion, we will continue to account for the financial results of HVO under the proportional consolidation method of accounting. The pro forma income statement of the Enlarged Group for the year ended 31 December 2017 and the six months ended 30 June 2018 gives effect to the Glencore Transaction as if it had been completed on 1 January 2017.

Warkworth Transaction

On 7 March 2018, we completed the Warkworth Transaction to acquire an additional 28.9% interest in the unincorporated Warkworth JV from MDP for consideration of US$230 million, subject to post-closing working capital adjustments, which increased our ownership of the Warkworth JV from 55.6% to 84.5%. The Warkworth Transaction was executed pursuant to a call option that we held in connection with the C&A Acquisition. As MTW is an integrated operation consisting of the Mount Thorley mine (owned by the unincorporated Mount Thorley JV, of which we own 80.0%) and the Warkworth mine (owned by the unincorporated Warkworth JV), following the Warkworth Transaction, our share of coal production from the MTW mine has increased from 64.1% to 82.9%. We will continue to account for the financial results of the MTW mine under the proportional consolidation method of accounting. As with the Glencore Transaction, the pro forma income statement of the Enlarged Group for the year ended 31 December 2017 and the six months ended 30 June 2018 gives effect to the Warkworth Transaction as if it had been completed on 1 January 2017.

Moolarben Acquisition

We have entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019 (the "**Moolarben Acquisition**"), and adjusted for the economic benefit of the 4% interest from 15 April 2018 that will flow to us. We intend to finance the Moolarben Acquisition with a portion of the expected proceeds from the Global Offering. See "*Future Plans and Use of Proceeds*" for further details.

The Moolarben Acquisition will raise our interest in the unincorporated Moolarben JV to 85%. As a result, following the completion of the Moolarben Acquisition, we will proportionally consolidate 85% of the financial results of Moolarben. See note 45 to the Accountants' Report of the Group in Appendix IA to this prospectus for certain stand-alone financial information of Moolarben during the Track Record Period.

Watagan Deconsolidation

Effective on and from 31 March 2016, the Company entered into certain financing arrangements with Watagan and the Bondholders. These arrangements involved the issue of the Watagan Bonds, a loan facility agreement between Watagan and the Company, and certain other agreements or deeds ancillary to the issue of the Watagan Bonds.

In accordance with the terms of the Watagan Agreements, our interests in the Ashton, Austar and Donaldson mines were transferred to Watagan for consideration of A$1,363 million (equal to the book value of the three mines at the time). Watagan fully funded the purchase with the Watagan Loan. The outstanding interest and principal of this loan is guaranteed by Yankuang, our ultimate controlling shareholder. Watagan can make prepayments of the outstanding loan balance at any time, and (subject to there being no default continuing and other customary conditions) any amounts prepaid may be redrawn by Watagan in the future for specified permitted purposes. As at 30 June 2018, the loan receivable from Watagan was A$730 million (re-drawable to A$1,363 million).

While we wholly-own Watagan, upon the issuance of the Watagan Bonds, the Bondholders were given the power to nominate two of its three directors, which together with other terms included in the Watagan Agreements resulted in the determination that we had lost accounting control of Watagan. The loss of accounting control resulted in us deconsolidating the financial results of Watagan as a subsidiary from our consolidated financial statements with effect from 31 March 2016. From that time, we began to account for our equity interest in Watagan as an associate rather than a subsidiary. We also designated the value of the Ashton, Austar and Donaldson mines as assets classified as held for sale as at 31 December 2015, pending completion of their transfer to Watagan in early 2016. While Watagan is deconsolidated from our consolidated financial statements for accounting purposes, Watagan remains within our tax consolidated group as a result of our ongoing 100% equity ownership of Watagan.

The determination of loss of accounting control of Watagan is a matter of accounting judgement, which could be subject to review and change. The International Financial Reporting Standards ("**IFRS**") under which we prepare our financial statements requires us to make certain judgements and estimates when preparing our financial statements, and are issued by the International Accounting Standards Board ("**IASB**"), along with other authoritative pronouncements and interpretations. The IASB or other agencies and authorities may not agree with the judgements or estimates applied by us. Moreover, the IASB may amend IFRS and the related pronouncements and interpretations or replace them with new standards, and such amendment or replacement is beyond our control. Any changes to IFRS or to the interpretation of those standards, such as a change which would require us to reconsolidate Watagan's results and financial position ahead of the scheduled date in 2025, may have an adverse effect on our reported financial performance or financial position.

Watagan is required to redeem all of the outstanding Watagan Bonds on the maturity date of 8 January 2025 (if the put option is exercised on or after 1 January 2025, the maturity date would be deferred to 1 April 2025), and may elect to redeem any or all of them commencing from 31 March 2019. Additionally, the Bondholders have a put option that allows them to transfer the issued Watagan Bonds at face value to Yankuang during specified put option exercise windows during the first week of January in each of 2019, 2021, 2023 and 2025. The Bondholders may also exercise the put option after 1 January 2019 while an event of default under the bond terms is subsisting in relation to Watagan or Yankuang. The put option must be exercised by a Bondholder in respect of all (but not some) of its respectively held bonds. If the put option is exercised (i) by UNE, as the instructing Bondholder of the investor syndicate, or (ii) with respect to least 50.1% of the face value of the Watagan Bonds, the put option will be deemed to have been exercised as to all of the bonds. In accordance with the Watagan Agreements, if Yankuang becomes the sole bondholder of the Watagan Bonds following the purchase of the Watagan Bonds by Yankuang consequent to the exercise of the put option, certain bondholder rights including the right to nominate a majority of the board of directors, would terminate, and these rights would revert to the Company as the sole shareholder of Watagan. Watagan would thereafter owe an amount payable to Yankuang for the face value of the put bonds, minus any capitalised interest. Watagan would separately pay to the exercising Bondholders the accrued interest and any capitalised interest on the put bonds.

If (i) Bondholders holding a sufficient proportion of the principal amount of the Watagan Bonds exercise their put option to Yankuang such that Yankuang acquires all of the bonds, (ii) Watagan fully redeems the Watagan Bonds or (iii) certain other events occur (such as a change to the terms and conditions of the Watagan Bonds that gives us the power to nominate the majority of the board of Watagan) that would result in us regaining control of Watagan, we will be required to reconsolidate Watagan as a subsidiary into our consolidated financial statements from the time that control is determined to be regained. We do not currently have any plan or intention to effect the early redemption of the Watagan Bonds.

Upon reconsolidation we will: (i) cease to recognise interest income on the Watagan Loan, which in the year ended 31 December 2017 and the six months ended 30 June 2018 was A$67 million and A$32 million, respectively, as well as forgo the margin recognised under the various service agreements, and de-recognise the Watagan loan receivable, which as at 30 June 2018 was drawn to A$730 million, as these amounts will become intercompany balances and eliminate on consolidation; (ii) recognise an interest expense on the Watagan Bonds (or the Yankuang loan payable if the put option has been fully exercised), which during the year ended 31 December 2017 and the six months ended 30 June 2018 was A$102 million and A$35 million, respectively, and recognise the fair value of the Watagan Bonds at that time, which as at 30 June 2018 had a book value of A$1,049 million; and (iii) recognise the operating results of Watagan, including the three Watagan Mines, in our statement of profit and loss and recognise the fair value of the assets and liabilities of Watagan (including the Watagan Bonds) on our balance sheet at that time. In 2016 and 2017 and the six months ended 30 June 2017 and 2018, Watagan had loss after tax of A$162 million, A$58 million, A$7 million and A$90 million, respectively. See note 23(a) to the Accountants' Report of the Group in Appendix IA to this prospectus for further stand-alone financial information of Watagan during the Track Record Period.

The loss after tax of A$162 million in 2016 was due in significant part to the Austar mine only commencing longwall mining activities in the Bellbird South area half way through the year following a fatal incident in the Stage 3 area in 2014. The improvement in performance to a loss after tax of A$58 million in 2017 was primarily due to an improvement in coal prices between the periods and a full year of production at Austar, partially offset by an increase in finance costs primarily due to an additional A$30 million of interest owing to the bondholders due to Watagan achieving an EBITDA related threshold. The loss of A$90 million in the six months ended 30 June 2018 was primarily due to a significant reduction in production at the Austar mine due to the occurrence of multiple coal bursts resulting in repeated shutdowns during the period. See "*Risk Factors – We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of operations*" and "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents and outcomes may occur, including permanent shutdown. Investigations into challenging geological structures at Austar may lead to similar outcomes, including permanent shutdown*".

Since Watagan has thus far been loss-making and, moreover, has incurred ordinary course depreciation and amortisation, the book value of Watagan's net assets has declined since inception and at 30 June 2018 was negative A$311 million as noted in Appendix IA to this prospectus. While the book value decline is not necessarily an indicator of Watagan's fair value, if the fair value of Watagan's net assets is negative (meaning that the value of its assets is lower than the value of its liabilities, including any outstanding loan balances) at the time of reconsolidation, goodwill will be recognised by us. This goodwill will be subject to impairment testing based on the cash generating units to which it is allocated. To the extent that any goodwill recognised cannot be supported by an impairment model, it will be written off by us as a loss on acquisition. Similarly, if prior to reconsolidation, and whilst we recognise a loan receivable from Watagan, there is any such determination of a decline in the fair value of Watagan, this would trigger an impairment assessment of the carrying value of the outstanding balance of the Watagan Loan. As at 30 June 2018, the total assets of the Company were A$11,914 million and the total liabilities of the Company were A$6,649 million, and the total assets of Watagan were A$1,783 million and the total liabilities of Watagan were A$2,094 million. The impact of reconsolidating Watagan as at 30 June 2018, without reflecting any fair value adjustments that may arise on reconsolidation (including the recognition of any potential goodwill as noted above), and after intercompany balance eliminations of A$827 million for both total assets and total liability, would be material. Our gearing ratio (which is calculated as gross debt divided by total equity at the end of the relevant period) would exhibit a material increase from our gearing ratio of 0.81x as at 30 June 2018, primarily due to Watagan's interest-bearing debt and negative equity position as at that date.

During the Track Record Period, Donaldson's remaining Abel underground mine was moved to a care and maintenance phase and feasibility studies have subsequently commenced to explore potential future mining operations. In addition, multiple incidents have recently occurred in Austar's Bellbird South area due to coal bursts and other occurrences. These incidents have resulted in property and site damage and consequent loss of production and shutdowns, including as a result the regulator issuing notices to stop production for periods of time, during the Track Record Period. Ongoing work and investigations are being undertaken by Watagan in respect of the very challenging geological and geotechnical conditions at the Austar mine, including both the Bellbird South and Stage 3 areas that may have a significant adverse impact on future commercial operations, including, potentially, permanent shutdown. See "*Risk Factors – Multiple coal bursts and other incidents have occurred at the Austar mine which have resulted in property and site damage, production shutdowns and fatalities, and further such incidents or outcomes may occur, including permanent shutdown*" for further details.

The future prospects of the Donaldson and Austar mines are therefore uncertain, and will depend upon the work currently being conducted by Watagan and its advisers. If it is determined, by Watagan, that either or both mines are unable to restart operations or return to previously forecast levels of production or there are materially negative changes to other operating assumptions, including coal prices, exchange rates, operating costs or capital expenditure, it is likely that the fair value of these mines, and therefore Watagan, would be reduced materially. In that event, a material impairment charge may be recognised on the Watagan loan receivable, prior to reconsolidation, or any goodwill recognised on reconsolidation. In addition, the Bondholders may be more inclined to exercise the put option which, as described above, will result in the reconsolidation of Watagan. We do not control Watagan and as such are not able to control or predict the amount of any such impairment or the extent of the resulting effect on our financial condition and results of operations, which could be material and adverse.

See "*Risk Factors – We will be required to reconsolidate Watagan once we reacquire control of it, which could result in adverse consequences to our financial condition and results of operations*" for further details.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below:

Demand for Our Coal Products

Our financial results are largely dependent on the demand for thermal and metallurgical coal, which in turn depends on macroeconomic trends, including regional and global economic activity, and the price and availability of alternative forms of energy production. In addition, our customers are located throughout the Asia-Pacific region, with South Korea, the PRC, Singapore and Japan comprising our largest jurisdictions by revenue during the Track Record Period. Consequently, major regional events which may affect coal supply and demand, such as Cyclone Debbie adversely affecting coal production in Queensland in March 2017, a severe 2017-2018 winter season in the PRC which increased demand and changes in coal supply and consumption policies in the PRC and elsewhere, may result in significant fluctuations in demand and, in turn, price volatility.

Thermal coal is primarily used in electricity generation and its end users are typically power and utilities companies. According to the Industry Report, aggregate electricity generation from coal in the PRC, Japan and South Korea, which are some of our key markets in the Asia-Pacific region, increased from 4,389 billion kWh in 2015 to 4,625 billion kWh in 2017, representing a CAGR of 2.7%. This has partially contributed to an increase in aggregate demand for imported thermal coal in these countries from 395 Mt in 2015 to 458 Mt in 2017, representing a CAGR of 7.6%.

Metallurgical coal is primarily used to produce coke for blast furnace steel production. End users of metallurgical coal are thus typically steel plants. According to the Industry Report, aggregate crude steel production in the PRC, Japan and South Korea increased from 979 Mt in 2015 to 1,007 Mt in 2017, representing a CAGR of 1.5%. This has partially contributed to an increase in aggregate demand for imported metallurgical coal in these countries from 153 Mt in 2015 to 176 Mt in 2017, representing a CAGR of 7.6%.

We also sell coal to customers in the commodities trading business, who purchase our coal for trading purposes or to on-sell the coal to their end customers. Commodities traders are similarly exposed to global and regional demand trends in the coal market. As a result, fluctuations in their demand for coal products may directly affect their purchases from us. We sell to coal traders primarily to (i) enable access into markets where we have no direct relationship with end users and (ii) provide flexibility to sell any short-term unsold positions. Once we have developed relationships with new end users, we may opt to sell to them directly rather than through coal traders. For example, during the Track Record Period, we implemented a sales strategy of shifting away from coal traders in Singapore to sell directly to end users, which resulted in an overall decrease in the percentage of revenue attributable to customers located in Singapore, though total revenue from Singapore increased in line with our overall sales growth.

In November 2018, China imposed a quota on imports of coal, following which China has halted coal imports for the remainder of the year. We believe that this development will not have a material impact on us. However, if the Chinese government were to impose stricter import quotas for 2019 or future periods, our revenues and results of operations in future periods could be adversely affected, unless we are able to find alternative destinations for the coal we designate for export to China.

Price and Sales Volume of Coal

Our revenue is determined by the sale price and sales volume of our coal. The sale price depends on market demand and macroeconomic trends as discussed above. The table below sets forth, for the periods indicated, a breakdown of our ex-mine[(1)] sales volume and average selling price between thermal and metallurgical coal[(2)], presented on an attributable basis:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
Thermal coal					
Average selling price (A$ per tonne)	68	71	102	90	117
Sales volume (Mt)	8.1	8.8	15.5	4.9	13.8
Total ex-mine thermal coal revenue (A$ million)	548	617	1,585	447	1,607
Average Newcastle 6,000 NAR spot price (A$ per tonne)[(3)]	76	90	115	107	135

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
Metallurgical coal					
Average selling price (A$ per tonne)	100	106	165	174	191
Sales volume (Mt)	5.3	3.3	3.8	1.3	2.4
Total ex-mine metallurgical coal revenue (A$ million)	526	350	619	224	468
Average premium hard-coking coal FOB spot price (A$ per tonne)[3]	118	195	246	240	273
Total coal					
Average selling price (A$ per tonne)	80	80	114	108	128
Sales volume (Mt)	13.4	12.1	19.3	6.2	16.2
Total ex-mine coal revenue (A$ million)	1,074	967	2,204	671	2,075
Coal purchases[4]	214	232	355	164	156
Other[5]	–	–	64	–	19
Total coal revenue from customers	1,288	1,199	2,623	835	2,250

Notes:

(1) Ex-mine coal represents coal directly produced at our mines, and excludes coal purchased from other parties.

(2) Includes our attributable interest in production from (a) in 2015, the Moolarben, Yarrabee, Stratford Duralie and Watagan mines, (b) in 2016, the Moolarben, Yarrabee, Stratford Duralie and Watagan mines (until 31 March 2016), (c) in 2017, the Moolarben, Yarrabee, Stratford Duralie, and C&A mines (HVO (67.6%) and MTW (64.1%), from 1 September 2017) and (d) in 2018, the Moolarben, Yarrabee, Stratford Duralie, and C&A mines (HVO (67.6% until 30 April 2018 and 51% thereafter) and MTW (64.1% until 28 February and 82.9% thereafter). Does not include the results of Middlemount, which is an incorporated joint venture in which we hold a 49.9997% interest. For accounting purposes, we equity account for our share of the profit or loss after tax of Middlemount as a single line item.

(3) According to the Industry Report. The A$ per tonne is calculated at an US$:A$ foreign exchange rate of 1.33, 1.35, 1.30, 1.33 and 1.33 in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. The average premium HCC price represents the most readily-available index price for metallurgical coal.

(4) Represents sales made as part of our coal blending strategy attributable to coal purchased from related parties and third parties and any increase or decrease in ex-mine revenue recognised on coal purchased from our mines. See "– *Description of Major Line Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Coal Purchases*" for further details.

(5) Other coal revenue mainly represented acquisition accounting fair value adjustments with respect to the below market customer contract with BLCP, which we took on as part of the C&A Acquisition and which obligates us to deliver coal to BLCP at a price that we deem to be below market relative to our long-term coal price forecast.

Sales price

Regional and global trends in the demand for coal, taken together with coal supplies, are key drivers of prevailing market prices for coal. According to the Industry Report, in general, the majority of export coal is priced starting from supply contracts negotiated between Japanese end users (primarily utilities companies for thermal coal and steel mills for metallurgical coal) and Australian coal producers, from which the benchmark prices are established. The supply contracts have historically been negotiated on an annual basis but have more recently shifted to a quarterly basis. Coal sales are then priced by reference to this benchmark and adjusted for quality and loading port costs. In 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, our average selling price per tonne for thermal coal was A$68, A$71, A$102, A$90 and A$117, respectively, while our average selling price per tonne for metallurgical coal was A$100, A$106, A$165, A$174 and A$191, respectively. While we did not experience any significant fluctuations in our average selling prices in 2015 and 2016, we had a significant increase in 2017 and the six months ended 30 June 2018, primarily due to:

(i) supply-side measures implemented by the PRC in late 2016 to curb domestic coal production, which had the effect of supporting global coal prices. This resulted in a significant increase in the global price for both thermal and metallurgical coal. Thermal prices increased from approximately US$50 per tonne to US$100 per tonne and semi-soft coking coal increased from approximately US$70 per tonne to US$130 per tonne. These developments contributed to increases in our prices towards the end of 2016 and for much of the first quarter of 2017;

(ii) Cyclone Debbie which struck Queensland in March 2017, causing a significant supply disruption in thermal and metallurgical coal;

(iii) industrial action at Glencore's Australian mine sites which supported the thermal coal price;

(iv) long vessel queues at Australia's Queensland ports, which supported the metallurgical coal price; and

(v) low-ash thermal prices continued to strengthen in the first half of 2018 due to a significant tightness in supply out of NSW together with increased demand, while high-ash thermal prices have been supported by higher demand from India.

These factors were partially offset by:

(i) environmental reform policies and the later easing of supply-side restrictions implemented by the Chinese government during part of 2017, which resulted in certain price decreases;

(ii) a softening of prices in the third quarter of 2017, though global prices continued to remain at above US$70 per tonne for thermal coal and above US$100 per tonne for semi-soft coking coal; and

(iii) towards the end of the first half 2018, the Chinese government re-implemented import restrictions on both thermal and metallurgical coal, which led to a decrease in demand.

During the Track Record Period, we largely priced our coal products by reference to the appropriate market price or benchmark, whilst also taking into consideration the quality of the coal relative to the market benchmark. Our customer contracts typically set out the coal sales amount by volume, with price determined either on a quality-adjusted fixed or index-linked price. Over the Track Record Period, we have sought to control our exposure to price volatility by targeting more end users to develop direct business relationships and diversify our customer base, while shifting away from selling to coal traders or engaging the spot market, which is more sensitive to price fluctuations. As a result, our customer base became increasingly dispersed over the Track Record Period. In 2015, 2016 and 2017 and the six months ended 30 June 2018, our top five customers accounted for 47.8%, 38.8%, 32.3% and 33.8% of our revenue, respectively, in the aggregate, and our top three customers accounted for 39.5%, 29.1%, 21.7% and 26.5% of our revenue, respectively, in the aggregate. No single customer represented more than 8.5% of our total revenue in 2017 or 10% in the six months ended 30 June 2018. See "*Business – Customers*" for further details.

The table below sets forth, for the periods indicated, a sensitivity analysis of the impact of hypothetical fluctuations in the average selling price of our coal products on our revenue and profit/loss after tax, assuming a 7% state government royalty and a 30% corporate income tax rate, and excluding the results of Middlemount:

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
			A$ million		
Thermal coal					
Increase in ASP of 5%					
Revenue	27	31	79	22	80
Profit/loss after tax	18	20	52	15	52
Decrease in ASP of 5%					
Revenue	(27)	(31)	(79)	(22)	(80)
Profit/loss after tax	(18)	(20)	(52)	(15)	(52)
Increase in ASP of 10%					
Revenue	55	62	159	45	161
Profit/loss after tax	36	40	103	23	105
Decrease in ASP of 10%					
Revenue	(55)	(62)	(159)	(45)	(161)
Profit/loss after tax	(36)	(40)	(103)	(29)	(105)
Metallurgical coal					
Increase in ASP of 5%					
Revenue	26	18	31	11	23
Profit/loss after tax	17	11	20	7	15
Decrease in ASP of 5%					
Revenue	(26)	(18)	(31)	(11)	(23)
Profit/loss after tax	(17)	(11)	(20)	(7)	(15)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Increase in ASP of 10%					
Revenue	53	35	61	22	47
Profit/loss after tax	34	23	40	15	30
Decrease in ASP of 10%					
Revenue	(53)	(35)	(61)	(22)	(47)
Profit/loss after tax	(34)	(23)	(40)	(15)	(30)
Total coal					
Increase in ASP of 5%					
Revenue	54	48	110	34	104
Profit/loss after tax	35	31	72	22	68
Decrease in ASP of 5%					
Revenue	(54)	(48)	(110)	(34)	(104)
Profit/loss after tax	(35)	(31)	(72)	(22)	(68)
Increase in ASP of 10%					
Revenue	107	97	220	67	208
Profit/loss after tax	70	63	144	44	135
Decrease in ASP of 10%					
Revenue	(107)	(97)	(220)	(67)	(208)
Profit/loss after tax	(70)	(63)	(144)	(44)	(135)

Sales volume

In 2015, 2016, and 2017 and the six months ended 30 June 2017 and 2018, our sales volume for thermal coal was 8.1 Mt, 8.8 Mt, 15.5 Mt, 4.9 Mt and 13.8 Mt, respectively, while our sales volume for metallurgical coal was 5.3 Mt, 3.3 Mt, 3.8 Mt, 1.3 Mt and 2.4 Mt, respectively, in each case exclusive of sales of purchased coal. Thermal coal sales volume increased during the Track Record Period due to the C&A Acquisition in 2017 and the expansion of Moolarben from 9.0 Mtpa ROM in 2015 to 17.0 Mtpa ROM in 2018 (on a 100% basis). Metallurgical coal sales volume decreased in 2016 due to the deconsolidation of the Austar, Ashton and Donaldson mines and increased in 2017 and the six months ended 30 June 2018 with the C&A Acquisition. Our coal sales volume is largely dependent on our production volume and transportation capacity. In particular, our ability to increase our sales volume in line with our planned growth strategies relies on efficiently increasing both our production capacity and transportation capacity over time to respond suitably to coal demand. Conversely, any bottlenecks in respect of either capacity could restrict our growth potential.

Production volume

We produced coal at five mine complexes (HVO (which is operated as an unincorporated joint venture with Glencore), MTW, Moolarben, Yarrabee and Stratford Duralie) as at 30 June 2018, all located across Australia. As at 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, our total saleable production volume for thermal coal was 8.1 Mt, 8.8 Mt, 15.5 Mt, 5.2 Mt and 14.4 Mt, respectively, while our total saleable production volume for metallurgical coal was 5.2 Mt, 3.3 Mt, 3.8 Mt, 1.3 Mt and 2.6 Mt, respectively. Similar to our sales volumes, our production volume has historically grown organically, through a mix of capital investment in the expansion and upgrade of existing mines, as well as inorganically, through significant acquisitions that we have undertaken, particularly during the Track Record Period. See "*– Acquisitions, Disposals and Deconsolidation*".

With respect to growth through acquisitions, during the Track Record Period we most notably acquired C&A in September 2017 for US$2.69 billion, which included interests in two mine complexes. The C&A Acquisition increased our total ROM production volume by approximately 152% based on 2017 annual ROM production. We intend to continue to expand our production capacity both organically and inorganically in the future, which will require significant further investments. See "*Business – Our Business Strategies*" and "*Risk Factors – We may experience difficulty in integrating our acquisitions, which could result in a material adverse effect on our business, financial condition and results of operations"* for further details.

Transportation capacity

We primarily rely on rail and port networks in Australia to transport our products to our customers. The rail networks that we utilise include:

- the Hunter Valley rail network to transport coal from the HVO, MTW, Moolarben and Stratford Duralie mines to PWCS and NCIG;
- the Blackwater rail network to transport coal from the Yarrabee mine to WICET and RGTCT; and
- with respect to the Middlemount JV, the Goonyella railway system to transport coal from the Middlemount mine to APCT.

In 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, we transported 13.3 Mt, 12.0 Mt, 19.3 Mt, 6.5 Mt and 16.6 Mt, respectively, of coal products through the rail networks available to us (excluding Middlemount). Over the Track Record Period, we did not experience any shortage of railway capacity for transportation of our coal. We do not have any priority or exclusivity over railway utilisation. Given the location of the mines, the bulk nature of coal and the export nature of all of our coal, we expect to continue to rely extensively on rail networks for our coal transportation needs to port in respect of both maintaining support for our current transportation needs (including the C&A mines that we acquired) as well as any future transportation needs arising out of mines under exploration or development coming into production.

We have contracted five port terminals in three locations in Australia (two in Queensland and one in New South Wales) for our freight transport needs. Our total freight allocation (on a 100% basis including Middlemount) across PWCS, NCIG, WICET, RGTCT and APCT was 60.8 Mtpa as at both 30 June 2018 and 31 December 2017, 32.6 Mtpa as at 31 December 2016 and 28.9 Mtpa as at 31 December 2015. As at the Latest Practicable Date, we were also a 30.0% equity shareholder in PWCS, a 27.0% shareholder in NCIG and held 9.38% voting entitlements in WICET. We believe that shareholding in ports generally provides us with better access to capacity commitments from these ports. As our mines under exploration or development enter production, we intend to increase our freight allocation by contracting for additional capacity with these ports. We may also identify additional ports to contract with, depending on business needs, location and other commercial considerations.

We currently have excess port capacity commitments across our NSW operations (where the substantial majority of our coal production volume is generated), which allows us to increase production volume at our existing mines and bring new mines online in the near future without experiencing significant bottlenecks in our port capacity. However, excess capacity also results in incurred costs for us. We generally contract for both our port and rail capacity under long-term take-or-pay contracts, under which we are required to pay for the contracted port or rail tonnage regardless of whether it is utilised. Unused port or rail capacity can arise as a result of circumstances including insufficient production from any given mine, or an inability to transfer the unused capacity due to a lack of demand from third parties. As a result, we constantly aim to achieve a sustainable balance between our contracted transportation capacity (taking into account potential fluctuations in production volume) and our costs incurred for excess capacity. With this aim in mind, in 2017 we reduced our take-or-pay exposure to A$65 million (including take-or-pay contracts obtained under the C&A Acquisition) from A$74 million in 2016 (on a 100% basis including Middlemount) by (i) increasing our production, particularly at Moolarben, and (ii) utilising opportunities to trade port capacity commitments with other coal producers who need additional capacity from time to time on a spot basis. In the medium to long-term, we aim to reduce our overall take-or-pay exposure in NSW by continuing to seek opportunities for organic growth and capture savings as a result of economies of scale, as well cancelling the long-dated rollovers on certain contracts, which reduces our overall port capacity in the longer term to align more closely with our actual expected production. See "*– Description of Major Line Items in Our Consolidated Statements of Profit and Loss and Other Comprehensive Income – Transportation*" for further details on our transportation costs and a sensitivity analysis of hypothetical fluctuations in our transportation costs during the Track Record Period.

See "*Business – Infrastructure, Transportation and Logistics*" and "*Risk Factors – Fluctuations in transportation costs and disruptions to our railway and port linkages could disrupt our coal deliveries and adversely affect our business, financial condition and results of operations*" for further details.

Operating and Production Costs

Our all-in total production costs, which include cash and non-cash operating costs, represent costs directly attributable to the production, transportation and selling of coal as well as indirect corporate costs, in particular corporate employee costs, but excluding transaction costs incurred on the C&A Acquisition and in connection with the Listing. Cash operating costs comprise the cost of raw materials and consumables used, employee benefits, contractual services and plant hire and transportation. Non-cash operating costs include depreciation and amortisation. See "*– Description of Major Line Items in Our Consolidated Statements of Profit or Loss and Other Comprehensive Income*" for further details on the nature of our cash operating costs and "*– Review of Historical Results of Operations*" for a discussion of the year-on-year changes and trends in these line items. Our total production cost per sales tonne, excluding royalties, was A$84, A$74, A$76, A$77 and A$81 in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. The decrease in 2016 was primarily due to the deconsolidation of the Watagan underground mines and reduced operations at Stratford Duralie, together with ongoing cost saving initiatives across all sites. The increase in 2017 and 2018 was primarily due to the additional depreciation and amortisation of property, plant and equipment and mining tenements recognised on the C&A Acquisition and an increase in raw materials and consumables used.

Given the significant amounts of our production costs, our profitability is directly affected by our ability to control them. At the same time, we must balance cost considerations with ensuring that we have a reliable and adequate supply of materials and manpower in order to carry out our operations at the scale that we seek to achieve or maintain. These costs may fluctuate significantly due to market or other forces which may be out of our control. For example, our suppliers for raw materials and consumables may experience changes in their own operating or supply costs, which they may pass on to us. Similarly, changes in macroeconomic conditions may affect the cost and availability of labour, which, depending on our own staffing needs as we adjust our operating scale through capital expenditure, acquisitions and disposals, may result in us incurring higher average labour costs in certain periods than others. See "*Risk Factors – Our coal production is subject to conditions and events beyond our control that could result in high expenses and decreased supply*" for further details.

The table below sets forth, for the periods indicated, a breakdown of our total production costs:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
			A$ million		
Cash operating costs					
Raw materials and consumables used	213	187	349	109	337
Employee benefits	229	188	302	102	254
Transportation	261	267	312	122	274
Contractual services and plant hire	218	121	241	69	196
Cash operating costs (excluding royalties)	921	763	1,204	402	1,061
Royalties	77	71	173	53	161
Total cash operating costs	998	834	1,377	455	1,222
Non-cash operating costs					
Depreciation and amortisation	200	133	256	80	244
Total production costs	1,198	967	1,633	535	1,466
Total production costs (excluding royalties)	1,121	896	1,460	482	1,305

During the Track Record Period, the overall increase in total production costs (excluding royalties) was in line with the overall increase in production volume and revenue, particularly when taking into account the Moolarben expansion and the operating results of C&A. Our production costs in the future are likely to continue to be driven by material changes in the amount of coal produced and to a lesser extent by the cost per tonne produced.

The table below sets forth, for the periods indicated, a breakdown of our total production costs per sales tonne, excluding the impact of movements in coal inventory:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ per tonne		
Cash operating costs					
Raw materials and consumables used	16	15	18	18	21
Employee benefits	17	16	15	16	16
Transportation	20	22	16	20	17
Contractual services and plant hire	16	10	13	11	12
Cash operating costs (excluding royalties)	69	63	62	65	66
Royalties	6	6	9	9	10
Cash operating costs	75	69	71	74	76
Non-cash operating costs					
Depreciation and amortisation	15	11	14	12	15
Total production costs	90	80	85	86	91
Total production costs (excluding royalties)	84	74	76	77	81

During the Track Record Period, our total production costs (excluding royalties) decreased from A$84 per saleable tonne in 2015 to A$81 per saleable tonne in the six months ended 30 June 2018. Our cash operating cost per sales tonne before royalties was A$69, A$63, A$62, A$65 and A$66 in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. The decrease in 2016 was primarily due to the deconsolidation of the Watagan underground mines and reduced operations at Stratford Duralie, together with ongoing cost saving initiatives across all sites. Between 2016 and 2017, there was a slight decrease from A$63 to A$62 per sales tonne, and between the six months ended 30 June 2017 and the six months ended 30 June 2018 there was a slight increase from A$65 to A$66 per sales tonne. Cash operating costs between these periods remained relatively unchanged despite an increase in market-driven costs of consumables such as diesel and electricity and despite the fact that in each of the former periods Moolarben (which is a low cost mine that is in the first quartile of the cash cost curve) had a materially high weighting in our overall portfolio. While HVO and MTW are higher operating cost mines than Moolarben, they still fall within the second quartile of the cash cost curve (and rank higher than Moolarben on the cash margin curve) and as such are considered low cost mines. See "*Industry Overview – Competitive Landscape – Cost Competitiveness Analysis*". Our total production costs in the future are likely to continue to be driven by material changes in the amount of coal produced at each site, further synergies from the C&A Acquisition and further cost saving initiatives.

The table below sets forth, for the periods indicated, a breakdown of our total and per tonne production costs by: (i) workforce employment; (ii) consumables; (iii) fuel, electricity, water and other utilities services; (iv) contractual services and plant hire, (v) on and off-site administration; (vi) environmental protection and monitoring; (vii) transportation of workforce; (viii) product marketing and transport; (ix) non-income taxes, royalties and other governmental charges; and (x) contingency allowances, in each case as applicable.

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
			A$ million		
Cash operating costs					
Workforce employment	227	184	299	100	253
Consumables	149	138	248	76	227
Fuel, electricity, water and other utilities services	64	49	101	33	109
Contractual services and plant hire	195	110	213	62	181
On and off site administration	17	14	22	5	12
Environmental protection and monitoring	8	5	9	4	5
Transportation of workforce	–	–	–	–	–
Product marketing and transport	261	267	312	122	274
Non-income taxes, royalties and other government charges	77	71	173	53	161
Contingency allowances	–	–	–	–	–
Total cash operating costs	998	838	1,377	455	1,222

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ per tonne		
Cash operating costs					
Workforce employment	17	15	15	16	16
Consumables	11	11	13	12	14
Fuel, electricity, water and other utilities services	5	4	5	5	7
Contractual services and plant hire	15	9	12	10	11
On and off site administration	1	1	1	1	1
Environmental protection and monitoring	1	1	–	1	–
Transportation of workforce	–	–	–	–	–
Product marketing and transport	19	22	16	20	17
Non-income taxes, royalties and other government charges	6	6	9	9	10
Contingency allowances	–	–	–	–	–
Total cash operating costs	75	69	71	74	76

Workforce employment

Workforce employment primarily consists of salaries, wages, benefits, short-term and long-term incentives and employee onboarding costs for all our employees. Workforce employment amounted to A$227 million, A$184 million, A$299 million, A$100 million and A$253 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, with per tonne workforce employment costs of A$17, A$15, A$15, A$16 and A$16, respectively. The decrease in per tonne costs was primarily due to the deconsolidation of the Watagan Mines, the expansion of Moolarben and the C&A Acquisition.

Consumables

Our consumables include maintenance, explosives, tyres and other general consumables. Consumables used amounted to A$149 million, A$138 million, A$248 million, A$76 million and A$227 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, with per tonne consumables used of A$11, A$11, A$13, A$12 and A$14, respectively. The increase in per tonne costs in 2017 and the six months ended 30 June 2018 was primarily due to larger truck fleets at the acquired C&A mines due to longer haulage distances.

Fuel, electricity and water

Fuel, electricity and water amounted to A$64 million, A$49 million, A$101 million, A$33 million and A$109 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, with per tonne fuel, electricity and water costs of A$5, A$4, A$5, A$5 and A$7 over the same period with the increase in the six months ended 30 June 2018 primarily due to an increase in diesel and electricity prices.

Contractual services and plant hire

Contractual services and plant hire primarily consists of contractors, including contract mining, consultants and equipment hire costs, but excluding contracted service expenses for environmental protection and monitoring. These costs amounted to A$195 million, A$110 million, A$213 million, A$62 million and A$181 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, with per tonne costs of A$15, A$9, A$12, A$10 and A$11, respectively. The decrease in 2016 was primarily due to the deconsolidation of the Watagan mines and the shift in Stratford Duralie's operations from outsourced contractual management to an insourced owner-operator model. The increase in 2017 was primarily due to the acquisition of C&A mines which utilise a significant number of contractors and hire equipment. We believe that contractual services and plant hire costs are most appropriately categorised as a separate component of cash operating costs. In particular, contractual services and plant hire costs include contractors who are not full-time workforce employees nor administrative in nature, as well as equipment hires which are not consumables nor used for transportation.

On and off site administration

On and off site administration primarily consists of administrative expenses, including legal, accounting and tax and other professional service fees, and excluding transaction costs incurred on the C&A Acquisition and in connection with the Listing. These costs amounted to A$17 million, A$14 million, A$22 million, A$5 million and A$12 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, with per tonne on and off site administration costs of A$1 in each period.

Product marketing and transport

Product marketing and transport costs consist of our transport costs incurred primarily in connection with the cost of transporting our coal products to customers, including handling and delivery of coal from our mines to the relevant port via rail for export to overseas end customers (typically on a FOB basis). Our transportation costs amounted to A$261 million, A$267 million and A$312 million, A$122 million and A$274 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, with per tonne costs of A$19, A$22, A$16, A$20 and A$17, respectively. The increase in per tonne costs in 2016 was primarily due to an increase in take-or-pay port commitments. The decrease in 2017 and the six months ended 30 June 2018 was primarily due to lower average rail costs and spreading our take-or-pay port exposure across a larger transport volume.

Non-income taxes, royalties and other government charges

Non-income taxes, royalties and other government charges consist of royalties paid to the governments of New South Wales and Queensland on coal produced in these states. These royalties amounted to A$77 million, A$71 million, A$173 million, A$53 million and A$161 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, with per tonne costs of A$6, A$6, A$9, A$9 and A$10, respectively. The increase in 2017 and the six months ended 30 June 2018 was primarily due to the increase in average selling prices and the higher volume of coal produced in open-cut mines in part due to the C&A Acquisition. Royalties are determined on an ad valorem basis by reference to the value of the coal sold and the type of mine, with open-cut mines generally having higher royalty rates than underground mines.

Capital Expenditure

We undertake both sustaining and expansionary capital expenditure. Sustaining capital expenditure is generally undertaken to maintain our current level of production for existing operations. Expansionary capital expenditure includes growth projects with the aim of increasing our production. Capital expenditure in respect of mine expansions and business improvement projects was A$159 million, A$237 million, A$165 million, A$87 million and A$19 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively. This was mainly attributable to our Moolarben mine, which during the Track Record Period has expanded from a 9.0 Mtpa ROM mine in 2015 to 14.7 Mtpa in 2017, and which we intend to further expand to 17.0 Mtpa ROM in 2018 (each on a 100% basis). Capital expenditure investments in Moolarben primarily consisted of developing and expanding the open cut portions of the mine as well as the underground complex, together with investments in the equipment needed. We undertake expansionary capital expenditure following a strict business case analysis, including in respect of viability, source and cost of funds and the timing and sensitivity to movements in coal prices. We also incurred exploration expenditure of A$2.7 million, A$0.4 million, A$2.8 million, A$1.4 million and A$1.9 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, in relation to mines in operation, which we capitalised. See "*– Capital Expenditure*" for a breakdown of our total capital expenditure during the Track Record Period.

The costs associated with capital expenditure plans could have a significant impact on our financial condition and results of operations, particularly if we are unable to generate sufficient coal production and sales to recover our investment or generate a profit. See "*Risk Factors – We may not be able to meet our capital expenditure requirements or secure additional financing on favourable terms, whether from external sources or our major shareholders, in the future*" for further details.

Financing Arrangements and Interest Rate Movements

We operate in a capital-intensive industry that requires a significant investment of funds. We have historically relied heavily on borrowings from banks and related parties, including Yanzhou, our direct Controlling Shareholder, for these funding needs. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our total interest-bearing loans and lease liabilities amounted to A$4,732 million, A$4,950 million, A$4,699 million and A$4,284 million, respectively, of which the majority were subject to floating interest rates based on US$ LIBOR and secured against corporate guarantees from Yanzhou and certain of our assets. See "*– Indebtedness*" for further details. Our finance costs, which primarily consist of interest expenses on our borrowings as well as bank fees and other charges associated with those borrowings (which are classified under other operating expenses) amounted to A$278 million, A$323 million, A$403 million, A$154 million and A$214 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, for an average cost of funds of 6.45%, 7.29%, 7.93%, 7.85% and 8.42%, respectively. Given that global interest rates are currently increasing and are expected to further increase in the foreseeable future, our finance costs could increase as well. See "*Risk Factors – We are exposed to fluctuations in exchange rates and interest rates*" for further details.

At the same time, we also derive interest income from loans to other parties. For example, as part of the transfer of interest in the Ashton, Austar and Donaldson mines to Watagan on 31 March 2016, the purchase consideration was effectively funded through a loan provided to Watagan bearing interest at the bank bill swap bid rate plus 7.06%. The loan matures in 2025 and is repayable earlier at Watagan's option. The transfer of ownership on 31 March 2016 occurred between wholly owned subsidiaries of the Company at book value with the loan representing non-cash consideration.

Foreign Exchange Rate Fluctuations

We have export sales across the Asia-Pacific region and significant debt funding, both largely denominated in US dollars, and our imported plant and equipment may be priced in US dollars or another foreign currency. At the same time, we operate entirely in Australia with an Australian dollar functional currency. As a result, our financial results are exposed to foreign exchange rate movements, particularly those relating to the Australian dollar and US dollar rate exchange rate.

During the Track Record Period, the A$:US$ exchange rate experienced frequent fluctuations. For example, according to the H.10 statistical release of the Federal Reserve Board, the Australian dollar generally weakened against the US dollar throughout 2015 and early 2016, with the A$:US$ ratio reaching a low of approximately 0.6864 as at 16 January 2016. During this time, our US dollar-denominated sales generated higher revenue as reported in Australian dollars (without taking into account fluctuations in coal prices generally). The A$:US$ rate then gradually strengthened over 2016 and 2017 to reach a high of approximately 0.8071 as at 8 September 2017, during which time our sales and costs experienced the inverse effect.

As foreign exchange rates can vary significantly based on factors outside our control, we seek to hedge our currency exposures. We apply a natural hedge strategy whereby the scheduled repayment of our US dollar denominated loans is nominated against forecast US dollar denominated revenue in the future period matching the scheduled loan repayment date. Through this strategy any unrealised foreign exchange rate gains or losses incurred through the periodic translation of the US dollar denominated loans is deferred on the balance sheet within a hedge reserve. This hedge reserve reverses to the profit and loss in the financial period corresponding with the scheduled loan maturity date. We also enter short term forward exchange contracts to manage the currency exposure between the invoice date of US dollar denominated sales and the cash collection date. Our hedging policy aims to protect against reduced collection of receivables and to reduce the volatility of our US dollar debt. See "*– Qualitative and Quantitative Disclosures on Market Risk*" and "*Risk Factors – We are exposed to fluctuations in exchange rates and interest rates*" for further details.

Taxation

As all our operating entities and operational activities, including those of C&A, are located in Australia, we are generally subject to the statutory corporate tax rate in Australia of 30%. Broadly, as we recorded a loss before income tax in 2015 and 2016 and the six months ended 30 June 2017, we recorded an income tax benefit of A$63 million, A$85 million and A$4 million, respectively. On the other hand, we had profit before income tax in 2017 and the six months ended 30 June 2018, resulting in an income tax expense of A$89 million and A$178 million, respectively. As a result of accumulated tax losses incurred through 2016, we did not pay any cash income tax during the Track Record Period, and do not expect to pay any cash income tax for the near future as we continue to carry forward, and expect to recoup, our prior tax losses. As at 30 June 2018, we had approximately A$2.4 billion of available carried forward tax losses which can be applied to reduce future liability for income tax on our taxable profits, so long as they remain available. Our ability to use these carried forward tax losses will depend, in part, on our continued satisfaction of the loss recoupment tests under Australian tax laws. See "*Risk Factors – The Company may lose the benefit of existing and carried forward tax losses, which may have an adverse effect on its profits*" for further details.

Our effective income tax benefit/expense rate was 17.8%, 27.2%, 26.6%, 22.2% and 33.0% in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, which was lower than the statutory tax rate. This was primarily due to non-temporary differences arising (i) in 2015 and 2016, from non-deductible expenses and prior year under or over provisions for taxes, (ii) in 2015 and 2017, from share of profit or loss non-deductible of equity-accounted investees and (iii) in the six months ended 30 June 2018, from non-deductible expenses, in particular, the impairment of investments in GILTs and WIPs in connection with the WICET senior debt refinancing. See note 10 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details. We expect taxation to continue to materially affect our operating results going forward, regardless of whether we generate a profit before tax or not.

In addition, our tax expenses are not currently affected by the tax benefits/expenses of Watagan. While Watagan is part of the tax consolidated Group, each member entity of the Group is responsible for its own tax obligations. As Watagan is currently deconsolidated for accounting purposes, any resultant tax expense or benefit of Watagan results in a payable or receivable balance between us and Watagan, but the Group's overall tax expenses are otherwise not affected by Watagan.

Impact of Acquisitions, Disposals and Deconsolidation

We have historically have a number of significant transactions in the form of acquisitions, disposals and deconsolidation which had a substantial impact on our historical financial results. See "*– Acquisitions, Disposals and Deconsolidation*" for further details. We may continue to explore and evaluate undertaking these and similar types of transactions going forward, which may further impact our financial results, including to a degree where prior periods are not necessarily comparable with future periods.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our more critical accounting policies and significant estimates, assumptions and judgments are described below. See notes 4 and 5 to the Accountants' Report of the Group in Appendix IA in this prospectus for further details on our accounting policies, judgments and estimates.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of our previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, our previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e., the date when we obtain control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Interests in Other Entities

Associates

Associates are all entities over which we have significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Our investments in associates includes goodwill identified on acquisition.

Our share of our associates' post-acquisition profits or losses is recognised in profit or loss, and our share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When our share of losses in an associate equals or exceeds our interest in the associate (which includes any long-term interests that, in substance, form part of our net investment in the associate), we do not recognise further losses, unless we have incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between us and our associates are eliminated to the extent of the our interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary, to ensure consistency with the policies adopted by us.

Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control. Joint control exists only when the strategic, financial and operational policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture. The structure of each joint arrangement is analysed to determine whether the joint arrangement is a joint operation or a joint venture. The classification of a joint arrangement is dependent on the rights and obligations of the parties to the arrangement.

Joint operations

We recognise our proportional right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Joint ventures

A joint venture is structured through a separate vehicle and the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method where the assets and liabilities will be aggregated into one line item on the face of the consolidated statements of financial position, after adjusting for the share of profit or loss after tax, which is shown as a separate line item on the face of the consolidated statements of profit or loss and other comprehensive income, after adjusting for amounts recognised directly in equity.

When our share of losses in a joint venture equals or exceeds our interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), we do not recognise further losses, unless we have incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between us and our joint ventures are eliminated to the extent of our interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by us.

Coal Reserves and Resources

We estimate our coal resources and reserves based on information compiled by competent persons as defined by the JORC Code and the ASX Listing Rules.

Mineral resources and ore reserves are based on geological information and technical data relating to the size, depth, quality of coal, suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based on factors such as estimates of foreign exchange rates, coal price, future capital requirements, rehabilitation obligations and production costs, along with geological assumptions and judgements made in estimating the size and quality of the reserves. Management forms a view of forecast sales prices based on current and long-term historical average price trend.

As the economic assumptions used may change and as additional geological information is produced during the operations of a mine, estimates of reserves may change. Additionally the amount of reserves that may actually be mined in the future and our current reserve estimate may vary. Such changes may impact our reported financial position and results including:

- the carrying value of the exploration and evaluation assets, mine properties, property, plant and *equipment* and goodwill may be affected due to changes in estimated future cash flows;

- depreciation and amortisation charges in the statement of profit and loss and other *comprehensive* income may change where such charges are determined using the units of production method, or where the useful life of the related assets change; and

- the carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Revenue Recognition

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 we expect 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 our performance obligations in contracts with customers and significant judgments applied in revenue recognition are as follows:

Sales of coal

We produce and sell 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 a point in time which is 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 pursuant to IFRS 15. 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. The adoption of IFRS 15 has not had, and is not expected to have, a significant effect on our financial position or performance.

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.

Some of our 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, we have 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.

Other revenue

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.

Mining services fees

We provide 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.

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.

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 us 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. Management fees are recognised upon the delivery of the service to the customer.

Other income

Gain on acquisition is recognised in line with the accounting for business combinations.

Taxation

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate enacted or substantially enacted at the end of the reporting period for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying value of the deferred tax asset is reviewed at each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are recognised for taxable temporary differences between the carrying amount and tax bases of investments in controlled entities, except where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where we have a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly attributable to the acquisition of the items and the estimated restoration costs associated with the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment.

The open pit operations capitalise mine development costs including both direct and indirect costs incurred to remove overburden and other waste materials to enable access to the coal seams during the development of a mine before commercial production commences, and during future development of new open pit mining areas. Amortisation of those capitalised costs over the life of the operation commences at the time that commercial production begins for the mine for the new open pit mining area.

Underground mine development costs include both direct and indirect mining costs relating to underground longwall panel development and mains development (primary access/egress roads for the mine).

Mains development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Assets under construction represent production site development projects under construction for production or for its own use purposes. Assets under construction are carried at cost less any impairment loss. Costs included costs of constructing the production plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Assets under construction are classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

Open cut

During the commercial production stage of open pit operations, production stripping costs comprises the accumulation of expenses incurred to enable access to the coal seam, and includes direct removal costs (inclusive of an allocation of overhead expenditure) and machinery and plant running costs.

Production stripping costs are capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called "stripping activity asset" included in mine development.

The stripping activity asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied.

Production stripping costs that do not satisfy the asset recognition criteria are expensed.

Depreciation and amortisation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line or units of production basis over the asset's useful life to us based on life of mine plans and JORC estimated reserves, commencing from the time the asset is held ready for use. Leased assets are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that we will obtain ownership at the end of the lease term. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

For some assets, the useful life of the asset is linked to the level of production. In such cases, depreciation is charged on a units of production basis based on the recoverable reserves or the remaining useful hours. For example, the cost of mining development is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. Alternatively, the straight-line method may be used where this provides a suitable alternative because production is not expected to fluctuate significantly from one year to another.

Mining reserve and mining resources are amortised on a straight line basis or unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and any change in estimate is taken into account in the determination of remaining depreciation charges.

The estimated useful lives are as follows:

- Buildings 10 – 25 years
- Mine development 10 – 40 years
- Plant and equipment 2.5 – 40 years
- Leased plant and equipment 2 – 20 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining Tenements

Mining tenements have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Mining tenements are amortised from the date when commercial production commences, or the date of acquisition. Amortisation is calculated over the life of the mine on a 'units of production' method based on the JORC estimated reserves.

Changes in the annual amortisation rate resulting from changes in the remaining estimated reserves, are applied on a prospective basis from the commencement of the next financial year. Every year the mining tenement's carrying amount is compared to its recoverable amount and assessed for impairment, or for possible reversals of prior year impairment (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at the individual exploration permit or licence level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets acquired in a business combination are recognised at their fair value at the acquisition date. The carrying amount of exploration and evaluation assets are assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount. A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to each area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining tenements.

Interest-bearing Liabilities

Interest-bearing liabilities (excluding financial guarantees) are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. US dollar interest bearing loans are designated as a hedge instrument in a cash flow hedge.

Leases

Property, plant and equipment held by us under leases that transfer substantially all of the risks and rewards of ownership to us are classified as finance leases.

The leased property, plant and equipment are initially measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently they are accounted for in accordance with the property, plant and equipment accounting policy.

The corresponding minimum lease payments are included in lease liabilities within interest bearing liabilities. Each lease payment is allocated between finance cost and a reduction in the outstanding lease liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The net gains arising on the sale of an asset and the leasing back of the same asset using a finance lease are included as deferred income in the statement of financial position and are released to the profit or loss on a straight-line basis over the term of the lease.

We expect to adopt IFRS 16 on leases commencing from 1 January 2019, which may affect our accounting results for leases going forward. See "*Risk Factors – The future adoption of IFRS 16 on the accounting treatment of our leases may impact our financial results*" for further details.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The table below sets forth our consolidated statements of profit or loss for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	A$ million	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million*	*%*
Revenue	1,319	100.0	1,238	100.0	2,601	100.0	832	100.0	2,347	100.0
Other income	34	2.6	15	1.2	325	12.5	8	1.0	115	4.9
Changes in inventories of finished goods and work in progress	2	0.2	(7)	(0.6)	7	0.3	10	1.2	24	1.0
Raw materials and consumables used	(213)	(16.2)	(187)	(15.1)	(349)	(13.4)	(109)	(13.1)	(337)	(14.3)
Employee benefits expenses	(229)	(17.4)	(188)	(15.2)	(302)	(11.6)	(102)	(12.3)	(254)	(10.8)
Depreciation and amortisation	(200)	(15.2)	(133)	(10.7)	(256)	(9.8)	(80)	(9.6)	(244)	(10.4)
Transportation	(261)	(19.8)	(267)	(21.6)	(312)	(12.0)	(122)	(14.7)	(274)	(11.7)
Contractual services and plant hire	(218)	(16.5)	(124)	(10.0)	(274)	(10.5)	(90)	(10.8)	(206)	(8.8)
Government royalties expense	(77)	(5.8)	(71)	(5.7)	(173)	(6.7)	(53)	(6.4)	(161)	(6.9)
Changes in deferred mining costs	(7)	(0.5)	–	–	–	–	–	–	–	–
Coal purchases	(158)	(12.0)	(211)	(17.0)	(340)	(13.1)	(148)	(17.8)	(182)	(7.7)
Other operating expenses	(147)	(11.1)	(163)	(13.2)	(330)	(12.7)	(76)	(9.1)	(170)	(7.2)
Finance costs	(162)	(12.3)	(209)	(16.9)	(294)	(11.3)	(105)	(12.6)	(152)	(6.5)
Share of profit/(loss) of equity-accounted investees, net of tax	(37)	(2.8)	(5)	(0.4)	32	1.2	17	2.0	33	1.4
Profit/(loss) before income tax	(354)	(26.8)	(312)	(25.2)	335	12.9	(18)	(2.2)	539	23.0
Income tax (expense)/benefit	63	4.8	85	6.9	(89)	(3.4)	4	0.5	(178)	(7.6)
Profit/(loss) after income tax	(291)	(22.0)	(227)	(18.3)	246	9.5	(14)	(1.7)	361	15.4
Other comprehensive income for the year	(319)		63		404		274		(141)	
Total comprehensive income for the year	(610)		(164)		650		260		220	

Revenue

We present revenue in our consolidated statements of profit or loss as revenue from continuing operations, which primarily consists of revenue from sales to external customers (including both sales of coal produced from our operating mines and coal which we purchase from third party suppliers and onsell to customers). We then adjust revenue from external customers for fair value losses recycled from our hedge reserve in order to present segment revenue. To a lesser extent, our revenue also includes interest income, mining services fees, and other revenue. The table below sets forth, for the periods indicated, a reconciliation and breakdown of components of our revenue:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Revenue from external customers	1,288	1,199	2,623	835	2,250
Fair value losses recycled from hedging reserve[1]	(22)	(133)	(229)	(101)	(45)
Total segment revenue	1,266	1,066	2,394	734	2,205
Interest income	50	125	114	57	58
Mining services fees	–	38	52	29	26
Sea freight	–	–	12	–	37
Other revenue	3	9	29	12	21
Total revenue from continuing operations	1,319	1,238	2,601	832	2,347

Note:

(1) The scheduled repayment of the principal amounts on our U.S. dollar denominated loans are designated to hedge the cash flow risks on the portion of forecast U.S. dollar denominated sales that are not hedged through bank-issued instruments, resulting in a natural cash flow hedge. Unrealised foreign exchange gains or losses arising on the translation of hedged U.S. dollar denominated loans are deferred on our balance sheet to a cash flow hedge reserve in equity. Such deferred gains or losses attributable to a U.S. dollar denominated loan are then recycled to the income statement, in the future, during the six-month period in which the loan is scheduled to be repaid. During the Track Record Period this has resulted in net foreign exchange losses previously recognised in the hedge reserve being recycled to the income statement. Net unrealised hedge losses have resulted from a general weakening of the Australian dollar against the U.S. dollar resulting in an increase in the Australian dollar translated liability recognised on the balance sheet. As at 30 June 2018, we had A$791 million of unrealised foreign exchange losses before tax and A$554 million of unrealised foreign exchange losses after tax deferred on our balance sheet in equity. See "*Risk factors – We do not make use of hedging instruments to hedge foreign exchange risks in respect of U.S. dollar denominated loans, and the natural cash flow hedge created by hedging a portion of these loans against our U.S. dollar denominated sales may not be sufficient to offset our foreign exchange losses*".

Revenue from external customers

Our customers are primarily located in the Asia-Pacific region. The table below sets forth, for the periods indicated, a breakdown of our revenue from external customers by jurisdiction, as determined based on the jurisdiction in which the customer is located:

	Year ended 31 December						Six months ended 30 June			
	2015		2016		2017		2017		2018	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	A$ million	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million*	*%*
Australia	28	2.2	69	5.7	322	12.2	118	14.1	228	10.1
Singapore	315	24.4	261	21.8	337	12.9	161	19.3	451	20.0
South Korea	427	33.2	296	24.7	415	15.8	181	21.7	333	14.8
PRC	107	8.3	179	14.9	654	24.9	196	23.5	479	21.3
Japan	152	11.8	143	11.9	489	18.7	99	11.9	440	19.6
Taiwan	68	5.3	93	7.8	131	5.0	24	2.9	210	9.3
Others[1]	191	14.8	158	13.2	275	10.5	56	6.6	109	4.9
Total revenue from external customers	1,288	100.0	1,199	100.0	2,623	100.0	835	100.0	2,250	100.0

Note:

(1) Includes Malaysia, Vietnam, Thailand, India, Indonesia and Chile.

During the Track Record Period, our largest jurisdictions by revenue were the PRC, South Korea, Singapore and Japan. Revenue from the PRC increased at the fastest pace, from A$107 million in 2015 to A$654 million in 2017, representing 8.3% and 24.9% of our total revenue from external customers in the same years, respectively. Revenue from the PRC also increased from A$196 million in the six months ended 30 June 2017 to A$479 million in the six months ended 30 June 2018, representing 23.5% and 21.3% of our total revenue from external customers in the same periods, respectively. Import restrictions were imposed by the PRC government prior to 2015, resulting in a decrease in sales. Since then, we have employed dedicated sales staff for the PRC to work closely with potential customers in order to establish new business into the PRC in compliance with the import restrictions imposed, which has led to entering into long-term contracts with Chinese end customers.

Revenue from South Korea and Singapore as a percentage of our total revenue from external customers decreased at the fastest pace during the Track Record Period, from 33.2% and 24.4% in 2015, respectively, to 15.8% and 12.9% in 2017, respectively. Lower sales in South Korea in 2016 were partly the result of the deconsolidation of the Ashton, Austar and Donaldson mines, while lower sales in Singapore in 2016 were partly the result of our strategy to shift away from coal traders to coal end customers, for whom our sales are more profitable. The increase in absolute sales in South Korea and Singapore in 2017 was due to the increase in production volume driven by the C&A Acquisition. Total revenue from South Korea and Singapore in 2017 was largely in line with revenue in 2015. In the six months ended 30 June 2018 compared to the six months ended 30 June 2017, revenue from South Korea decreased from 21.7% of our total revenue from external customers to 14.8% of such revenue, while revenue from Singapore as a percentage of total revenue remained stable at 20.0% and 19.3% in those periods, respectively.

Revenue from Australia and Japan also saw an overall increase from 2015 to 2017 in terms of both absolute amounts and as a percentage of our total revenue. Revenue from Australia as a percentage of our total revenue then declined in the six months ended 30 June 2018 compared to the six months ended 30 June 2017, while revenue from Japan as a percentage of our total revenue increased over this period. For both jurisdictions, revenue increased in terms of absolute amounts over this period. The overall increases in revenue from Australia were primarily driven by the C&A Acquisition, which included an increase in sales made to other Australian coal companies. Similarly, the overall increases in revenue from Japan were primarily driven by the C&A Acquisition, with the quality of coal from the HVO and MTW mines being suitable for the Japanese market.

See "*– Significant Factors Affecting Our Results of Operations and Financial Condition – Price and Sales Volume of Coal*" for further details.

Segment revenue

We categorise our operating segments as (i) our coal mining segment, which consists of the New South Wales sub-segment and the Queensland sub-segment, where all our owned mines in operation are located and (ii) our corporate segment. We present our segment revenue net of intersegment sales, which are eliminated on consolidation. The table below sets forth, for the periods indicated, a breakdown of our segment revenue as reconciled with revenue from external customers:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
			A$ million		
Revenue from external customers					
New South Wales	998	873	2,163	616	2,051
Queensland	290	326	460	219	199
Corporate	–	–	–	–	–
Total	1,288	1,199	2,623	835	2,250
Fair value losses recycled from hedge reserve					
New South Wales	–	–	–	–	–
Queensland	–	–	–	–	–
Corporate	(22)	(133)	(229)	(101)	(45)
Total	(22)	(133)	(229)	(101)	(45)
Total segment revenue					
New South Wales	998	873	2,163	616	2,051
Queensland	290	326	460	219	199
Corporate	(22)	(133)	(229)	(101)	(45)
Total	1,266	1,066	2,394	734	2,205

Our New South Wales segment consists of revenue from the Moolarben, HVO, MTW and Stratford Duralie mines. Our Queensland segment consists of revenue from the Yarrabee mine. The increase in revenue reported in the New South Wales segment in 2017 and the six months ended 30 June 2018 resulted from the inclusion of sales from C&A from 1 September 2017.

Fair value losses recycled from hedge reserve represent retranslation losses on our US dollar-denominated loans which are attributable to changes in US$:A$ foreign exchange rates. Under our natural hedge policy, such losses are recycled to the income statement based on the scheduled loan maturity dates. The amount of any fair value loss or gain recycled from the hedge reserve in a period is a function of the amount of the hedged US dollar loan scheduled to mature in that period and the respective US$:A$ exchange rates at the time the hedge was put in place and at the time the loan matured. See note 6 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details.

Interest income, mining services fees and other revenue

Interest income primarily consists of interest generated on our loan to Watagan, which we provided in 2016 to finance Watagan's purchase of control of the Austar, Ashton and Donaldson mines from us, while we retain full ownership interest in those mines. The loan is scheduled to be repaid in 2025. See "*– Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation*" for further details.

Mining services fees primarily consist of fees that we charge for providing management services to the Austar, Ashton and Donaldson mines on behalf of Watagan and in 2017 and the six months ended 30 June 2018 for the management of the Cameby Downs and Premier mines on behalf of Yanzhou. In 2015 and 2016 the fees charged to the Cameby Downs and Premier mines were credited against the corporate costs incurred, mainly employee benefits. See "*Business – Our Mining Operations – Managed Mines*" for further details.

Sea freight revenue is recognised on a CFR contract, held by C&A, where the customer pays for the coal supplied inclusive of the sea freight incurred on transporting the coal from Australia to the discharge port. The sea freight component is recognised separately from revenue from coal sales. No sea freight was recognised prior to the C&A Acquisition.

Other revenue primarily consists of management fees charged for operating the unincorporated mine joint ventures.

Other Income

Our other income during the Track Record Period primarily consisted of (i) a gain on acquisition of A$177 million in connection with mine assets acquired from C&A benefiting from improved valuation assumptions on the completion date compared to the date of determining the acquisition price, (ii) a reversal of impairment of mining tenements of A$100 million for the Moolarben mine and (iii) a fair value gain on refinancing our secured bank loan at a lower margin of A$31 million on the adoption of IFRS 9. The gain on acquisition, reversal of impairment of mining tenements and the refinance gain were recorded in 2017. Our other income in the six months ended 30 June 2018 of A$115 million primarily consisted of (i) a gain on disposal of A$78 million on the sale of a 16.6% interest in HVO to Glencore and (ii) net foreign exchange gains of A$30 million primarily on US$ cash balances. Our other income in the six months ended 30 June 2017 primarily consisted of a one-off receipt from a joint venture partner. Our other income in 2015 and 2016 primarily consisted of net gains on foreign exchange.

Raw Materials and Consumables Used

Our raw materials and consumables used includes diesel, consumables, maintenance, explosives, tyres, electricity and other general consumables. The table below sets forth, for the periods indicated, a breakdown of our raw materials and consumables used:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Diesel	45	37	80	26	84
Consumables	40	29	68	22	57
Maintenance	53	44	66	18	69
Explosives	26	36	62	21	50
Tyres	16	17	29	9	28
Electricity	18	11	20	6	25
Other	15	13	24	7	24
Total raw materials and consumables used	213	187	349	109	337

Raw materials and consumables used amounted to A$213 million, A$187 million, A$349 million, A$109 million and A$337 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 16.2%, 15.1%, 13.4%, 13.1% and 14.3% of our total revenue in the same periods, respectively. Per tonne raw materials and consumables used were A$16, A$15, A$18, A$18 and A$21 over the same period.

The table below sets forth a sensitivity analysis of hypothetical fluctuations in the cost of utilities (consisting of diesel and electricity) on our profit/loss after tax:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Impact on profit/loss after tax of increase in utilities costs of:					
5%	(2)	(2)	(3)	(1)	(4)
10%	(4)	(3)	(7)	(2)	(8)
Impact on profit/loss after tax of decrease in utilities costs of:					
5%	2	2	3	1	4
10%	4	3	7	2	8

Raw materials and consumables used attributable to underground development is capitalised as mine development and amortised in future periods.

Employee Benefits Expenses

Employee benefits expenses consist of salaries, wages, benefits, short-term and long-term incentives and employee on-costs for all our employees. Employee benefits expenses amounted to A$229 million, A$188 million, A$302 million, A$102 million and A$254 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 17.4%, 15.2%, 11.6%, 12.3% and 10.8% of our total revenue in the same periods, respectively. Per tonne employee benefits expenses were A$17, A$16, A$15, A$16 and A$16 over the same period. In addition to employee benefits expenses recognised in our consolidated statements of profit and loss, we also capitalised A$45 million, A$26 million, A$17 million, A$6 million and A$1 million in such expenses in these periods, respectively, which related to underground development and the Moolarben expansion.

Depreciation and Amortisation

All fixed assets, excluding freehold land, are depreciated on a straight-line or units of production basis over the asset's useful life. Mining tenements are amortised on a life of mine units of production basis based on estimated reserves. Depreciation and amortisation expenses amounted to A$200 million, A$133 million, A$256 million, A$80 million and A$244 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 15.2%, 10.7%, 9.8%, 9.6% and 10.4% of our total revenue in the same periods, respectively. Per tonne depreciation and amortisation costs were A$15, A$11, A$14, A$12 and A$15 over the same period. See "– *Critical Accounting Policies and Estimates – Property, plant and equipment*" for further details.

Transportation

We incur transportation costs primarily in connection with the cost of transporting our coal products to customers, including handling and delivery of coal from our mines to the relevant port via rail for export to overseas end customers (typically on a FOB basis). The table below sets forth, for the periods indicated, a breakdown of our transportation costs:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Rail	158	143	165	70	124
Port	91	118	119	47	103
Sea freight	–	–	12	–	37
Other	12	6	16	5	10
Total transportation costs	261	267	312	122	274

Port costs consist of (i) the actual throughput charge incurred on tonnes discharged through the port and (ii) take-or-pay costs incurred on the unutilised capacity and (iii) other adjustments, which mainly include certain non-cash fair value accounting adjustments. The table below sets forth, for the periods indicated, a breakdown of our port costs:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Port throughput	68	74	100	37	79
Take-or-pay	37	52	42	15	38
Other	(14)	(8)	(23)	(5)	(14)
Total port costs	91	118	119	47	103

Our transportation costs amounted to A$261 million, A$267 million, A$312 million, A$122 million and A$274 million in 2015, 2016 and 2017 in the six months ended 30 June 2017 and 2018, respectively, representing 19.8%, 21.6%, 12.0%, 14.7% and 11.7% of our total revenue in the same periods, respectively. Per tonne transportation costs were A$20, A$22, A$16, A$20 and A$17 over the same period. The table below sets forth, for the periods indicated, a breakdown of our per tonne transportation costs:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ per tonne		
Rail	12	12	8	11	8
Port					
Throughput	5	6	5	6	5
Take or pay	3	4	2	3	2
Other	(1)	(1)	(1)	(1)	(1)
Subtotal	7	9	6	8	6
Sea freight	–	–	1	–	2
Other	1	1	1	1	1
Per tonne transportation costs	20	22	16	20	17

The table below sets forth a sensitivity analysis of hypothetical fluctuations in transportation costs on our profit/loss after tax:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Impact on profit/loss after tax of increase in transportation costs of:					
5%	(9)	(9)	(11)	(4)	(10)
10%	(18)	(19)	(22)	(9)	(19)
Impact on profit/loss after tax of decrease in transportation costs of:					
5%	9	9	11	4	10
10%	18	19	22	9	19

Contractual Services and Plant Hire

Contractual services and plant hire expenses represent contract labour, including contract mining, consultants and equipment hire costs. Excluding C&A Acquisition transaction costs and costs in connection with the Listing, contractual services and plant hire expenses amounted to A$218 million, A$121 million, A$241 million, A$69 million and A$196 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 16.5%, 9.8%, 9.3%, 8.3% and 8.4% of our total revenue in the same periods, respectively. Per tonne contractual services and plant hire expenses were A$16, A$10, A$13, A$11 and A$12 over the same period. The table below sets forth a sensitivity analysis of hypothetical fluctuations in the cost of contractual services and plant hire on our profit/loss after tax:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Impact on profit/loss after tax of increase in contractual services and plant hire of:					
5%	(8)	(4)	(9)	(2)	(7)
10%	(15)	(9)	(16)	(5)	(14)
Impact on profit/loss after tax of decrease in contractual services and plant hire of:					
5%	8	4	9	2	7
10%	15	9	16	5	14

Government Royalties

Government royalties primarily represent royalties paid to the governments of New South Wales and Queensland on coal produced in these states. Government royalties amounted to A$77 million, A$71 million, A$173 million, A$53 million and A$161 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 5.8%, 5.7%, 6.7%, 6.4% and 6.9% of our total revenue in the same periods, respectively. Royalties are determined on an ad valorem basis by reference to the value of the coal sold and the type of mine, and may be adjusted by the respective state governments separately at their discretion. See "*Appendix IV – Taxation and Regulatory Overview – Regulatory Overview*" and "*Risk Factors – Our business, financial condition and results of operations are subject to government royalties on the production of coal*" for further details.

Coal Purchases

We regularly purchase coal from both related party and third party coal producers located in Australia, which we then on-sell to our customers. Our coal purchases amounted to A$158 million, A$211 million, A$340 million, A$148 million and A$182 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 12.0%, 17.0%, 13.1%, 17.8% and 7.7% of our total revenue in the same periods, respectively. We purchase coal from both related (primarily Watagan) and third parties as part of our coal blending strategy whereby combining the qualities of our own coal with the qualities of others producers' coal results in an enhanced end-product capable of achieving a higher sale price. We do not undertake material amounts of coal purchases for the purpose of coal trading.

Other Operating Expenses

Our other operating expenses amounted to A$147 million, A$163 million, A$330 million, A$76 million and A$170 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, respectively, representing 11.1%, 13.2%, 12.7%, 9.1% and 7.2% of our total revenue in those periods. During the Track Record Period, our other operating expenses primarily consisted of bank fees and other charges incurred in connection with our interest-bearing loans, whereby in addition to the finance costs discussed below, we also incurred bank guarantee fees, which amounted A$116 million, A$113 million, A$109 million, A$49 million and A$62 million, respectively, representing 78.9%, 69.3%, 33.0%, 64.5% and 36.5% of our total other operating expenses in those same periods. In addition, stamp duty incurred in connection with the C&A Acquisition was a major component of our other operating expenses in 2017, amounting to A$167 million and representing 50.6% of our other operating expenses. In the six months ended 30 June 2018, our other operating expenses included A$16 million in stamp duty incurred in connection with the Warkworth Transaction and A$50 million related to the partial impairment of our investment in GILTs and full impairment of our investment in WIPs issued by WICET as a result of the WICET senior debt refinancing, which together represented 38.8% of our other operating expenses in this period. Stamp duty expenses are only incurred if acquisitions are undertaken. Other components of our other operating expenses include travel and accommodation for our staff, net losses on disposal of property, plant and equipment, insurance, and other duties and levies.

Finance Costs

Our finance costs primarily consist of interest expenses incurred on our interest-bearing bank loans, loans from related parties and secured lease liabilities. Our finance costs amounted to A$162 million, A$209 million, A$294 million, A$105 million and A$152 million in 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, representing 12.3%, 16.9%, 11.3%, 12.6% and 6.5% of our total revenue in those periods, respectively. See *"– Indebtedness*" for further details.

Income Tax Expense/Benefit

We are generally subject to the statutory corporate tax rate in Australia of 30%. We recorded a loss before income tax in 2015, 2016 and the six months ended 30 June 2017, resulting in an income tax benefit of A$63 million, A$85 million and A$4 million, respectively. On the other hand, we had profit before income tax in 2017 and the six months ended 30 June 2018, resulting in an income tax expense of A$89 million and A$178 million, respectively. As a result of accumulated tax losses incurred through 2016, we did not pay any cash income tax during the Track Record Period, and do not expect to pay any cash income tax for the near future as we continue to carry forward and expect to recoup our prior tax losses. Our effective income tax benefit/expense rate was 17.8%, 27.2%, 26.6%%, 22.2% and 33.0% in the same periods, respectively. See "– *Significant Factors Affecting Our Results of Operations and Financial Condition – Taxation*" and note 10 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details.

Other Comprehensive Income

Our other comprehensive income consists of cash flow hedges involving US dollar denominated interest-bearing liabilities hedged against future coal sales. The table below sets forth, for the periods indicated, a breakdown of our other comprehensive income:

	As at 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Fair value gains/(losses) on US$ interest-bearing liabilities	(475)	(43)	348	290	(246)
Fair value losses transferred to profit or loss	22	133	229	101	45
Deferred income tax benefit/(expense)	134	(27)	(173)	(117)	60
Other comprehensive income/(expense), net of tax	(319)	63	404	274	(141)

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Six Months Ended 30 June 2018 Compared to Six Months Ended 30 June 2017

The below period-on-period comparison of our financial results in the six months ended 30 June 2018 with the six months ended 30 June 2017 is materially impacted by changes in our portfolio of assets, most significantly:

- The C&A Acquisition from 1 September 2017;
- The Warkworth Transaction from 1 March 2018;
- The Glencore Transaction from 4 May 2018; and
- The expansion of the Moolarben mine from 7.5 Mt ROM in the six months ended 30 June 2017 to 9.8 Mt in the six months ended 30 June 2018 (on a 100% basis).

Revenue

Our total revenue increased by 182% from A$832 million in the six months ended 30 June 2017 to A$2,347 million in the six months ended 30 June 2018, primarily due to a 169% increase in coal sales (which is revenue from external customers excluding revenue from sea freight services of A$37 million in the six months ended 30 June 2018 in accordance with IFRS 15) from A$835 million to A$2,250 million over this period, partially offset by a decrease in fair value losses recycled from the hedge reserve from A$101 million to A$45 million over this period. With respect to coal sales, the key factors were:

(i) an increase in our overall average selling price of coal from A$108 per tonne in the six months ended 30 June 2017 to A$128 per tonne in the six months ended 30 June 2018, mainly as a result of the increase in global coal market prices during this period, including thermal coal market prices increasing by approximately US$22 per tonne and metallurgical coal market prices increasing by approximately US$16 per tonne. Our average selling price of thermal coal increased from A$90 per tonne to A$117 per tonne, while our average selling price of metallurgical coal increased from A$174 per tonne to A$191 per tonne; and

(ii) an increase in our sales volume of coal from 6.2 Mt in the six months ended 30 June 2017 to 16.2 Mt in the six months ended 30 June 2018, mainly as a result of increased production volume from mines in New South Wales due to (a) the C&A Acquisition, for which all of C&A's mines in production are located therein and (b) the expansion of Moolarben from 4.7 Mt in the six months ended 30 June 2017 to 6.5 Mt in the six months ended 30 June 2018 (on an attributable basis).

The increase in production volume in New South Wales, together with the increase in average selling price of coal, resulted in our segment revenue (excluding freight services revenue) for New South Wales increasing from A$616 million in the six months ended 30 June 2017 to A$2,051 million in the six months ended 30 June 2018. Segment revenue for Queensland decreased from A$219 million in the six months ended 30 June 2017 to A$199 million in the six months ended 30 June 2018, primarily due to lower sales volume.

We achieved an increase in revenue (excluding freight services revenue) from external customers across each of our key geographic markets. In particular, we experienced substantial increases in revenue from the six months ended 30 June 2017 to the six months ended 30 June 2018 from (i) A$196 million to A$479 million in the PRC, (ii) A$99 million to A$440 million in Japan and (iii) A$118 million to A$228 million in Australia. The increase in the PRC was primarily due to our efforts to increase sales of our higher ash products to end users in the PRC following the implementation of import restrictions by the Chinese government prior to 2015. The increase in Japan was primarily attributable to the C&A Acquisition, with the quality of coal from the HVO and MTW mines being suitable for the Japanese market. The increase in sales within Australia was also driven by the C&A Acquisition, and included sales made to other Australian coal companies.

See "*– Significant Factors Affecting Our Results of Operations and Financial Condition – Price and Sales Volume of Coal*" for further details.

Other income

Our other income significantly increased from A$8 million in the six months ended 30 June 2017 to A$115 million in 30 June 2018, primarily due to (i) a gain on disposal of A$78 million on the Glencore Transaction and (ii) net foreign exchange gains of A$30 million primarily on US$ cash balances.

Raw materials and consumables used

Our raw materials and consumables increased by 209% from A$109 million in the six months ended 30 June 2017 to A$337 million in the six months ended 30 June 2018, primarily due to the impact of the C&A Acquisition and the Moolarben expansion that contributed to a 165% increase in saleable tonnes. In particular, our diesel costs increased by 223%, primarily due to increased market prices for diesel fuel and larger truck fleets at the acquired C&A mines due to longer hauls. In addition, electricity costs increased by 317% due to increased market prices and the use of electric draglines at the C&A mines. This contributed to an increase in per tonne raw materials and consumables used from A$18 to A$21 over the same period.

Employee benefits expenses

Our employee benefits expenses increased by 149% from A$102 million in the six months ended 30 June 2017 to A$254 million in the six months ended 30 June 2018, primarily due to the increase in overall headcount as a result of the C&A Acquisition and the Moolarben expansion. Employee benefits expenses as a percentage of revenue decreased from 12.3% to 10.8% over the same period, primarily due to the additional sales primarily being attributable to our Tier 1 mines (Moolarben, HVO (which is operated as an unincorporated joint venture with Glencore) and MTW). Per tonne employee benefits expenses were in line at A$16 over both periods.

Depreciation and amortisation

Our depreciation and amortisation expenses increased by 205% from A$80 million in the six months ended 30 June 2017 to A$244 million in the six months ended 2018, primarily due to an increase in mining tenements and plant and equipment of A$2,456 million and A$1,326 million, respectively, primarily from the C&A Acquisition, together with expansionary capital incurred at Moolarben. Per tonne depreciation and amortisation costs increased from A$12 to A$15 over the same period.

Transportation

Our transportation costs increased by 125% from A$122 million in the six months ended 30 June 2017 to A$274 million in the six months ended 30 June 2018, primarily due to increased sales volume of coal requiring additional payments for rail and freight services. However, transportation costs as a percentage of our total revenue decreased from 14.7% to 11.7% in those periods, respectively, primarily due to an increase in revenue and a lower rail cost per tonne on the C&A acquired mines due to their relative proximity to port and less exposure to take-or-pay commitments. This contributed to a decrease in per tonne transportation costs from A$20 to A$17 over the same period, with a A$4 per tonne decrease attributable to a lower average rail cost.

Contractual services and plant hire

Our contractual services and plant hire expenses increased by 129% from A$90 million in the six months ended 30 June 2017 to A$206 million in the six months ended 30 June 2018, primarily due to the C&A Acquisition, as C&A mines utilise a significant number of contractors and hire equipment, as well as professional service fees and other costs incurred in connection with the C&A Acquisition and the Listing. This contributed to an increase in per tonne contractual services and plant hire from A$11 to A$12 over the same period.

Government royalties

Our government royalties expenses increased by 204% from A$53 million in the six months ended 30 June 2017 to A$161 million in the six months ended 30 June 2018, primarily due to increased royalties levied on our increased sales revenue, which were driven by both higher prices and production volumes.

Coal purchases

Our coal purchases increased by 23% from A$148 million in the six months ended 30 June 2017 to A$182 million in the six months ended 30 June 2018, primarily due to an increase in coal blending activity driven by the increase in ex-mine coal production as a result of the C&A Acquisition and the Moolarben expansion. Coal purchases as a percentage of our total revenue decreased from 17.8% to 7.7% over the same period, primarily due to a relatively lower amount of coal blending being undertaken on the C&A sales while we evaluate and adjust to C&A's customer relationships and their coal quality needs, as well as the impact of the new management arrangements at HVO.

Other operating expenses

Our other operating expenses increased by 124% from A$76 million in the six months ended 30 June 2017 to A$170 million in the six months ended 30 June 2018, primarily due to stamp duty incurred in connection with the Warkworth Transaction and A$50 million related to partial impairment of our investment in GILTs and the full impairment of our investment in WIPs as a result of the WICET senior debt refinancing.

Finance costs

Our finance costs increased by 45% from A$105 million in the six months ended 30 June 2017 to A$152 million in the six months ended 30 June 2018, primarily due to an increase in US LIBOR and a weaker Australian dollar. Finance costs as a percentage of revenue decreased from 12.6% to 6.5% over the same period, primarily due to the increase in revenue, including from the equity-funded C&A Acquisition, and the matters noted above.

Loss/profit before tax and loss/profit before tax margin

As a result of the aforementioned reasons, we had a loss before income tax of A$18 million in the six months ended 30 June 2017 and a profit before income tax of A$539 million in the six months ended 30 June 2018. Our loss/profit before income tax margin was (2.2)% and 23.0% in those periods, respectively.

Income tax expense/benefit

We had an income tax benefit of A$4 million in the six months ended 30 June 2017 and an income tax expense of A$178 million in the six months ended 30 June 2018. Our effective income tax benefit/expense rate was 22.2% and 33.0% in the same periods, respectively. Our tax benefit in the six months ended 30 June 2017 was partially offset by a non-deductible share of equity-accounted profit of A$10 million, while our tax expense in the six months ended 30 June 2018 was impacted by non-deductible accounting expenses, including the A$50 million impairment on GILTs and WIPs in connection with the WICET senior debt refinancing.

Loss/profit after tax and loss/profit after tax margin

As a result of the aforementioned reasons, we had a loss after income tax of A$14 million in the six months ended 30 June 2017 and a profit after income tax of A$361 million in the six months ended 30 June 2018. Our loss/profit after income tax margin was (1.7)% and 15.4% in the same periods, respectively.

Year Ended 31 December 2017 Compared to Year Ended 31 December 2016

The below year-on-year comparison of our financial results in 2017 with 2016 is materially impacted by changes in our portfolio of assets, most significantly:

- The C&A Acquisition from 1 September 2017;
- The deconsolidation of Watagan from 31 March 2016; and
- The expansion of the Moolarben mine from 11.8 Mt ROM in 2016 to 13.0 Mt ROM in 2017 (on a 100% basis).

Revenue

Our total revenue increased by 110.1% from A$1,238 million in 2016 to A$2,601 million in 2017, primarily due to a 118.8% increase in coal sales (which is revenue from external customers excluding revenue from sea freight services of A$12 million in 2017 in accordance with IFRS 15) from A$1,199 million in 2016 to A$2,623 million in 2017, partially offset by an increase in fair value losses recycled from the hedge reserve from A$133 million in 2016 to A$229 million in 2017. With respect to coal sales, the key factors were:

(i) an increase in our overall average selling price of coal from A$80 per tonne in 2016 to A$114 per tonne in 2017, mainly as a result of the increase in global coal market prices during this period, including thermal coal market prices increasing by approximately US$20 per tonne and metallurgical coal market prices increasing by approximately US$50 per tonne. Our average selling price of thermal coal increased from A$71 per tonne to A$102 per tonne, while our average selling price of metallurgical coal increased from A$106 per tonne to A$165 per tonne; and

(ii) an increase in our sales volume of coal from 12.1 Mt in 2016 to 19.3 Mt in 2017, mainly as a result of increased production volume from mines in New South Wales due to (a) the C&A Acquisition, for which all of C&A's mines in production are located therein and (b) the expansion of Moolarben from 7.4 Mt in 2016 to 10.2 Mt in 2017.

The increase in production volume in New South Wales, together with the increase in average selling price of coal, resulted in our segment revenue for New South Wales increasing from A$873 million in 2016 to A$2,163 million in 2017, while the increase in segment revenue for Queensland from A$326 million in 2016 to A$460 million in 2017 was more price-driven.

We achieved an increase in revenue from external customers across each of our key geographic markets. In particular, we experienced substantial increases in revenue from 2016 to 2017 from (i) A$179 million to A$654 million in the PRC, (ii) A$143 million to A$489 million in Japan and (iii) A$69 million to A$322 million in Australia. The increase in the PRC was primarily due to our efforts to increase sales of our higher ash products to end users in the PRC following the implementation of import restrictions by the Chinese government prior to 2015. The increase in Japan was primarily attributable to the C&A Acquisition, with the quality of coal from the HVO and MTW mines being suitable for the Japanese market. The increase in sales within Australia was also driven by the C&A Acquisition, and included sales made to other Australian coal companies.

See "*– Significant Factors Affecting Our Results of Operations and Financial Condition – Price and Sales Volume of Coal*" for further details.

Other income

Our other income significantly increased from A$15 million in 2016 to A$325 million in 2017, primarily due to (i) a gain on acquisition of A$177 million in connection with mine assets acquired from C&A benefiting from improved valuation assumptions on the completion date compared to the date of determining the acquisition price, (ii) a reversal of impairment of mining tenements of A$100 million in connection with the Moolarben mine and (iii) a fair value gain on refinancing our secured bank loan at a lower margin of A$31 million on the adoption of IFRS 9.

Raw materials and consumables used

Our raw materials and consumables increased by 86.6% from A$187 million in 2016 to A$349 million in 2017, primarily due to the impact of the C&A Acquisition and the Moolarben expansion that contributed to a 59.9% increase in saleable tonnes. In particular, our diesel costs increased by 116.2%, primarily due to increased market prices for diesel fuel and larger truck fleets at the acquired C&A mines due to longer hauls. This contributed to an increase in per tonne raw materials and consumables used from A$15 to A$18 over the same period.

Employee benefits expenses

Our employee benefits expenses increased by 60.6% from A$188 million in 2016 to A$302 million in 2017, primarily due to the increase in overall headcount as a result of the C&A Acquisition and the Moolarben expansion. Employee benefits expenses as a percentage of revenue decreased from 15.2% to 11.6% over the same period, primarily due to the additional sales primarily being attributable to our Tier 1 mines (Moolarben, HVO and MTW). Per tonne employee benefits expenses decreased slightly from A$16 to A$15 over the same period.

Depreciation and amortisation

Our depreciation and amortisation expenses increased by 92.5% from A$133 million in 2016 to A$256 million in 2017, primarily due to an increase in mining tenements and plant and equipment of A$2,456 million and A$1,326 million, respectively, from the C&A Acquisition, together with expansionary capital incurred at Moolarben. Per tonne depreciation and amortisation costs increased slightly from A$11 to A$14 over the same period.

Transportation

Our transportation costs increased by 16.9% from A$267 million in 2016 to A$312 million in 2017, primarily due to increased sales volume of coal requiring additional payments for rail and freight services. However, transportation costs as a percentage of our total revenue decreased from 21.6% to 12.0% in the same years, respectively, primarily due to an increase in revenue and a lower rail cost per tonne on the C&A acquired mines due to their relative proximity to port and less exposure to take-or-pay commitments. This contributed to a decrease in per tonne transportation costs from A$22 to A$16 over the same period, with a A$4 per tonne decrease attributable to lower average rail cost and A$2 per tonne decrease attributable to spreading our port take-or-pay exposure across a larger transport volume.

Contractual services and plant hire

Our contractual services and plant hire expenses increased by 121.0% from A$124 million in 2016 to A$274 million in 2017, primarily due to the C&A Acquisition, as C&A mines utilise a significant number of contractors and hire equipment, as well as professional service fees and other costs incurred in connection with the C&A Acquisition. This contributed to an increase in per tonne contractual services and plant hire from A$10 to A$13 over the same period.

Government royalties

Our government royalties expenses increased by 143.7% from A$71 million in 2016 to A$173 million in 2017, primarily due to increased royalties levied on our increased sales revenue, which were driven by both higher prices and production volumes.

Coal purchases

Our coal purchases increased by 61.1% from A$211 million in 2016 to A$340 million in 2017, primarily due to an increase in coal blending activity driven by the increase in ex-mine coal production as a result of the C&A Acquisition and the Moolarben expansion. Coal purchases as a percentage of our total revenue decreased from 17.0% to 13.1% over the same period, primarily due to a relatively lower amount of coal blending being undertaken on the C&A sales while we evaluate and adjust to C&A's customer relationships and their coal quality needs.

Other operating expenses

Our other operating expenses increased by 102.5% from A$163 million in 2016 to A$330 million in 2017, primarily due to stamp duty incurred in connection with the acquisition of C&A.

Finance costs

Our finance costs increased by 40.7% from A$209 million in 2016 to A$294 million in 2017, primarily due to (i) an unwinding of discounts on provisions for a below market sales contract, rehabilitation costs and take-or-pay exposure including those acquired with C&A, of A$50 million, (ii) deferred consideration of A$13 million in connection with the C&A Acquisition and (iii) the modification of loans of A$7 million in accordance with IFRS 9. Finance costs as a percentage of revenue decreased from 16.9% to 11.3% over the same period, primarily due to the increase in revenue, including from the equity-funded C&A Acquisition, and the matters noted above.

Loss/profit before tax and loss/profit before tax margin

As a result of the aforementioned reasons, we had a loss before income tax of A$312 million in 2016 and a profit before income tax of A$335 million in 2017. Our loss/profit before income tax margin was 25.2% and 12.9% in those years, respectively.

Income tax expense/benefit

We had an income tax benefit of A$85 million in 2016 and an income tax expense of A$89 million in 2017. Our effective income tax benefit/expense rate was 27.2% and 26.6% in the same years, respectively. Our tax benefits in 2016 were partially offset by non-deductible debt of A$19 million, while our tax expenses in 2017 were partially offset by share of profit of non-deductible equity-accounted investees of A$10 million.

Loss/profit after tax and loss/profit after tax margin

As a result of the aforementioned reasons, we had a loss after income tax of A$227 million in 2016 and a profit after income tax of A$246 million in 2017. Our loss/profit after income tax margin was 18.3% and 9.5% in the same years, respectively.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

The below year-on-year comparison of our financial results in 2016 and 2015 is materially impacted by changes in our portfolio of assets, most significantly:

- The deconsolidation of Watagan from 31 March 2016, and
- The expansion of the Moolarben mine from 9.0 Mt ROM in 2015 to 11.8 Mt ROM in 2016 (on a 100% basis).

Revenue

Our total revenue decreased by 6.1% from A$1,319 million in 2015 to A$1,238 million in 2016, primarily due to a 6.9% decrease in coal sales from A$1,288 million in 2015 to A$1,199 million in 2016, partially compounded by an increase in fair value losses recycled from the hedge reserve of A$22 million in 2015 to A$133 million in 2016. With respect to coal sales, the key factor was a decrease in our sales volume of coal from 13.4 Mt in 2016 to 12.1 Mt in 2017, mainly as a result of decreased production volumes from mines in New South Wales as a result of deconsolidation of the Watagan mines, partially offset by the expansion of Moolarben from 5.5 Mt in 2015 to 7.4 Mt in 2016. The decrease in production volume for New South Wales was also in line with the decrease in our segment revenue for New South Wales from A$998 million in 2015 to A$873 million in 2016, while the segment revenue for Queensland slightly increased from A$290 million in 2015 to A$326 million in 2016.

Our overall average selling price of coal remained stable at A$80 per tonne in both 2015 and 2016, mainly as a result of general stagnation experienced in the global coal market during this period. Our average selling price of thermal coal slightly increased from A$68 per tonne to A$71 per tonne, while our average selling price of metallurgical coal increased slightly from A$100 per tonne to A$106 per tonne.

By geographic region, we experienced a decrease in revenue from external customers from 2015 to 2016 primarily in (i) South Korea from A$427 million to A$296 million, respectively, a decrease of 30.7%, (ii) Singapore from A$315 million to A$261 million, respectively, a decrease of 17.1% and (iii) others from A$191 million to A$158 million, respectively, a decrease of 17.3%. The decrease in South Korea was primarily due to the deconsolidation of the Watagan Mines for which South Korean steel mills were one of the major end customers. The decrease in Singapore was due to our efforts to sell more coal to end users and less to traders, who are generally domiciled in Singapore. The decrease in other jurisdictions was driven by our strategy of establishing contracts directly with end-users, therefore making fewer "spot" sales, which we frequently use in our less traditional markets. These decreases were partially offset by an increase in revenue from 2015 to 2016 in (i) the PRC from A$107 million to A$179 million, respectively, an increase of 67.3%, (ii) Australia from A$28 million to A$69 million, respectively, an increase of 146.4% and (iii) Taiwan from A$68 million to A$93 million, respectively, an increase of 36.8%. The increase in sales to the PRC was primarily due to the active marketing of some of our higher ash products and followed a decline in sales prior to 2015 as a result of import restrictions by the Chinese government. The modest increase in Australia was driven by an increased level of trade with fellow Australian coal producers. The increase in Taiwan was primarily due to the timing of a Taiwanese power utility contract commencing in 2016.

See "*– Significant Factors Affecting Our Results of Operations and Financial Condition – Price and Sales Volume of Coal*" for further details.

Other income

Our other income decreased by 55.9% from A$34 million in 2015 to A$15 million in 2016, primarily due to certain income received in 2015 which we did not receive in 2016, including a gain on acquisition of an additional 1% interest in Moolarben, the release of research and development provisions and sundry income.

Raw materials and consumables used

Our raw materials and consumables decreased by 12.2% from A$213 million in 2015 to A$187 million in 2016, primarily due to a 9.1% decrease in saleable tonnes due to the Watagan deconsolidation, partially offset by the Moolarben expansion. Electricity costs and consumables decreased by 38.9% and 27.5%, respectively, as the Watagan underground mines consume relatively large quantities of each. This contributed to a slight decrease in per tonne raw materials and consumables used from A$16 in 2015 to A$15 in 2016.

Employee benefits expenses

Our employee benefits expenses decreased by 17.9% from A$229 million in 2015 to A$188 million in 2016, primarily due to the decrease in headcount costs in line with the decrease in saleable tonnes, as well as lower labour costs following the deconsolidation of Watagan mines, for which the underground mines are more labour intensive. Per tonne employee benefits expenses decreased slightly from A$17 to A$16 over the same period.

Depreciation and amortisation

Our depreciation and amortisation expenses decreased by 33.5% from A$200 million in 2015 to A$133 million in 2016, primarily due to decreases in depreciation of plant and equipment and mine development as a result of the deconsolidation of the capital-intensive Watagan underground mines. For the same reason, depreciation and amortisation expenses as a percentage of our total revenue decreased from 15.2% to 10.7% over the same period. This also contributed to a decrease in per tonne depreciation and amortisation costs from A$15 to A$11 over the same period.

Transportation

Our transportation costs increased by 2.3% from A$261 million in 2015 to A$267 million in 2016, primarily due to an increase in take-or-pay port commitments, partially offset by a decrease in rail charges as a result of reduced coal sale volume. Per tonne transportation costs increased from A$20 to A$22 over the same period for the same reasons.

Contractual services and plant hire

Our contractual services and plant hire expenses decreased by 43.1% from A$218 million in 2015 to A$124 million in 2016, and as a percentage of our total revenue decreased from 16.5% to 10.0% over the same period, primarily due to (i) the deconsolidation of the Watagan mines in March 2016, which used contractor crews to perform certain functions and (ii) the shift in Stratford Duralie's operations from outsourced contractual management to an insourced owner-operator model. This contributed to a decrease in per tonne contractual services and plant hire from A$16 to A$10.

Government royalties

Our government royalties expenses decreased by 7.8% from A$77 million in 2015 to A$71 million in 2016, primarily due to decreased royalties levied on our decreased sales volume of coal.

Coal purchases

Our coal purchases increased by 33.5% from A$158 million in 2015 to A$211 million in 2016, primarily due to the continued increase in coal blending opportunities that we undertook. Coal purchases as a percentage of our total revenue increased from 12.0% to 17.0% over the same period.

Other operating expenses

Our other operating expenses increased by 10.9% from A$147 million in 2015 to A$163 million in 2016, primarily due to additional stamp duty incurred in connection with the 2012 acquisition of the Donaldson mine and a fair value adjustment of the 4% royalties receivable from Middlemount. See "*– Description of Major Line Items in Our Consolidated Statements of Financial Position – Royalty Receivable*" for further details.

Finance costs

Our finance costs increased by 29.0% from A$162 million in 2015 to A$209 million in 2016, primarily due to an increase in interest expenses in connection with an overall increase in our interest-bearing liabilities and a slight increase in interest rates on our secured bank loans. Finance costs as a percentage of our total revenue increased from 12.3% to 16.9% over the same period, primarily due to the compounding impact of decreasing revenue and increasing finance costs.

Loss before tax and loss before tax margin

As a result of the aforementioned reasons, our loss before income tax decreased by 11.9% from A$354 million in 2015 to A$312 million in 2016. Our loss before income tax margin was 26.8% and 25.2% in the same years, respectively.

Income tax benefit

Our income tax benefit increased by 34.9% from A$63 million in 2015 to A$85 million in 2016, while our effective income tax benefit rate was 17.8% and 27.2% in the same years, respectively. Our tax benefits in 2015 were partially offset by reversals of over-provisions for taxes in prior years of A$19 million, while our tax benefits in 2016 were positively impacted by reversals of under-provisions for taxes in prior years of A$12 million. Our tax benefits in 2015 and 2016 were also partially offset by non-deductible debt of A$16 million and A$19 million, respectively.

Loss after tax and loss after tax margin

As a result of the aforementioned reasons, our loss after income tax decreased by 22.0% from A$291 million in 2015 to A$227 million in 2016. Our loss after income tax margin was 22.1% and 18.3% in the same years, respectively.

Non-IFRS Financial Measures

Operating EBITDA and operating EBIT are key metrics that our management uses to assess the performance of our individual segments and make decisions on the allocation of resources. Neither operating EBITDA nor operating EBIT is a standard measure under IFRS. As presented by our management, operating EBITDA represents profit or loss before income tax for the year as adjusted for net interest expense, depreciation and amortisation and any significant non-operating items, while operating EBIT represents profit or loss before income tax as adjusted for net interest expense and any significant non-operating items.

While operating EBITDA and operating EBIT provide additional financial measures for investors to assess our operating performance, the use of operating EBITDA and operating EBIT has certain limitations because they do not reflect all items of income and expense that affect our operations. In addition, operating EBITDA and operating EBIT do not reflect changes in working capital, capital expenditure or other investing and financing activities and therefore should not be considered a measure of our liquidity.

As a measure of our operating performance, we believe that the most directly comparable IFRS measure to operating EBITDA and operating EBIT is profit before income tax. The table below sets forth, for the periods indicated, a reconciliation of operating EBITDA and operating EBIT with profit before income tax under IFRS:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
			A$ million		
Profit before income tax	(354)	(312)	335	(18)	539
Adjustments for:					
Finance costs	162	209	294	105	152
Bank fees and other charges	116	113	109	49	62
Interest income	(50)	(125)	(114)	(57)	(58)
Stamp duty	–	12	167	3	16
Fair value losses recycled from hedge reserve	22	133	229	101	45
Gain on acquisition	(6)	–	(177)	–	–
Gain on disposal	–	–	–	–	(78)
Impairment reversal of mining tenements for Moolarben	–	–	(100)	–	–
GILTs and WIPs remeasurement and impairment	–	–	–	–	50
Gain on refinance	–	–	(31)	–	–
Transaction costs	–	3	33	21	10
JV receipt	–	–	(5)	(5)	–
Royalty remeasurement	(2)	6	(8)	(2)	(2)
Operating EBIT	(112)	39	732	197	736
Adjustment for depreciation and amortisation	200	133	256	80	244
Operating EBITDA	88	172	988	277	980

In 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, our operating EBIT margin (calculated as operating EBIT divided by revenue and multiplied by 100%) was (8.5)%, 3.2%, 28.1%, 23.7% and 31.4%, respectively, while our operating EBITDA margin (calculated as operating EBITDA divided by revenue and multiplied by 100%) was 6.7%, 13.9%, 38.0%, 33.3% and 41.8%, respectively.

Operating EBITDA and operating EBIT should not be considered in isolation or construed as a substitute for analysis of IFRS financial measures. In addition, because operating EBITDA and operating EBIT may not be calculated in the same manner by all companies, our operating EBITDA and operating EBIT may not be comparable to the same or similarly titled measures presented by other companies.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment primarily includes (i) plant and equipment, (ii) assets under construction, (iii) freehold land and buildings and (iv) mine development assets, which represents all mining related development expenditure that is not included under land, buildings and plant and equipment. Our balance of property, plant and equipment was A$1,250 million, A$1,526 million, A$2,832 million and A$2,938 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The substantial increase as at 30 June 2018 and 31 December 2017 was primarily due to our consolidation of property, plant and equipment of C&A following the acquisition. See "– *Critical Accounting Policies and Estimates – Property, plant and equipment*" and note 22 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details.

Mining Tenements

Our mining tenements represent the value that we have attributed to our mining leases as part of the opening balance sheet fair value accounting adopted on the acquisition of a mine. Generally, the value represents the premium paid for the mine excluding the separately identifiable tangible assets and liabilities, including exploration assets. The value is initially supported with reference to the estimated coal reserves included in the acquisition life of mine model. Such estimates may change as additional information becomes available over the course of developing or operating a mine, which would result in adjustments or amortisation of our reserves and resources, and in turn our mining tenements. Our balance of mining tenements was A$2,085 million, A$2,128 million, A$4,296 million and A$4,308 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The substantial increase as at 30 June 2018 and 31 December 2017 was primarily due to our recognition of additional mining tenements as a consequence of the C&A Acquisition. See "– *Critical Accounting Policies and Estimates – Mining tenements*" and note 19 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details.

Exploration and Evaluation Assets

Exploration and evaluation assets represent our exploration leases and rights for mines and potential mines in the exploratory and development stages such as prospecting licenses and exploration licenses. Exploration and evaluation assets are recognised on the acquisition of a mine in respect of coal resources not included in the acquisition life-of-mine model and are subsequently transferred to mining tenements as the associated mine or mine area enters production. Our balance of exploration and evaluation assets decreased by 15.7% from A$591 million as at 31 December 2015 to A$498 million as at 31 December 2016, primarily due to a transfer of A$101 million to mining tenements in connection with the expansion of the Moolarben open cut mine, then increased by 13.5% to A$565 million as at 31 December 2017, primarily due to the consolidation of such assets from C&A following the acquisition and further increased by 2.1% to A$577 million as at 30 June 2018, primarily due to the Warkworth Transaction. See "– *Critical Accounting Policies and Estimates – Exploration and evaluation assets*" and note 20 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details.

Inventories

Our inventories consist of coal stocks and auxiliary materials, spare parts, small tools and fuel expected to be used in production. The table below sets forth, for the years indicated, a breakdown of our inventories:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
		A$ million		
Coal	49	47	87	123
Others	27	28	63	82
Total inventories	76	75	150	205

The increase in our balance of total inventories as at 31 December 2017 was primarily due to our consolidation of C&A's inventories following the C&A Acquisition. The further increase as at 30 June 2018 was primarily due to the timing of sales.

We state coal stocks at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and certain overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We write down coal stocks from cost to net realisable value when we determine that such write down is appropriate in the course of assessing our stocks for obsolescence. Coal stock write downs amounted to A$12 million, A$1 million, A$1 million and A$1 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

The table below sets forth, for the periods indicated, our average finished goods inventory turnover days:

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
Average finished goods inventory turnover days[1]	25	24	21	21

Note:

[1] Calculated as the average monthly balance of finished goods inventory for the relevant period divided by FOB cash costs (excluding royalties) for the same month and multiplied by the number of days in the month. We believe that this presents the best approximation of average inventory turnover days in our operations. If calculated as the average annual balance of total inventories for the relevant period (which is the sum of the total balance as at the beginning and end of the period divided by two) divided by revenue from external customers for the relevant year and multiplied by 365 days (for the full-year periods) or 183 days (for the six months ended 30 June 2018), our average inventory turnover days would have been 26, 22, 16, 14 days in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Our average finished goods inventory turnover days were largely stable over the Track Record Period.

As at 31 August 2018, A$121 million, or 99%, of our coal inventories as at 30 June 2018 had been sold or consumed.

Trade and Other Receivables

Our trade receivables are ordinary course, non-interest-bearing receivables due from our coal customers. Our trade receivables amounted to A$157 million, A$278 million, A$540 million and A$424 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, none of which were past due or impaired. The substantial increase as at 30 June 2018 and 31 December 2017 was primarily attributable to the consolidation of C&A's receivables in connection with the C&A Acquisition. The table below sets forth our average trade receivable turnover days for the periods indicated:

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
Average trade receivable turnover days[(1)]	22	22	23	23

Note:

(1) Calculated as the average monthly balance of trade receivables for the relevant period divided by revenue for the same month and multiplied by the number of days in the month. We believe that this presents the best approximation of average trade receivable turnover days in our operations. If calculated as the average annual balance of trade receivables for the relevant period (which is the sum of the total balance as at the beginning and end of the period divided by two) divided by revenue from external customers for the relevant period and multiplied by 365 days (for the full-year periods) or 183 days (for the six months ended 30 June 2018), our average trade receivable turnover days would have been 53, 64, 57 and 38 days in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

We typically provide customers with credit periods ranging from 5 to 21 days from invoice date and receipt of all required shipping documentation. Our average trade receivable turnover days remained stable at 22, 22, 23 and 23 days in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, which was in line with the credit periods we provide when taking into account the delay in issuing the invoice.

As at 31 August 2018, A$405 million, or 96%, of our trade receivables outstanding as at 30 June 2018 had been settled.

Our other receivables include, among other things, loans to related parties and investments in securities. The table below sets forth a breakdown of our other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	A$ million			
Receivables from joint venture	331	347	332	274
Receivables from other entities	47	60	61	14
Long service leave receivables	–	–	80	62
Restricted cash	4	32	1	–
Promissory note receivable	21	21	36	38
Advances to controlled entities	2	3	–	–
Other receivables	42	101	81	97
Total other receivables	447	564	591	485

Receivables from other entities represent our investment in securities issued by WICET, including WIPs and GILTs. The WIPs are entitled to an annual dividend of 15%, which can be deferred for up to 7 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 GILTs have an effective interest rate of BBSY plus 6% with a maturity date of 30 September 2020. The decrease as at 30 June 2018 was attributable to the partial impairment of the GILTs and the full impairment of the WIPs.

Long service leave receivables represent amounts receivable from the Coal Mining Industry (Long Service Leave) Corporation, an industry fund established to accumulate employer contributions towards eligible employees' long service leave entitlements.

Other receivables primarily include advances to related parties, insurance and fuel rebates and dividends.

Royalty Receivable

Our royalty receivable represents the right to receive a royalty of 4% of FOB trimmed sales from the Middlemount mine as part of our acquisition of Gloucester Coal Limited. The royalty is payable by the Middlemount Joint Venture on 100% of the Middlemount sales. See "*History and Corporate Structure*" for further details. The balance of the royalty receivable was A$205 million, A$199 million, A$199 million and A$198 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, with A$20 million, A$31 million, A$24 million and A$28 million being due within one year as at each date, respectively. We measure the value of the royalty receivable on a fair value basis by reference to the finite life of the Middlemount mine.

Interest-Bearing Loan to Associate

Our interest-bearing loan to associate arises from the transfer of our interest in the Austar, Ashton and Donaldson mines to Watagan in March 2016 for a purchase price of A$1,363 million (equal to the book value of the three mines at the time). Watagan fully funded the purchase with a A$1,363 million loan from us bearing interest at the bank bill swap bid rate plus 7.06% with a maturity date of 1 April 2025. Watagan can make prepayments of the outstanding loan balance at any time, and any amounts prepaid may be redrawn by Watagan in the future. The balance of the loan was A$775 million, A$712 million and A$730 million as at 31 December 2016 and 2017 and 30 June 2018. The loan is subject to impairment testing under our accounting standards. The outstanding interest and principal of this loan is guaranteed by Yankuang. See "*– Acquisitions, Disposals and Deconsolidation – Watagan Deconsolidation*" for further details.

Asset Classified as Held for Sale

Our assets classified as held for sale as at 30 June 2018 primarily consisted of parcels of non-mining land acquired as part of the C&A Acquisition.

Our assets classified as held for sale as at 31 December 2017 primarily consisted of our 16.6% interest in HVO that we expected to sell to Glencore in the course of establishing a 51:49 unincorporated joint venture with Glencore in relation to HVO, plus a share of certain contingent and non-contingent royalties and adjustments in relation to the C&A Acquisition. See "*Business – Joint Venture Agreements – HVO*" for further details. Our assets held for sale as at 31 December 2017 also included parcels of non-mining land acquired as part of the C&A Acquisition and a portion of our indirect interest in PWCS.

We did not have assets classified as held for sale as at 31 December 2016.

Our assets classified as held for sale as at 31 December 2015 consisted of the Austar, Ashton and Donaldson mines, for which we transferred our interest to Watagan in March 2016. As Watagan was to be deconsolidated from the Group, such mines were classified as held for sale.

Deferred Tax Assets

Our deferred tax assets consist of unused tax losses and tax credits which we carry forward to the extent that our management believes it is probable that taxable profits will be available against which such unused tax losses and credits can be utilised. Our deferred tax assets amounted to A$1,166 million, A$1,339 million, A$1,219 million and A$1,086 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. There is no expiry date on our ability to utilise such tax losses, although they are subject to the continuous satisfaction of certain tax rules.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash on hand. As at 31 December 2015, we also had deposits at call for which the effective interest rate range was up to 2.10%.

Trade and Other Payables

Our trade payables are ordinary course, non-interest-bearing payables owed to our trade suppliers, including rail and port operators, utilities suppliers, equipment suppliers and coal suppliers. The table below sets forth, as at the dates indicated, an ageing analysis of our trade payables, based on the invoice date:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
		A$ million		
Due within:				
Less than 90 days	200	257	495	370
More than 90 days	–	–	1	1
Total trade payables	200	257	496	371

The substantial increase as at 30 June 2018 and 31 December 2017 was primarily due to the consolidation of C&A's payables in connection with the C&A Acquisition.

The table below sets forth our average trade payable turnover days for the periods indicated:

	Year ended 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
Average trade payable turnover days[(1)]	27	30	35	37

Note:

(1) Calculated as the average monthly balance of trade payables for the relevant period divided by FOB cash costs (excluding royalties) for the same month and multiplied by the number of days in the month. We believe that this presents the best approximation of average trade payable turnover days in our operations. If calculated as the average annual balance of trade payables for the relevant period (which is the sum of the total balance as at the beginning and end of the period divided by two) divided by revenue from external customers for the relevant period and multiplied by 365 days (for full-year periods) or 183 days (for the six months ended 30 June 2018), our average trade payable turnover days would have been 53, 67, 53 and 34 days in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

We typically receive credit periods ranging from 7 to 30 days from our suppliers. Our average trade payable turnover days were 27, 30, 35 and 37 days in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. Trade payable turnover days increased over the Track Record Period primarily due to an increasing amount of capital creditors with the expansion of Moolarben, together with some delays experienced as part of the change of ownership of C&A. As at 31 August 2018, all of our trade payables outstanding as at 30 June 2018 had been settled.

Our other payables primarily consist of employee costs, interest and bank guarantee fees and Watagan tax payable. The table below sets forth, as at the dates indicated, a breakdown of our other payables and accrued expenses:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
		A$ million		
Employee benefits	36	53	112	85
Interest	28	44	72	100
Bank guarantee fees	28	52	27	74
Watagan tax	–	45	44	70
Other	–	18	7	82
Total other payables	92	212	262	411

Employee benefit payables increased from A$36 million at 31 December 2015 to A$85 million at 30 June 2018 due to our workforce headcount more than doubling during the Track Record Period. Interest and bank guarantee fees payable are primarily impacted by the timing of year end payments. Our level of overall debt has generally remained consistent across the Track Record Period. Watagan tax payable relates to tax losses incurred by Watagan that are transferred up to the parent entity under the Group's tax sharing arrangements. See "– *Significant Factors Affecting Our Results of Operations and Financial Condition – Taxation*" for further details.

Interest-Bearing Liabilities

See "– *Indebtedness*".

Deferred Tax Liabilities

Our deferred tax liabilities arise from temporary differences between accounting and tax reporting. Most our deferred tax losses arise on the treatment of mining tenements where an accounting value is ascertained with the balance reduced over time through amortisation to the profit and loss but no corresponding income tax value is attributed. This is typically due to the asset being eligible for a capital gains tax base rather than an income tax base, or the mining tenement being deemed a first use exploration asset for tax purposes and where we received a 100% deduction in the year of first use. Our deferred tax liabilities amounted to A$692 million, A$762 million, A$1,037 million and A$990 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

Provisions

Provisions represent cash outflow obligations for which the amount can be reliably estimated. Our provisions, including both current and non-current provisions, amounted to A$143 million, A$127 million, A$547 million and A$502 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. Our provisions as at 31 December 2015 and 2016 primarily related to mine rehabilitation costs and take or pay rail and port contracts. Our provisions significantly increased as at 31 December 2017, primarily due to increases in the aforementioned costs as well as provisions for a below market sales contract and employee benefits, which arose in connection with the C&A Acquisition. Our provisions then decreased as at 30 June 2018, primarily due to the utilisation of provisions during the period and the Glencore Transaction. See note 28 to the Accountants' Report of the Group in Appendix IA to this prospectus.

IMPAIRMENT ASSESSMENT

As described in note 19 to the Accountants' Report of the Group in Appendix IA to this prospectus, an impairment assessment of the carrying value of certain assets is undertaken each reporting period. Goodwill of A$60 million for all periods in the Track Record Period is included in the Yarrabee CGU and is tested through this process. The detailed assumptions are included in note 19 to the Accountants' Report of the Group in Appendix IA to this prospectus. In assessing whether these assets are impaired management utilises external experts and considers these to be reasonable as they are supportable evidence for the assumptions.

In undertaking the impairment assessment the sensitivities are determined as being those that have the greatest impact and are most likely to change in future periods. From the analysis performed the key assumptions are US dollar coal prices, the Australian dollar exchange rate and discount rates. The results of the impairment testing and the key sensitivities considered possible by us are detailed in the table below:

	Year ended 31 December									Six months ended		
	2015			2016			2017			30 June 2018		
	NSW	Yarrabee	Middlemount	NSW	Yarrabee	Middlemount	NSW	Yarrabee	Middlemount	NSW	Yarrabee	Middlemount
	A$'m	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*	*A$'m*
Book Value	2,418	449	339	2,556	418	310	6,086	434	383	5,844	396	382
Recoverable Amount	3,681	452	472	4,231	783	678	12,294	846	627	12,412	588	723
Head Room	1,263	3	133	1,675	365	368	6,208	412	244	6,568	192	341
US$ Coal Price [(1)]												
+10%	900	252	190	870	296	193	2,649	423	181	2,564	315	167
-10%	(903)	(270)	(236)	(871)	(300)	(211)	(2,650)	(427)	(199)	(2,570)	(341)	(182)
Exchange Rate [(2)]												
+5 cents	(485)	(128)	(106)	(474)	(154)	(101)	(1,270)	(210)	(80)	(1,210)	(144)	(71)
-5 cents	557	144	105	543	176	106	1,451	240	83	1,380	159	72
Discount Rate [(3)]												
+50 bps	(184)	(23)	(16)	(156)	(17)	(12)	(525)	(34)	(11)	(509)	(15)	(11)
-50 bps	197	24	16	165	18	12	565	37	11	548	16	11

Notes:

(1) This represents the change in recoverable amount due to a +/-10% change to our coal price assumptions as detailed in note 19 to to the Accountants' Report of the Group in Appendix IA to this prospectus.

(2) This represents the change in recoverable amount due to a +/-5 cents change to the long-term US$:A$ foreign exchange rate adopted by us as detailed in note 19 to Accountants' Report of the Group in Appendix IA to this prospectus.

(3) This represents the change in recoverable amount due to a +/-50 bps change to the discount rate adopted by us as detailed in note 19 to Accountants' Report of the Group in Appendix IA to this prospectus.

The change in the key sensitivities outlined above are considered reasonably possible changes based on the historical volatility of the long term pricing for foreign exchange and coal prices. We have only adjusted the discount rate by 0.5% in prior periods and this is considered to be a reasonable basis to assess this sensitivity.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity have consisted of operating cash flows, interest-bearing liabilities, including shareholder loans, and new equity. We expect that our cash needs in the near future will primarily relate to organic and inorganic growth opportunities, debt repayments and dividends. We may also continue to seek external debt financing as a supplemental source for our cash needs, in particular to the extent we seek to acquire companies, make strategic investments, materially expand our mine assets or undertake other activities which require substantial capital expenditure, subject to pricing and other market conditions that we consider satisfactory. In addition, the expected proceeds of the Global Offering and the Australian Entitlement Offer will contribute positively to our liquidity position.

During the Track Record Period and as at the Latest Practicable Date, we are and have been in compliance with all material covenants in our financings, and we did not have any material default in payment of payables for trade payables, interest-bearing liabilities or other financing obligations.

Net Current Assets

The table below sets forth, for the dates indicated, a breakdown of our current assets and current liabilities:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
			A$ million		
					(unaudited)
Current assets					
Cash and cash equivalents	154	190	207	485	545
Trade and other receivables	225	435	658	561	418
Inventories	76	75	150	205	208
Royalties receivable	20	31	24	28	24
Non-contingent royalty receivable	–	–	–	18	7
Assets classified as held for sale	1,637	–	613	57	57
Other current assets	12	7	37	16	15
Total current assets	2,124	738	1,689	1,370	1,274

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
			A$ million		
					(unaudited)
Current liabilities					
Trade and other payables	292	469	758	783	653
Interest-bearing liabilities	11	20	17	17	14
Derivative financial instruments	1	–	–	–	–
Provisions	12	10	59	42	34
Non-contingent royalties payable	–	–	112	64	25
Liabilities directly associated with assets classified as held for sale	322	–	67	–	–
Total current liabilities	638	499	1,013	906	726
Net current assets	1,486	239	676	464	548

We had net current assets of A$1,486 million, A$239 million, A$676 million and A$464 million as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. As at 31 October 2018, being the latest practicable date for the purposes of this statement, our unaudited net current assets were A$548 million.

Cash Flows

The table below sets forth our cash flows for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Net cash (used in)/ generated from operating activities	(108)	(24)	408	282	712
Net cash (used in)/ generated from investing activities	(314)	(466)	(3,449)	(133)	228
Net cash generated from/(used in) financing activities	366	525	3,062	(14)	(698)
Net (decrease)/ increase in cash and cash equivalents	(56)	35	21	135	242

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
			A$ million		
Cash and cash equivalents at the beginning of the year	204	159	190	190	207
Effects of exchange rate changes on cash and cash equivalents	11	(4)	(4)	(8)	36
Transfer to assets held for sale	(5)	–	–	–	–
Cash and cash equivalents at the end of the year	154	190	207	317	485

Net cash (used in)/generated from operating activities

In the six months ended 30 June 2018, we had net cash generated from operating activities of A$712 million, including receipts from customers less payments to suppliers and employees of A$818 million, representing a strong operating performance. Net interest payments were A$74 million. Our profit after income tax of A$361 million included the following significant non-cash adjustments: (i) depreciation and amortisation of non-current assets of A$244 million, (ii) fair value losses recycled from hedge reserve of A$45 million, (iii) impairment expense of A$50 million on investments in WICET and (iv) income tax expense of A$178 million.

In 2017, we had net cash generated from operating activities of A$408 million, including receipts from customers less payments to suppliers and employees of A$683 million, representing a strong operating performance. Net interest payments were A$110 million and stamp duty paid on C&A amounted to A$148 million. Our profit after income tax of A$246 million included the following significant non-cash adjustments: (i) depreciation and amortisation of non-current assets of A$256 million, (ii) fair value losses recycled from hedge reserve of A$229 million, (iii) gain on acquisition of A$177 million, (iv) a reversal of impairment of mining tenements of A$100 million, (v) provision releases of A$87 million and (vi) income tax expense of A$89 million.

In 2016, we had net cash used in operating activities of A$24 million, including receipts from customers less payments to suppliers and employees of A$78 million representing a positive operating performance. Net interest payments were A$95 million. Our loss after income tax of A$227 million included the following significant non-cash adjustments: (i) depreciation and amortisation of non-current assets of A$133 million, (ii) fair value losses recycled from hedge reserve of A$133 million and (iii) income tax benefit of A$85 million.

In 2015, we had net cash used in operating activities of A$108 million including receipts from customers less payments to suppliers and employees of A$29 million representing a positive operating performance. Net interest payments were A$119 million. Our loss after income tax of A$291 million included non-cash adjustments for (i) depreciation and amortisation of non-current assets of A$200 million and (ii) income tax benefit of A$63 million.

Net cash used in investing activities

In the six months ended 30 June 2018, we had net cash used in investing activities of A$228 million, primarily due to proceeds from the Glencore Transaction of A$524 million, partially offset by consideration paid on the Warkworth Transaction of A$276 million and payments of property, plant and equipment of A$71 million, which were mainly in connection with Moolarben and MTW.

In 2017, we had net cash used in investing activities of A$3,449 million, primarily due to (i) payments for the acquisition of C&A of A$3,247 million (net of cash acquired) and (ii) payments for property, plant and equipment of A$299 million.

In 2016, we had net cash used in investing activities of A$466 million, primarily due to payments of property, plant and equipment of A$353 million, including the Moolarben expansion.

In 2015, we had net cash used in investing activities of A$314 million, primarily due to payments for property, plant and equipment of A$290 million, including the Moolarben expansion.

Net cash generated from financing activities

In the six months ended 30 June 2018, we had net cash outflow from financing activities of A$698 million, primarily due to repayment of interest-bearing liabilities of US$500 million of our secured bank loan.

In 2017, we had net cash generated from financing activities of A$3,062 million, primarily due to (i) proceeds from the issues of shares and other equity securities of A$3,125 million, which were raised to finance the acquisition of C&A and (ii) proceeds from interest-bearing liabilities of related entities of A$188 million relating to our draw down of credit facilities provided by Yanzhou, partially offset by (i) repayment of interest-bearing liabilities of A$196 million paying down US$150 million of our secured bank loan and (ii) a net repayment of borrowings from associate of A$63 million being the net repayment received from Watagan repaying a portion of the loan used to purchase interests in the Austar, Ashton and Donaldson mines from us.

In 2016, we had net cash generated from financing activities of A$525 million, primarily due to (i) repayment of borrowings from associate of A$623 million, which related to Watagan repaying a portion of the loan used to purchase interests in the Austar, Ashton and Donaldson mines from us and (ii) proceeds from interest-bearing liabilities of related entities of A$251 million, which related to our draw down of credit facilities provided by Yanzhou, partially offset by (i) repayment of interest-bearing liabilities of A$198 million and (ii) payment of subordinated capital notes distribution of A$100 million, which consisted of coupon payments on SCNs issued by our wholly-owned subsidiary, Yancoal SCN in 2014, for which we were the guarantor on a subordinated basis.

In 2015, we had net cash generated from financing activities of A$366 million, primarily due to proceeds from interest-bearing liabilities of related entities of A$402 million, which related to our draw down of credit facilities provided by Yanzhou.

Working Capital Sufficiency

After taking into consideration the financial resources available to us, including operating cash flows, revolving credit facilities and the estimated net proceeds of the Global Offering, in the absence of unforeseeable circumstances, the Directors confirm that we have sufficient working capital to satisfy 125% of our present liquidity and capital resource needs (including general, administrative and operating costs, property holding costs and the cost of any proposed exploration and/or development, as well as any interest and loan repayment costs in connection therewith) over the next 12 months from the date of this prospectus.

Our liquidity and capital resource needs over the next 12 months primarily include organic and inorganic growth opportunities, debt repayments and dividends. We expect to be able to finance these capital requirements with operating cash flows, interest-bearing liabilities and the expected proceeds from the Global Offering. Our ability to obtain additional funding beyond our anticipated cash needs for the next 12 months following the date of this prospectus, however, is subject to a variety of uncertainties, including our future results of operations, our future business plans, financial condition and cash flows and economic, political and other conditions in the markets where we and our customers and lenders operate.

INDEBTEDNESS

During the Track Record Period, we had indebtedness primarily in the form of interest-bearing loans from banks and related parties. The table below sets forth a breakdown of our overall indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2015	2016	2017	2018	2018
			A$ million		
					(unaudited)
Current indebtedness					
Secured bank loans	7	–	–	–	–
Secured lease liabilities	4	20	17	17	14
Non-current indebtedness					
Secured bank loans	3,751	3,593	3,117	2,622	2,562
Secured lease liabilities	27	47	38	34	31
Unsecured loans from related parties	943	1,290	1,527	1,611	1,504
Total indebtedness	4,732	4,950	4,699	4,284	4,111

The above table includes an amount of A$24 million, A$16 million and A$14 million as at 31 December 2017, 30 June 2018 and 31 October 2018, respectively, with respect to the fair value gain on the refinancing of secured bank loans recognised during 2017 on the adoption of IFRS 9. This amount will continue to unwind to the statement of profit and loss up to the date of maturity, at which time the full face value of the secured bank loans will be recognised. The adoption of IFRS 9 has not had, and is not expected to have, a significant impact on our financial position or performance.

The table below sets forth a maturity profile of our overall indebtedness as at the dates indicated, excluding the impact of the fair value gain noted above:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	A$ million			
Indebtedness repayable within:				
Less than one year	11	20	17	17
One to two years	80	12	12	415
Two to five years	1,329	2,439	3,316	2,414
Five or more years	3,312	2,479	1,378	1,454
Total indebtedness	4,732	4,950	4,723	4,300

Secured Bank Loans

Syndicated Facility

Secured bank loans primarily represent a syndicated loan facility with a maximum credit limit of US$2,900 million that we executed in 2009 ("**Syndicated Facility**") with Bank of China Limited, Sydney Branch, China Development Bank Limited, Hong Kong Branch, and China Construction Bank Limited, Hong Kong Branch. The Syndicated Facility was fully drawn at inception. US$100 million was fully repaid to China Development Bank in 2012, US$100 million in 2013 and US$99 million in 2014. As at each of 31 December 2015 and 2016, the Syndicated Facility was drawn to US$2,600 million. Our balance as at 31 December 2017 included a repayment of US$150 million which reduced the facility balance to US$2,450 million. We made further repayments of US$450 million in May 2018 and US$50 million in June 2018, resulting in an outstanding balance of US$1,950 million as at 30 June 2018. We subsequently repaid another US$300 million in August 2018 using loans drawn down from a US$300 million term debt facility from certain banks which are party to the A$1,000 million bank guarantee facility from a syndicate of seven domestic and international banks. This resulted in an outstanding balance of US$1,650 million on the Syndicated Facility. We further repaid an additional US$75 million on 17 September 2018 and US$50 million on 17 October 2018 using excess cash flows generated from operations. Other fluctuations in the balance of the Syndicated Facility over the Track Record Period were primarily attributable to the strengthening of the Australian dollar against the US dollar over this period. The Syndicated Facility matures in installments, with approximately 45% due in 2020, 29% in 2021, and 26% due in 2022.

The Syndicated Facility is fully secured by a corporate guarantee provided by Yanzhou. Key financial covenants of the Syndicated Facility include:

(i) an interest coverage ratio of not less than 1.40 (which was adjusted from 1.15 following the C&A Acquisition);

(ii) a gearing ratio of not more than 0.75 (adjusted from 0.80 following the C&A Acquisition); and

(iii) consolidated net worth of the Group of not less than A$3 billion (adjusted from A$1.6 billion following the C&A Acquisition).

In addition, the Syndicated Facility requires us to maintain the following minimum deposit balance requirements with the syndicate lending banks:

(i) an aggregate daily average balance of not less than A$25 million, tested at the end of each month; and

(ii) an aggregate end of month balance of not less than A$50 million.

We did not have any breach of the financial covenants of the Syndicated Facility during the Track Record Period.

The effective interest rate on our loans drawn under the Syndicated Facility (all-in including a guarantee fee to Yanzhou and an extension fee) in 2015, 2016 and 2017 and the six months ended 30 June 2018 was 6.45%, 7.29%, 7.93% and 8.42%, respectively.

Other secured loans

Our secured bank loans during the Track Record Period also included:

(i) a bilateral loan facility of US$140 million with Bank of China Limited, Sydney Branch, which was fully drawn down as at 16 December 2015 and, on 31 December 2016, was fully repaid and restructured to a bank guarantee facility with the same limit. The effective interest rate (inclusive of a guarantee fee to Yanzhou and an extension fee to Bank of China) for 2015 and 2016 was 6.45% and 7.29%, respectively;

(ii) a working capital facility of A$50 million with Industrial and Commercial Bank of China Limited, Sydney Branch taken out in 2015 for working capital and capital expenditure purposes, which was matured and cancelled in March 2016. The facility was priced at base rate (LIBOR or BBSY) plus loan margin of 3.00% or 2.70% for US$ or A$ drawings, respectively, and an undrawn fee of 0.5%. No outstanding was drawn under the facility as at 31 December 2015 and 2016. The effective interest rate was 7.61% in 2015 and 7.27% in 2016, in each case including a guarantee fee to Yanzhou;

(iii) a bank guarantee facility of A$100 million with Industrial and Commercial Bank of China Limited, Sydney Branch taken out in 2014, which was cancelled in June 2017. The facility was fully drawn as at 31 December 2015 and 2016. In each of 2015 and 2016, there was an annual guarantee fee to Yanzhou and an issuance fee to Industrial and Commercial Bank of China; and

(iv) a chattel mortgage facility of US$21.7 million with Australia and New Zealand Banking Corporation Limited, of which A$5.6 million was drawn down as at 31 December 2015 and was fully repaid and cancelled as at 31 December 2016. The effective interest rate for 2015 and 2016 was 5.89% and 5.89%, respectively.

Secured Lease Liabilities

Our secured lease liabilities represent loans obtained under finance lease facilities entered with Komatsu, one of our mining equipment suppliers. These facilities enable us to purchase mining equipment from Komatsu with security over the equipment purchased. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our finance lease facilities had an aggregate limit of A$50 million, A$100 million, A$100 million, A$100 million, respectively, of which we had drawn down A$31 million, A$67 million, A$55 million and A$51 million as at the same dates, respectively, at an effective interest rate of 5.22%, 5.13%, 5.10% and 5.00%.

Unsecured Loans from Related Parties

During the Track Record Period, we had two long-term unsecured loan facilities in place from Yanzhou, as follows:

(i) A facility with a credit limit of A$1,400 million used to fund working capital and capital expenditure needs, maturing in December 2024. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our balance of amounts drawn down under this facility was A$684 million, A$942 million, A$1,066 million and A$1,125 million, respectively.

(ii) A facility with a credit limit of US$807 million used to finance coupon payments on SCNs issued by Yancoal SCN, in December 2014 for which we were the guarantor on a subordinated basis. This facility matures in December 2024. As at 31 December 2015, 2016 and 2017, our balance of amounts drawn down under this facility was A$100 million, A$188 million and A$312 million, respectively. On 31 January 2018, at the request of certain eligible holders of the SCNs, a portion of the SCNs were converted into equity of the Company while the outstanding SCNs were redeemed in full by Yancoal SCN on 31 January 2018. From this date, the facility limit was reduced to US$243 million, which remains the drawn down amount as at 30 June 2018.

Both credit facilities from Yanzhou are unsecured subordinated loans with a term of ten years (maturing in December 2024, at which time the principal is repayable), and have no covenants. The effective interest rate was 7.00% for each of 2015, 2016 and 2017 and the six months ended 30 June 2018.

In addition, we also have a US$550 million unsecured credit facility from Yancoal International Resources Development Co., Ltd. ("**Yancoal International**"), which is wholly owned by Yanzhou. The facility was fully drawn down in 2012 to fund the acquisition of Gloucester Coal Limited. See "*History and Corporate Structure* "for further details. We repaid US$434 million in December 2014, leaving a balance of US$116 million which was outstanding as at each of 31 December 2015, 2016 and 2017 and 30 June 2018, and is repayable in May 2022. The effective interest rate was 7.70% for each of 2015, 2016 and 2017 and the six months ended 30 June 2018.

Furthermore, we have received letters of support from Yanzhou under which Yanzhou, among other things, acknowledged the major acquisitions and other transactions that we have undertaken, including the C&A Acquisition, Glencore Transaction and Warkworth Transaction (and the financing needed in connection with certain transactions), and confirmed that it would provide ongoing financial support to us if needed to enable us to pay our debts as and when they fall due. Yanzhou may revoke such support by giving 24 months' notice to us. We have completed post-closing working capital adjustments for the C&A Acquisition, Glencore Transaction and Warkworth Transaction, and expect to be able to settle the remaining consideration payable for the C&A Acquisition, which is attributable to non-contingent royalties' liabilities, with our cash on hand and without credit support from Yanzhou.

Subordinated Capital Notes

On 31 December 2014, Yancoal SCN, our wholly-owned subsidiary, issued 18,005,102 SCNs at US$100 each, raising a total of A$2.3 billion, which we used primarily to repay loans from Yanzhou and its subsidiaries and improve our capital structure. The SCNs were perpetual, subordinated (with respect to our secured bank loans and related party loans from Yancoal International of US$116 million), unsecured capital notes, guaranteed by the Company on a subordinated basis and each convertible into 1,000 ordinary shares of the Company and listed on the ASX. SCN holders were entitled to receive 7% per annum fixed rate distribution payments payable semi-annually in arrears. Distributions amounted to A$186 million, A$171 million and A$79 million in 2015, 2016 and 2017, respectively. On 31 August 2017, Yanzhou, which held the substantial majority of the SCNs, converted all its SCN holdings, resulting in us issuing 18,000,031,000 new ordinary shares to Yanzhou. A further 150,943 new ordinary shares were issued on conversion of 80 SCNs, and 3,015,976 new ordinary shares were issued in January 2018 on the conversion of 1,606 SCNs by other eligible holders. We subsequently redeemed all outstanding SCNs in February 2018 at the face value plus a final distribution. Yancoal SCN was then delisted from the ASX.

Bank Guarantee Facilities

We have obtained a number of bank guarantee facilities to provide guarantees in favour of certain counterparties, including port, rail, government departments and other operational functions, in respect of their activities involving us, Yanzhou, other related parties, and joint ventures. As at 31 December 2015, 2016 and 2017 and 30 June 2018, we had total bank guarantee facilities of A$522 million, A$486 million, A$1,000 million and A$1,000 million (plus an additional US$95 million as at both 31 December 2017 and 30 June 2018), respectively, of which A$458 million, A$441 million, A$1,041 million and A$894 million were utilised as at the same dates. These facilities consisted of the following:

- as at 31 December 2015, our bank guarantee facilities included (i) A$350 million from a syndicate of Australian banks, of which A$299 million was utilised, secured by the Yarrabee, Ashton and Moolarben mines, (ii) A$125 million from the Industrial and Commercial Bank of China, of which A$122 million was utilised, secured by a corporate guarantee of A$100 million from Yanzhou and A$2.5 million of cash collateral and (iii) A$47 million from the Bank of China, of which A$37 million was utilised, secured by a letter of comfort from Yanzhou;

- as at 31 December 2016, our bank guarantee facilities included (i) A$93 million from a syndicate of Australian banks, (ii) A$268 million from the Bank of China, of which A$228 million was utilised, secured by cash collateral of A$28 million, a corporate guarantee of US$140 million from Yanzhou and a letter of comfort for A$47 million from Yanzhou and (iii) A$125 million from the Industrial and Commercial Bank of China, of which A$121 million was utilised, secured primarily by a corporate guarantee of A$100 million from Yanzhou and A$2.5 million of cash collateral;

- as at 31 December 2017, our bank guarantee facilities included (i) A$1,000 million from a syndicate of seven domestic and international banks, of which A$935 million was utilised, secured by Yarrabee and Moolarben mine assets and C&A assets and (ii) US$95 million from the Bank of China, of which A$106 million was utilised, secured by corporate guarantees of A$100 million from Yanzhou and A$2.5 million of cash collateral; and

- as at 30 June 2018, our bank guarantee facilities included (i) A$1,000 million from a syndicate of seven domestic and international banks, of which A$793 million was utilised, secured by Yarrabee and Moolarben mine assets and C&A assets and (ii) US$95 million from the Bank of China, of which A$101 million was utilised, secured by corporate guarantees of US$95 million from Yanzhou and A$2.5 million of cash collateral. On 20 August 2018, we obtained a US$300 million term debt facility from certain of these banks, which we fully drew down on 23 August 2018 to repay a portion of the Syndicated Facility.

The syndicate bank guarantee facility as at 30 June 2018 includes the following key financial covenants that we are required to maintain, tested semi-annually:

(i) an interest coverage ratio of more than 5.0 times;

(ii) a finance debt to EBITDA ratio of less than 3.0 times; and

(iii) net tangible assets of more than A$1,500 million (adjusted from A$600 million following the C&A Acquisition).

We did not have any breach of the above covenants during the Track Record Period. The bank guarantee facilities from the Bank of China and ICBC did not have any financial covenants.

Indebtedness Statement

As at 31 October 2018, being the latest practicable date for the purpose of the indebtedness statement:

- the total balance of our interest-bearing liabilities on demand or due within one year was A$14 million;

- the total balance of our interest-bearing liabilities due after one year was A$4,097 million;

- we had nil unutilised credit facilities and unutilised bank guarantee facilities of approximately A$269 million, which were committed and without uncommon restriction on utilisation; and

- other than as disclosed in *"– Indebtedness"* and *"– Contingent Liabilities"*, and with respect to certain financing arrangements in relation to Watagan and WICET (see "*Risk Factors-We will be required to re-consolidate Watagan once we re-acquire control of it, which could result in adverse consequences to our financial condition and results of operations*" and "*Risk Factors – Our investments in, and obligations with respect to, the Wiggins Island Coal Export Terminal may be adversely impacted by, among other things, the insolvency of its other shareholders*", respectively, for further details) we had no other debt securities, borrowings, debts, mortgages, contingent liabilities or guarantees.

Since 30 June 2018, other than as disclosed above, there has been no material adverse change to our indebtedness.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain transactions with related parties, including the following:

- sales of goods and services to related parties (including primarily Noble Group (in 2015, 2016 and 2017), Watagan and Yancoal International) amounting to A$274 million, A$281 million, A$285 million and A$23 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively;

- purchases of goods and services from related parties (including primarily Watagan and Syntech Resources) amounting to A$9 million, A$79 million, A$200 million and A$61 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively (the increase was largely attributable to coal purchased from Watagan as produced at the Austar, Ashton and Donaldson mines);

- advances and loans, net of repayments, to related parties of less than A$1 million in 2015 and A$810 million in 2016 (primarily consisting of a loan to Watagan in connection with the transfer of interest in the Austar, Ashton and Donaldson mines) and repayments from related parties (net of advances and loans to related parties) of A$98 million in 2017 and A$47 million in the six months ended 30 June 2018;

- loans from related parties (including primarily Yanzhou and Yancoal International) of A$501 million, A$352 million, A$330 million and nil in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively;

- finance costs attributable to related parties of A$44 million, A$76 million, A$91 million and A$47 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, primarily consisting of interest accrued or paid on loans from Yanzhou and Yancoal International;

- finance income attributable to related parties of A$19 million, A$94 million, A$95 million and A$43 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, primarily consisting of interest income on loans to Watagan and Middlemount;

- other costs attributable to related parties of A$171 million, A$173 million, A$212 million and A$113 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, primarily consisting of corporate guarantee fees accrued or paid to Yanzhou and port charges paid to NCIG; and

- other income attributable to related parties of A$20 million, A$63 million, A$83 million and A$44 million in 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively, primarily consisting of mining management and service fees from Watagan and royalty income from Middlemount.

See note 37 to the Accountants' Report of the Group in Appendix IA to this prospectus for further details.

CAPITAL EXPENDITURE

The table below sets forth, for the periods indicated, a breakdown of our capital expenditure during the Track Record Period, including transfers from assets under construction:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
		A$ million		
Plant and equipment	5	3	12	–
Mine development	47	14	21	10
Assets under construction	281	316	303	69
Leased plant and equipment	–	50	9	5
Total capital expenditure	333	383	345	84

Assets under construction generally relate to ongoing construction projects, such as the Moolarben expansion, whereby the capital expenditure is classified as assets under construction until the assets are "in use". At this time the spend is transferred out of assets under construction to the appropriate category. These reclassifications are shown in the table below.

	As at 31 December			As at 30 June
	2015	2016	2017	2018
		A$ million		
Plant and equipment	110	126	240	(102)
Mine development	186	92	308	138
Freehold land and buildings	8	1	27	5
Assets under construction	(304)	(219)	(575)	(41)
Net	–	–	–	–

We have financed our capital expenditure primarily through operating cash flows, increases in interest-bearing liabilities and repayments of the loan due from Watagan and may in the future use these sources as well as the proceeds from the Global Offering as we pursue acquisition opportunities.

COMMITMENTS

The table below sets forth, as at the dates indicated, our future minimum payments under non-cancellable commitments:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
		A$ million		
Not later than 1 year				
Property, plant and equipment	15	139	33	36
Non-cancellable operating leases	5	25	38	26
Finance leases	11	24	19	19
Later than 1 year but not later than 5 years				
Non-cancellable operating leases	1	67	149	73
Finance leases	26	53	42	37
Later than 5 years	–	–	–	78
Total commitments	58	308	281	269

Our operating lease commitments include mining equipment, office space, and office equipment. Such leases typically run for periods of one month to five years with an option to renew at the expiry of the lease period.

Our finance lease commitments generally include mining equipment and other machinery. Such leases typically run for periods of approximately five years.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we had the following contingent liabilities:

(i) bank guarantees in favour of certain of counterparties, including port, rail, government departments and other operational functions, in respect of their activities involving us, Yanzhou, other related parties, and joint ventures. See "*– Indebtedness – Bank guarantee facilities*" for further details;

(ii) a letter of support to Middlemount, our incorporated joint venture, under which we agree to (a) not demand repayment of any loan from Middlemount except under certain conditions and (b) provide financial support to Middlemount in the form of shareholder loans in proportion to our share of the net assets of Middlemount in order for Middlemount to meet its debt obligations. See "*Business – Marketing and Sales Arrangements – Middlemount*" for further details;

(iii) various claims relating to personal injury and contractual obligations which we become party to in the ordinary course of business. See "*Business – Health, Safety and Environmental Matters*" for further details. Our insurance policies have largely covered the personal injury claims, and we do not expect the claims against us in any event to have a material impact on our financial position; and

(iv) certain disputes involving us and members of the Noble Group, for which the relevant proceedings are at an early stage. See "*Business – Legal Proceedings and Non-Compliance*" for further details.

KEY FINANCIAL RATIOS

The table below sets forth, as at the dates and for the periods indicated, certain of our key financial ratios:

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2015	**2016**	**2017**	**2018**
Return on assets[1]	(3.8)%	(2.9)%	2.5%	6.0%[4]
Return on equity[2]	(13.9)%	(14.9)%	7.7%	14.0%[4]
Gearing ratio[3]	2.80x	3.66x	0.93x	0.81x

Notes:

[1] Return on assets is calculated by dividing profit after income tax by average total assets and multiplying the resulting value by 100%. Average total assets equal total assets at the beginning of the period plus total assets as at the end of the period, divided by two.

[2] Return on equity is calculated by dividing profit after income tax by average total equity and multiplying the resulting value by 100%. Average total equity equals total equity at the beginning of the period plus total equity as at the end of the period, divided by two.

[3] Gearing ratio is calculated as gross debt divided by total equity at the end of the period. Gross debt consists of the total balance of interest-bearing liabilities as at the end of the period.

[4] On an annualised basis.

Return on Assets

Our return on assets ratio increased from (3.8)% in 2015 to (2.9)% in 2016, primarily due to a decrease in loss after income tax over this period, and further increased to 2.5% in 2017, primarily due to becoming profit-making over this period. Our return on assets ratio subsequently increased to 6.0% in the six months ended 30 June 2018 (on an annualised basis), primarily due to our increased profitability.

Return on Equity

Our return on equity ratio decreased from (13.9)% in 2015 to (14.9)% in 2016, primarily due to a decrease in average total equity over this period, partially offset by a decrease in loss after income tax. Our return on equity ratio then increased to 7.7% in 2017, primarily due to becoming profit-making over this period, partially offset by a significant increase in total average equity largely due to the C&A Acquisition. Our return on equity ratio subsequently increased to 14.0% in the six months ended 30 June 2018 (on an annualised basis), primarily due to our increased profitability.

Gearing Ratio

Our gearing ratio increased from 2.80x as at 31 December 2015 to 3.66x as at 31 December 2016, primarily due to a decrease in total equity. Our gearing ratio then decreased to 0.93x as at 31 December 2017, primarily due to a significant increase in total equity largely due to the C&A Acquisition. Our gearing ratio subsequently decreased to 0.81x as at 30 June 2018.

RECENT DEVELOPMENTS OF OUR BUSINESS SUBSEQUENT TO THE TRACK RECORD PERIOD

Since 30 June 2018, the following material changes have occurred:

(i) we have entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, for the Moolarben Acquisition. We intend to finance the Moolarben Acquisition with a portion of the expected proceeds from the Global Offering. See "*Future Plans and Use of Proceeds*" for further details; and

(ii) on 20 August 2018, we obtained a US$300 million term debt facility from certain banks which are party to our A$1,000 million bank guarantee facility from a syndicate of seven domestic and international banks. On 23 August 2018, we fully drew down the US$300 million under this facility. We used this amount to repay a portion of the Syndicated Facility, resulting in an outstanding balance on the Syndicated Facility of US$1,650 million. On 17 September 2018 and 17 October 2018, respectively, we further repaid US$150 million of our debt (US$75 million on the Syndicated Facility and US$75 million on our unsecured loans from related parties) and US$100 million of our debt (US$50 million on the Syndicated Facility and US$50 million on our unsecured loans from related parties) using excess cash flows generated from operations.

As far as the Directors are aware, other than as disclosed above, there have not been any material changes in our operations, nor in the general economic and market conditions in the regions or the industries in which we operate that materially and adversely affected our business operations or financial condition since 30 June 2018 and up to the date of this prospectus, and no material changes have occurred since the effective date of the Competent Person's Report.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ON MARKET RISK

We are exposed to financial risks arising from our operations and the use of financial instruments. The key financial risks include credit risk, currency risk, interest rate risk and liquidity risk. The Board reviews and agrees policies and procedures for management of these risks.

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to us. As at 31 December 2015, 2016 and 2017 and 30 June 2018, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties and financial guarantees provided by us is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by us.

In order to minimise the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our credit risk is significantly reduced. We maintain our cash and cash equivalents with reputable banks. Therefore, Directors consider that the credit risk for such is minimal.

We generally grant customers with long-relationships credit terms not exceeding 90 days, depending on the situations of the individual customers. For small to medium sized new customers, we generally require them to pay for the products before delivery.

See note 34(b) to the Accountants' Report of the Group in Appendix IA to this prospectus for further details on our counterparties.

Currency Risk

Our sales and finance costs are denominated mainly in United States dollars, while operating costs are mainly denominated in the group's functional currency, the Australian dollar. Accordingly, there is a significant exposure to transactional foreign currency risk.

See note 34(b) to the Accountants' Report of the Group in Appendix IA to this prospectus for further details on our foreign currency exposure and a sensitivity analysis of the impact of hypothetical increases and decreases in the Australian dollar against relevant foreign currencies.

Interest Rate Risk

We are exposed to cash flow interest rate risk in relation to variable-rate bank balances, term deposits, restricted cash and variable rate borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate arising from our A$ borrowings and the LIBOR arising from our US$ borrowings.

See note 34(b) to the Accountants' Report of the Group in Appendix IA to this prospectus for a sensitivity analysis of the impact of hypothetical increases and decreases in interest rates.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. Our management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

See note 34(b) to the Accountants' Report of the Group in Appendix IA to this prospectus for further details on the remaining contractual maturity for our financial liabilities.

DIVIDENDS AND DIVIDEND POLICY

We did not declare or pay any dividends during the Track Record Period. On 15 August 2018, we declared a dividend of approximately A$130 million on our ordinary shares, which was paid on 21 September 2018. Subject in each case to applicable laws, the ongoing cash needs of the business, the statutory and common law duties of the Directors and shareholders' approval, the Directors may pay interim and/or final dividends, and in accordance with our Constitution must:

(i) subject to (ii) below, pay as interim and/or final dividends not less than 40% of net profit after tax (pre-abnormal items) in each financial year; and

(ii) if the Directors determine that it is necessary in order to prudently manage our financial position, pay as interim and/or final dividends not less than 25% of net profit after tax (pre-abnormal items) in any given financial year.

Our Australian legal advisers have advised that under Australian law, a company is able to pay dividends out of current year profits even though it has accumulated losses, and there is no restriction in our Constitution that would prevent current year profits from being paid out as dividends in this way. Accordingly, the Company's accumulated losses do not prevent it from being able to pay dividends, provided that current year profits are not used to offset prior period losses and the Company is otherwise able to satisfy the other legal requirements of paying a dividend under Australian law. As a result, the amount of any dividends to be declared or paid will depend on, among other things, our results of operations, cash flows, financial condition, operating and capital requirements and applicable laws and regulations.

DISTRIBUTABLE RESERVES

As at 30 June 2018, we did not have any distributable reserves as we did not have positive retained earnings as at such date.

LISTING EXPENSES

Total expenses (including estimated underwriting commissions) expected to be incurred in relation to the Listing are A$37.4 million (HK$214.5 million), of which approximately A$29.7 million (HK$170.3 million) is expected to be charged to the consolidated statement of profit or loss of the Group and approximately A$7.7 million (HK$44.2 million) is expected to be capitalised.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, other than as disclosed in "– *Indebtedness*", we had no material off-balance sheet arrangements.

PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The table below sets forth selected unaudited pro forma combined income statement data for the year ended 31 December 2017 and the six months ended 30 June 2018 as if the Pro Forma Transactions had been completed on 1 January 2017. Such pro forma financial information has been prepared using the procedures and adjustments as described in more detail in Appendix IIB to this prospectus, and should be read in conjunction with the related notes thereto.

		Pro forma adjustments[1] for		
	The audited Group for the six months ended 30 June 2018[2]	**Acquisition of additional 28.9% interest in Warkworth**	**Disposal of 16.6% interest in HVO**	**Unaudited pro forma consolidated statement of profit or loss of the Group for the six months ended 30 June 2018**
		A$ million		
Revenue	2,347	48	(89)	2,306
Other income	115	–	(78)	37
Changes in inventories of finished goods and work in progress	24	1	–	25
Raw materials and consumables used	(337)	(9)	18	(328)
Employee benefits	(254)	(5)	10	(249)
Depreciation and amortisation	(244)	(4)	–	(248)
Transportation	(274)	(3)	7	(270)
Contractual services and plant hire	(206)	(5)	11	(200)
Government royalties	(161)	(4)	7	(158)
Coal purchases	(182)	–	–	(182)
Other operating expenses	(170)	–	3	(167)
Finance costs	(152)	–	(1)	(153)
Share of profit of equity-accounted investees, net of tax	33	–	–	33
Profit before income tax	539	19	(112)	446
Income tax expenses	(178)	(6)	34	(150)
Profit for the period	361	13	(78)	296

	The audited Group for the year ended 31 December 2017	Audited C&A for the eight months ended 31 August 2017	Pro forma adjustments[1] for: Adjustment for acquisition accounting on C&A Acquisition, including 55.6% interest in Warkworth & 67.6% interest in HVO	Pro forma adjustments[1] for: Acquisition of additional 28.9% interest in Warkworth	Pro forma adjustments[1] for: Disposal of 16.6% interest in HVO	Unaudited pro forma consolidated statement of profit or loss of the Enlarged Group for the year ended 31 December 2017
			A$ million			
Revenue	2,601	1,424	46	261	(288)	4,044
Other income	325	26	–	–	78	429
Changes in inventories of finished goods and work in progress	7	(11)	–	3	(2)	(3)
Raw materials and consumables used	(349)	(274)	–	(50)	56	(617)
Employee benefits	(302)	(140)	–	(33)	27	(448)
Depreciation and amortisation	(256)	(78)	(97)	(27)	–	(458)
Transportation	(312)	(110)	26	(19)	20	(395)
Contractual services and plant hire	(274)	(169)	–	(26)	39	(430)
Government royalties	(173)	(111)	–	(21)	23	(282)
Coal purchases	(340)	–	–	–	–	(340)
Other operating expenses	(330)	(26)	–	(19)	7	(368)
Finance costs	(294)	(3)	(10)	–	1	(306)
Share of profit of equity-accounted investees, net of tax	32	(16)	–	–	–	16
Profit/(Loss) before income tax	335	512	(35)	69	(39)	842
Income tax expense/(benefit)	(89)	169	(320)	(20)	12	(248)
Profit/(Loss) for the year	246	681	(355)	49	(27)	594

Notes:

[1] See the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group in Appendix IIB to this prospectus for further details on the adjustments for the Pro Forma Transactions.

[2] Includes the financial results of C&A for the six months ended 30 June 2018.

Our pro forma combined income statement is not necessarily representative of our results of operations and changes in liquidity and capital resources as they would have appeared in our financial statements had the Pro Forma Transactions occurred during the year ended 31 December 2017 or the six months ended 30 June 2018.

Revenue

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual revenue in the six months ended 30 June 2018, our pro forma revenue in the six months ended 30 June 2018 would have slightly decreased by 1.7% to A$2,306 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual revenue in 2017, our pro forma revenue in 2017 would have increased by 55.5% to A$4,044 million, primarily due to the substantial revenue generated by C&A.

Other Income

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, our pro forma other income in the six months ended 30 June 2018 would have decreased by 67.8% to A$37 million compared to our actual other income in the six months ended 30 June 2018, primarily due to the derecognition of the A$78 million gain on disposal with respect to the Glencore Transaction included in the 2017 pro forma income statement.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual other income in 2017, our pro forma other income in 2017 would have increased by 32% to A$429 million, primarily due to a A$78 million gain on disposal with respect to the Glencore Transaction and A$26 million of other income recognised by C&A. The gain is subject to finalisation of the purchase price for the Glencore Transaction.

Raw Materials and Consumables Used

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual raw materials and consumables used in the six months ended 30 June 2018, our pro forma raw materials and consumables used in the six months ended 30 June 2018 would have decreased by 2.7% to A$328 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual raw materials and consumables used in 2017, our pro forma raw materials and consumables used in 2017 would have increased by 76.8% to A$617 million, primarily due to the significant scale of C&A’s production operations.

Employee Benefits

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual employee benefits expenses in the six months ended 30 June 2018, our pro forma employee benefits expenses in the six months ended 30 June 2018 would have decreased by 2.0% to A$249 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual employee benefits expenses in 2017, our pro forma employee benefits expenses in 2017 would have increased by 48.3% to A$448 million, primarily due to the addition of C&A’s headcount.

Depreciation and Amortisation

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual depreciation and amortisation expenses in the six months ended 30 June 2018, our pro forma depreciation and amortisation expenses would have increased by 1.6% to A$248 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual depreciation and amortisation expenses in 2017, our pro forma depreciation and amortisation expenses would have increased by 78.9% to A$458 million, primarily due to the addition of the depreciation of C&A's plant, property and equipment and the amortisation of mining tenements recognised by the Company as part of the C&A Acquisition.

Transportation

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual transportation expenses in the six months ended 30 June 2018, our pro forma transportation expenses in the six months ended 30 June 2018 would have slightly decreased by 1.5% to A$270 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual transportation expenses in 2017, our pro forma transportation expenses in 2017 would have increased by 26.6% to A$395 million, primarily due to C&A's substantial transportation needs in connection with its operations.

Contractual Services and Plant Hire

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual contractual services and plant hire in the six months ended 30 June 2018, our pro forma contractual services and plant hire expenses in the six months ended 30 June 2018 would have decreased by 2.9% to A$200 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual contractual services and plant hire in 2017, our pro forma contractual services and plant hire expenses in 2017 would have increased by 56.9% to A$430 million, primarily due to the addition of C&A's contractor headcount.

Government Royalties

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual government royalties in the six months ended 30 June 2018, our pro forma government royalties would have slightly decreased by 1.9% to A$158 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual government royalties in 2017, our pro forma government royalties expenses in 2017 would have increased by 63.0% to A$282 million, primarily due to the addition of royalties imposed on C&A's coal output.

Coal Purchases

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual coal purchases in 2017 and the six months ended 30 June 2018, our pro forma coal purchase costs in 2017 and the six months ended 30 June 2018 would not have changed as none of the entities acquired or disposed of under the Pro Forma Transactions purchased coal in 2017 or the six months ended 30 June 2018.

Other Operating Expenses

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual other operating expenses in the six months ended 30 June 2018, our pro forma other operating expenses in the six months ended 30 June 2018 would have slightly decreased by 1.8% to A$167 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual other operating expenses in 2017, our pro forma other operating expenses in 2017 would have increased by 11.5% to A$368 million, primarily due to the addition of C&A's other operating expenses and stamp duty incurred or expected to be incurred on the Warkworth and Moolarben acquisitions.

Finance Costs

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual finance costs in the six months ended 30 June 2018, our pro forma finance costs in the six months ended 30 June 2018 would have slightly increased by 0.7% to A$153 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual finance costs in 2017, our pro forma finance costs in 2017 would have increased by 4% to A$306 million, primarily due to the addition of C&A's finance costs.

Profit Before Income Tax

As a result of the aforementioned reasons, assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual profit before income tax in the six months ended 30 June 2018, our pro forma profit before income tax in the six months ended 30 June 2018 would have decreased by 17.3% to A$446 million.

As a result of the aforementioned reasons, assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual profit before income tax in 2017, our pro forma profit before income tax in 2017 would have increased by 151.3% to A$842 million.

Income Tax Expense

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual income tax expenses in the six months ended 30 June 2018, our pro forma income tax expense in the six months ended 30 June 2018 would have decreased by 15.7% to A$150 million.

Assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual income tax expenses in 2017, our pro forma income tax expense in 2017 would have increased by 178.7% to A$248 million, primarily due to the addition of C&A's income tax expenses.

Profit After Income Tax

As a result of the aforementioned reasons, assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual profit after income tax in the six months ended 30 June 2018, our pro forma profit after income tax in the six months ended 30 June 2018 would have decreased by 18.0% to A$296 million.

As a result of the aforementioned reasons, assuming that the Pro Forma Transactions had occurred on 1 January 2017, compared to our actual profit after income tax in 2017, our pro forma profit after income tax would have increased by 141.5% to A$594 million.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in our financial or trading position or prospects since 30 June 2018 and up to the date of this prospectus.

C&A is a subsidiary of the Company, and was acquired by the Company on and with effect from 1 September 2017. You should read the following discussion and analysis in conjunction with the discussion and analysis of the Company's consolidated financial statements in "Financial Information of the Group" and "Appendix IA – Accountants' Report of the Group", as well as the audited consolidated financial statements of C&A as at and for the years ended 31 December 2015 and 2016, the eight months ended 31 August 2017 and the four months ended 31 December 2017 set out in Appendix IB – Accountants' Report of C&A", as presented in accordance with section 4.05A of the Listing Rules. The audited consolidated financial statements of C&A have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance. You should note that the format and presentation of the historical financial statements of C&A differ in some respects from those of the Company; accordingly, comparability between the two is limited. The pro forma effects of the C&A Acquisition are set out in "Appendix IIB – Unaudited Pro Forma Financial Information of the Enlarged Group".

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that the business and financial performance of C&A is subject to substantial risks and uncertainties. The actual results could differ materially from those projected in the forward-looking statements. In evaluating the business of C&A, you should carefully consider the information provided in "Risk Factors", "Financial Information of the Group" and "Responsibility Statement and Forward-looking Statements".

OVERVIEW

C&A was one of the major coal mining companies in Australia, with a long history of coal mining operations across Australia dating back to its formation in 1960 as a merger between the Australian coal companies J & A Brown and Caledonian Collieries Limited. C&A was acquired by Rio Tinto in 1989. At the time of its acquisition by us, C&A held majority joint venture interests in three large-scale, high-quality coal mine operations, as described below.

On 1 September 2017, we completed the C&A Acquisition, for which the consideration was US$2.69 billion, comprising US$2.45 billion cash payable on completion, US$240 million in future non-contingent royalty payments over five years following completion, and a coal price-linked contingent royalty. On completion, we acquired:

(i) interests in two of Australia's leading tier-one large-scale, long-life and low-cost coal mines located in the Hunter Valley region of New South Wales, including:

   (a) a 67.6% interest in the HVO mine; and

   (b) an 80.0% interest in the Mt Thorley mine and a 55.6% interest in the Warkworth mine, which are located adjacent to each other and are operationally integrated as the MTW mine; and

(ii) a 36.5% interest in PWCS, which provides the export infrastructure for the acquired mines.

In addition, prior to its acquisition by the Company, C&A disposed of certain material operations. The disposals that occurred during the Track Record Period included the following:

(i) in February 2016, the sale of 32.4% of C&A's assets and liabilities associated with HVO to Mitsubishi Development in exchange for buying back Mitsubishi Development's interest in C&A;

(ii) in March 2016, the sale of C&A's 40% interest in Bengalla, a joint venture of C&A, to New Hope; and

(iii) in August 2016, the sale of C&A's Mount Pleasant thermal coal development project to MACH Energy.

The financial statements of C&A as set forth in this "*Financial Information of C&A*" section are presented with carve-out adjustments to reflect such disposals as if they had taken place on 1 January 2015. See note 36 to the Accountants' Report of C&A in Appendix IB to this prospectus for further details on the carve-out adjustments applied. Save for the contents of this note 36 on carve-out adjustments, the rest of Appendix IB presents the consolidated financial statements of C&A without the carve-out adjustments applied.

BASIS OF PREPARATION

For the purpose of preparing and presenting the consolidated financial information of C&A for the Track Record Period, C&A has consistently adopted all of the new and revised IFRS issued by the IASB which are effective for the financial year beginning 1 January 2018.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

C&A is primarily engaged in coal production and sales, which is substantially similar to the Company's coal operations. Accordingly, the results of operations and financial condition of C&A are primarily affected by the same significant factors as those which affect us. See "*Financial Information of the Group – Significant Factors Affecting Our Results of Operations and Financial Condition*".

DESCRIPTION OF MAJOR LINE ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND REVIEW OF HISTORICAL RESULTS OF OPERATIONS

The table below sets forth our consolidated statements of profit or loss for the periods indicated:

	Predecessor						Successor			
	Year ended 31 December				Eight months ended 31 August		Four months ended 31 December		Year ended 31 December	
	2015		2016		2017		2017		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	A$ million	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million*	*%*	*A$ million*	*%*
Revenue	1,497	100.0	1,599	100.0	1,424	100.0	732	100.0	2,156	100.0
Other income	24	1.6	42	2.6	26	1.8	(5)	(0.7)	21	1.0
Changes in inventories of finished goods and work in progress	(18)	(1.2)	(11)	(0.7)	(11)	(0.7)	26	3.6	15	0.7
Raw material and consumables used	(379)	(25.3)	(341)	(21.3)	(274)	(19.2)	(141)	(19.3)	(415)	(19.2)
Employee benefits expense	(253)	(16.9)	(245)	(15.3)	(140)	(9.8)	(77)	(10.5)	(217)	(10.0)
External services	(186)	(12.4)	(181)	(11.3)	(169)	(11.9)	(80)	(10.9)	(249)	(11.5)
Selling and distribution	(305)	(20.4)	(289)	(18.1)	(221)	(15.6)	(98)	(13.3)	(319)	(14.9)
Administration	(82)	(5.5)	(84)	(5.3)	(25)	(1.6)	(35)	(4.8)	(60)	(2.8)
Net (loss)/gain on disposal of property, plant and equipment	(2)	(0.1)	10	0.6	–	–	–	–	–	–
Depreciation and amortisation expense	(131)	(8.7)	(122)	(7.6)	(78)	(5.4)	(39)	(5.3)	(117)	(5.4)
Coal purchases	(29)	(1.9)	(26)	(1.6)	–	–	(34)	(4.6)	(34)	(1.6)
Net foreign exchange gains	8	0.5	(2)	(0.1)	(1)	(0.1)	4	0.5	3	0.1
Finance costs	(14)	(0.9)	(6)	(0.4)	(3)	(0.2)	(1)	(0.1)	(4)	(0.2)
Share of profits of associates	7	0.5	2	0.1	(16)	(1.1)	(6)	(0.8)	(22)	(1.0)
Profit before income tax	137	9.2	346	21.6	512	37.5	246	33.6	758	35.1
Income tax (expense)/benefit	(45)	(2.9)	(100)	(6.3)	169	11.9	(79)	(10.8)	90	(4.2)
Profit for the year	92	6.3	246	15.4	681	47.8	167	22.8	848	39.3

Revenue

C&A presents revenue in its consolidated statements of profit or loss as revenue from continuing operations, which primarily includes revenue generated from sales of coal directly produced by C&A, and to a significantly lesser extent, from sales of coal purchased by C&A and sea freight revenue.

Revenue by geographic region

C&A had a geographically diverse customer base, with sales throughout the Asia-Pacific region and elsewhere. The table below sets forth, for 2017, a breakdown of C&A's sales revenue by jurisdiction, as determined based on the jurisdiction in which the customer is located[(1)]:

	Predecessor		Successor			
	Eight months ended 31 August		Four months ended 31 December		Year ended 31 December	
	2017		2017		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
	A$ million	*%*	*A$ million*	*%*	*A$ million*	*%*
Japan	554	39.3	282	39.0	836	39.2
South Korea	212	15.0	66	9.1	278	13.0
Taiwan	130	9.2	70	9.7	200	9.3
Thailand	130	9.2	85	11.7	215	10.1
Australia	128	9.1	58	8.0	186	8.7
Singapore	121	8.6	55	7.6	176	8.2
China	18	1.2	72	9.9	90	4.2
Others[(2)]	118	8.4	36	5.0	154	7.2
Total sales revenue	1,411	100.0	724	100.0	2,135	100.0
Interest income	5		1		6	
Others	8		7		15	
Total revenue	1,424		732		2,156	

Notes:

(1) See note 6(c) to the Accountants' Report of C&A in Appendix IB to this prospectus for a breakdown of C&A's revenue by geography during the Track Record Period as shown on a non-carve out basis.

(2) Includes Switzerland and the US.

During 2017, comprising 8 months of C&A ownership and 4 months of the Company's ownership, C&A's largest jurisdictions by revenue were Japan, South Korea, Taiwan, Australia and Thailand. Sales to all jurisdictions except China remained largely consistent over 2017. Sales to China increased in the four-month period, which was driven by a temporary increase in high ash content coal suitable for the Chinese market.

Segment revenue

C&A categorised its operating segments primarily by each individual operating mine. The table below sets forth, for the periods indicated, a breakdown of C&A's segment revenue:

	Predecessor			Successor
	Year ended 31 December		Eight months ended 31 August	Four months ended 31 December
	2015	2016	2017	2017
	A$ million			
Segment:				
Hunter Valley Operations	784	856	792	383
Mount Thorley Warkworth	692	728	623	321
Other	21	15	8	28
Total revenue	1,497	1,599	1,424	732

The segment revenue split during the Track Record Period was broadly consistent, with HVO contributing between 52% and 56%, and MTW between 43% and 47%, of C&A's total revenue. Other segment revenue included (i) interest income, (ii) management fee income in connection with management services provided to both HVO and MTW and (iii) coal handling services income.

Other Income

C&A's other income during the Track Record Period primarily included gains on the disposal of land and other non-operating assets.

Raw Materials and Consumables Used

C&A's raw materials and consumables used primarily includes diesel, consumables, maintenance, explosives, tyres, electricity and other general consumables. Raw materials and consumables used decreased by 10.0% from A$379 million in 2015 to A$341 million in 2016, primarily due to lower diesel prices. C&A's raw materials and consumables used in 2017 increased by 21.7% to A$415 million, primarily due to higher diesel prices and maintenance costs.

Employee Benefits Expense

C&A's employee benefits expenses primarily represent employee salaries and other benefits. Employee benefits expenses decreased by 3.2% from A$253 million in 2015 to A$245 million in 2016, primarily due to labour productivity initiatives implemented which had the effect of reducing employee headcount at C&A's mines. C&A's employee benefits expenses in 2017 decreased by a further 11.4% to A$217 million, primarily due to vacancies being filled by contractors with minimal overall headcount change.

External Services

C&A's external services expenses represent the cost of external labour contractors, business and operations consultants, certain plant hires and other external service providers. External services expenses decreased by 2.7% from A$186 million in 2015 to A$181 million in 2016, primarily due to a reduced need for labour contractors at C&A's mines. C&A's external services expenses then increased by 37.6% in 2017 to A$249 million, primarily due to the reclassification of certain hire costs from administration expenses, the hiring of additional trucks at HVO and the decision to fill vacancies with contractors.

Selling and Distribution

C&A's selling and distribution expenses represent rail and port charges, royalties and other costs incurred in connection with the sale and distribution of coal. Selling and distribution expenses decreased by 5.2% from A$305 million in 2015 to A$289 million in 2016, primarily due to reduced port rates at PWCS. C&A's selling and distribution expenses then increased by 10.4% in 2017 to A$319 million, primarily due to the impact of increased royalties driven by higher coal prices and sales volumes.

Administration

C&A's administration expenses represent costs incurred in connection with administrative functions at mine sites, such as rehabilitation costs, as well as corporate functions such as management salaries and benefits and information technology. Administration expenses increased by 2.4% from A$82 million in 2015 to A$84 million in 2016, primarily due to an increase in certain administrative charges at HVO. C&A's administration expenses then decreased by 28.6% in 2017 to A$60 million, primarily due to the reclassification of certain hire costs to external services.

Depreciation and Amortisation

C&A's depreciation and amortisation expenses relate to property, plant and equipment and operational mining properties. Depreciation and amortisation expenses decreased by 6.9% from A$131 million in 2015 to A$122 million in 2016, primarily due to an upward revision of HVO coal reserves. C&A's depreciation and amortisation expenses further decreased by 4.1% in 2017 to A$117 million, primarily due to the impact of reduced capital expenditure by C&A prior to the acquisition.

Profit Before Tax

As a result of the aforementioned reasons, C&A's profit before income tax increased by 152.6% from A$137 million in 2015 to A$346 million in 2016, then further increased by 119.1% to A$758 million in 2017.

Income Tax Expense

C&A's income tax expense increased by 122.2% from A$45 million in 2015 to A$100 million in 2016, while the effective tax rate decreased from 32.8% to 28.9%, which was largely in line with the Australian statutory tax rate of 30%. C&A then recognised an income tax benefit of A$90 million in 2017 with the effective tax rate decreasing to 11.9%, primarily due to the recognition of a significant deferred tax asset resulting from the push down of our acquisition tax balances. See "*– Description of Major Line Items in Our Consolidated Statements of Financial Position – Deferred Tax Assets*" for further details.

Profit for the Year

As a result of the aforementioned reasons, C&A's profit for the year increased by 167.4% from A$92 million in 2015 to A$246 million in 2016. C&A's profit for the year further increased by 244.7% in 2017 to A$848 million.

Non-IFRS Financial Measures

EBITDA was a key measure used by C&A to assess the performance of its individual segments and make decisions on the allocation of resources. EBITDA is not a standard measure under IFRS. As presented by C&A, EBITDA represents profit before income tax as adjusted for depreciation and amortisation, interest income and finance costs.

While EBITDA provides an additional financial measure for investors to assess our operating performance, the use of EBITDA has certain limitations because they do not reflect all items of income and expense that affect C&A's operations. In addition, EBITDA not reflect changes in working capital, capital expenditure or other investing and financing activities and therefore should not be considered a measure of liquidity.

As a measure of C&A's operating performance, we believe that the most directly comparable IFRS measure to EBITDA is profit before income tax. The table below sets forth, for the periods indicated, a reconciliation of EBITDA for C&A with profit before income tax under IFRS:

	Year ended 31 December		Eight months ended 31 August	Four months ended 31 December	Year ended 31 December
	2015	**2016**	**2017**	**2017**	**2017**
			A$ million		
Profit before income tax	137	346	512	246	758
Adjustments for:					
Depreciation and amortisation	131	122	78	39	117
Interest income	(6)	(17)	(5)	(1)	(6)
Finance costs	14	6	3	1	4
EBITDA	276	457	588	285	873

In 2015, 2016 and 2017, C&A's EBITDA margin (calculated as EBITDA divided by revenue and multiplied by 100%) was 18.4%, 28.6% and 40.5%, respectively.

EBITDA should not be considered in isolation or construed as a substitute for analysis of IFRS financial measures. In addition, because EBITDA may not be calculated in the same manner by all companies, C&A's EBITDA may not be comparable to the same or similarly titled measures presented by other companies.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

C&A's property, plant and equipment primarily includes plant and equipment, freehold land and buildings and operational mining properties. The balance of C&A's property, plant and equipment was A$849 million, A$762 million and A$627 million as at 31 December 2015, 2016 and 2017, respectively. The decrease across the Track Record Period was primarily due to a reduced level of capital expenditure by C&A relative to the depreciation charge. See note 16 to the Accountants' Report of C&A in Appendix IB to this prospectus for further details.

Inventories

C&A's inventories primarily consist of (i) stores, which are mainly production supplies and spare parts used in C&A's operations, (ii) finished goods, which are mainly coal stocks stored or in transit for delivery and (iii) work in progress, which are mainly run-of-mine coal awaiting processing. The balance of C&A's inventories was A$69 million, A$61 million and A$71 million as at 31 December 2015, 2016 and 2017 respectively. The decrease as at 31 December 2016 compared to 31 December 2015 was primarily due to an initiative to transition stores to consignment rather than direct ownership by C&A. The increase as at 31 December 2017 compared to 31 December 2016 was primarily due to the timing of year-end sales.

Trade and Other Receivables

C&A's trade receivables primarily relate to the sale of coal, and are generally due within 30 days. Other receivables primarily consist of fuel tax rebates, goods and services tax receivables and other miscellaneous receivables. C&A's receivables also included amounts due from related parties, which were receivables attributable to C&A's joint venture partners. The table below sets forth a breakdown of C&A's trade and other receivables as at the dates indicated:

	Predecessor		**Successor**
	As at 31 December		**As at 31 December**
	2015	**2016**	**2017**
		A$ million	
Trade receivables	54	177	112
Amount due from related parties	18	54	328
Other receivables	31	43	111
Prepayments	3	2	3
Total trade and other receivables	105	276	554

C&A's trade receivables substantially increased from A$54 million as at 31 December 2015 to A$177 million as at 31 December 2016 and then decreased to A$112 million as at 31 December 2017, primarily due to the impact of changing prices and timing of receipts. The significant increase in amount due from related parties from 31 December 2016 to 31 December 2017 resulted from cash being paid up from C&A to the Company via intercompany accounts. The increase in other receivables for the same period included an increase in goods and services tax receivable.

Investments Accounted for Using Equity Method

C&A's investments accounted for using equity method primarily represent investments in associates, namely PWCS, in which C&A held a 36.5% interest during the Track Record Period at a carrying amount of A$216 million, A$206 million and A$145 million as at 31 December 2015, 2016 and 2017, respectively. The decrease at 31 December 2017 resulted from recognition of an impairment charge by PWCS with respect to its Terminal 4 expansion asset.

Intangible Assets

C&A's intangible assets primarily represent mining reserves, net of amortisation, impairment and disposals. C&A's balance of intangible assets amounted to A$163 million, A$154 million and A$145 million as at 31 December 2015, 2016 and 2017, respectively.

Deferred Tax Assets

C&A's deferred tax assets primarily consist of temporary differences between commercial and tax reporting attributable to rehabilitation and closure provision and employee benefits. As at 31 December 2016, C&A's deferred tax assets were also attributable to property, plant and equipment and intangible assets. C&A's deferred tax assets amounted to A$132 million, A$155 million and A$454 million, respectively. The significant increase as at 31 December 2017 was due to the C&A Acquisition creating an uplifted tax base. The uplifted tax base was pushed down to the entity level as a legal matter, but the accounting uplift remains at the consolidated Group level, and thus there is no overall impact at the Group level.

Trade and Other Payables

C&A's trade payables primarily relate to operating supplies and services used in production processes, and are generally settled within 45 days. C&A's other payables primarily consist of royalty payables, payroll tax payables, accruals and payable clearings. C&A's payables also included amounts due to related parties, which were payables attributable to C&A's joint venture partners. The table below sets forth, as at the dates indicated, a breakdown of C&A's trade and other payables:

	Predecessor		**Successor**
	As at 31 December		**As at 31 December**
	2015	**2016**	**2017**
		A$ million	
Trade payables	186	290	257
Amount due to related parties	13	17	6
Intercompany payable in respect of income tax	–	13	75
Other payables	11	26	46
Total trade and other payables	210	346	384

C&A's trade payables increased by 64.8% from A$210 million as at 31 December 2015 to A$346 million as at 31 December 2016, primarily due to working capital initiatives to extend credit periods on our trade payables and remained at a similar level as at 31 December 2017. The increase in intercompany payables in respect of income tax as at 31 December 2017 was due to tax sharing arrangements whereby C&A did not pay tax on its profits due to the Group's carried forward tax losses. This has no overall impact at the Group level.

Provisions

C&A's provisions represent obligations for which a reliable estimate of the amount of such obligation can be made. During the Track Record Period, the largest components of C&A's provisions were those for rehabilitation costs and mine closures. C&A's balance of provisions amounted to A$181 million, A$251 million and A$191 million as at 31 December 2015, 2016 and 2017, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The table below sets forth, for the dates indicated, a breakdown of C&A's current assets and current liabilities:

	Predecessor		Successor	
	As at 31 December		As at 31 December	As at 30 April
	2015	2016	2017	2018
	A$ million			
				(unaudited)
Current assets				
Cash and cash equivalents	209	312	33	125
Trade and other receivables	105	276	554	616
Inventories	69	61	71	99
Assets classified as held for sale	–	–	132	130
Total current assets	383	649	790	970
Current liabilities				
Trade and other payables	210	346	384	546
Bank overdraft	1	–	–	–
Provisions	45	118	15	11
Current tax liabilities	–	4	–	–
Liabilities classified as held for sale	–	–	53	32
Total current liabilities	256	468	452	589
Net current assets	127	181	338	381

C&A had net current assets of A$127 million, A$181 million and A$338 million as at 31 December 2015, 2016 and 2017, respectively. As at 30 April 2018, C&A had net current assets of A$381 million.

Cash Flows

The table below sets forth C&A's cash flows for the periods indicated:

	Year ended 31 December		Eight months ended 31 August	Four months ended 31 December
	2015	2016	2017	2017
	A$ million			
Net cash generated from operating activities	412	517	427	171
Net cash used in investing activities	(41)	(31)	(6)	(289)
Net cash used in financing activities	(394)	(381)	(582)	–
Net (decrease)/ increase in cash and cash equivalents	(23)	104	(161)	(118)
Cash and cash equivalents at the beginning of the year	231	208	312	152
Cash and cash equivalents at the end of the year	208	312	152	33

Net cash generated from operating activities

In the four months ended 31 December 2017, C&A had a net operating cash inflow of A$171 million, primarily due to receipts from customers of A$653 million for sales of thermal and metallurgical coal, partially offset by payments to suppliers and employees of A$486 million for supplies and services used in the coal mining production processes.

In the eight months ended 31 August 2017, C&A had a net operating cash inflow of A$427 million, primarily due to receipts from customers of A$1,335 million for sales of thermal and metallurgical coal, partially offset by payments to suppliers and employees of A$680 million for supplies and services used in the coal mining production processes and an income tax payment of A$232 million.

In 2016, C&A had a net operating cash inflow of A$517 million, primarily due to receipts from customers of A$1,459 million for sales of thermal and metallurgical coal, partially offset by payments to suppliers and employees of A$890 million for supplies and services used in the coal mining production processes and an income tax payment of A$83 million.

In 2015, C&A had a net operating cash inflow of A$412 million, primarily due to receipts from customers of A$1,540 million for sales of thermal and metallurgical coal, partially offset by payments to suppliers and employees of A$1,076 million for supplies and services used in the coal mining production processes and an income tax payment of A$61 million.

Net cash used in investing activities

In the four months ended 31 December 2017, C&A's net cash used in investing activities was A$289 million, primarily due to purchases of property, plant and equipment of A$26 million and A$272 million of advances to related parties representing cash paid up to the Group parent entity.

In the eight months ended 31 August 2017, C&A's net cash used in investing activities was A$6 million, primarily due to purchases of property, plant and equipment of A$33 million, partially offset by proceeds from the sale of property, plant and equipment of A$20 million.

In 2016, C&A's net cash used in investing activities was A$31 million, primarily due to purchases of property, plant and equipment of A$40 million, partially offset by proceeds from the sale of property, plant and equipment of A$9 million.

In 2015, C&A's net cash used in investing activities was A$41 million, primarily due to purchases of property, plant and equipment of A$43 million, partially offset by proceeds from the sale of property, plant and equipment of A$2 million.

Net cash used in financing activities

In the four months ended 31 December 2017, C&A did not have any cash flow from financing activities.

In the eight months ended 31 August 2017, C&A's net cash used in financing activities was A$582 million due to a dividend payment to C&A shareholders prior to the disposal.

In 2016, C&A's net cash used in financing activities was A$381 million, primarily due to a capital return to shareholders of A$380 million.

In 2015, C&A's net cash used in financing activities was A$394 million, primarily due to repayment of shareholder loans of A$293 million and dividend payments to shareholders of A$101 million.

INDEBTEDNESS

As at 31 December 2015 and 2016, 31 August 2017, 31 December 2017 and 30 April 2018, C&A did not have any bank or other borrowings when presenting its financial statements on a carve-out basis.

C&A had obtained a number of bank guarantees in favour of certain counterparties, including government departments and rail and port operators, in respect of C&A's operations. As at 31 December 2015, 2016 and 2017, the balance of C&A's bank guarantees amounted to A$365 million, A$319 million and A$332 million, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, C&A had certain transactions with related parties, including the following:

- Amounts due from related parties of A$18 million, A$54 million and A$328 million as at 31 December 2015, 2016 and 2017, respectively, which were attributable to C&A's joint venture partners, non-interesting bearing and settled on 30-day terms;

- Amounts due to related parties of A$13 million, A$17 million and A$6 million as at 31 December 2015, 2016 and 2017, respectively, which were attributable to C&A's joint venture partners, non-interesting bearing and settled on 30-day terms; and

- Cash deposits with Rio Tinto Finance Limited.

CAPITAL EXPENDITURE

C&A incurred capital expenditure of A$43 million, A$41 million and A$59 million in 2015, 2016 and 2017, respectively. The capital expenditure was classified as assets under construction in the year incurred before subsequently being reclassified primarily to plant and equipment.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period, C&A had no material off-balance sheet arrangements.

SHARE CAPITAL

Under the Australia Corporations Act, Australian registered companies do not have an authorised capital, and there is no concept of a "par value" in respect of issued shares. The following is a description of the issued share capital of the Company as at the date of this prospectus and immediately following the completion of the Global Offering:

	Number of Shares
Issued and to be issued, fully paid or credited as fully paid	
Shares in issue as at the date of this prospectus	1,256,071,756
Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	59,441,900
Total	1,315,513,656

Following the completion of the Global Offering, the Company will issue up to 8,225,509 Shares to existing Shareholders (or other persons to whom existing Shareholders have renounced their entitlements) who elect to take up their entitlements under the retail tranche of the Australian Entitlement Offer (see "*– The Global Offering and the Australian Entitlement Offer – The Australian Entitlement Offer*" below for further details). Following the completion of the retail tranche of the Australian Entitlement Offer, the issued capital of the Company will comprise up to 1,332,655,365 Shares, assuming the Over-allotment Option is exercised in full.

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional.

RANKING

The Offer Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with all the Shares in issue or to be issued as set out in the above table, and will qualify for all dividends and other distributions declared, made or paid by the Company following the completion of the Global Offering.

THE GLOBAL OFFERING AND THE AUSTRALIAN ENTITLEMENT OFFER

The Global Offering

The Global Offering will comprise an offering of initially 59,441,900 Offer Shares as follows:

(a) the Hong Kong Public Offering of initially 5,944,200 Offer Shares (subject to reallocation) in Hong Kong; and

(b) the International Offering of initially 53,497,700 Offer Shares (subject to reallocation and the Over-allotment Option) to QIBs in the United States as well as institutional and professional investors and other investors in Hong Kong and other jurisdictions outside the United States.

For further details of the structure of the Global Offering, see *"Structure of the Global Offering"*.

The Offer Shares to be offered pursuant to the Global Offering (other than any Shares which may be issued pursuant to the Over-allotment Option) will comprise the Shares which the Company will offer pursuant to an Australian Entitlement Offer and which are renounced by the Major Shareholders, as further described below.

The Shares to be issued pursuant to any exercise of the Over-Allotment Option will be issued by the Company pursuant to its general power under the ASX Listing Rules to issue Shares up to 15% of its issued share capital, and will constitute up to 0.71% of the Company's issued share capital as at the Latest Practicable Date.

The Australian Entitlement Offer

In connection with the Global Offering, the Company will undertake an accelerated renounceable entitlement offer (or rights offer) of its Shares to the existing Shareholders of the Company (i.e. the Australian Entitlement Offer) which is expected to be announced on Friday, 30 November 2018. The Australian Entitlement Offer is made in compliance with the ASX Listing Rules.

Pursuant to the Australian Entitlement Offer, the Company will issue up to 67,667,409 Shares (representing an offer ratio of 0.05387 new Shares for each existing Share held) at the same price as the final Offer Price for the Global Offering. The Australian Entitlement Offer will be launched shortly after the Offer Price under the Global Offering has been determined. The Offer Shares to be offered pursuant to the Global Offering (other than any Shares which may be issued pursuant to the Over-allotment Option) will form part of the Shares offered pursuant to the Australian Entitlement Offer, as further explained below.

The Australian Entitlement Offer will consist of two tranches as follows:

(a) **institutional tranche:** this will comprise the offer of rights to subscribe for 59,441,900 Shares to the Company's major shareholders, being Yanzhou, CSIL and Cinda (the "**Major Shareholders**"), which hold in aggregate approximately 87.8% of the Shares as at the Latest Practicable Date. The institutional tranche will be conducted immediately following the launch of the Australian Entitlement Offer and settlement of the institutional tranche will take place on the Listing Date; and

(b) **retail tranche:** this will comprise the offer of rights to subscribe for 8,225,509 Shares to the Company's existing Shareholders (other than the Major Shareholders), which hold in aggregate approximately 12.2% of the Shares as at the Latest Practicable Date. The retail tranche will be open for a period of 8 business days commencing from the business day after the Listing Date.

The Major Shareholders have agreed to renounce their rights to participate in the institutional tranche of the Australian Entitlement Offer in respect of an aggregate of 59,441,900 Shares, representing approximately 87.8% of the Shares to be offered pursuant to the Australian Entitlement Offer. Those Shares which are renounced by the Major Shareholders will comprise the Offer Shares which will be offered to investors in the Global Offering.

The remaining approximately 12.2% of the Shares to be offered pursuant to the Australian Entitlement Offer (i.e. 8,225,509 Shares) will not form part of the Global Offering and will be made available in the retail tranche of the Australian Entitlement Offer. Existing Shareholders of the Company (other than the Major Shareholders) may take up their rights or renounce them privately in the retail tranche of the Australian Entitlement Offer. The Shares relating to any unexercised rights at the close of the retail tranche of the Australian Entitlement Offer will be offered in an institutional bookbuild to be conducted in Australia during a business day that is within 4 business days after the close of the retail tranche of the Australian Entitlement Offer. Any proceeds received in excess of the offer price for the Australian Entitlement Offer (net of any expenses and withholdings as required by law) will be returned to the renouncing Shareholders. There is no guarantee that the renounced entitlements will be sold or that a premium will be achieved from any such sale.

The Australian Entitlement Offer is not underwritten (other than to the extent that the Shares of the Major Shareholders are included in the Global Offering in the manner described above). Therefore, the number of Shares to be issued by the Company upon completion of the Australian Entitlement Offer will depend on the extent of the rights being taken up by the existing Shareholders of the Company (or by their assignees) and may not necessarily result in all the Shares offered under the Australian Entitlement Offer being issued.

In connection with the Australian Entitlement Offer, the Company has sought and ASIC has granted a modification of the Australia Corporations Act to permit existing Shareholders of the Company (other than the Major Shareholders) with a registered address in Australia or New Zealand to pay for Shares offered under the retail tranche of the Australian Entitlement Offer in either Australian Dollars or US Dollars.

The Shares to be issued pursuant to any exercise of the Over-Allotment Option will be issued by the Company pursuant to its general power under the ASX Listing Rules to issue shares up to 15% of its issued share capital, and will constitute up to 0.71% of the Company's issued share capital at the date of this prospectus.

EQUITY INCENTIVE PLAN

The Company has approved the Equity Incentive Plan. Under the Equity Incentive Plan, the Company has granted awards of Shares to certain persons prior to the Listing Date. The principal terms of the Equity Incentive Plan are summarised in *"Appendix VII – Statutory and General Information".*

So far as is known to any Director or chief executive of the Company as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be taken up by existing Shareholders of the Company under the Australian Entitlement Offer), the following persons (other than a Director or chief executive of the Company) will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, once the Shares are listed on the Stock Exchange:

INTERESTS AND LONG POSITIONS IN SHARES

Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate Percentage (%)
Yanzhou	Beneficial interest	822,157,715	62.50
Yankuang[1]	Interest in controlled entity	822,157,715	62.50
Cinda International HGB Investment (UK) Limited[2]	Beneficial interest	209,800,011	15.95
China Agriculture Investment Limited	Interest in controlled entity	209,800,011	15.95
International High Grade Fund B, L.P.	Interest in controlled entity	209,800,011	15.95
Cinda International GP Management Limited	Interest in controlled entity	209,800,011	15.95
China Cinda (HK) Asset Management Co., Ltd	Interest in controlled entity	209,800,011	15.95
Cinda Strategic (BVI) Limited	Interest in controlled entity	209,800,011	15.95
Cinda International Holdings Limited	Interest in controlled entity	209,800,011	15.95
China Cinda (HK) Holdings Company Limited	Interest in controlled entity	209,800,011	15.95
China Cinda Asset Management Co., Ltd.[2]	Interest in controlled entity	209,800,011	15.95
Glencore Coal Pty Ltd	Beneficial interest	84,497,858	6.42
Glencore Holdings Pty Limited[3]	Interest in controlled entity	84,497,858	6.42
Glencore plc[3]	Interest in controlled entity	84,497,858	6.42
CSIL[4]	Beneficial interest	71,428,572	5.43
Shandong Lucion Investment Holdings Group Co., Ltd[4]	Interest in controlled entity	71,428,572	5.43

Notes:

(1) Yankuang is deemed to be interested in the 822,157,715 Shares which Yanzhou is interested in as beneficial owner as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Yanzhou.

(2) Cinda International HGB Investment (UK) Limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd., is interested in 209,800,011 Shares which are held by J P Morgan Nominees Australia Limited as nominee. China Cinda Asset Management Co, Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Strategic (BVI) Limited, China Cinda (HK) Asset Management Co., Ltd, Cinda International GP Management Limited, International High Grade Fund B, L.P. and China Agriculture Investment Limited are each deemed to be interested in the 209,800,011 Shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

(3) Glencore plc and Glencore Holdings Pty Limited are deemed to be interested in the 84,497,858 Shares which Glencore Coal Pty Ltd is interested in as beneficial owner. Glencore plc wholly owns Glencore Holdings Pty Limited which in turn wholly owns Glencore Coal Pty Ltd.

(4) CSIL, a wholly owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd, is interested in 71,428,572 Shares which are held by HSBC Custody Nominees (Australia) Limited – A/C 2 as nominee.

OVERVIEW

As at the Latest Practicable Date, Yankuang was, directly and indirectly, interested in approximately 51.81% of the shares in Yanzhou and Yanzhou was interested in approximately 65.45% of the Shares in the Company. Immediately following the completion of the Global Offering, (i) Yanzhou will be interested in approximately 62.5% of the Shares in issue (assuming the Over-allotment Option is not exercised), (ii) the Company will remain as a non-wholly owned subsidiary of Yankuang and Yanzhou and (iii) Yankuang and Yanzhou will be the controlling shareholders of the Company. Please refer to "*History and Corporate Structure*" for the simplified corporate structure of the Group.

BACKGROUND OF THE CONTROLLING SHAREHOLDERS

The Yankuang Group

Yankuang was established in the PRC in 1996 and is the controlling shareholder of Yanzhou. It is principally engaged in the production and sale of coal, coal chemicals and aluminium, power generation, machinery manufacturing and financial investments.

The Yanzhou Group

Yanzhou was established in the PRC in 1997 and is the controlling shareholder of the Company. It is principally engaged in the production of coal and coal chemicals, manufacturing of mechanical and electrical equipment and power and heat generation. Yanzhou has been listed on the Shanghai Stock Exchange and the Stock Exchange since 1998.

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

The Directors are of the view that the Group is able to carry on its business independently from the Controlling Shareholders following the completion of the Global Offering for the following reasons.

(a) Clear Delineation of Business

Geographical location of assets

The Group

All mines in which the Group has interests and operates are located in New South Wales and Queensland in Australia. In particular, the flagship mines of the Group, being HVO (which is operated as an unincorporated joint venture with Glencore), MTW and Moolarben, which in aggregate accounted for approximately 88.7% of total coal sales (on an attributable basis) in 2017 by the Group from the mines in which the Group has interests and operates, on a pro-forma basis (as if the C&A Acquisition, the Warkworth Transaction and the Glencore Transaction had been completed on 1 January 2017), are located in New South Wales.

The Yankuang Group

All mining assets of the Yankuang Group are located in the Shaanxi and Guizhou Provinces and Xinjiang Autonomous Region in the PRC. The Yankuang Group does not have any interests in mines in Australia other than through its interests in the Yanzhou Group and the Group. There is no overlap in the geographical location of the mining assets of the Yankuang Group and the Group.

The Yanzhou Group

The substantial majority of Yanzhou's mining assets are located in the Shandong and Shanxi Provinces and the Inner Mongolia Autonomous Region in the PRC.

The mining assets of Yanzhou located outside of the PRC, other than through its interest in the Group, are managed and operated by the Company. These mining assets of Yanzhou comprise (i) the Cameby Downs mine located in Queensland, Australia, which includes exploration projects not currently in production and (ii) the Premier mine located in Western Australia (the "**Managed Mines**"). Pursuant to a long term management services agreement, the Company is responsible for, among others, HR, treasury and the operations, exploration and development of the Managed Mines. See "*Business – Our Mining Operations – Managed Mines*" and "*Connected Transactions – 3. Provision of Management Services by the Company*".

Based on the foregoing and in particular, taking into consideration the management arrangement in respect of the Managed Mines, the geographical locations of mine assets of the Group are clearly delineated from the Yankuang Group and/or the Yanzhou Group.

Geographical location of markets of sales

The Group

The customers of the Group are located throughout the Asia-Pacific region, with China, South Korea, Singapore and Japan comprising the largest jurisdictions by revenue during the Track Record Period. The major customers of the Group are power utilities and steel mills. With respect to the PRC market, customers of the Company are mainly located in coastal regions, including Guangdong Province, Guangxi Province, Zhejiang Province and Jiangsu Province, as the cost of sourcing coal from domestic markets by customers with plants located in coastal regions is greater than that from seaborne market.

The Yankuang Group

Primarily due to market demand, logistic constraints and transportation costs, all coal produced by Yankuang's mines in the PRC are sold to customers located in the PRC, including customers in local provinces and Yankuang Group's chemical products production plants.

The Yanzhou Group

All coal produced by Yanzhou's mines in the PRC are sold to customers located in the PRC, which are primarily power plants, metallurgy and chemical plants, primarily located in inland areas of the PRC due to market demand, logistic constraints and transportation costs. As the Managed Mines are managed and operated by the Company, sales of coal produced by the Managed Mines are arranged by the Company's marketing and logistics personnel. As at the Latest Practicable Date, other than coal produced by the Managed Mines, Yanzhou was not engaged in coal export business.

Based on the foregoing, the geographical locations of markets of sales of the Group are clearly delineated with that of the Yankuang Group and/or the Yanzhou Group.

Business size

In 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue from the sale of coal produced by Yanzhou's mines located in the PRC was approximately RMB13,252 million, RMB17,216 million, RMB25,593 million and RMB14,076 million, representing approximately 64.5%, 72.4%, 66.6% and 55.7% of its total revenue from the sale of self-produced coal, respectively.

In 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue from the sale of coal produced by the Managed Mines was RMB1,836 million, RMB1,745 million, RMB2,395 million and RMB1,129 million, representing an insignificant percentage in terms of the total revenue from the sales of self-produced coal of Yanzhou, being approximately 8.9%, 7.3%, 6.2% and 4.5%, respectively.

In 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue from the sales of coal produced by the Group's mines, all of which are located in Australia, was approximately A$1,074 million, A$967 million, A$2,204 million and A$2,075 million, respectively.

Based on the above, the coal production and sale business of the Managed Mines represent a relatively small proportion of Yanzhou's coal production and sales business, and is relatively small in comparison to the Group's coal production and sales business.

For the reasons set out above, the Directors are therefore of the view that there is clear delineation of business of the Group from the businesses of the Controlling Shareholders.

(b) Operational Independence

The Group holds all the relevant licenses, qualifications and permits required for conducting the Group's business independently of the Controlling Shareholders. The Group has its own organisational structure comprising various departments that function and make decisions independently from the Controlling Shareholders. The Group maintains a set of internal control procedures and has adopted corporate governance practices that satisfy the applicable legal and regulatory requirements. The Group is able to formulate and execute operational decisions independently.

The Group from time to time may sell coal to the Yanzhou Group. Such transactions were and will be conducted in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms or better to the Group. The reason for the purchase of the coal by the Yanzhou Group is for their own trading purposes but may sometimes enter into purchase transactions for back-to-back on sale to end customers. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue generated from the sales of coal to the Yanzhou Group was approximately US$12.6 million, US$30.6 million, US$5.1 million and US$104.5 million, respectively, representing approximately only 1.3%, 3.4%, 0.3% and 3.3% of the total revenue of the Group, respectively. See "*Connected Transactions*".

The Directors are of the view that the connected transaction entered into with the Yanzhou Group as described above will not have any material impact on the Group's ability to operate independently and the Group's operations are independent from the Controlling Shareholders.

(c) Financial Independence

As at 30 June 2018, except for the guarantee provided by Yankuang in respect of the obligations of Watagan (a wholly owned subsidiary of the Company) under a loan facility agreement between the Company and Watagan, of which, A$730 million remained drawn-down, there are no loans or guarantees which are provided by the Yankuang Group to or for the benefit of the Group. See "*Connected Transaction – Exempt Continuing Connected Transactions*" for further details.

As at 30 June 2018, the Yanzhou Group had also provided to the Group (a) loan facilities with an aggregate drawn-down principal amount of A$1,611 million and (b) guarantees in respect of loans provided by several financial institutions with an aggregate outstanding principal amount of US$1,950 million. See "*Connected Transactions – A. Exempt Continuing Connected Transactions*" for further details of these loan facilities and guarantees. All such loan facilities and guarantees are on arm's length and normal commercial terms and no security over the Group's assets has been given by the Group to the Yanzhou Group for the provision of such loan facilities and guarantees to the Group. On completion of the Global Offering, assuming an Offer Price of HK$24.66 (being the mid-point of the Offer Price Range) and before any exercise of the Over-allotment Option, approximately HK$600.7 million of the outstanding principal amount of (i) the loans in respect of which guarantees have been provided by the Yanzhou Group or (ii) unsecured loans from related parties will be repaid using the net proceeds of the Global Offering.

Since 30 June 2018, the Company has not drawn down or utilised any of the loan facilities or guarantees mentioned above and has no intention to further draw down on such loan facilities or guarantees before the Listing.

The Group has obtained financing from third party sources on a standalone basis without any credit support from the Yanzhou Group or the Yankuang Group or any of their respective associates. In 2017, the Company obtained a bank guarantee facility from several financial institutions in the amount of A$1 billion. In addition, in June 2018, the Company obtained an offer letter from a financial institution to provide a loan facility in the aggregate amount of US$3 billion and a bank guarantee facility of A$1 billion on arm's length and normal commercial terms. Furthermore, the Company has obtained an offer letter in September 2018 from a financial institution to provide an incremental term loan facility for the amount of US$700 million on arm's length and normal commercial terms. The facilities under the offer letters obtained in June 2018 and September 2018 have not been utilised by the Company as at the Latest Practicable Date. Each of the above facilities and offer letters were obtained without any credit support from the Yanzhou Group or the Yankuang Group or any of their respective associates.

The Directors are therefore of the view that the Group is able to operate financially independently from the Controlling Shareholders.

(d) Independence of Directors and Management

The Board of Directors consists of 11 Directors, comprising one Executive Director, six Non-executive Directors and four Independent Non-executive Directors. Of the 11 Directors, five Non-executive Directors currently hold positions in the Controlling Shareholders, details of which are set out below:

Name of Director	Material positions with the Controlling Shareholders as at the Latest Practicable Date
Baocai ZHANG	director, member of Party's standing committee and general counsel of Yankuang
Cunliang LAI	deputy general manager of Yankuang
Xiangqian WU	director and general manager of Yanzhou
Fuqi WANG	chief engineer of Yanzhou
Qingchun ZHAO	chief financial officer and director of Yanzhou

The Directors are of the view that the Board and the senior management of the Group are able to function independently of the Controlling Shareholders for the following reasons:

(i) more than half of the members of the Board (comprising the Executive Director (being Mr. Fucun WANG), one Non-executive Director (being Mr. Xing FENG) and all of the Independent Non-executive Directors are independent of, and do not have any directorships and/or other roles with, the Controlling Shareholders and/or their respective close associates;

(ii) none of the members of the senior management of the Group, who are responsible for the day-to-day management of the Group's business, holds any directorship and/or other roles with the Controlling Shareholders; and

(iii) any Director with an interest in the relevant matters (including matters relating to the transactions between the Group and the Controlling Shareholders) will abstain from voting in respect of those matters. Only Directors who do not have any ongoing roles with the Controlling Shareholders and/or their respective close associates (as the case may be) will vote and decide on relevant matters relating to the transactions between the Group and the Controlling Shareholders and an independent board committee, comprising Independent Non-executive Directors only, will be established as and when required to consider and approve any connected transactions of the Group in accordance with the Company's internal corporate governance policies and/or the Listing Rules.

(e) Independence of Administrative Capability

All essential administrative functions (such as finance and accounting, administration and operations, information technology, human resources and compliance functions) are carried out by the Group without the support of the Controlling Shareholders. Accordingly, the Directors are of the view that the Group is administratively independent from the Controlling Shareholders.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Except for (i) Mr. Baocai ZHANG, who is a Non-executive Director and also a director of Yankuang and (ii) Mr. Xiangqian WU and Mr. Qingchun ZHAO, who are Non-executive Directors and also the directors of Yanzhou, none of the Directors is interested in any business apart from the Group's business which competes with or is likely to compete, either directly or indirectly, with the Group's business.

OVERVIEW

Prior to the Listing, the Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Details of the continuing connected transactions of the Company following the Listing are set out below.

A. Exempt Continuing Connected Transactions

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Loans from Yanzhou and/or Its Subsidiaries

(a) Description of the Transaction

The Company (as borrower) entered into a coupon payment loan agreement with Yanzhou (as lender) on 22 December 2014 in relation to a US$807 million (subject to adjustment) unsecured and subordinated loan for the purposes of payment of the coupon on the subordinated capital notes issued by the Company for the first 5 years post their issuance. As all outstanding subordinated capital notes have been redeemed and/or converted as of January 2018, this loan cannot be further drawn down. As at the Latest Practicable Date, approximately US$234 million principal amount of the loan remained drawn-down.

The Company (as borrower) entered into a debt support loan agreement (as amended and restated) with Yanzhou and four subsidiaries of Yanzhou (as lenders) on 31 December 2014 in relation to an A$1.4 billion unsecured and subordinated loan, of which, A$1,125 million remained drawn-down as at the Latest Practicable Date.

The above loans were obtained in the ordinary and usual course of business and on normal commercial terms or better to the Group and for which security over the assets of the Group is not provided by the Company as the borrower.

(b) Listing Rules Implications

The loans described above constitute financial assistance provided by connected persons for the benefit of the Group on normal commercial terms (or better to the Group) where no security over the assets of the Group is granted and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

2. *Guarantees Provided by Yankuang and Yanzhou in respect of the Loan Obligation of the Group*

(a) Description of the Transaction

The Company (as borrower) entered into a syndicated facility agreement (as amended and restated) with Bank of China Limited, Sydney Branch (as the "**Agent**") and a syndicate of banks led by the Agent on 19 October 2009 in relation to the Syndicated Facility, of which, US$1,525 million provided by Bank of China Limited Sydney Branch and China Construction Bank Corporation Sydney branch remained drawn-down as at the Latest Practicable Date. Yanzhou has guaranteed the Company's obligations under such loan agreement. See "*Financial information of the Group – Secured Bank Loans – Syndicated Facility*".

As part of the transfer of interest in the Ashton, Austar and Donaldson mines to Watagan on 31 March 2016, Watagan, an unconsolidated wholly-owned subsidiary of the Company (as the borrower) and the Company (as the lender) entered into a loan facility agreement on 17 February 2016 in relation to an A$1.36 billion loan facility bearing interest at the bank bill swap bid rate plus 7.06% with a maturity date of 1 April 2025, of which A$798 million remained drawn-down as at the Latest Practicable Date. Yankuang has guaranteed Watagan's obligations under such loan facility agreement.

The above guarantees in respect of the Group's loan obligations are in the ordinary and usual course of business and on normal commercial terms or better to the Group and for which security over the assets of the Group has not been provided by the Company and/or Watagan as the borrower.

(b) Listing Rules Implications

The guarantees described above constitute financial assistance provided by connected persons for the benefit of the Group, are on normal commercial terms (or better to the Group) where no security over the assets of the Group has been granted and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

3. *Marketing services received from Yancoal International Trading*

(a) Description of the Transaction

The Company entered into a seller's helper agreement (the "**Seller's Helper Agreement**") with Yancoal International Trading Co., Limited ("**Yancoal International Trading**"), a wholly-owned subsidiary of Yanzhou, in November 2017, pursuant to which Yancoal International Trading has agreed to assist the Company with all activities deemed necessary or desirable by the Company for the marketing and sale of coal to customers and will receive a commission from the Company for any sales of coal completed as a direct result of facilitation by Yancoal International Trading. The Seller's Helper Agreement is for a term of three years unless terminated by either party in accordance with the term of such agreement.

(b) Listing Rules Implications

The transaction described above is entered into in the ordinary and usual course of business the Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 0.1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

4. Management Services in relation to the HVO JV

(a) Description of the Transaction

As part of the Glencore Transaction, details of which are set out in "*Business – Acquisitions and Disposals – Glencore Transaction*", Coal & Allied Operations Pty Ltd ("**CNAO**"), a wholly-owned subsidiary of the Company, Anotero Pty Ltd ("**Anotero**"), a wholly-owned subsidiary of Glencore, and HV Operations Pty Ltd ("**HV Ops**"), which is 51% owned by CNAO and 49% owned by Anotero, entered into a management agreement in relation to the HVO on 4 May 2018 (the "**HVO Management Agreement**"), pursuant to which HV Ops has agreed to conduct and manage the HVO JV and the HVO JV activities in accordance with the terms of the HVO Management Agreement and the joint venture agreement in relation to the HVO (the "**HVO Joint Venture Agreement**"). The HVO JV is an unincorporated joint venture constituted by CNAO and Anotero, with CNAO and Anotero having 51% and 49% of the participating interest of the HVO JV, respectively.

As Anotero holds more than 10% of the interest in HV Ops and has more than 10% participating interest in the HVO JV, both are subsidiaries of the Company under the Listing Rules, Anotero will be a connected person of the Company immediately upon Listing by virtue of being a substantial shareholder of the subsidiaries of the Company.

Pursuant to the HVO Management Agreement, HV Ops is not entitled to and will not charge the HVO JV or CNAO or Anotero any management fee or similar fee in respect of the roles and duties it performs under the HVO Management Agreement, but will perform its obligation on a full cost recovery basis and will be paid by CNAO and Anotero in proportion to their respective participating interests in the HVO JV.

(b) Listing Rules Implications

The transaction described above is between the Group and a connected person at the subsidiary level on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

5. *Provision of Services by Glencore Coal in relation to the HVO JV*

(a) Description of the Existing Hunter Valley Operations Services Agreement

As part of the Glencore Transaction, the participants of the HVO JV have agreed that, to best achieve efficiencies, the day-to-day performance of certain support obligations of HV Ops under the HVO Management Agreement should be delegated partially or wholly to Glencore Coal Assets Australia Pty Ltd ("**Glencore Coal**"), through the provision by Glencore Coal of a range of support services utilising their existing capacity and experience. Accordingly, HV Ops and HVO Coal Sales Pty Ltd (the "**SalesCo**"), both 51%-owned subsidiaries of the Company, entered into a service agreement with Glencore Coal, as Service Provider, on 4 May 2018 (the "**HVO Services Agreement**"). Glencore Coal is a wholly-owned subsidiary of Glencore. Pursuant to the HVO Services Agreement, Glencore Coal has agreed to provide (i) support services, which include, among others, providing services to enable the HVO JV partners to perform their respective obligations and maintaining the HVO in good standing, procurement, treasury services, IT services and legal services and (ii) coal sale services, which include, among others, sales documentation and revenue collection, management of transportation activities. Glencore Coal will perform its obligations under the HVO Services Agreement on a full cost recovery basis.

In addition to the HVO Services Agreement and as part of the Glencore Transaction, Glencore International AG ("**Glencore International**"), a wholly-owned subsidiary of Glencore PLC, also agreed to provide to the SalesCo (i) marketing services pursuant to a marketing agency agreement dated 4 May 2018 between Glencore International and the SalesCo and (ii) contract management services pursuant to a HVO legacy customer contracts – administration and coal supply agreement dated 4 May 2018 among Glencore International, the SalesCo and other subsidiaries of the Company. Glencore International did not charge any fees for the services provided under the two agreements described above.

(b) Listing Rules Implications

The transaction under the HVO Services Agreement is between the Group and a connected person at the subsidiary level on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

6. *Management and Marketing Services in relation to the Moolarben JV*

(a) Description of the Transaction

As part of the joint venture arrangement in relation to Moolarben, details of which are set out in "*Business – Joint Venture Agreements – Moolarben*", a joint venture management agreement (the "**Moolarben Management Agreement**") was entered into among Moolarben Coal Mines Pty Ltd ("**MCM**", a wholly owned subsidiary of the Company), Sojitz Moolarben Resources Pty Limited ("**Sojitz**") and Moolarben Coal Operations Pty Ltd ("**MCO**", a wholly owned subsidiary of the Company) on 21 September 2007, pursuant to which, MCO was appointed as the manager to carry out all operations as the sole and exclusive agent for and on behalf of and for the account of the participants of the Moolarben JV. In addition, on 20 February 2008, a coal marketing agreement (the "**Moolarben Marketing Agreement**") was entered into among MCM, Sojitz, Moolarben Coal Sales Pty Ltd ("**MCS**", a wholly owned subsidiary of the Company) and other participants of the Moolarben JV, pursuant to which, MCS was appointed as the marketing manager, as agent for the joint venture participants, to be responsible for the promotion, marketing, sale and distribution of all coal for the account of the participants of the Moolarben JV.

As Sojitz is interested in 10% participating interest in the Moolarben JV, which is a subsidiary of the Company under the Listing Rules, Moolarben will be a connected person of the Company immediately upon Listing by virtue of being a substantial shareholder of the subsidiary of the Company.

Pursuant to the Moolarben Management Agreement, MCO may charge reasonable head office costs to the participants of the Moolarben JV, recover all its actual costs or expenses incurred for performing its duties and receive a management fee of 2% of the value of all coal sold. Pursuant to the Moolarben Marketing Agreement, MCS will perform its obligation on a full cost recovery basis. The relevant fees and expenses will be paid by the participants of the Moolarben JV, including Sojitz, in proportion to their respective participating interests in the Moolarben JV.

(b) Listing Rules Implications

The transaction described above is between the Group and a connected person at the subsidiary level on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

B. Non-Exempt Continuing Connected Transactions

1. Sale of Coal by the Group

(a) Description of the Transaction

From time to time, Yanzhou and/or its subsidiaries (excluding the Group) may purchase coal from the Group primarily for their own trading purposes.

The Company entered into a framework coal sales agreement with Yanzhou (the "**Yanzhou Framework Coal Sales Agreement**") on 8 October 2018 to govern all existing and future sale of coal by the Group to Yanzhou and/or its subsidiaries (excluding the Group). The Yanzhou Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Yanzhou and/or its subsidiaries (excluding the Group) must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to market indices, adjusted for coal characteristics and an optional analysis to ensure the price is negotiated on an arm's length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Yanzhou Framework Coal Sales Agreement expires on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Yanzhou Framework Coal Sales Agreement.

(b) Historical Transaction Amounts

The aggregate annual transaction amount received by the Group from Yanzhou and/or its subsidiaries (excluding the Group) for the sale of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US$12.6 million, US$30.6 million, US$5.1 million and US$104.5 million, respectively.

The variation in the historical transaction amounts over the last three years is a result of the ad-hoc nature of contracts, price movements, spot volume variations and quality limitations imposed on imports into PRC. In 2017, the Company only entered into one transaction with Yanzhou in the second half of 2017 due to the competitiveness in the market. However, as part of a strategy to increase sales into China, in January 2018, the Company entered into an annual coal sales agreement with a subsidiary of Yanzhou for a contracted 2.0 million tonnes per annum supply and it is expected that this business will be carried out on a continuing basis.

(c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be received by the Group from Yanzhou and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 will not exceed US$250.0 million, US$250.0 million and US$250.0 million, respectively.

These caps were calculated by reference to (i) the actual transaction amount for the six months ended 30 June 2018 which was US$104.5 million and the contracted 2.0 million tonnes per annum. Considering the business requirement of Yanzhou, the Company expects to maintain such sales volume in future years, (ii) the expected additional spot demand for coal from Yanzhou and/or its subsidiaries (excluding the Group) over the next three years and (iii) the estimated sale price for the coal the Company typically charges.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps is, on an annual basis, more than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

2. Purchase of Coal by the Group

(a) Description of the Transaction

The Group has purchased and may, from time to time, purchase coal from Yanzhou and/or its subsidiaries, in particular Australian based subsidiaries of Yanzhou holding mines which are managed by the Group, for back-to-back on sale to end customers in order to fulfil customer requirements and maintain customer relationships.

The Company entered into a framework coal purchase agreement with Yanzhou (the "**Framework Coal Purchase Agreement**") on 8 October 2018 to govern all existing and future purchases of coal by the Group from Yanzhou and/or its subsidiaries (excluding the Group). The Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Yanzhou and/or its subsidiaries (excluding the Group) must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to industry index prices and coal quality characteristics under the respective contracts and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Framework Coal Purchase Agreement expires on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Framework Coal Purchase Agreement.

(b) Historical Transaction Amounts

The aggregate annual transaction amount paid by the Group to Yanzhou and/or its subsidiaries (excluding the Group) for the purchase of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US$5.0 million, US$22.6 million, US$29.7 million and US$21.1 million, respectively.

The increase in 2017 was due to the success in securing new markets for Yanzhou via the Company's sales channel. The transaction volume for the first half of 2018 represents an increase of 1% as compared to that for the corresponding period of 2017. It is expected to further expand the sales in 2018 and maintain these in the future years.

(c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be paid by the Group to Yanzhou and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 will not exceed US$65.0 million, US$65.0 million and US$65.0 million, respectively.

These caps were calculated by reference to (i) the current transaction amounts in 2018, (ii) the expected increase in demand for coal by the Group from the Yanzhou Group over the next three years as a result of, among other things, the success in securing new markets for Yanzhou, which was evidenced by the substantial increase in transaction amount for the first half of 2018, (iii) the estimated purchase volume of 0.5 million tonnes for the second half of 2018 as at the Latest Practicable Date based on contracted sales and spot opportunities that may exist. Considering the strengthened relationship with customers, the Company expects to further increase the volume of back-to-back sales in future years through leveraging the sales channel of the Company and (iv) the estimated purchase price of coal.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. Provision of Management Services by the Company

(a) Description of the Existing Management and Transitional Services Agreement

As one of the conditions imposed by the Foreign Investment Review Board of the Australian Government in relation to the merger of the Company with Gloucester in 2012, a management and transitional services agreement (the "**Management and Transitional Services Agreement**") was entered into between the Company and the following entities (the "**Existing Recipients**"), comprising (i) Yanzhou, (ii) Yancoal Technology Development Holdings Pty Ltd, (iii) Premier Coal Holdings Pty Ltd, (iv) Athena Holdings Pty Ltd, (v) Tonford Holdings Pty Ltd, (vi) Wilpeena Holdings Pty Ltd and (vii) Yancoal Energy Pty Limited, in 2012, pursuant to which the Company has agreed to provide to the Existing Recipients each Services (as described below) in respect of certain assets owned by the Existing Recipients.

On 7 December 2016, a deed of variation, accession and termination agreement of the Management and Transitional Services Agreement was entered into among the Existing Recipients, Yankuang Resources Pty Ltd ("**Yankuang Resources**"), Yankuang (Australia) Metal Mining Pty Ltd. ("**Yankuang (Australia) Metal Mining**", together with Yankuang Resources and the Existing Recipients, the "**Recipients**") and the Company, pursuant to which Yankuang Resources and Yankuang (Australia) Metal Mining will become parties to the Management and Transitional Services Agreement and be entitled to all rights and benefits of an Existing Recipient under the Management and Transitional Services Agreement. Yankuang Resources and Yankuang (Australia) Metal Mining are both wholly-owned subsidiaries of Yankuang.

See "*Business – Our Mining Operations – Managed Mines*" for further details. Details of the terms of the Management and Transitional Services Agreement are set out below.

(I) Services

The Services provided to each Recipient and each of their respective subsidiaries (excluding the Group and Yanzhou) include (i) General Corporate services, which comprise HR services, treasury services, financial accounting/reporting services, compliance services, marketing and logistic services, corporate communications services, government and industry relations services, business development services and other general corporate services, (ii) Operations Services, which comprise carrying out exploration programs, preparing business plans, monitoring and reporting on environmental issues, using all reasonable endeavours to meet business KPIs, preparing plans of operations as may be required by laws and other operational services and (iii) IT Services, which comprise the granting of the permission to use the Company's hardware or software and the provision of IT support services.

During the term, each party may request that the Company provide an additional service or the Company may change or modify the provision of an existing service by notifying the parties in writing. Following receipt of the notice, representatives of each party must promptly meet to discuss in good faith the proposed new services or modified services.

(II) Services Fees

The services charges for provisions of the Services will be at cost plus a 5% margin, except for any third party charges attributable to the provision of the relevant services which will be charged at cost.

The cost base upon which 5% margin is to be applied are to be determined on the basis of management's reasonable estimate of such costs at the commencement of each calendar year having regard to certain principles, including (i) in respect of coal-mining operations, the total budgeted corporate administration costs of the Company and the budgeted proportion of overall product tonnes of the relevant mining operation, (ii) in respect of non-coal mining businesses, the estimated management hours and the hourly rate for such work and (iii) in respect of disbursement, full recovery of any hard disbursements incurred by the Company.

At the end of each financial year (or such other times as the parties may agree), the parties will undertake a reconciliation of the fees charged during that financial year against the actual cost and services provided. The Company will refund the excess charges or the Recipients will pay the shortfall charges to the Company, in each case, within 14 days of determination of the fee adjustment required.

(III) Payment of the Services Fees

The Company will invoice the Recipients quarterly in arrears for services provided and the Recipients must pay to the Company within 30 days after the receipt of the invoice.

(IV) Termination of the Services

The Company must provide to the Recipients the Services until the Services are terminated in accordance with the term of the Management and Transitional Services Agreement. The Services can be terminated in the following circumstances:

(i) A Recipient may terminate any Services it receives without cause by giving not less than 30 days' notice to the Company. The Company may terminate any Services it provides without cause by giving not less than 12 months' notice to the Recipients (provided that any such notice must not be given before 31 December 2016).

(ii) If any asset in respect of which the Services are provided ceases to be controlled by Yanzhou and/or its subsidiaries, any Recipient or the Company may terminate the Services in relation to such asset by giving no less than 30 days' notice to the other parties.

(iii) In respect of one Recipient, the Company or the Recipient may terminate the Management and Transitional Services Agreement, if the other party materially breaches any of its terms and such breach is incapable of remedy or such breach is capable of remedy but that party fails to remedy that breach within 30 days of written notice to do so.

(iv) In addition, if an insolvency event occurs, in relation to the Company, each Recipient may elect by notice in writing to terminate the Management and Transitional Services Agreement as it relates to that Recipient, or in relation to a Recipient, the Company may elect by notice in writing to terminate the Management and Transitional Services Agreement as it relates to that Recipient.

Considering (i) the reason for entering into the Management and Transitional Services Agreement, which was a condition imposed by the Foreign Investment Review Board of the Australian Government in relation to the merger with Gloucester by the Company for purpose of ensuring the continued support to operations owned by Yanzhou (in particular the Premier mine and Cameby Downs mine) (ii) the types of services to be provided and (iii) the nature of such transactions, which are to be carried out on a continuing basis, it was commercially agreed that the Management and Transitional Services Agreement, which provides detailed pricing policies and events for termination, be entered into for an unspecified term so as to ensure continuous and uninterrupted support.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reasons for entering into the Management and Transitional Services Agreement as set out above, (ii) the nature and types of the Services provided and (iii) the termination rights each party has under the Management and Transitional Services Agreement, it is reasonable for the Management and Transitional Services Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

(b) Historical Transaction Amounts

The aggregate services fees charged by the Group from the Recipients for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately A$10.6 million, A$9.7 million, A$8.1 million and A$4.0 million, respectively.

(c) Caps on Future Transaction Amounts

Notwithstanding that the term of the Management and Transitional Services Agreement may exceed three years, the Company has set the annual caps for the transactions under the Management and Transitional Services Agreement for a term of three years and will re-comply with the applicable requirements of the Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be charged by the Group from the Recipients for the three years ending 31 December 2018, 2019 and 2020 will not exceed A$15 million, A$15 million and A$15 million, respectively.

These caps were calculated by reference to (i) the historical transaction amount, (ii) the expected increase in the administration costs and hourly rates which are consistent with the expected increase in market rates and (iii) the expected demand for services by the Recipients over the next three years, including an increased level of exploration drilling.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Loan Facility Provided by the Company

(a) Description of the Transaction

Premier Coal Holdings Pty Ltd, an indirect wholly-owned subsidiary of Yanzhou ("**Premier Coal**") (as the borrower), entered into a loan agreement with the Company (as lender) on 15 June 2016 in relation to an A$50 million uncommitted revolving loan with a fixed interest rate of 7% per annum (the "**Premier Coal Loan Agreement**"). Pursuant to the Premier Coal Loan Agreement, the Company may terminate or cancel the facility at any time and draws already advanced to Premier Coal prior to the termination or cancellation are required to be repaid immediately. The termination date will be the date 12 months after the date of the Premier Coal Loan Agreement, subject to automatic extension on a rolling 12 months basis, or any earlier date on which the facility is terminated or cancelled in full or on which all the money owing becomes due and payable.

As at the Latest Practicable Date, no amount remained drawn down under the Premier Coal Loan Agreement.

(b) Reasons and benefits

The Company has the headroom to provide the proposed facility under the Premier Coal Loan Agreement. If the relevant funds are not utilised for a loan facility proposed, the funds would remain in deposit accounts which have interest rate only between 0.3% to 1%. It is therefore most cost effective for the funds to be loaned to Premier Coal and to be earning interest at a fixed interest rate of 7%. The 7% yield on a short term fund placement to Premier Coal on the terms of the Premier Coal Loan Agreement is better than other third party loans or financing structures available to the Company.

In addition, the Premier Coal Loan Agreement has been drafted to give maximum flexibility to the Company. As the facility is uncommitted loan facility, the Company can decline a request for funds if it does not believe that it has the capacity at the time to provide the funds. Further, as the Company can demand repayment of drawn down funds at any time, the Company maintains the flexibility to use the funds at any time if the Company determines that it requires the loan funds for its own purposes.

Having considered the reasons and benefits as set out above, the Company considers the entering into of the Premier Coal Loan Agreement is in the interests of the Company and the Shareholders as a whole.

(c) Historical Transaction Amounts

The maximum daily drawn-down principal of the loan under the Premier Coal Loan Agreement (including the interest accrued thereon) for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately nil, A$46.6 million, A$45.8 million and A$29.3 million, respectively.

(d) Caps on Future Transaction Amounts

The maximum daily drawn-down principal of the loan under the Premier Coal Loan Agreement (including the interest accrued thereon) for the three years ending 31 December 2018, 2019 and 2020 will not exceed A$53.5 million, A$53.5 million and A$53.5 million, respectively.

The annual caps represent the facility limit under the Premier Coal Loan Agreement and the maximum interest to be received.

(e) Listing Rules Implications

As the highest applicable percentage ratio for the continuing connected transaction under the Premier Coal Loan Agreement is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Bank Guarantees Provided in favour of Yanzhou's Subsidiaries

(a) Description of the Transaction

In addition to the Syndicated Facility, details of which are set out in "*Financial information of the Group – Secured Bank Loans – Syndicated Facility*", Yancoal Resources Limited ("**Yancoal Resources**"), a wholly-owned subsidiary of the Company, entered into a syndicated facility agreement (as most recently amended on 31 August 2017) (the "**Local Banks Secured Syndicated Facility Agreement**") with financiers who are independent third party commercial banks, on 11 October 2005, pursuant to which the financiers have agreed to grant to the borrowers, being Yancoal Resources and any new borrowers as agreed by the financiers, a dollar contingent liability facility (which may also be drawn in US$), under which, the financiers will issue credit support documents, including bank guarantee and letter of credit, in the name of the borrowers. Subject to amendment and restatement from time to time, the Local Banks Secured Syndicated Facility Agreement is for a term of three years.

As set out in "*Business – Our Mining Operations – Managed Mines*", the Company manages certain mines on behalf of Yanzhou. In the ordinary and usual course of business, the subsidiaries of Yanzhou holding the managed mines may require credit support documents issued by commercial banks for their respective business operations. Given the relevant commercial banks can issue credit support documents pursuant to existing facility agreements generally within 5 business days after receiving a request, which is a much shorter period of time and simpler process as compared to those required by other commercial banks to issue credit support documents without an existing facility agreement and the relationship between the Company and the managed mines, as an integral part of the management services rendered by the Company in support of the operation of the managed mines, the subsidiaries of Yanzhou holding the managed mines will use the overall bank guarantee facilities, including the Syndicated Facility and the facility under the Local Banks Secured Syndicated Facility Agreement, and pay the Company bank guarantee fees, which are equal to the fees to be paid by the Company to the commercial banks.

Having considered the reasons set out above and that the Company also receives management fees from those subsidiaries of Yanzhou in relation to the managed mines, the Company considers that the using of the overall bank guarantee facilities by the subsidiaries of Yanzhou holding managed mines is in the interest of the Company and the Shareholders as a whole.

(b) Historical Transaction Amounts

The aggregate maximum daily outstanding principal amount and the bank guarantee fees received under the credit support documents issued by commercial banks in favour of the subsidiaries of Yanzhou (excluding the Group) for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately A$121 million, A$117 million, A$114 million and A$114 million, respectively.

(c) Caps on Future Transaction Amounts

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by commercial banks in favour of the subsidiaries of Yanzhou (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 will not exceed A$123.4 million, A$128.6 million and A$133.7 million, respectively.

These caps were calculated by reference to the historical transaction amounts as well as the future demand for bank support documents by the subsidiaries of Yanzhou holding the managed mines.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps under the arrangement described above, on an annual basis, is more than 0.1% but less than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement and annual review requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

6. Purchase of Coal by Glencore

(a) Description of the Transaction

From time to time, Glencore and/or its associates may purchase coal from the Group for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements.

The Company entered into a framework coal sales agreement with Glencore (the "**Glencore Framework Coal Sales Agreement**") on 29 June 2018 to govern all existing and future sales of coal by the Group to Glencore and/or its subsidiaries and/or related entities. The Glencore Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Glencore and/or its subsidiaries and/or related entities must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price.

The Glencore Framework Coal Sales Agreement expires on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Glencore Framework Coal Sales Agreement.

(b) Historical Transaction Amounts

The aggregate annual transaction amount received by the Group from Glencore and/or its associates for the sale of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately nil, nil, A$143 million and A$140.7 million, respectively.

(c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be received by the Group from Glencore and/or its subsidiaries and/or its related entities for the three years ending 31 December 2020 will not exceed US$350 million, US$350 million and US$350 million, respectively.

These caps were calculated by reference to (i) the historical transaction amounts, in particular, sales revenue of A$140.7 million for the six months ended 30 June 2018. There was no sale of coal made to Glencore during the first half of 2017, (ii) the expected demand for coal from Glencore and/or its subsidiaries and/or its related entities. Based on further spot opportunities that may exist, the Company expects that Glencore and/or its subsidiaries and/or its related entities may purchase an estimated 0.4 million tonnes of coal for the second half of 2018 and (iii) the estimated sale price of coal.

(d) Listing Rules Implications

As the continuing connected transaction under the Glencore Framework Coal Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in section D below, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

7. Purchase of Coal by Sojitz

(a) Description of the Transaction

From time to time, Sojitz Moolarben Resources Pty Ltd ("**Sojitz**") and/or its subsidiaries may purchase coal from the Group primarily for their own trading purposes and for sale to end customers, typically into Japan. Specifically, Moolarben Coal Sales Pty Ltd has entered into a coal supply contract for a term of three years with Sojitz Corporation in March 2016 for onward supply of coal to a major industrial user in Japan. This contract is likely to be renewed and it is expected that this business will be ongoing. Sojitz is a substantial shareholder of the Moolarben joint venture, a subsidiary of the Company under the Listing Rules.

The coal sales agreement between the Company and Sojitz (the "**Sojitz Coal Sales Agreement**") dated 6 August 2018 governs all existing and future sales of coal by the Group to Sojitz and/or its subsidiaries. The Sojitz Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Sojitz and/or its subsidiaries must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to market indices, coal quality and an optional analysis to ensure the price is negotiated on an arm's length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Sojitz Coal Sales Agreement expires on 31 December 2020 and is automatically renewable for successive periods of one year thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Sojitz Coal Sales Agreement.

(b) Historical Transaction Amounts

The aggregate annual transaction amount received by the Group from Sojitz and/or its subsidiaries for the sale of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US$20.1 million, US$29.1 million, US$21.0 million and US$27.0 million, respectively.

The transaction volume for the first half of 2018 represents an increase of 122% as compared to that for the corresponding period of 2017.

(c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be received by the Group from Sojitz and/or its subsidiaries for the three years ending 31 December 2018, 2019 and 2020 will not exceed US$100 million, US$100 million and US$100 million, respectively.

These caps were calculated by reference to (i) the current known 2018 transaction amounts, including Sojitz's recent success in selling to new industrial customers in Japan, (ii) the expected demand for coal from Sojitz and/or its subsidiaries over the next three years, taking into consideration the substantial increase in transaction amount for the first half of 2018, (iii) the estimated sale price for the coal the Company typically charges and (iv) the estimated sales volume of 0.5 million tonnes for the second half of 2018 as at the Latest Practicable Date based on the delivery of contracted sales and spot opportunities that may exist. Considering the strengthened relationship with customers, the Company expects to maintain or further expand the sales in future years.

(d) Listing Rules Implications

As the continuing connected transaction under the Sojitz Coal Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in section D below, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

8. Sales of Coal by the Group to POSCO and/or its Associates

(a) Description of the Transaction

From time to time, POSCO Australia Pty Ltd (previously known as Pohang Steel Australia Pty Ltd) ("**POSCO**") and/or its associates may purchase coal from the Group for their own utilisation in the manufacturing of steel or generation of electricity. POSCO is a substantial shareholder of the subsidiaries of the Company under the Listing Rules.

The Group has entered into five coal sales agreements with POSCO group companies that govern the sale of coal by the Group to POSCO and/or its associates on 21 December 2017 (the "**POSCO Coal Sales Agreements**"). The POSCO Coal Sales Agreements provide that all transactions in relation to the sale of coal by the Group to POSCO and/or its associates must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being negotiated between the parties on an arm's length market related basis relative to market benchmarks and reflecting coal quality, and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws. The Group has been supplying POSCO and/or its associates for several years under annual contracts which are renewed annually, but where volume and price is re-negotiated annually.

(b) Historical Transaction Amounts

The aggregate annual transaction amount received by the Group from POSCO and/or its associates for the sales of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US$213 million, US$156 million, US$260 million and US$168.9 million, respectively.

The transaction volume for the first half of 2018 represents an increase of 45% as compared to that for the corresponding period of 2017.

(c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be received by the Group from POSCO and/or its associates for the year ending 31 December 2018 will not exceed US$780 million. As the POSCO Coal Sales Agreements are renewed annually, the Company has set the annual cap for the transactions under the POSCO Coal Sales Agreements for a term of one year and will re-comply with the applicable requirements of the Listing Rules when the relevant agreements are renewed.

This cap was calculated by reference to (i) the currently known 2018 transaction amounts, (ii) the expected demand for coal from POSCO and/or its associates for the year ending 31 December 2018, (iii) the estimated sale price for the coal the Company typically charges and (iv) in particular, the estimated sales volume of 1.5 million tonnes for the second half of 2018 as at the Latest Practicable Date based on the delivery of contracted sales and spot opportunities that may exist.

(d) Listing Rules Implications

As the continuing connected transactions under the POSCO Coal Sales Agreements are between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transactions and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in section D below, the continuing connected transactions are only subject to reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

9 Purchase of Coal from Glencore

(a) Description of the Transaction

From time to time, the Group may purchase coal from Glencore and/or its associates for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements.

The Company entered into a framework coal purchase agreement with Glencore (the "**Glencore Framework Coal Purchase Agreement**") on 6 August 2018 to govern all existing and future purchase of coal by the Group from Glencore and/or its subsidiaries. The Glencore Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Glencore and/or its associates must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price.

The Glencore Framework Coal Purchase Agreement expires on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Glencore Framework Coal Purchase Agreement.

(b) Historical Transaction Amounts

The aggregate annual transaction amount paid by the Group to Glencore and/or its subsidiaries for the purchase of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US$1.0 million, nil, US$6.8 million, and US$16.8 million, respectively.

The transaction volume for the first half of 2018 represents an increase of 366% as compared to that for the corresponding period of 2017.

(c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be paid by the Group to Glencore and/or its subsidiaries for the three years ending 31 December 2020 will not exceed US$350 million, US$350 million and US$350 million, respectively.

These caps were calculated by reference to (i) the historical transaction amounts, (ii) the expected demand for coal from the Group, (iii) the estimated sale price of coal by reference to the average selling price of the coal of the Company and (iv) the estimated 2 million tonnes for the second half of 2018 based on the delivery of contracted purchases and spot opportunities that may exist. Considering the strengthened relationship with customers, the Company expects to maintain such purchase volume in future years.

(d) Listing Rules Implications

As the continuing connected transaction under the Glencore Framework Coal Purchase Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in section D below, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

10. Purchase of Coal from Anotero

(a) Description of the Existing Sales Contract – Hunter Valley Operations Joint Venture

As part of the Glencore Transaction, CNAO, a wholly-owned subsidiary of the Company, the SalesCo and Anotero entered into a sales contract – Hunter Valley Operations Joint Venture on 4 May 2018 (the "**HVO Sales Agreement**"). The relevant mining and exploration licences of HVO are held directly by CNAO and Anotero as tenants in common in proportion to their respective participating interest in the HVO JV. Pursuant to the HVO Sales Agreement.

(i) each of CNAO and Anotero agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the HVO JV to the SalesCo only and the SalesCo agrees to purchase each of CNAO's and Anotero's entitled portion of coal product;

(ii) the amount payable to each of CNAO and Anotero by the SalesCo shall be the total amount received by the SalesCo for that portion of product under each sales contract entered into between the SalesCo and its customers; and

(iii) payment by the SalesCo to CNAO and Anotero shall be no later than 3 business days after receipt by the SalesCo of payment from its customers.

The HVO Sales Agreement shall commence on the date of the HVO Sales Agreement and terminate upon the termination of the joint venture agreement in relation to the HVO JV in accordance with its terms.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reason for entering into the HVO Sales Agreement and the business objective of the SalesCo, which is to facilitate the sale of coal produced by the HVO JV given the HVO JV, which is an unincorporated joint venture, does not have the legal capacity to enter into sales agreements itself, (ii) the substance of the transaction under the HVO Sales Agreement, which is an arrangement of making the coal attributable to the relevant participants available to the SalesCo for its on-sale, (iii) the fact that the SalesCo is not operated for profit as it does not retain any sales revenue received by it and does not receive any fees from the participants for the sales function carried out by it and (iv) the fact that the HVO Sales Agreement was negotiated on an arms-length basis before Glencore and Anotero became connected persons of the Company, it is reasonable for the HVO Sales Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

(b) Historical Transaction Amounts

As the HVO Sales Agreement was entered into on 4 May 2018, there was no historical transaction amount for the three years ended 31 December 2015, 2016 and 2017. The amount of revenue distributed by the SalesCo to Anotero during the period from 4 May 2018 to 30 June 2018 amounted to approximately US$134.4 million.

(c) Estimated Maximum Annual Transaction Amounts

Notwithstanding that the term of the HVO Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the HVO Sales Agreement for a term of three years and will re-comply with the applicable requirements of the Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be distributed by the SalesCo to Anotero for the three years ending 31 December 2018, 2019 and 2020 will not exceed US$750 million, US$750 million and US$750 million, respectively.

The estimated maximum annual transaction amounts are determined mainly based on the expected amount and price of coal to be sold.

(d) Listing Rules Implications

As disclosed in "*– 4. Management Services in relation to the HVO JV*" and "*– 5. Provision of Services by Glencore Coal in relation to the HVO*" of this section, the SalesCo is a subsidiary of the Company under the Listing Rules and Anotero is a connected person of the Company immediately following the Listing. Accordingly, the transaction between the SalesCo and Anotero constitutes a continuing connected transaction of the Company under the Listing Rules.

As the continuing connected transaction under the HVO Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in Section D below, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

11. Purchase of Coal from POSCO

(a) Description of the Existing Sales Contract – Mount Thorley Joint Venture

The participants of the unincorporated joint venture in relation to Mt Thorley (the "**MT JV**") namely POSCO and Mount Thorley Operations Pty Ltd (previously known as R. W. Miller & Co. Pty Limited) ("**MT Operations**"), a wholly-owned subsidiary of the Company holding the relevant mining and exploration licences of Mount Thorley on behalf of the MT JV, entered into a sales contract with Miller Pohang Coal Co. Pty Limited (the "**MT SalesCo**") on 10 November 1981 (the "**MT Sales Agreement**"), respectively.

MT SalesCo is a company jointly controlled by MT Operations and POSCO with MT Operations and POSCO holding 80% and 20% of its interest, respectively. Both the MT SalesCo and the MT JV are subsidiaries of the Company under the Listing Rules. As POSCO holds more than 10% of the interest in the MT SalesCo and has more than 10% participating interest in the MT JV, POSCO will be a connected person of the Company immediately following the Listing by being a substantial shareholder of the subsidiaries of the Company. Accordingly, the transaction between the MT SalesCo and POSCO constitutes a continuing connected transaction of the Company under the Listing Rules.

Pursuant to the MT Sales Agreement:

(i) each of POSCO and MT Operations agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the MT JV to the MT SalesCo only and the MT SalesCo agrees to purchase each of POSCO's and MT Operations' entitled portion of coal product;

(ii) the amount payable to each of POSCO and MT Operations shall be the total amount received by the MT SalesCo for that portion of product under each sales contract entered into between the MT SalesCo and its customers; and

(iii) payment by the MT SalesCo to POSCO and MT Operations shall be no later than 7 days after receipt by the MT SalesCo of payment from its customers.

The MT Sales Agreement was entered into on 10 November 1981 and will last during the economic life of the Mount Thorley coal mine.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reason for entering into the MT Sales Agreement and the business objective of the MT SalesCo, which is to facilitate the sale of coal produced by the MT JV given the MT JV, which is an unincorporated joint venture, does not have the legal capacity to enter into sales agreements itself, (ii) the substance of the transaction under the MT Sales Agreement, which is an arrangement of making the coal attributable to the relevant participants available to the MT SalesCo for its on-sale, (iii) the fact that the MT SalesCo is not operated for profit as it does not retain any sales revenue received by it and does not receive any fees from the participants for the sales function carried out by it and (iv) the fact that the MT Sales Agreement was negotiated on an arms-length basis before POSCO became a connected person of the Company, it is reasonable for the MT Sales Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

(b) Historical Transaction Amounts

The interest in the Mount Thorley was acquired by the Company as part of the C&A Acquisition. See "*Business – Acquisitions and Disposals – C&A Acquisition*". Accordingly, the transactions prior to the completion of the acquisition are not connected transactions of the Group. For reference, the aggregate annual transaction amount distributed by the MT SalesCo to POSCO for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US$61.1 million, US$64.0 million, US$85.4 million and US$44.8 million, respectively.

(c) Estimated Maximum Annual Transaction Amounts

Notwithstanding that the term of the MT Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the MT Sales Agreement for a term of three years and will re-comply with the applicable requirements of the Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be distributed by the MT SalesCo to POSCO for the three years ending 31 December 2018, 2019 and 2020 will not exceed US$90 million, US$90 million and US$90 million, respectively.

The estimated maximum annual transaction amounts are determined mainly based on the expected amount and price of the coal to be sold.

(d) Listing Rules Implications

As the continuing connected transaction under the MT Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules in Section D below, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

C. Waiver Application For Non-Exempt Continuing Connected Transactions

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, announcement and/or independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions described in this section.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

D. Confirmation From The Directors And The Joint Sponsors

The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group (other than the financial assistance in relation to the loan facility provided by the Company and the bank guarantee arrangement as described in paragraphs 4 and 5 of "– *B. Non-Exempt Continuing Connected Transactions*" above), on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by the Company relating to the non-exempt continuing connected transactions described in this section, and have obtained confirmations from the Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group (other than the financial assistance in relation to the loan facility provided by the Company and the bank guarantee arrangement as described in paragraphs 4 and 5 of "– *B. Non-Exempt Continuing Connected Transactions*" above), on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

BOARD OF DIRECTORS

The Board of Directors consists of 11 Directors, comprising one Executive Director, six Non-executive Directors and four Independent Non-executive Directors. Brief information of the Directors is set out below:

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Baocai ZHANG (張寶才)	51	Chair of the Board, Non-executive Director	8 June 2018	26 June 2012	Responsible for the high level oversight of the Board, the management and operations of the Group
Fucun WANG (王福存)	55	Co-Vice Chair, Executive Director and Chair of the Executive Committee	8 June 2018	8 June 2018	Responsible for the formulation of the strategic direction of the Group and the day-to-day management of the Group
Cunliang LAI (來存良)	58	Non-executive Director	20 January 2014	18 November 2004	Responsible for the high level oversight of the management and operations of the Group
Xiangqian WU (吳向前)	52	Non-executive Director	28 April 2017	28 April 2017	Responsible for the high level oversight of the management and operations of the Group
Fuqi WANG (王富奇)	54	Non-executive Director	23 April 2015	23 April 2015	Responsible for the high level oversight of the management and operations of the Group
Qingchun ZHAO (趙青春)	50	Non-executive Director	28 April 2017	28 April 2017	Responsible for the high level oversight of the management and operations of the Group

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Xing FENG (馮星)	44	Non-executive Director	15 December 2017	15 December 2017	Responsible for the high level oversight of the management and operations of the Group
Gregory James FLETCHER	61	Co-Vice Chair and Independent Non-executive Director	26 June 2012	26 June 2012	Giving strategic advice and guidance on the business and operations of the Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered
Geoffrey William RABY	65	Independent Non-executive Director	26 June 2012	26 June 2012	Giving strategic advice and guidance on the business and operations of the Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered
David James MOULT	61	Independent Non-executive Director	30 January 2018	30 January 2018	Giving strategic advice and guidance on the business and operations of the Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered

Name	Age	Position	Date of Appointment	Date of Joining the Group	Principal Responsibilities
Helen Jane GILLIES	54	Independent Non-executive Director	30 January 2018	30 January 2018	Giving strategic advice and guidance on the business and operations of the Group and ensuring the interests of all Shareholders, in particular minority Shareholders, are considered

Chair of the Board and Non-executive Director

Baocai ZHANG (張寶才), aged 51, was appointed as a Non-executive Director of the Company and Chair of the Board on 8 June 2018. Mr. Zhang also acted as a Non-executive Director of the Company from June 2012 to January 2014, Executive Director and Co-Vice Chair of the Board from January 2014 to June 2018 and the Chair of the Executive Committee of the Company from January 2014 to June 2018.

Mr. Zhang joined the predecessor of Yanzhou in July 1989 as an accountant and served as the director of the planning and finance department of Yanzhou from June 2002 to September 2006, a director of Yanzhou from September 2006 to June 2016 and the board secretary of Yanzhou from September 2006 to March 2016, and the deputy general manager of Yanzhou from March 2011 to March 2016, respectively. Mr. Zhang has also been a director and a member of Party's standing committee of Yankuang since October 2015 and the general counsel of Yankuang since February 2018.

Mr. Zhang graduated with an Executive Master of Business Administration degree from Nankai University (南開大學) in China in June 2006. He has been a senior accountant recognised by Shandong Province Bureau of Personnel since December 2000.

In his roles as the Chair of the Board and Chair of the Strategy and Development Committee (the "**SDC**"), Mr. Zhang's responsibilities include (i) leading the Board and ensuring the efficient organisation and conduct of the Board's functions, (ii) reviewing key issues and performance trends of the Group's operations together with the Chief Executive Officer and the Chair of the Executive Committee, (iii) representing the Group in the wider community in which the Group operates, (iv) participating in the capital management and business development of the Company, (v) overseeing the annual performance assessment of the four standing committees of the Board; and (vi) leading and overseeing the SDC and the Board in the oversight and review of the Group's strategy initiatives. In these roles, Mr. Zhang is involved in and oversees key decisions and strategies of the Company as would any non-executive chairman.

Executive Director

Fucun WANG (王福存), aged 55, was appointed as an Executive Director and Co-Vice Chair of the Board on 8 June 2018. Mr. Wang has also been the Chair of the executive committee, a committee delegated by the Board for the day to day management of the Company's affairs (the "**Executive Committee**"), since 8 June 2018.

Mr. Wang started his career in July 1983 when he joined a subsidiary mining company of Yankuang and joined the headquarters of Yankuang in May 1986. Mr. Wang successively served as the deputy director of planning department, the deputy director and director of the department of planning and development of Yankuang from June 2002 to January 2016. He acted as the deputy chief economist and the head of the investment and development department of Yankuang from January 2016 to May 2018 and the director of the strategic planning and decision centre from February 2017 to May 2018.

Mr. Wang completed his post-graduate degree in Economic Management from Shandong Provincial Communist Party Collage (中共山東省委黨校) in China in June 2009, and an Executive Master of Business Administration degree from Hebei Industrial University (河北工業大學) in China in June 2014, respectively. He has been a senior statistician recognised by Human Resources and Social Security Bureau of Shandong Province since May 2014.

Non-executive Directors

Cunliang LAI (來存良), aged 58, was appointed as a Non-executive Director of the Company on 20 January 2014.

Mr. Lai joined the predecessor of Yanzhou in 1980 as a technician and served as the head of Xinglongzhuang Coal Mine of Yanzhou from 2000 to 2005. He acted as the deputy general manager of Yanzhou from 2005 to 2014 and has been the deputy general manager of Yankuang since October 2010. He was an executive Director of the Company from November 2004 to January 2014 and was appointed as the Co-Vice Chair of the Board from January 2014 to June 2018 and the Chair of the Executive Committee of the Company from June 2012 to January 2014.

Mr. Lai graduated with an Executive Master of Business Administration degree from Nankai University (南開大學) in China in June 2006, and a doctorate degree in engineering from Coal Science Research Institute in China in July 2008, respectively. He has been a senior mining engineer and an engineering applications researcher recognised by the Engineering Technology Review Committee of Shandong Province since December 2011 and January 2012, respectively.

Xiangqian WU (吳向前), aged 52, was appointed as a Non-executive Director of the Company on 28 April 2017.

Mr. Wu joined the predecessor of Yanzhou in July 1988 as an assistant engineer and served as the the deputy head of Jining No. 3 Coal Mine of Yanzhou from July 2003 to May 2004, the chief engineer of Jining No. 3 Coal Mine of Yanzhou from May 2004 to March 2006, the deputy head of Jining No. 3 Coal Mine of Yanzhou from May 2004 to August 2006, the head of Jining No. 3 Coal Mine of Yanzhou from August 2006 to April 2014, respectively. He was the chairman and general manager of Yanzhou Ordos Neng Hua Co., Ltd. and chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd. from April 2014 to January 2016. Mr. Wu has been a director and the general manager of Yanzhou since May 2014 and January 2016, respectively.

Mr. Wu graduated with a Bachelor of Engineering degree in mine construction from Shandong College of Mining (山東礦業學院) in China in July 1988, a Master degree in mining engineering from Shandong University of Science and Technology (山東科技大學) in China in December 2002, and a doctorate degree in mining engineering from China University of Mining and Technology (中國礦業大學) in China in June 2012, respectively. He has been an engineering technology application researcher recognised by the Engineering and Technology senior Committee of Shandong Province since August 2009.

Fuqi WANG (王富奇), aged 54, was appointed as a Non-executive Director of the Company on 23 April 2015.

Mr. Wang joined the predecessor of Yanzhou in July 1985 as an assistant engineer and served as the the chief engineer of production and technology division of Yankuang Group from January 2000 to June 2002, the director of the production and technique department of Yanzhou from June 2002 to July 2003, and the deputy chief engineer and director of production and technique department of Yanzhou from July 2003 to March 2014, respectively. He has been the chief engineer of Yanzhou since March 2014.

Mr. Wang graduated with a Master degree in engineering from Northeastern University (東北大學) in China in September 2003, and an Executive Master of Business Administration degree from Nankai University (南開大學) in China in June 2006, respectively. He has been an engineering technology application researcher recognised by the Engineering and Technology Review Committee of Shandong Province since February 2006.

Qingchun ZHAO (趙青春), aged 50, was appointed as a Non-executive Director of the Company on 28 April 2017.

Mr. Zhao joined the predecessor of Yanzhou in July 1989 as an accountant and held various positions in Yanzhou, including the director of the planning and finance department, the vice chief financial officer and the director of the finance department, from 2006 to 2014, respectively. He served as the general manager assistant and the director of the finance management department of Yanzhou from March 2014 to January 2016 and has been the chief financial officer and a director of Yanzhou since January 2016 and June 2016, respectively.

Mr. Zhao has been a director of Shanghai Interim Futures Co., Ltd. (NEEQ:871467) and Qilu Bank Co., Ltd. (NEEQ:832666) since August 2016 and February 2016, respectively.

Mr. Zhao graduated with an Executive Master of Business Administration degree from Nankai University (南開大學) in China in June 2006. He has been a senior accountant recognised by the Department of Finance and Department of Human Resources and Social Security of Shandong Province since January 2018.

Xing FENG (馮星), aged 44, was appointed as a Non-executive Director of the Company on 15 December 2017.

Mr. Feng has been the assistant general manager of China Cinda Asset Management Co., Ltd. (中國信達資產管理有限公司) (stock code: 1359.HK) since March 2017, where he is responsible for implementing the department's development strategy plan, involvement in business review and leading the implementation of the investment plan. He has also been the managing director of Cinda Capital Management Company Limited since January 2018.

Mr. Feng graduated with a Bachelor of Engineering degree in Electric Engineering and Automation from Tsinghua University (清華大學) in China in July 1997.

Independent Non-executive Directors

Gregory James FLETCHER, aged 61, was appointed as the Co-Vice Chair on 1 March 2018 and an Independent Non-executive Director of the Company on 26 June 2012.

Mr. Fletcher has been a director and the chairman of the audit and risk committee of Saunders International Limited (ASX:SND) since July 2015 and a director of SMEG Australia Pty Ltd since August 2011. Prior to joining the Group, Mr. Fletcher served as a director of Gloucester (which merged with the Company in June 2012) from June 2009 to June 2012, and a director of WDS Limited (ASX:WDS) from July 2010 to November 2015. Mr. Fletcher has been Chair and/or a member of the audit and risk committee of a number of NSW public sector entities since 2009, and was a member of the audit and risk committee of the Audit Office of New South Wales, a statutory authority in Australia, for the 2010 to 2017 financial years. Mr. Fletcher was a partner of Deloitte Australia from July 1993 to May 2009, during which he undertook external audits and provided internal audit and risk management services to a number of public companies.

Mr. Fletcher was a director of Yancoal SCN from November 2014 to August 2018, during which he assumed an independent role on the board of Yancoal SCN. His roles and responsibilities as a director of Yancoal SCN were non-executive in nature and similar to those of his role as an Independent Non-executive Director of the Company.

Mr. Fletcher graduated with a Bachelor of Commerce degree in accounting, finance and systems from the University of New South Wales in Australia in April 1979. He has been a member of the Institute of Chartered Accountants in Australia since August 1985.

Geoffrey William RABY, aged 65, was appointed as an Independent Non-executive Director of the Company on 26 June 2012.

Dr. Raby was formerly Australia's Ambassador to the People's Republic of China from February 2007 to August 2011. Prior to then he was a Deputy Secretary in the Department of Foreign Affairs and Trade (DFAT) from November 2002 to November 2006.

Dr. Raby has extensive experience in international affairs and trade and has held a number of independent non-executive director positions with ASX listed companies, including Oceana Gold Corporation Limited (ASX: OGC) and iSentia Group Limited (ASX: ISD) since August 2011 and May 2014, respectively. Dr. Raby was appointed Chairman of Wiseway Group Limited (ASX: WWG) on 30 August 2018, which listed on the ASX on 30 October 2018. Dr. Raby served as a director of Fortescue Metals Group Limited (ASX: FMG) from August 2011 to December 2016, a director of SmartTrans Holdings Limited (ASX: SMA) from August 2011 to April 2016 and a director of YPB Group Limited (ASX: YPB) from July 2014 to May 2017, respectively.

Dr. Raby graduated from La Trobe University in Australia with a Bachelor of Economics degree in May 1978, a Masters of Economics degree in May 1981 and a Doctor of Philosophy in Economics in May 1991.

David James MOULT, aged 61, was appointed as an Independent Non-executive Director of the Company on 30 January 2018.

Prior to joining the Group, Mr. Moult served as the managing director and chief executive officer of Centennial Coal Company Limited (ASX:CEY) from July 2011 to April 2017, then a non-executive director of Centennial Coal from May 2017 until January 2018. He previously held the position of chief operating officer with Centennial Coal from January 1998 until June 2011. He was a global marketing manager, vice president and general manager of Joy Mining Machinery in the United States from January 1996 to July 1997 and Australia from July 1997 to December 1997.

Mr. Moult is currently a director of Coal Services Pty Limited, Coal Mines Insurance Pty Ltd and Mines Rescue Pty Ltd, respectively since January 2015. He was previously a director of the Australian Coal Association Low Emissions Technologies Limited Board (ACALET) from June 2011 to January 2018, a director of The Minerals Council of Australia from October 2015 to April 2017 and a director of the NSW Minerals Council from April 2012 to November 2017.

Mr. Moult graduated with a Higher National Diploma in Mining through completing an approved Sandwich course in Mining at Trent Polytechnic (now Nottingham Trent University) in the United Kingdom in November 1978, and a Master of Business Administration degree from the Nottingham Business School of the Nottingham Trent University in the United Kingdom in November 1993, respectively. He has been a Chartered Mining Engineer in the United Kingdom since May 1979, a fellow of Australasian Institute of Mining and Metallurgy since May 1998, a fellow of Institute of Materials, Minerals and Mining since January 1991, an European Engineer of European Federation of National Engineering Associations since July 1992 and a member of the Australia Institute of Company Directors since April 2008.

Helen Jane GILLIES, aged 54, was appointed as an Independent Non-executive Director of the Company on 30 January 2018.

Ms. Gillies has been a non-executive director of Bankstown Airport Limited and Camden Airport Limited since September 2017, a non-executive director of Monadelphous Group Limited (ASX: MND) since September 2016, and a non-executive director of Red Flag Group (Holdings) Limited since 2016. Previously, she served as a director of Sinclair Knight Merz Management Pty Limited from October 2002 to September 2008 and Sinclair Knight Merz Management Pty Limited from September 2010 to December 2013, the general manager (risk) and general counsel of Sinclair Knight Merz from 1995 to 2013, and a non-executive director of Civil Aviation Safety Authority in Australia from 2009 to 2014.

Ms. Gillies graduated with a Bachelor of Commerce degree and a Bachelor of Law degree (with Honours) from the University of Queensland in Australia in August 1985 and May 1987, respectively. She also received a Master of Business Administration degree from the University of Sydney in Australia in May 1998 and a Master of Construction Law degree from the University of Melbourne in Australia in August 2004. Ms. Gillies also completed the Advanced Management Programme held at INSEAD, France in July 2011 and was awarded a Certificate in Corporate Governance by INSEAD in September 2014. Ms. Gillies has been a fellow of the Australian Institute of Company Directors since January 2017, a solicitor of the Supreme Court of Queensland since January 1989 and a solicitor of the Supreme Court of New South Wales since February 1995.

Save as disclosed above in "– *Board of Directors"* above and *"Appendix VII – Statutory and General Informatio*n", each Director had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT OF THE GROUP

The Executive Director (also being the Chair of the Executive Committee) the Chair of the Board (also being a Non-executive Director), and members of the senior management of the Group are responsible for the day-to-day management of our business. Certain information relating to the Executive Director and the Chair of the Board is set out in "– *Board of Directors"* above.

In addition to the Executive Director (also being the Chair of the Executive Committee) and the Chair of the Board (also being a Non-executive Director), the members of the senior management of the Group include the following:

Name	Age	Position in the Group	Roles and Responsibilities	Date of Appointment as Senior Management	Date of Joining the Group
Reinhold SCHMIDT	52	Chief Executive Officer	Responsible for the overall and day-to-day management and development of the Group	26 August 2013	26 August 2013
Lei ZHANG (張磊)	46	Chief Financial Officer	Responsible for the financial operation, financing and investment activities of the Group	31 March 2014	31 March 2014

Reinhold SCHMIDT, aged 52, was appointed as the Chief Executive Officer of the Company on 26 August 2013.

Mr. Schmidt has over 20 years' experience in the mining industry. Prior to joining the Group, he served as the executive general manager of Wandoan Project for Xstrata Coal Pty Ltd from February 2008 to February 2009 and the chief operating officer there from March 2009 to June 2013. He was also formerly the chief operating officer of the Colombian coal assets of Glencore International.

Mr. Schmidt graduated with a Bachelor degree in Engineering (Mining) (cum laude) from the University of Pretoria in South Africa in March 1989, a Master of Engineering (Mining Engineering) degree and Master of Science in Engineering (Mineral Economics) degree from the University of Witwatersrand, Johannesburg, South Africa in June 1991 and December 1991, respectively.

Dr. Lei ZHANG (張磊), aged 46, was appointed as the Chief Financial Officer of the Company on 31 March 2014.

Prior to joining the Group, Dr. Zhang served as the senior vice president and managing director of SK Great China private equity fund & principal investment from February 2013 to March 2014, general manager of mergers and acquisitions and commercial finance at Shell Far East from July 2012 to March 2013, executive director and chief financial officer of Chinalco Mining Corp. International from September 2010 to June 2012, vice president from September 2010 and chief financial officer of Chinalco Overseas Holdings from September 2010 to June 2012, and was with Siemens from April 1997 to September 2010 including serving as vice president of Siemens Ltd. China and cluster chief financial officer of Siemens Real Estate North East Asia from September 2008 to September 2010.

Dr. Zhang graduated with a Doctor of Economics from Graduate School of Chinese Academy of Social Sciences in Beijing, China in June 2010, and a Master of Business Administration degree from Peking University in China in June 2005, respectively. Dr. Zhang is a qualified Public Accountant and China Inter-bank Market Dealer and also holds a China Bond Custody Qualifying Certificate.

The business address of the members of the senior management is Level 18, Darling Park 2, 201 Sussex Street, Sydney, NSW 2000, Australia.

COMPANY SECRETARY

Laura Ling ZHANG (張凌), aged 41, was appointed as the Company Secretary of the Company on 6 September 2005.

Ms. Zhang is one of the founding executives of the Company and has been the Company Secretary and Executive General Manager, Legal and Compliance of the Company since September 2005 and July 2014 respectively. She oversees the Company's corporate governance, group legal issues, corporate compliance and shareholder communications.

Ms. Zhang graduated with a Bachelor of Arts degree in English education from Qufu Normal University in China in July 1999 and a Master of Arts degree in English language and literature from China University of Mining and Technology in China in July 2004. Ms. Zhang was until recently a Fellow of the Governance Institute of Australia (formerly known as Chartered Secretaries Australia) and since June 2018, is a fellow member of the Hong Kong Institute of Chartered Secretaries. Ms. Zhang is a member of the Australian Institute of Company Directors and is currently studying the EMBA at The University of New South Wales.

BOARD COMMITTEES

The Board has established the audit and risk management committee, the nomination and remuneration committee, the health, safety and environment committee and the strategy and development committee.

Audit and Risk Management Committee

The Company has established the audit and risk management committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit and risk management committee are to oversee the financial reporting, internal control structure, risk management systems and the internal and external audit functions of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment.

The audit and risk management committee consists of four Directors. The chair of the audit and risk management committee is Mr. Gregory James FLETCHER, an Independent Non-Executive Director, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The members of the audit and risk management committee are:

Gregory James FLETCHER (*Chair*)
Qingchun ZHAO
David James MOULT
Helen Jane GILLIES

Nomination and Remuneration Committee

The Company has established the nomination and remuneration committee of the Board in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination and remuneration committee are to review the size and composition of the Board, assess the independence of the Independent Non-executive Directors, make recommendations to the Board on the appointment and re-appointment of Directors, succession planning for Directors, make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The nomination and remuneration committee consists of five Directors. The members of the nomination and remuneration committee are:

Helen Jane GILLIES (*Chair*)
Baocai ZHANG
Xiangqian WU
Gregory James FLETCHER
David James MOULT

Health, Safety and Environment Committee

The Company has established the health, safety and environment committee of the Board. The primary duties of the health, safety and environment committee are to monitor the Company's compliance with the approved health, safety and environment ("**HSE**") policies and applicable HSE legislation, consider and adopt HSE policies, review the HSE policies and recommend changes to such policies and assessing whether the Company has any material exposure to environmental and social sustainability risks.

The health, safety and environment committee consists of four Directors. The members of the health, safety and environment committee are:

David James MOULT (*Chair*)
Fucun WANG
Fuqi WANG
Geoffrey William RABY

Strategy and Development Committee

The Company has established the Strategy and Development Committee of the Board. The primary duties of the Strategy and Development Committee are to assist the Board in its oversight and review of the Group's strategy initiatives, including merger and acquisition proposals, major capital markets transactions, significant investment opportunity and the disposal of significant assets.

The Strategy and Development consists of five Directors. The members of the Strategy and Development Committee are:

Baocai ZHANG (*Chair*)
Qingchun ZHAO
Fuqi WANG
Xing FENG
Geoffrey William RABY

DIRECTORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For 2015, 2016, 2017 and the six months ended 30 June 2018, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes) and bonuses paid by the Group to the Directors were approximately A$1.7 million, A$1.5 million, A$3.2 million and A$0.7 million, respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors for 2018 are estimated to be approximately A$1.9 million.

For 2015, 2016, 2017 and the six months ended 30 June 2018, one of the five highest paid individuals was a Director. The aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes) and bonuses paid by the Group to the four remaining highest paid individuals were approximately A$6.2 million, A$6.5 million, A$10.8 million and A$1.9 million, respectively.

Save for A$21,954 which was paid to Mr. Fucun Wang, an Executive Director, as a signing bonus in July 2018, during the Track Record Period, no remuneration was paid to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. Save for the Non-executive Directors who did not receive any fees and Mr. Baocai Zhang (who was an Executive Director during the Track Record Period until his re-designation as a Non-executive Director on 8 June 2018) who waived his long term incentive plan entitlements, none of the Directors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the letters of appointment entered into between the Company and the Directors is set out in "*Appendix VII – Statutory and General Information*".

COMPLIANCE ADVISER

The Company has appointed Somerley Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

FUTURE PLANS

See "*Business – Our Business Strategies*" for a detailed description of our future plans and strategies.

USE OF PROCEEDS

The net proceeds from the Global Offering which the Company will receive, after deducting the underwriting commissions and the estimated expenses in relation to the Global Offering and assuming the Over-allotment Option is not exercised, will be:

- approximately HK$1,183 million, assuming an Offer Price of HK$23.48 (being the Minimum Offer Price);
- approximately HK$1,251 million, assuming an Offer Price of HK$24.66 (being the mid-point of the Offer Price Range); or
- approximately HK$1,320 million, assuming an Offer Price of HK$25.84 (being the Maximum Offer Price).

The Company intends to use the net proceeds of HK$1,251 million, assuming an Offer Price of HK$24.66 (being the mid-point of the Offer Price Range), from the Global Offering as follows:

- approximately HK$600.7 million (or approximately 48% of the net proceeds) will be used to repay outstanding indebtedness of the Group under the Syndicated Facility and, potentially, unsecured loans from related parties. The Syndicated Facility has an interest rate of LIBOR plus 2.8% to 3.1% plus Yanzhou guarantee fees and the unsecured loans from the related parties have an interest rate of 7%. The Syndicated Facility matures in instalments and the unsecured loans from the related parties are due between 2022 and 2024. In each case, the loans have been utilised primarily to finance our capital expenditure and working capital requirements. (See "*Financial Information of the Group – Indebtedness*" for further details);
- approximately HK$375.4 million (or approximately 30% of the net proceeds) will be used to finance potential acquisitions (as at the Latest Practicable Date, the Company has not identified any targets to be acquired). In deciding whether to invest in or acquire a particular asset or business, we consider multiple key factors, including, among others (i) strategic value-accretion, (ii) the return on investment and (iii) future growth potential and the level of synergies created by the investment;
- approximately HK$150.2 million (or approximately 12% of the net proceeds) will be used to finance the acquisition of an additional 4% interest in the unincorporated Moolarben joint venture (see "*Financial Information of the Group – Acquisitions, Disposals and Deconsolidation – Moolarben Acquisition*" for further details); and
- approximately HK$125.1 million (or approximately 10% of the net proceeds) will be used for working capital and general corporate purposes.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range, the net proceeds from the Global Offering will be allocated to the above purposes on a *pro rata* basis, except that if the proceeds to be allocated to the Moolarben Acquisition exceed the purchase price, the difference will be reallocated to repay outstanding indebtedness of the Group under the Syndicated Facility and, potentially, unsecured loans from related parties.

If the Over-allotment Option is exercised in full, the additional net proceeds which the Company will receive, after deducting the underwriting commissions and the estimated expenses in relation to the Global Offering, will be:

- approximately HK$204 million, assuming an Offer Price of HK$23.48 (being the Minimum Offer Price);

- approximately HK$214 million, assuming an Offer Price of HK$24.66 (being the mid-point of the Offer Price Range); or

- approximately HK$225 million, assuming an Offer Price of HK$25.84 (being the Maximum Offer Price).

In each case, such net proceeds from the Global Offering (with or without the exercise of the Over-allotment Option) will be allocated to the purposes described above on a *pro rata* basis, except that if the proceeds to be allocated to the Moolarben Acquisition exceed the purchase price, the difference will be reallocated to repay outstanding indebtedness of the Group under the Syndicated Facility and, potentially, unsecured loans from related parties.

Pending the deployment of the net proceeds from the Global Offering as described above, the Company intends to deposit such net proceeds into short-term interest bearing deposits and/or money market instruments.

CORNERSTONE INVESTMENT

As part of the International Offering, the Company has entered into a cornerstone investment agreement with Shaanxi Coal and Chemical Industry Group Co., Ltd. (the "**Cornerstone Investor**"), details of which are set out below.

The Cornerstone Investor has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 Shares) that may be subscribed for with an aggregate amount of approximately US$40,000,000 (HK$313,180,000).

		Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of the Global Offering	
Offer Price	**Aggregate number of Shares to be subscribed by the Cornerstone Investor (rounded down to nearest whole board lot of 100 Shares)**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**	**Assuming the Over-allotment Option is not exercised**	**Assuming the Over-allotment Option is exercised in full**
HK$23.48 (Minimum Offer Price)	13,338,100	22.44%	19.51%	1.01%	1.01%
HK$24.66 (Mid-point of Offer Price Range)	12,699,900	21.37%	18.58%	0.97%	0.96%
HK$25.84 (Maximum Offer Price)	12,119,900	20.39%	17.73%	0.92%	0.92%

The Offer Shares to be delivered to the Cornerstone Investor pursuant to the cornerstone investment agreement will rank *pari passu* with all other Shares then in issue and to be listed on the Stock Exchange and will count towards the public float of the Shares.

The Offer Shares to be delivered to the Cornerstone Investor will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering or any exercise of the Over-allotment Option, as further described in "*Structure of the Global Offering*".

The Cornerstone Investor is an independent third party, is not a connected person of the Company and is not an existing Shareholder. Immediately following the completion of the Global Offering, the Cornerstone Investor will not become a substantial shareholder of the Company.

The Cornerstone Investor (a) will not have any representation on the Board immediately following the completion of the Global Offering, (b) will not subscribe for any Offer Shares pursuant to the Global Offering, other than pursuant to the cornerstone investment agreement and (c) do not have any preferential rights compared with other public Shareholders in its cornerstone investment agreement.

The following information on the Cornerstone Investor was provided to the Company by the Cornerstone Investor.

Shaanxi Coal and Chemical Industry Group Co., Ltd. is a large-scale state-owned energy and chemical enterprise that has been reorganised and developed by the Shaanxi Provincial Committee of the CPC and the Provincial Government of Shaanxi. It is ultimately owned by Shaanxi SASAC. Since its establishment in 2004, the group has formed two major businesses of "coal mining and coal chemical industry", along with the multi-complementary and coordinated industrial structure of "coal-fired power generation, iron and steel smelting, machinery manufacturing, construction, railway investment, science and technology, finance, and modern services". The group is headquartered in Xi'an, Shaanxi Province, and has nearly 120,000 employees with total assets of CNY470 billion.

Shaanxi Coal and Chemical Industry Group Co., Ltd. has agreed to subscribe for the Investor Shares through a subsidiary that is a qualified domestic institutional investor.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor to subscribe, and the obligation of the Company to issue and deliver, the Offer Shares pursuant to the cornerstone investment agreement is conditional upon the following:

(a) the Underwriting Agreements being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Underwriting Agreements having been terminated;

(c) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;

(d) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

(e) the representations, warranties, undertakings and confirmations of the Cornerstone Investor in the cornerstone investment agreement remaining true and accurate in all material respects and there being no material breach of the cornerstone investment agreement on the part of the Cornerstone Investor.

Further, the Cornerstone Investor's obligation to subscribe for, and the obligations of the Company to issue and deliver, the Offer Shares pursuant to the cornerstone investment agreement are not binding until either:

(a) the Cornerstone Investor (or the Company) has received a written notice under *Foreign Acquisitions and Takeovers Act 1975* (Commonwealth of Australia ("**FATA**") from the Treasurer of the Commonwealth of Australia (The "**Treasurer**") (or the Treasurer's delegate) stating that, or to the effect that, the government of the Commonwealth of Australia does not object to the transaction contemplated by the cornerstone investment agreement; or

(b) following the Cornerstone Investor (or the Company) giving notice of the proposed investment into the Offer Shares pursuant to the cornerstone investment agreement to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Part 3 of FATA.

The above condition cannot be waived.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that without the prior written consent of Morgan Stanley, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the cornerstone investment agreement and any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

The Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor (provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by the Cornerstone Investor's obligations under the cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on the Cornerstone Investor), accepting a takeover bid that has been made for 100% of the Shares in the Company and in circumstances where at least 50% of the Shares held by non-locked up Shareholders have also accepted that takeover bid or having its Shares in the Company acquired by a bidder following a scheme of arrangement in relation to the Company.

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and/or the Companies (WUMP) Ordinance:

	Relevant Rules	**Subject Matter**
1.	2.07C(4)(a)	Submission of announcements to the Stock Exchange and disclosure of inside information
2.	4.03	Qualifications of reporting accountants
3.	4.29	Pro forma financial information
4.	Paragraph 32 of the Third Schedule to C(WUMP)O	Financial Information of Moolarben
5.	8.08(1)	Public float
6.	8.12	Management presence
7.	9.09(b)	Dealing in Shares by core connected persons during a listing application process
8.	10.04 and Paragraph 5(2) of Appendix 6	Restrictions on existing Shareholders to subscribe for Shares
9.	10.07(1)	Restriction on disposal of Shares by Controlling Shareholders
10.	Chapter 14A	Non-exempt continuing connected transactions
11.	19.10(6)	Requirement to make relevant statutes or regulations available for inspection
12.	Appendix 3	Certain Articles in the Company's Constitution

1. WAIVER IN RELATION TO SUBMISSION OF ANNOUNCEMENTS TO THE STOCK EXCHANGE AND DISCLOSURE OF INSIDE INFORMATION

Rule 2.07C(4)(a) of the Listing Rules provides that announcements and notices must not be published on the Stock Exchange's website between 8:30 a.m. and 12:00 noon and between 12:30 p.m. and 4:30 p.m. on a normal business day in Hong Kong. The Company is listed on the ASX. Under the ASX Listing Rules, once an ASX-listed issuer is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the issuer's securities (the "**ASX Price Sensitive Information**"), the issuer must immediately (i.e. promptly and without delay) announce that information on the ASX. The ASX Price Sensitive Information will, in general, also be inside information under the Listing Rules. Announcements on the ASX can be submitted at any time, and are processed and released between 7:30 a.m. and 7:30 p.m. (8:30 p.m. during daylight saving time in the summer) (Sydney time) on each ASX trading day, with announcements submitted outside of such periods queued for release on the morning of the following trading day beginning at 7:30 a.m.. As the Company is required under the ASX Listing Rules to announce ASX Price Sensitive Information immediately, compliance with the ASX Listing Rules could require an announcement of inside information to be made by the Company outside the permitted periods for submitting announcements to the Stock Exchange under Rule 2.07C(4)(a) of the Listing Rules.

Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver of strict compliance with the requirements under Rule 2.07C(4)(a) of the Listing Rules such that the Company is allowed to submit to the Stock Exchange any announcement which is required to be made under the ASX Listing Rules between 8:30 a.m. and 4:30 p.m. on a normal business day in Hong Kong simultaneously with the submission to the ASX of the same announcement pursuant to the ASX Listing Rules, without any suspension of dealings or trading halt in the Company's securities.

The waiver has been granted subject to the following conditions:

(a) The Company discloses in the prospectus the grant of the waiver setting out relevant details including a clear indication of the impact of the waiver on the Hong Kong investing public following any announcement made under the waiver, i.e. that one effect of the waiver for investors in Hong Kong is that trading in the Shares will continue even if the Company releases an announcement containing inside information during normal trading hours in Hong Kong, and as a result, investors in Hong Kong should consider whether any inside information has been released during trading hours in Hong Kong prior to making an investment decision regarding the Shares;

(b) The Company informs the Stock Exchange in the first instance in the event of any material change being made to the ASX Listing Rules on disclosure of ASX Price Sensitive Information as such information may be of material relevance to an assessment of the ongoing appropriateness of the waiver. The Stock Exchange will evaluate the impact of any of these changes and indicate to the Company whether or not we intend to amend or revoke the waiver;

(c) The Company will comply with the relevant provisions in the event of changes to the Hong Kong regulatory regime and the rules in relation to disclosure of inside information and electronic disclosure unless the Stock Exchange agrees to amend the waiver or grant a new waiver in the circumstances prevailing;

(d) The Company notifies, and at the same time, submits electronic copies of the English and Chinese version of announcements to the Stock Exchange at least 10 minutes in advance of the expected time of release; and

(e) The waiver will not apply to announcements published in discharge of the disclosure obligations under the Listing Rules for notifiable and/or connected transactions.

2. WAIVER IN RELATION TO THE QUALIFICATIONS OF REPORTING ACCOUNTANTS

Rule 4.03 of the Listing Rules provides that all accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance ("**PAO**") for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants. Rule 4.05A of the Listing Rules provides that where a new applicant acquires any material subsidiary during the Track Record Period and such an acquisition if made by a listed issuer would have been classified at the date of application as a very substantial acquisition, it must disclose pre-acquisition financial information on that material subsidiary from the commencement of the Track Record Period to the date of acquisition. Pre-acquisition financial information on the material subsidiary must normally be drawn up in conformity with accounting policies adopted by the new applicant and be disclosed in the form of a note to the accountants' report or in a separate accountants' report.

The Company acquired C&A on 1 September 2017. The C&A Acquisition, if made by a listed issuer, would have constituted a very substantial acquisition (as defined by the Listing Rules). The C&A Acquisition constituted a very substantial acquisition of Yanzhou, a Controlling Shareholder of the Company. A circular to the shareholders of Yanzhou was issued on 2 June 2017 (the "**Yanzhou Circular**"). C&A was incorporated in Australia under the Australian Corporations Act. The accounting records of the C&A Group are maintained under the Australian equivalent of the International Financial Reporting Standards of the Australian Accounting Standards Board.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.03 of the Listing Rules to permit the Company to appoint ShineWing Australia as the reporting accountants for the purpose of issuing the accountants' report of the C&A Group included in the prospectus on the following grounds and conditions:

(a) ShineWing Australia was appointed as the reporting accountants for the purpose of issuing the accountants' report of the C&A Group included in the Yanzhou Circular, which included the historical financial information of the C&A Group for the three years ended 31 December 2016. In view of the foregoing, it would be more cost and time effective to engage ShineWing Australia to issue the accountants' report of the C&A Group in accordance with IFRS which will cover the three years ended 31 December 2017;

(b) ShineWing Australia is a member firm of ShineWing International, an accounting practice with an international name and reputation;

(c) ShineWing Australia is registered under the applicable laws of Australia and is a member of the Chartered Accountants Australia and New Zealand, which is a member of the International Federation of Accountants ("**IFAC**"), a global organisation for the accountancy profession. ShineWing Australia is subject to the independent oversight of the Australian Securities and Investment Commission, a regulatory body of Australia which is a signatory to the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information;

(d) ShineWing Australia is independent from the Group and the C&A Group under the statements on independence issued by the IFAC; and

(e) ShineWing Australia will be named as an expert in the prospectus and will be liable under Companies (WUMP) Ordinance in the same way as reporting accountants qualified under the PAO.

3. WAIVER IN RELATION TO PRO FORMA FINANCIAL INFORMATION

Rule 4.29(1) of the Listing Rules provides that, where an issuer includes pro forma financial information in any document, the pro forma financial information must provide investors with information about the impact of the transaction which is the subject of the document. Rule 4.29(6)(b) of the Listing Rules provides that any adjustments made in relation to any pro forma statement must be directly attributable to the transaction concerned and not relating to future events or decisions.

Given the significance of the C&A Acquisition, Warkworth Transaction and Glencore Transaction (together, the "**Pro Forma Transactions**") to the Group, the prospectus includes a pro forma income statement for the financial year ended 31 December 2017 showing the pro forma results of operations of the Group had the Pro Forma Transactions been completed on 1 January 2017 and a pro forma income statement for the six months ended 30 June 2018 showing the effects of the Warkworth Transaction and the Glencore Transaction. However, the Pro Forma Transactions are not the subject of this prospectus.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.29(1) of the Listing Rules to permit the inclusion of the C&A Pro Forma in the prospectus on the following grounds and conditions:

(a) the Pro Forma Transactions are not the subject of the prospectus and the adjustments for the effects of Pro Forma Transactions made to the financial information set out in *"Appendix IIB – Unaudited Pro Forma Financial Information of the Enlarged Group"* are not directly attributable to the transaction concerned (i.e. the Global Offering), but for the reasons set out above, inclusion of the pro forma income statement showing the effect of Pro Forma Transactions in the prospectus would assist investors in analysing the future prospects of the Company; and

(b) the reporting accountants will report on the Pro Forma Transactions in accordance with Rule 4.29(7) of the Listing Rules.

4. FINANCIAL INFORMATION MOOLARBEN

Paragraph 32 of the Third Schedule to the Companies (WUMP) Ordinance provides that, if the proceeds of the issue of shares are applied in the purchase of any business, a separate accountants' report in relation to the business in respect of each of the three financial years immediately preceding the issue of the prospectus is required.

The Company has entered into an agreement with KORES, subject to satisfaction of certain conditions precedent, to acquire a 4% interest in Moolarben for a total consideration of A$84 million, which the Company intends to fund using a portion of the expected proceeds from the Global Offering.

The Company has applied for a certificate of exemption pursuant to section 342A(1)(b) of the Companies (WUMP) Ordinance from strict compliance with the requirements of paragraph 32 of the Third schedule to the Companies (WUMP) Ordinance, in respect of the requirement to include a separate accountants report on the Moolarben JV on the following grounds:

(a) the Company has consolidated 81% of the financial results of the Moolarben JV for each of the years ended 31 December 2015, 2016 and 2017 in its financial statements based on its current interest in the Moolarben JV. Therefore, the financial results of the Moolarben JV, insofar as the Company's 81% interest, have already been substantially disclosed in, among other sections, the "*Appendix IA – Accountants' Report of the Group*";

(b) (i) the profit and loss information of the Moolarben JV in respect of the financial years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 and (ii) the assets and liabilities information of the Moolarben JV as at the last date to which the financial statements of the business were prepared are disclosed in note 45 to "*Appendix IA – Accountants' Report of the Group*";

(c) (i) the 81% of the financial results of the Moolarben JV pursuant to the Company's existing interest in the Moolarben JV and (ii) the income statement and balance sheet of the Moolarben JV will, when taken together, provide the investors with sufficient disclosure on the financial information of the Moolarben JV;

(d) strict compliance with paragraph 32 of the Third Schedule to C(WUMP)O would be unduly burdensome given the time and cost involved in preparing a separate accountants' report. The Reporting Accountants has estimated and that it would take approximately one month for such accountants' report to be prepared. In addition, the Company is not otherwise required under the applicable accounting standards, the listing rules of the ASX (on which it has been listed since 2012) or the applicable laws of Australia (in which it was incorporated) to prepare a separate accountants' report on Moolarben; and

(e) (i) financial information in relation to the Company's 81% interest in the Moolarben JV and (ii) the income statement and balance sheet of the Moolarben JV have already been disclosed in the "*Appendix IA – Accountants' Report of the Group*". Accordingly, the Directors consider that the exemption from the requirement to include a separate accountants' report on the Moolarben JV would not prejudice the interests of the investing public.

The SFC has granted a certificate of exemption from strict compliance with paragraph 32 of the Third Schedule to C(WUMP)O on the conditions that (a) the particulars of the exemption be set forth in this prospectus and (b) this prospectus be issued on or before 26 November 2018.

5. WAIVER IN RELATION TO THE PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1) of the Listing Rules requires that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities must be maintained.

The Company has applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver under Rule 8.08(1)(d) that the minimum public float requirement under Rule 8.08(1)(a) be reduced subject to the following:

(i) the minimum public float shall be the higher of (a) 15.05%; and (b) such percentage immediately after completion of the Global Offering and exercise of the Over-allotment Option;

(ii) the Company's market capitalisation at the time of listing is over HK$10 billion;

(iii) appropriate disclosure of the lower prescribed percentage of public float be made in this prospectus together with a confirmation of sufficiency of public float in its successive annual reports after the listing;

(iv) there will be an open market in the Shares, and the number of Shares and the extent of their distribution would enable the market to operate properly; and

(v) the Company will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

6. WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of the Executive Directors must be ordinarily resident in Hong Kong.

The Group is an Australian-based coal producer which currently operates and manages mines in New South Wales, Queensland and Western Australia. The Group is registered in, headquartered in, and has its principal place of business in Australia. The Executive Director and the senior management team who are responsible for the management of the Group's operations are based in Australia or the PRC. Accordingly, the Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement for management presence in Hong Kong under Rule 8.12 of the Listing Rules, subject to the Company adopting the following arrangements to maintain regular communications with the Stock Exchange:

(a) the Company has appointed Mr. Baocai ZHANG and Ms. Laura Ling ZHANG as its authorised representatives for the purpose of Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. As and when the Stock Exchange wishes to contact the Directors on any matters, each of these authorised representatives will have the means to contact all of the Directors promptly at all times;

(b) the Company has provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, fax number and e-mail address) to facilitate communication with the Stock Exchange;

(c) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period; and

(d) the Company has appointed Somerley Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange.

7. WAIVER IN RELATION TO DEALING IN SECURITIES BY CORE CONNECTED PERSON DURING A LISTING APPLICATION PROCESS

Rule 9.09(b) of the Listing Rules provides that in the case of a new applicant, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer from 4 clear business days before the expected hearing date until listing is granted.

Under the JPS, a common waiver from strict compliance with Rule 9.09(b) of the Listing Rules in respect of dealing in securities by core connected persons for the period from four clear business days before the expected hearing date until listing is granted (the "**Restricted Period**") is subject to the following conditions:

(a) the core connected person(s):

  (i) have no influence over the Global Offering process;

  (ii) are not in possession of non-public inside information; and

  (iii) can conduct dealings in the issuer's securities on markets outside the Stock Exchange that cannot be controlled by the issuer (e.g. a public investor who may become a substantial shareholder before the issuer lists on the Stock Exchange or connected persons at the subsidiary level);

(b) the issuer promptly releases any inside information to the public in its overseas jurisdiction(s) in accordance with the relevant laws and regulations; and

(c) the issuer notifies the Stock Exchange of breaches of the dealing restriction by any of its connected persons during the Restricted Period.

On the grounds and subject to the conditions set out below, the Company has applied for, and the Stock Exchange has granted, such common waiver in respect of any dealing by core connected persons (excluding (i) Yankuang, Yanzhou, Cinda and their associates and (ii) the directors and the chief executive of the Company and its subsidiaries and their associates):

(a) as the Shares are publicly traded on the ASX, the Company and its management are not in a position to control dealings in the Shares by any other person (whether or not an existing Shareholder) or their associates who may, as a result of such dealing, become a substantial shareholder of the Company (within the meaning of the Listing Rules) and who are currently not and will not after the Listing become directors or members of senior management of the Company or any of its subsidiaries (the "**new potential substantial shareholders**");

(b) the new potential substantial shareholders shall have no influence over the Global Offering and are not in possession of any non-public inside information;

(c) the Company and its management do not have control over the investment decisions of the new potential substantial shareholder and its close associates;

(d) the Company will promptly release any inside information to the public on the ASX in accordance with the ASX Listing Rules and the relevant Australian laws and regulations;

(e) none of (i) Yankuang, Yanzhou, Cinda and their associates; and (ii) the Directors and the chief executive of the Company and its subsidiaries and their associates will deal in the Shares during the Restricted Period; and

(f) the Company will notify the Stock Exchange if it has come to its knowledge that there are any dealings or suspected dealings in the Shares by any of its core connected persons during the Restricted Period.

8. WAIVER IN RELATION TO THE RESTRICTIONS ON EXISTING SHAREHOLDERS TO SUBSCRIBE FOR SHARES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) are fulfilled. Paragraph 5(2) of Appendix 6 to the Listing Rules provides that no allocations will be permitted, without the prior written consent of the Stock Exchange, to directors or existing shareholders of the applicant or their close associates unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

Under the JPS, a common waiver from strict compliance with Rule 10.04 and Paragraph 5(2) of Appendix 6 of the Listing Rules in respect of the restriction on existing shareholders to subscribe for or purchase securities for which listing is sought is subject to the following conditions that the existing shareholders are public investors who:

(a) are not the issuer's connected persons; and

(b) have no influence over the offering process and will be treated the same as other placees.

The Company has applied for, and the Stock Exchange has granted, such common waiver from strict compliance with the requirements of Rule 10.04 and Paragraph 5(2) of Appendix 6 of the Listing Rules in respect of the restriction on the existing Shareholders (excluding core connected persons of the Company and their close associates) (the "**Non-connected Existing Shareholders**") to subscribe for or purchase Shares in the Global Offering and for existing Shareholders to exercise their right to take up their pro rata entitlement as existing Shareholders under the Australian Entitlement Offer on the following grounds and conditions:

(a) the Company is listed on the ASX and its Shares are publicly traded. The Non-connected Existing Shareholders are public investors in the Company;

(b) the Non-connected Existing Shareholders do not have the power to appoint directors or any other special rights;

(c) the Non-connected Existing Shareholders have no influence over the offering process and will be treated the same as other placees in the Global Offering;

(d) any allocation of Shares to the Non-connected Existing Shareholders and/or their close associates will not affect the Company's ability to satisfy the minimum public float requirement (as described in "*– Waiver in Relation to the Public Float Requirements*" above);

(e) each of the Company, the Joint Global Coordinators and the Sponsors confirms to the Stock Exchange in writing that, based on their discussions with and confirmations from the Company and other Joint Global Coordinators, no preferential treatment has been, nor will be, given to the Non-connected Existing Shareholders and/or their close associates as a placee in the International Offering by virtue of their relationship with the Company;

(f) the relevant information in respect of any allocation to Non-connected Existing Shareholders and/or their close associates will be disclosed in the allotment results announcement to be published by the Company; and

(g) the connected persons of the Company will not subscribe for Shares in the Global Offering.

9. WAIVER IN RELATION TO THE RESTRICTION ON DISPOSAL OF SHARES BY CONTROLLING SHAREHOLDERS AFTER A NEW LISTING

Rule 10.07(1) of the Listing Rules provides that a person or group of persons shown by the listing document issued at the time of the issuer's application for listing to be controlling shareholders of the issuer shall not and shall procure that the relevant registered holder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is 6 months from the date on which dealings in the securities of a new applicant commence on the Stock Exchange (the "**First Six Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities (the "**Securities**") of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s); or

(b) in the period of 6 months commencing on the date on which the First Six Month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interest or encumbrances in respect of, any of the Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder.

Under Australian law, a person has a relevant interest in a share if they (i) are the registered holder of the share, or (ii) have the power to control voting of the share or (iii) have the power to control disposal of the share. If the Controlling Shareholders give lock up undertakings in favour of the Stock Exchange, this will result in the Stock Exchange acquiring a "relevant interest" in 65.45% of the Shares.

Under Australian takeovers law, a person cannot acquire a relevant interest above 20% unless they fall within one of the permitted gateways (exceptions) or unless relief is provided by ASIC. Accordingly, the Company has sought and ASIC has granted relief to the Stock Exchange from the acquisition of a relevant interest in the Shares subject to the inclusion of the carve outs in paragraphs (a) and (b) below to be included in the lock up undertakings to be given by the Controlling Shareholders, on the basis that the relief is consistent with ASIC's existing policy as it applies to the ASX.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 10.07(1) of the Listing Rules in respect of the restriction on disposal of Shares by the Controlling Shareholders to allow the Controlling Shareholder:

(a) to accept a takeover bid that has been made for 100% (or some lesser percentage, in the event of a proportional takeover bid) of the Shares in the Company and in circumstances where at least 50% of the Shares held by non-locked up Shareholders that are the subject of the takeover bid have also accepted that takeover bid, provided that if the takeover bid is a conditional takeover bid and does not become unconditional, then the Shares which had been accepted into the takeover bid will not be released from the restrictions and undertakings referred to above; or

(b) to have the Controlling Shareholders' Shares in the Company acquired by a bidder following a scheme of arrangement in relation to the Company.

10. WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Certain members of the Group have entered into certain transactions which will constitute non-exempt continuing connected transactions of the Company under the Listing Rules following the Listing. The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. See "*Connected Transactions – Waiver Application for Non-exempt Continuing Connected Transactions*".

11. WAIVER IN RELATION TO THE REQUIREMENT TO MAKE RELEVANT STATUTES OR REGULATIONS AVAILABLE FOR INSPECTION

Rule 19.10(6) of the Listing Rules provides that an overseas issuer must offer for inspection a copy of any statutes or regulations which are relevant to the summary of the regulatory provisions of the jurisdiction in which the overseas issuer is incorporated. In the case of the Company, these include the Australia Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and the Australia Foreign Acquisitions and Takeovers Act. These copies of legislation are lengthy and it would be difficult to deliver copies to Hong Kong in physical format. In addition, these copies of legislation can be readily accessed via the internet. For further details about how to access these copies of legislation via the internet, please see "*Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection*". The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 19.10(6) of the Listing Rules.

12. WAIVERS IN RELATION TO CERTAIN ARTICLES IN THE COMPANY'S CONSTITUTION

The Company has applied for, and the Stock Exchange has granted, waivers from strict compliance of the Constitution with certain paragraphs of Appendix 3 of the Listing Rules, (see *"Appendix V – Summary of the Constitution of the Company and the Australia Corporations Act"* for further details), on the basis that:

(i) the Company would be subject to the Australian laws and other relevant applicable rules and regulations;

(ii) the differences from the requirements of Appendix 3 to the Listing Rules are not considered material from the perspective of shareholders protection; and

(iii) relevant Australian laws and regulations and the Constitution are disclosed in this prospectus.

LISTINGS

The Company currently has a primary listing of Shares on the ASX, which it intends to maintain alongside its proposed primary listing of Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares.

REGISTRATION

The principal register of members of the Company in Australia is maintained by the Australian Share Registry. The Company has established a register of members in Hong Kong, which is maintained by the Hong Kong Share Registrar.

Only certificates for Shares issued by the Hong Kong Share Registrar will be valid for delivery in respect of dealings effected on the Stock Exchange.

Shares held on the Australian Share Registry are in uncertificated form. The Company, through its Australian Share Registry, operates an issuer sponsored sub-register. In addition, the Company participates in the Australian security transfer system known as the Clearing House Electronic Sub-Register System, commonly called CHESS. Shareholders whose Shares are held on the Australian register and who elect to have their shareholding managed by a broker will have their holding recorded by the Australian Share Registry on the CHESS sub-register. All other shareholders whose Shares are held on the Australian register will have their holding recorded on the issuer sponsored sub-register. Within five business days in Sydney after the date of issue of shares held on the Australian register the Australian Share Registry will send Shareholders on the issuer sponsored sub-register a notice advising them of the opening balance of their holdings. Where Shares are to be issued through CHESS, the Australian Share Registry will deliver the Shares to the account specified by the relevant shareholder by no later than five business days in Sydney following the date of issue.

DEALINGS

The transaction costs of dealings in the Shares on the Stock Exchange include a Stock Exchange trading fee of 0.005%, an SFC transaction levy of 0.0027%, a transfer deed stamp duty of HK$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the value of the Shares transferred. The brokerage commission in respect of trades of Shares on the Stock Exchange is freely negotiable.

The brokerage commission in respect of trades of Shares on the ASX is freely negotiable.

SETTLEMENT

Settlement of dealings on the ASX will take place on the second Business Day following the date of transaction. Investors in Hong Kong must settle their trades executed on the Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules in effect from time to time. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker by the settlement date.

An investor may arrange with his broker on a settlement date in respect of his trades executed on the Stock Exchange. Under the Listing Rules and the CCASS Rules, the date of settlement must not be later than the second day following the trade date on which the settlement services of CCASS are open for use by CCASS participants (T+2). For trades settled under CCASS, the CCASS Rules provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards. The CCASS stock settlement fee payable by each counterparty to a Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK$2 and a maximum fee of HK$100 per trade.

SHUNTING REGISTERS

The general procedure for shunting Shares between the Australian Share Registry and the Hong Kong Share Registrar, are as follows:

- each respective share registrar in Australia and Hong Kong has set up a control account as part of the reconciliation of issued capital for the Company. For example, the Australian Share Registry has established a control holding on the Company's Australian principal register with the name "Hong Kong Register Control Account", with the current issued capital of the Hong Kong Share Registrar. This control holding is excluded from any reports concerning largest shareholders and similar matters. The Hong Kong Share Registrar has set up a similar control account with the Shares registered on the Australian principal register;

- when a Shareholder wishes to shunt Shares from between the two registers (the "**home register**") to the other register (the "**target register**"), the Shareholder provides the home registrar with an instruction (either a removal form for retail holders, or via a secure portal for brokers/participants). This instruction provides details of the shareholder on the home register, and in what form they are to be issued on the target register. The home registrar then removes the Shares from their holding, and places the Shares into the control account (to reconcile to the Shares being placed onto the target register). A confirmation is then sent to the target registrar, who debits their control account (that reconciles to the home register) and either, depending on the removal direction, issues in the name of the shareholder a) a certificate (Hong Kong), b) creates an issuer sponsored holding (Australia) or c) initiates the process to deposit the shares into the Central Securities Depository (CHESS or CCASS); and

- Both the Australian principal and Hong Kong branch share registers will be on Computershare's single registry platform they are reconciled automatically and the issue capital balances both within and across the two registers.

Typically, the shunting process takes between three to six business days. The period of time required to shunt Shares between the Australian Share Registry and the Hong Kong Share Registrar may vary and there is no certainty of when shunted Shares will be available for trading or settlement.

Processing fees for the shunting of shares are payable by Shareholders.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
CMB International Capital Limited
BOCI Asia Limited
Citigroup Global Markets Asia Limited
CCB International Capital Limited
China Everbright Securities (HK) Limited
Cinda International Securities Limited
Haitong International Securities Company Limited
Zhongtai International Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 5,944,200 Hong Kong Offer Shares and the International Offering of initially 53,497,700 International Offer Shares, subject, in each case, to reallocation on the basis as described in "*Structure of the Global Offering*" and to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 23 November 2018. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and the Australian Entitlement Offer on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their absolute discretion may, by giving a written notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore or Australia (the "**Relevant Jurisdictions**" and each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change, or any event or circumstances or series of events resulting in or likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including conditions in the stock and bond markets, money and foreign exchange markets, the inter-bank markets, credit markets), in or affecting any Relevant Jurisdiction; or

(iii) any event, or series of events, in the nature of *force majeure* (including any acts of government, declaration of a national or international emergency, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases (including Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms) or prolonged interruption or delay in transportation, economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)), in or affecting any Relevant Jurisdiction; or

(iv) the imposition of any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the ASX, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) the imposition of any general moratorium on commercial banking activities in or affecting any Relevant Jurisdiction, or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(vii) any change or development involving a prospective change or amendment in or affecting Taxation or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar, United States dollar, Australian dollar or the Renminbi against any foreign currencies or a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any Relevant Jurisdiction or affecting an investment in the Offer Shares; or

(viii) any adverse change or development or likely to be any prospective adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, financial or trading position or condition or performance of the Group as a whole; or

(ix) a Director or a member of senior management of the Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any investigation or other action against any Director or senior management in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(x) the chairman of the Board, the chief executive officer of the Company, the chief financial officer of the Company, any other Directors or any other member of senior management of the Company vacating his or her office (other than by reason of death, incapacity or serious illness); or

(xi) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xii) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, any Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or

(xiii) an authority or a political body or organisation commencing any investigation or other action, or announcing an intention to commence investigation or take other action, against any Director, the chief executive officer of the Company, the chief financial officer of the Company or any member of the Group; or

(xiv) any litigation, dispute, legal action, arbitration, proceeding or claim being threatened or instigated against the Company, any Director or any member of the Group; or

(xv) a contravention by the Company, any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or applicable laws and regulations; or

(xvi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(xvii) any breach of the ASX Listing Rules or other Australian securities legislation or regulations by the Company or the Directors; or

(xviii) any investigation of the Group by ASIC or any Australian securities regulators or any circumstances which may result in an investigation of the Group being carried out; or

(xix) any suspension of trading of the Company's shares on the ASX which is not in connection with the pending publication of an announcement or other documents relating to the Global Offering or the Australian Entitlement Offer; or

(xx) Yanzhou ceasing to hold at least 50% of the issued share capital of the Company; or

(xxi) any change or prospective change or development in, or a materialisation of, any of the risks set out in "*Risk Factors*"; or

(xxii) any order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xxiii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (1) has or will or may have a material adverse effect on the assets, liabilities, business, management, general affairs, shareholders' equity, profits, losses, prospects, results of operations, financial or trading position or condition of the Group as a whole; (2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to be implemented or proceed as envisaged or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents; (4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) or the International Underwriting Agreement incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or (5) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (i) any breach of, or any matter, event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the representations, warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or (ii) that any statement contained in any of the Offering Documents and/or in any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to this Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or reasonable assumptions; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of the Offering Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(ii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers or the Underwriters); or

(iii) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by it under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(iv) the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering and the Australian Entitlement Offer is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(v) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(vi) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering and the Australian Entitlement Offer or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules and a waiver from strict compliance with Rule 10.07 of the Listing Rules granted by the Stock Exchange, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, except pursuant to (a) any lending of Shares pursuant to the Stock Borrowing Agreement or (b) the Global Offering, it will not and will procure that the relevant registered holder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder of the Company, in each case, save as

(a) permitted under the Listing Rules;

(b) to accept a takeover bid that has been made for 100% (or some lesser percentage, in the event of a proportional takeover bid) of the Shares in the Company and in circumstances where at least 50% of the Shares held by non-locked up Shareholders that are the subject of the takeover bid have also accepted that takeover bid, provided that if the takeover bid is a conditional takeover bid and does not become unconditional, then the Shares which had been accepted into the takeover bid will not be released from the restrictions and undertakings referred to above; or

(c) to have the Controlling Shareholders' Shares in the Company acquired by a bidder following a scheme of arrangement in relation to the Company.

See "*Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (WUMP) Ordinance*" for details.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(1) when it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

Undertakings by the Company Pursuant to the Hong Kong Underwriting Agreement

Except for (a) the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), (b) the issue of Shares pursuant to the Australian Entitlement Offer and (c) any grants made pursuant to the Equity Incentive Plan adopted by the Company, the Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters not to, without the prior written consent of the Joint Sponsors and Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including the date falling six months after the Listing Date (the "First Six-Month Period"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the Shares or other securities of the Company, or in cash or otherwise, and whether or not the allotment or issue of Shares or such other securities will be completed within the First Six-Month Period. In the event that, during the period of six months immediately following the First Six-Month Period (the "Second Six-Month Period"), the Company enters into any such transactions or offers or agrees to, or announces, any intention to effect any such transaction, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "*Structure of the Global Offering – The International Offering*".

Over-allotment Option

The Company is expected to grant to the Stabilising Manager or its affiliate the Over-allotment Option, exercisable at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 8,916,200 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. See "*Structure of the Global Offering – Over-allotment Option*".

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$24.66 per Offer Share (which is the mid-point of the Offer Price Range) and the exercise of the Over-allotment Option in full) will be approximately HK$42.1 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$220 million (assuming an Offer Price of HK$24.66 per Offer Share (which is the mid-point of the Offer Price Range) and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "*Structure of the Global Offering*". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited, CMB International Capital Limited, BOCI Asia Limited and Citigroup Global Markets Asia Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

59,441,900 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 5,944,200 Shares (subject to reallocation) in Hong Kong as described in "– *The Hong Kong Public Offering*" below; and

(b) the International Offering of initially 53,497,700 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "– *The International Offering*" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 4.52% of the total Shares in issue immediately following the completion of the Global Offering, disregarding any Shares issued upon any exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 5.16% of the total Shares in issue immediately following the completion of the Global Offering. These percentages will decrease to the extent that any eligible existing Shareholders elect to take up their entitlements under the Australian Entitlement Offer.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may also be subject to reallocation as described in "– the Hong Kong Public Offering – Reallocation" below.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 5,944,200 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.45% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "*– Conditions of the Global Offering*" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 2,972,100 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 17,832,500 Offer Shares (in the case of (a)), 23,776,700 Offer Shares (in the case of (b)) and 29,720,900 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option) (the "PN18 Clawback"). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

According to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (a) the International Offering is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed or (b) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times of the total number of Offer Shares initially available under the Hong Kong Public Offering, then the Joint Global Coordinators may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions in accordance with Guidance Letter HKEX-GL91-18 (the "**Allocation Cap**"):

(i) the maximum total number of shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall be not more than double the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (i.e. 11,888,400 Offer Shares); and

(ii) the final Offer Price shall be fixed at the bottom of the indicative Offer Price Range stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. The Allocation Cap will not be triggered.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators, subject to the PN18 Clawback and the Allocation Cap (as applicable).

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement which is expected to be published on Wednesday, 5 December 2018.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$25.84 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$2,610.04 for one board lot of 100 Shares. If the Offer Price, as finally determined in the manner described in "*– Pricing and Allocation*" below, is less than the Maximum Offer Price of HK$25.84 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "*How to Apply for Hong Kong Offer Shares*".

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 53,497,700 Shares, representing approximately 90.00% of the total number of Offer Shares available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 4.07% of the total Shares in issue immediately following the completion of the Global Offering (disregarding any Shares issued upon any exercise of the Over-allotment Option).

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "*– Pricing and Allocation*" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "*– The Hong Kong Public Offering – Reallocation*" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the Stabilising Manager or its affiliate.

Pursuant to the Over-allotment Option, the Stabilising Manager or its affiliate will have the right exercisable at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to additional 8,916,200 Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.67% of the total Shares in issue immediately following the completion of the Global Offering and the Australian Entitlement Offer (assuming the level of takeup by eligible existing Shareholders of the Australian Entitlement Offer (excluding Yanzhou, Cinda and CSIL) is 100%) and approximately 0.68% of the total Shares in issue immediately following the completion of the Global Offering and the Australian Entitlement Offer (assuming the level of takeup by existing Shareholders eligible to participate in the retail tranche of the Australian Entitlement Offer is 0% and any unexercised rights in the retail tranche of the Australian Entitlement Offer are not acquired by any investors in the institutional bookbuild). Whether or not the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Saturday, 29 December 2018, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

ASIC has issued a no-action letter in respect of any potential breaches of the following sections of the Australia Corporations Act arising from stabilisation activities conducted in accordance with all relevant applicable laws and regulatory requirements in Hong Kong and as described above: (i) section 1041A (market manipulation); and (ii) section 1041B-1041C (market rigging), subject to specified conditions being followed by the Stabilising Manager which includes a condition (the **Daily Disclosure Requirement**) requiring that on each day before trading on ASX commences, the Stabilisation Manager must notify ASX for publication on ASX's market announcement platform:

(a) the number of Shares purchased by the Stabilisation Manager on the previous trading day under the market stabilisation; and

(b) its determination of the lowest price payable for Shares by institutions under the Offer (ie the Offer Price) adjusted for the prevailing AUD:HKD exchange rate for that day (being the Offer Price for each Share in Hong Kong dollars converted into Australian dollars at the prevailing exchange rate for that day).

The Daily Disclosure Requirement is not an obligation contained in the Securities and Futures (Price Stabilizing) Rules of the SFO and may have the effect of reducing the ability of market stabilisation to retard downward movements in the trading price of Shares.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or its affiliate or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilising Manager (or its affiliate or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilising Manager (or its affiliate or any person acting for it) may choose to borrow up to 8,916,200 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Yanzhou, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilising Manager (or its affiliate or any person acting for it) and Yanzhou on or about the Price Determination Date.

If the Stock Borrowing Agreement with Yanzhou is entered into, the borrowing of Shares will only be effected by the Stabilising Manager (or its affiliate or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Yanzhou, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Yanzhou by the Stabilising Manager (or its affiliate or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 29 November 2018 and, in any event, no later than Wednesday, 5 December 2018, by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$25.84 per Offer Share and is expected to be not less than HK$23.48 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$25.84 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$2,610.04 for one board lot of 100 Shares.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.yancoal.com.au** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer

Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "*How to Apply for Hong Kong Offer Shares – Publication of Results*".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in "*Underwriting*".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and all other Shares to be issued pursuant to the Australian Entitlement Offer and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

(unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Company on or before Wednesday, 5 December 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.yancoal.com.au** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "*How to Apply for Hong Kong Offer Shares – Refund of Application Monies*". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, 6 December 2018, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 6 December 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 6 December 2018.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 3668.

IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.yancoal.com.au** and the Stock Exchange at **www.hkexnews.hk** under the "*HKExnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018 at the following locations:

1. any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point, Hong Kong
	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories

2. any of the following offices of the Joint Global Coordinators:

(a) **Morgan Stanley Asia Limited**, at 46/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong;

(b) **CMB International Capital Limited**, at 45/F, Champion Tower, 3 Garden Road, Central, Hong Kong; and

(c) **BOCI Asia Limited**, at 26th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong; and

(d) **Citigroup Global Markets Asia Limited**, at 50/F, Champion Tower, 3 Garden Road, Central, Hong Kong; and

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

Details of where printed prospectuses may be obtained will be displayed prominently at every branch of Bank of China (Hong Kong) Limited, where WHITE Application Forms are distributed.

During normal business hours from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through **the White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and

- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;

- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;

- you are a close associate of any of the above persons;

- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or

- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018 from:

(a) any of the following offices of the Joint Global Coordinators:

Morgan Stanley
Asia Limited
46/F International
Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

CMB International
Capital Limited
45/F, Champion Tower
3 Garden Road
Central, Hong Kong

BOCI Asia Limited
26th Floor
Bank of China Tower
1 Garden Road
Central, Hong Kong

Citigroup Global
Markets Asia
Limited
50/F, Champion Tower
3 Garden Road
Central, Hong Kong

(b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point, Hong Kong
	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon
	Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – YANCOAL AUSTRALIA PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

Monday, 26 November 2018	–	**9:00 a.m. to 5:00 p.m.**
Tuesday, 27 November 2018	–	**9:00 a.m. to 5:00 p.m.**
Wednesday, 28 November 2018	–	**9:00 a.m. to 5:00 p.m.**
Thursday, 29 November 2018	–	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 29 November 2018, the last day for applications, or such later time as described in "– *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Constitution;

(b) agree to comply with the Constitution of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Australia Corporations Act;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of the Company, the Relevant Persons and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(h) agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(o) authorise (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Constitution of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– *Personal Collection*" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in "– *Who Can Apply*" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, 26 November 2018 until 11:30 a.m. on Thursday, 29 November 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 29 November 2018, the last day for applications, or such later time as described in "– *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of the **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Yancoal Australia Ltd" **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK)".

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC' s "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre 1/F,
One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not **a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;

- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorise the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Constitution, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before Tuesday, 25 December 2018, such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before Tuesday, 25 December 2018, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before Tuesday, 25 December 2018 if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor **your electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Constitution of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Australia Corporations Act; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

Monday, 26 November 2018	–	9:00 a.m. to 8:30 p.m.
Tuesday, 27 November 2018	–	8:00 a.m. to 8:30 p.m.
Wednesday, 28 November 2018	–	8:00 a.m. to 8:30 p.m.
Thursday, 29 November 2018	–	8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 26 November 2018 until 12:00 noon on Thursday, 29 November 2018 (24 hours daily, except on Thursday, 29 November 2018, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 29 November 2018, the last day for applications, or such later time as described in "*– Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 29 November 2018, the last day for applications, or such later time as described in "*– Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or

- some other identification code,

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **the White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK$25.84 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$2,610.04.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "*Structure of the Global Offering – Pricing and Allocation*".

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 29 November 2018. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 29 November 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "*Expected Timetable*", an announcement will be made.

D. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, 5 December 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.yancoal.com.au** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at **www.yancoal.com.au** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Wednesday, 5 December 2018;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Wednesday, 5 December 2018 to 12:00 midnight on Tuesday, 11 December 2018;
- from the allocation results telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 5 December 2018 to Saturday, 8 December 2018; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the receiving bank designated branches referred to above from Wednesday, 5 December 2018 to Friday, 7 December 2018.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "*Structure of the Global Offering*".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Tuesday, 25 December 2018. This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before Tuesday, 25 December 2018 in the following circumstances:

(i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

(ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 2,972,100 Hong Kong Offer Shares, being approximately 50% of the 5,944,200 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "*Structure of the Global Offering – Conditions of the Global Offering*" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 5 December 2018.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Wednesday, 5 December 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 6 December 2018, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 5 December 2018, or any other place or date notified by the Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Wednesday, 5 December 2018 by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Wednesday, 5 December 2018 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 5 December 2018 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Wednesday, 5 December 2018 in the manner as described in "– Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 5 December 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) If you apply through White Form eIPO service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 5 December 2018, or any other place or date notified by the Company in the newspapers as the date of despatch or collection of Share certificates.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 5 December 2018 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) *If you apply by giving electronic application instructions to HKSCC via CCASS:*

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 5 December 2018 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "*– Publication of Results*" above on Wednesday, 5 December 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 5 December 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 5 December 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 5 December 2018.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages IA-1 to IA-136, received from the Company's joint reporting accountants, SHINEWING (HK) CPA Limited and ShineWing Australia, independent members of ShineWing International Limited, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Report on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay, Hong Kong

ShineWing Australia
Level 8,
167 Macquarie Street
Sydney NSW 2000

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YANCOAL AUSTRALIA LTD, CMB INTERNATIONAL CAPITAL LIMITED, MORGAN STANLEY ASIA LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Yancoal Australia Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages IA-4 to IA-136, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-136 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 November 2018 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information of the Group which comprises consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Preformed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquires, 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 International Standards on Auditing 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. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period and contains information about the dividends declared by the Company after the Track Record Period.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong
26 November 2018

ShineWing Australia
Chartered Accountants
Rami Eltchelebi
Sydney
26 November 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period ("Underlying Financial Statements") prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), on which the Historical Financial Information is based, were audited by ShineWing Australia in accordance with Australian Auditing Standards issued by the Auditing and Assurance Standards Board in Australia.

The Historical Financial Information is presented in Australian Dollars ("A$") and all values are rounded to the nearest million (A$M) except when otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2015**	**2016**	**2017**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Revenue	*7*	1,319	1,238	2,601	832	2,347
Other income	*8*	34	15	325	8	115
Changes in inventories of finished goods and work in progress		2	(7)	7	10	24
Raw materials and consumables used		(213)	(187)	(349)	(109)	(337)
Employee benefits	*11*	(229)	(188)	(302)	(102)	(254)
Depreciation and amortisation	*11*	(200)	(133)	(256)	(80)	(244)
Transportation		(261)	(267)	(312)	(122)	(274)
Contractual services and plant hire		(218)	(124)	(274)	(90)	(206)
Government royalties		(77)	(71)	(173)	(53)	(161)
Changes in deferred mining costs		(7)	–	–	–	–
Coal purchases		(158)	(211)	(340)	(148)	(182)
Other operating expenses		(147)	(163)	(330)	(76)	(170)
Finance costs	*9*	(162)	(209)	(294)	(105)	(152)
Share of (loss)/profit of equity-accounted investees, net of tax		(37)	(5)	32	17	33
(Loss)/profit before income tax	*11*	(354)	(312)	335	(18)	539
Income tax benefit/(expense)	*10*	63	85	(89)	4	(178)
(Loss)/profit for the year/period		(291)	(227)	246	(14)	361
Other comprehensive (expense)/income (after income tax):						
Items that may be reclassified subsequently to profit or loss:						
Cash flow hedges:						
Fair value (losses)/gains		(475)	(43)	348	290	(246)
Fair value losses transferred to profit and loss		22	133	229	101	45
Deferred taxes		134	(27)	(173)	(117)	60
Other comprehensive (expense)/income for the year/period, net of tax		(319)	63	404	274	(141)
Total comprehensive (expense)/income for the year/period		(610)	(164)	650	260	220
(Loss)/profit for the year/period attributable to:						
Equity holders of the Company		(291)	(227)	246	(14)	361
Non-controlling interests		–	–	–	–	–
		(291)	(227)	246	(14)	361
Total comprehensive (expense)/income for the year/period attributable to:						
Equity holders of the Company		(610)	(164)	650	260	220
Non-controlling interests		–	–	–	–	–
		(610)	(164)	650	260	220
(Loss)/earnings per share	*14*					
Basic (loss)/profit per share (A$)		(9.30)	(7.26)	0.54	(0.44)	0.29
Diluted (loss)/profit per share (A$)		(9.30)	(7.26)	0.31	(0.44)	0.29

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
	NOTES	**2015**	**2016**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M*
Current assets					
Cash and cash equivalents	*15*	154	190	207	485
Trade and other receivables	*16*	225	435	658	561
Royalty receivable	*17*	20	31	24	28
Non-contingent royalty receivable	*29*	–	–	–	18
Inventories	*18*	76	75	150	205
Other current assets		12	7	37	16
		487	738	1,076	1,313
Assets classified as held for sale	*25*	1,637	–	613	57
		2,124	738	1,689	1,370
Non-current assets					
Mining tenements	*19*	2,085	2,128	4,296	4,308
Exploration and evaluation assets	*20*	591	498	565	577
Intangible assets	*21*	72	70	99	98
Property, plant and equipment	*22*	1,250	1,526	2,832	2,938
Investments accounted for using the equity method	*23*	8	5	251	280
Trade and other receivables	*16*	379	407	473	348
Interest bearing loan to an associate	*24*	–	775	712	730
Royalty receivable	*17*	185	168	175	170
Non-contingent royalty receivable	*29*	–	–	–	7
Deferred tax assets	*30*	1,166	1,339	1,219	1,086
Other non-current assets		10	6	2	2
		5,746	6,922	10,624	10,544
Total assets		7,870	7,660	12,313	11,914
Current liabilities					
Trade and other payables	*26*	292	469	758	783
Interest-bearing liabilities	*27*	11	20	17	17
Provision	*28*	12	10	59	42
Non-contingent royalty payable	*29*	–	–	112	64
Derivative financial instruments		1	–	–	–
		316	499	946	906
Liabilities directly associated with assets classified as held for sale	*25*	322	–	67	–
		638	499	1,013	906

	NOTES	At 31 December 2015	 2016	 2017	At 30 June 2018
		A$M	*A$M*	*A$M*	*A$M*
Non-current liabilities					
Interest-bearing liabilities	*27*	4,721	4,930	4,682	4,267
Deferred tax liabilities	*30*	692	762	1,037	990
Provision	*28*	131	117	488	460
Non-contingent royalty payable	*29*	–	–	48	24
Deferred income		–	–	2	2
		5,544	5,809	6,257	5,743
Total liabilities		6,182	6,308	7,270	6,649
Net assets		1,688	1,352	5,043	5,265
Equity					
Contributed equity	*31*	3,103	3,104	6,217	6,220
Reserves		(880)	(817)	(413)	(554)
Accumulated losses		(535)	(935)	(764)	(403)
Equity attributable to equity holders of the Company		1,688	1,352	5,040	5,263
Non-controlling interests	*36*	–	–	3	2
Total equity		1,688	1,352	5,043	5,265

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Contributed equity	Hedge reserve	Accumulated losses	Total
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*
At 1 January 2015	3,106	(561)	(58)	2,487
Loss for the year	–	–	(291)	(291)
Other comprehensive loss:				
– Cash flow hedge reserve recognised	–	(319)	–	(319)
Total comprehensive loss for the year	–	(319)	(291)	(610)
Transactions with owners				
– Transaction cost of new subordinated capital notes ("SCN")	(3)	–	–	(3)
– Distributions to holders of SCN	–	–	(186)	(186)
Transactions with owners	(3)	–	(186)	(189)
At 31 December 2015	3,103	(880)	(535)	1,688
At 1 January 2016	3,103	(880)	(535)	1,688
Loss for the year	–	–	(227)	(227)
Other comprehensive income:				
– Cash flow hedge reserve recognised	–	63	–	63
Total comprehensive income/(loss) for the year	–	63	(227)	(164)
Transactions with owners				
– Transaction cost of new SCN	1	–	–	1
– Distributions to holders of SCN, net of exchange difference *(note 32)*	–	–	(173)	(173)
Transactions with owners	1	–	(173)	(172)
At 31 December 2016	3,104	(817)	(935)	1,352

	Attributable to equity holders of the Company					
	Contributed equity	Hedge reserve	Accumulated losses	Total	Non-controlling interests	Total
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*	*A$M* *(note 36)*	*A$M*
At 1 January 2017	3,104	(817)	(935)	1,352	–	1,352
Profit for the year	–	–	246	246	–	246
Other comprehensive income for the year:						
– Cash flow hedge reserve recognised	–	404	–	404	–	404
Total comprehensive income for the year	–	404	246	650	–	650
Transactions with owners						
– Issuance of ordinary shares	5,296	–	–	5,296	–	5,296
– SCN converted to ordinary shares	(2,183)	–	–	(2,183)	–	(2,183)
– Distribution paid to holders of SCN, net of exchange difference *(note 32)*	–	–	(75)	(75)	–	(75)
– Non-controlling interests on acquisition of subsidiaries *(note 36)*	–	–	–	–	3	3
Total transactions with owners	3,113	–	(75)	3,038	3	3,041
At 31 December 2017	6,217	(413)	(764)	5,040	3	5,043

For the six months ended 30 June 2018

	Attributable to equity holders of the Company							
	Contributed equity	Hedge reserve	Treasury shares reserve	Employee compensation reserve	Accumulated losses	Total	Non-controlling interests	Total
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M* *(note 36)*	*A$M*
At 1 January 2018	6,217	(413)	–	–	(764)	5,040	3	5,043
Profit for the period	–	–	–	–	361	361	–	361
Other comprehensive loss for the period:								
– Cash flow hedge reserve recognised	–	(141)	–	–	–	(141)	–	(141)
Total comprehensive (loss)/income for the period	–	(141)	–	–	361	220	–	220
Transactions with owners								
– Transaction cost, net of tax	3	–	–	–	–	3	–	3
– Acquisition of shares	–	–	(6)	–	–	(6)	–	(6)
– Share-based payment	–	–	–	6	–	6	–	6
– Acquisition of additional interests in a joint operation *(note 36)*	–	–	–	–	–	–	(1)	(1)
Total transactions with owners	3	–	(6)	6	–	3	(1)	2
At 30 June 2018	6,220	(554)	(6)	6	(403)	5,263	2	5,265

For the six months ended 30 June 2017 (unaudited)

	Attributable to equity holders of the Company					
	Contributed equity	Hedge reserve	Accumulated losses	Total	Non-controlling interests	Total
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2017 (audited)	3,104	(817)	(935)	1,352	–	1,352
Loss for the period	–	–	(14)	(14)	–	(14)
Other comprehensive income for the period:						
– Cash flow hedge reserve recognised	–	274	–	274	–	274
Total comprehensive income (loss) for the period	–	274	(14)	260	–	260
Transactions with owners						
– Distributions to holders of SCN, net of exchange difference *(note 32)*	–	–	(78)	(78)	–	(78)
Total transactions with owners	–	–	(78)	(78)	–	(78)
At 30 June 2017 (unaudited)	3,104	(543)	(1,027)	1,534	–	1,534

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
OPERATING ACTIVITIES					
(Loss)/profit before income tax	(354)	(312)	335	(18)	539
Adjustments for:					
Interest expenses	154	200	220	101	137
Interest income	(50)	(125)	(114)	(57)	(58)
Gain on non-substantial loan modification	–	–	(31)	–	–
Depreciation and amortisation	200	133	256	80	244
Release of provisions	(13)	(14)	(87)	(6)	(32)
Other interest charges	–	–	7	–	7
Provision of inventories	12	1	1	–	1
Unwinding of discount on provisions	6	5	50	2	6
Remeasurement on financial assets/liabilities	(2)	6	(8)	(2)	27
Impairment of financial assets	–	–	–	–	21
Net loss on disposal of property, plant and equipment	3	7	4	–	6
Stamp duty accrual	–	(5)	9	–	(9)
Impairment reversal of mining tenements	–	–	(100)	–	–
Fair value losses recycled from hedge reserve	–	133	229	101	45
Foreign exchange (gains)/losses	(5)	1	20	10	(36)
Finance lease interest expenses	2	4	4	2	2
Gain on acquisition/(disposal) of interest in joint operation and subsidiaries	(6)	–	(177)	–	(78)
Release of research and development provision	(4)	–	–	–	–
Gain on forward foreign exchange contracts	(1)	–	–	–	–
Unwind of discount on non-contingent royalty	–	–	13	–	–
Share of loss/(profit) of equity-accounted investees, net of tax	37	5	(32)	(17)	(33)
Operating cash flows before movements in working capital	(21)	39	599	196	789
(Increase)/decrease in inventories	(22)	9	(12)	(15)	(44)
Decrease/(increase) in operating receivables	50	(55)	(184)	100	10
Increase/(decrease) in operating payables	12	73	125	38	47
Decrease/(increase) in prepayments	7	9	(10)	4	8
Decrease in deferred mining assets	7	–	–	–	–
Decrease in provisions	(22)	(4)	–	1	(24)
Cash generated from operations					
Interest paid	(126)	(181)	(169)	(79)	(111)
Interest received	7	86	59	37	37
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(108)	(24)	408	282	712

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(290)	(353)	(299)	(138)	(71)
Payment for capitalised exploration and evaluation activities	(2)	–	(3)	(1)	(2)
Proceeds for disposal of property, plant and equipment	–	1	1	–	–
Reduction in cash balance from loss of control of subsidiaries	–	(11)	–	–	–
Payments for acquisition of interest in subsidiary (net of cash acquired)	(23)	–	(3,247)	–	(276)
Proceeds from disposal of interest in joint venture and subsidiaries (net of cash acquired)	–	–	–	–	524
Payment of non-contingent royalties	–	–	–	–	(78)
Receipts from non-contingent royalties	–	–	–	–	59
Payment for joint operation call option fee	–	–	(13)	–	–
Advances (to)/from joint operation	–	(40)	40	35	–
Repayment of loan from joint venture	–	–	–	–	69
Advances (to)/from related entities	–	(35)	35	5	(4)
Cash transferred from/(to) restricted accounts	1	(28)	31	(34)	–
Dividend received	–	–	6	–	7
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(314)	(466)	(3,449)	(133)	228
FINANCING ACTIVITIES					
Repayment of borrowings from associate	–	623	214	57	253
Advance of borrowings to associate	–	(35)	(151)	(42)	(271)
Proceeds from interest-bearing liabilities – related entities	402	251	188	–	–
Repayment of interest bearing liabilities	–	(198)	(196)	–	(664)
Payment for treasury shares	–	–	–	–	(6)
Payment of transaction costs	(13)	–	(68)	–	–
Payment of SCN distribution	(12)	(100)	(24)	(13)	–
Payment of finance lease liabilities	(11)	(16)	(26)	(16)	(10)
Proceeds from issues of shares and other equity securities	–	–	3,125	–	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	366	525	3,062	(14)	(698)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(56)	35	21	135	242
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	204	159	190	190	207
Effect of foreign exchange rate	11	(4)	(4)	(8)	36
Changes included in assets held for sale	(5)	–	–	–	–
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, REPRESENTED BY CASH AND CASH EQUIVALENTS	154	190	207	317	485

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December			At 30 June
	NOTES	**2015**	**2016**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M*
ASSETS					
Current assets					
Cash and cash equivalents	*15*	127	63	112	283
Trade and other receivables	*16*	1,014	168	240	242
Non-contingent royalty receivable	*29*	–	–	–	18
Other current assets		4	1	9	4
		1,145	232	361	547
Non-current assets					
Intangible assets	*21*	3	2	2	1
Property, plant and equipment	*22*	28	39	46	44
Investments in subsidiaries		613	3,948	7,497	7,497
Trade and other receivables	*16*	4,951	749	737	720
Non-contingent royalty receivable	*29*	–	–	–	7
Interest bearing loan to an associate	*24*	–	775	712	730
Deferred tax assets	*30*	836	1,188	1,014	1,013
Other non-current assets		–	1	12	1
		6,431	6,702	10,020	10,013
Total assets		7,576	6,934	10,381	10,560
Current liabilities					
Trade and other payables	*26*	156	163	1,134	2,137
Derivative financial instruments		1	–	–	–
Non-contingent royalty payable	*29*	–	–	112	64
		157	163	1,246	2,201
Non-current liabilities					
Interest-bearing liabilities	*27*	4,693	5,225	4,644	4,233
Other non-current liabilities		–	–	–	1
Non-contingent royalty payable	*29*	–	–	48	24
		4,693	5,225	4,692	4,258
Total liabilities		4,850	5,388	5,938	6,459
Equity					
Contributed equity		3,115	3,115	6,217	6,220
Reserves		(880)	(817)	(413)	(554)
Retained profits/ (accumulated losses)		491	(752)	(1,361)	(1,565)
		2,726	1,546	4,443	4,101
Total liabilities and equity		7,576	6,934	10,381	10,560

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in Australia in 2004. The Company was listed on the Australian Securities Exchange on 28 June 2012 upon the successful merger with Gloucester Coal Limited. The Company's parent and ultimate holding company is Yanzhou Coal Mining Company Limited (the "Parent Company") and Yankuang Group Corporation Limited, a state-owned enterprise in the People's Republic of China ("PRC"), respectively. The addresses of the registered office and principal place of business of the Company are stated in the "Corporate Information" section of the Prospectus.

The principal activity of the Company is coal mining. The activities of its principal subsidiaries, associates, joint ventures and joint operations (together with the Company referred to as the "Group") are set out in below and notes 23(a), 23(b) and 23(c) respectively.

The consolidated financial statements are presented in Australian Dollars ("A$"), which is also the functional currency of the Company.

Particulars of the Company's subsidiaries at the end of each reporting period and at the date of this report are as follows:

			Percentage of equity interest attributable to the Group as at					
Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
Yancoal SCN Ltd	Australia	1	100	100	100	100	100	Issue SCN
Yancoal Australia Sales Pty Ltd(i)	Australia	100	100	100	100	100	100	Coal Sales
Yancoal Resources Limited	Australia	446,409,065	100	100	100	100	100	Coal mining business in Australia
Yancoal Mining Services Pty Ltd	Australia	100	100	100	100	100	100	Provide management services to the underground mine
Moolarben Coal Mines Pty Ltd	Australia	1	100	100	100	100	100	Coal business development
Moolarben Coal Operations Pty Ltd	Australia	2	100	100	100	100	100	Management of coal operations
Moolarben Coal Sales Pty Ltd	Australia	2	100	100	100	100	100	Coal business development
Felix NSW Pty Ltd	Australia	2	100	100	100	100	100	Investment holding
SASE Pty Ltd	Australia	9,650,564	90	90	90	90	90	No business in Australia, to be liquidated
Yarrabee Coal Company Pty. Ltd.	Australia	92,080	100	100	100	100	100	Coal mining and sales
Proserpina Coal Pty Ltd	Australia	1	100	100	100	100	100	Coal mining and sales
Athena Coal Operations Pty Ltd	Australia	1	100	100	100	100	100	Dormant
Athena Coal Sales Pty Ltd	Australia	1	100	100	100	100	100	Dormant
Gloucester Coal Ltd(i)	Australia	719,720,808	100	100	100	100	100	Coal resource exploration development

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
Westralian Prospectors N.L.(i)	Australia	93,001	100	100	100	100	100	No business in Australia
Eucla Mining N.L.(i)	Australia	2	100	100	100	100	100	Coal mining
CIM Duralie Pty Ltd(ii)	Australia	665	100	100	100	100	100	No business in Australia
Duralie Coal Marketing Pty Ltd(ii)	Australia	2	100	100	100	100	100	No business in Australia
Duralie Coal Pty Ltd(i)	Australia	2	100	100	100	100	100	Coal mining
Gloucester (SPV) Pty Ltd	Australia	2	100	100	100	100	100	Holding company
Gloucester (Sub Holdings 2) Pty Ltd(ii)	Australia	2	100	100	100	100	100	Holding company
CIM Mining Pty Ltd(i)	Australia	30,180,720	100	100	100	100	100	Holding Company
Monash Coal Holdings Pty Ltd(ii)	Australia	100	100	100	100	100	100	Holding Company
CIM Stratford Pty Ltd(i)	Australia	21,558,606	100	100	100	100	100	Holding Company
CIM Services Pty Ltd(ii)	Australia	8,400,002	100	100	100	100	100	Holding Company
Monash Coal Pty Ltd(ii)	Australia	100	100	100	100	100	100	Coal exploration
Stratford Coal Pty Ltd(ii)	Australia	10	100	100	100	100	100	Coal mining
Stratford Coal Marketing Pty Ltd(ii)	Australia	10	100	100	100	100	100	Coal sales
Paway Ltd	British Virgin Islands	1	100	100	100	100	100	Dormant
Coal & Allied Industries Ltd ("Coal & Allied")	Australia	86,584,735	–	–	100	100	100	Coal mining and related coal preparation and marketing
Kalamah Pty Ltd	Australia	1	–	–	100	100	100	Holding company
Coal & Allied (NSW) Pty Ltd	Australia	10,000	–	–	100	100	100	Employment company for Mt Thorley mine and Warkworth mine (together, "MTW") operation
Australian Coal Resources Ltd	Australia	5	–	–	100	100	100	Coal mining and related coal preparation and marketing
Coal & Allied Operations Pty Ltd	Australia	17,147,500	–	–	100	100	100	Coal mining and related coal preparation and marketing

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
HV Operations Pty Ltd(iv)	Australia	1	–	–	100	N/A	N/A	Managing entity of Hunter Valley Operations
Lower Hunter Land Holdings Pty Ltd	Australia	1	–	–	100	100	100	Management company of Lower Hunter Land entities
Oaklands Coal Pty Ltd	Australia	5,005	–	–	100	100	100	Coal exploration
Novacoal Australia Pty Ltd	Australia	530,000	–	–	100	100	100	Holding company
CNA Resources Ltd	Australia	14,258,694	–	–	100	100	100	Holding company
CNA Warkworth Pty Ltd	Australia	1	–	–	100	100	100	Holding company
Coal & Allied Mining Services Pty Ltd	Australia	10,000	–	–	100	100	100	Employment company for Mt Thorley Co Venture
RW Miller (Holdings) Ltd	Australia	42,907,017	–	–	100	100	100	Holding company
Mount Thorley Coal Loading Ltd	Australia	3,990,000	–	–	66	66	66	Operation of Mount Thorley Coal Loader in Mount Thorley
Gwandalan Land Pty Ltd	Australia	1	–	–	100	100	100	Holding company
Nords Wharf Land Pty Ltd	Australia	1	–	–	100	100	100	Invest in future land development at Nords Wharf
Catherine Hill Bay Land Pty Ltd	Australia	1	–	–	100	100	100	Hold land for future development
Black Hill Land Pty Ltd	Australia	1	–	–	100	100	100	Hold land for future development
Minmi Land Pty Ltd	Australia	1	–	–	100	100	100	Hold land for future development
Namoi Valley Coal Pty Ltd	Australia	8,400,000 ordinary shares 10,000 B-class 42,800,000 ordinary shares	–	–	100	100	100	Dormant
HVO Coal Sales Pty Ltd(iv)	Australia	1,000	–	–	68	N/A	N/A	Sales company for Hunter Valley Operations mining complex
CNA Warkworth Australasia Pty Ltd	Australia	2	–	–	100	100	100	Coal mining

			Percentage of equity interest attributable to the Group as at					
Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
CNA Bengalla Investments Pty Ltd	Australia	12	–	–	100	100	100	Dormant
Mount Thorley Operations Pty Ltd	Australia	24,214	–	–	100	100	100	Partner of Mount Thorley Joint Venture
Northern (Rhondda) Collieries Pty Ltd	Australia	62,082	–	–	100	100	100	Dormant
Miller Pohang Coal Company Pty Ltd	Australia	80 ordinary shares 20 redeemable preference shares	–	–	80	80	80	Coal sales and marketing company
Warkworth Mining Ltd	Australia	100	–	–	56	84	84	Joint venture operator
Warkworth Pastoral Company Pty Ltd	Australia	100	–	–	56	84	84	Pastoral company for the Joint Venture ("JV")
Warkworth Tailings Treatment Pty Ltd	Australia	100	–	–	56	84	84	Tailings company for the Warkworth JV
Warkworth Coal Sales Ltd	Australia	100	–	–	56	84	84	Marketing company for Warkworth JV
Parallax Holdings Pty Ltd	Australia	100	–	–	100	100	100	Dormant
HVO Services Pty Ltd(iv)	Australia	100	–	–	100	N/A	N/A	Dormant
Watagan Mining Company Pty Ltd ("Watagan")(iii)	Australia	100	100	N/A	N/A	N/A	N/A	Holding company
Austar Coal Mine Pty Limited(i)(iii)	Australia	64,000,000	100	N/A	N/A	N/A	N/A	Coal mining and sales
White Mining Limited(iii)	Australia	3,300,200	100	N/A	N/A	N/A	N/A	Holding company and mine management
White Mining Services Pty Limited(iii)	Australia	2	100	N/A	N/A	N/A	N/A	Dormant
White Mining (NSW) Pty Limited(iii)	Australia	10	100	N/A	N/A	N/A	N/A	Coal mining and sales
Ashton Coal Operations Pty Limited(iii)	Australia	5	100	N/A	N/A	N/A	N/A	Mine management
Ashton Coal Mines Ltd(iii)	Australia	5	100	N/A	N/A	N/A	N/A	Coal sales
Gloucester (Sub Holdings 1) Pty Ltd(i)(iii)	Australia	2	100	N/A	N/A	N/A	N/A	Holding company
Donaldson Coal Holdings Ltd(i)(iii)	Australia	204,945,942	100	N/A	N/A	N/A	N/A	Holding company
Donaldson Coal Pty Ltd(i)(iii)	Australia	6,688,782	100	N/A	N/A	N/A	N/A	Coal mining and sales

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
Donaldson Coal Finance Pty Ltd(ii)(iii)	Australia	10	100	N/A	N/A	N/A	N/A	Finance company
Abakk Pty Ltd(ii)(iii)	Australia	6	100	N/A	N/A	N/A	N/A	Dormant
Newcastle Coal Company Pty Ltd(i)(iii)	Australia	2,300,999	100	N/A	N/A	N/A	N/A	Coal mining
Primecoal International Pty Ltd(ii)(iii)	Australia	1	100	N/A	N/A	N/A	N/A	Dormant

Notes:

(i) These subsidiaries have been granted relief from the requirement to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785.

(ii) These subsidiaries are members of the extended closed group for the purposes of ASIC Legislative Instrument 2016/785.

(iii) On 31 March 2016, the Group lost control of Watagan and its subsidiaries.

(iv) On 4 May 2018, the Group lost control of HVO Operations Pty Ltd, HVO Coal Sales Pty Ltd and HVO Services Pty (collectively referred as "HVO"). Details refer to note 23.

* Represents ordinary shares except when otherwise stated.

The following list contains details of the companies in the Historical Financial Information that are subject to audit during the Track Record Periods and the name of the respective auditors:

Name of Company	Financial period	Statutory auditor
The Company		
Yancoal Australia Ltd	31 December 2015-2017	ShineWing Australia
Subsidiaries		
Yancoal SCN Ltd	31 December 2015-2017	ShineWing Australia
Yancoal Resources Limited	31 December 2015-2017	ShineWing Australia
Moolarben Coal Mines Pty Ltd	31 December 2015-2017	ShineWing Australia
Coal & Allied(i)	31 December 2017	ShineWing Australia
Mount Thorley Coal Loading Ltd(i)	31 December 2017	ShineWing Australia
Warkworth Mining Ltd(i)	31 December 2017	ShineWing Australia
Warkworth Coal Sales Ltd(i)	31 December 2017	ShineWing Australia
Watagan(ii)	31 December 2016-2017	ShineWing Australia

(i) These entities were audited by PricewaterhouseCoopers for the years ended 31 December 2015 and 2016 prior to the Group's acquisition of the Coal and Allied Industries Ltd and its subsidiaries from Rio Tinto Limited ("Rio Tinto").

(ii) On 31 March 2016, the Group lost control of Watagan and its subsidiaries.

2. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all of the new and revised IFRS, International Accounting Standards ("IASs"), IFRSs amendments and the related interpretations ("IFRICs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2018 throughout the Track Record Period. In addition, the Group has elected to apply IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and the related Amendments throughout the Track Record Period.

New and revised IFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRSs	Annual improvements to IFRSs 2015-2017 Cycle[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective date not yet been determined.

The directors of the Company anticipate that all the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of A$177 million as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The directors of the Company expect that the adoption of IFRS 16 will not have material impact on the Group's results but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

– assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Interests in other entities

(i) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(ii) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control. Joint control exists only when the strategic, financial and operational policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture. The structure of each joint arrangement is analysed to determine whether the joint arrangement is a joint operation or a joint venture. The classification of a joint arrangement is dependent on the rights and obligations of the parties to the arrangement.

Joint operations

The Group recognises its proportional right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Joint ventures

A joint venture is structured through a separate vehicle and the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method where the assets and liabilities will be on the consolidated statements of financial position, after adjusting for the share of profit or loss after tax, which is shown on the consolidated statements of profit or loss and other comprehensive income, after adjusting for amounts recognised directly in equity.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

Parent entity financial information

(a) Investments in subsidiaries, associates and joint arrangements

Investments in subsidiaries, associates and joint arrangements are accounted for at cost less any impairment in the financial statements of the Company. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(b) Tax consolidation legislation

The Company and its wholly-owned Australian entities have implemented the tax consolidation legislation.

The head entity, the Company, and the entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation as loans between entities. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Segment information

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.

Revenue

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 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.

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.

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.

(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. Management fees are recognised upon the delivery of the service to the customer.

Other income

Gain on acquisition is recognised in line with the accounting for business combinations.

Taxation

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate enacted or substantially enacted at the end of the reporting period for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying value of the deferred tax asset is reviewed at each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are recognised for taxable temporary differences between the carrying amount and tax bases of investments in controlled entities, except where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 nonmarket 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.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly attributable to the acquisition of the items and the estimated restoration costs associated with the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment.

The open pit operations capitalise mine development costs including both direct and indirect costs incurred to remove overburden and other waste materials to enable access to the coal seams during the development of a mine before commercial production commences, and during future development of new open pit mining areas. Amortisation of those capitalised costs over the life of the operation commences at the time that commercial production begins for the mine for the new open pit mining area.

Underground mine development costs include both direct and indirect mining costs relating to underground longwall panel development and mains development (primary access/egress roads for the mine).

Mains development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Assets under construction represent production site development projects under construction for production or for its own use purposes. Assets under construction are carried at cost less any impairment loss. Costs included costs of constructing the production plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Assets under construction are classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

Open cut

During the commercial production stage of open pit operations, production stripping costs comprises the accumulation of expenses incurred to enable access to the coal seam, and includes direct removal costs (inclusive of an allocation of overhead expenditure) and machinery and plant running costs.

Production stripping costs are capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called "stripping activity asset" included in mine development.

The stripping activity asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied.

Production stripping costs that do not satisfy the asset recognition criteria are expensed.

Depreciation and amortisation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line or units of production basis over the asset's useful life to the Group based on life of mine plans and Joint Ore Reserves Committee ("JORC") estimated reserves, commencing from the time the asset is held ready for use. Leased assets are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

For some assets, the useful life of the asset is linked to the level of production. In such cases, depreciation is charged on a units of production basis based on the recoverable reserves or the remaining useful hours. Alternatively, the straight-line method may be used where this provides a suitable alternative because production is not expected to fluctuate significantly from one year to another.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and any change in estimate is taken into account in the determination of remaining depreciation charges.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining tenements

Mining tenements have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Mining tenements are amortised from the date when commercial production commences, or the date of acquisition. Amortisation is calculated over the life of the mine on a 'units of production' method based on the JORC estimated reserves.

Changes in the annual amortisation rate resulting from changes in the remaining estimated reserves, are applied on a prospective basis from the commencement of the next financial year. Every year the mining tenement's carrying amount is compared to its recoverable amount and assessed for impairment, or for possible reversals of prior year impairment (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at the individual exploration permit or licence level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets acquired in a business combination are recognised at their fair value at the acquisition date and stated at costs less impairment. The carrying amount of exploration and evaluation assets are assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount. A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to each area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining tenements.

Impairment of assets

(i) Long term assets

Mining tenements, indefinite life intangibles and goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Mining tenements and other non-financial assets (excluding goodwill) that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purposes of assessing impairment, assets are grouped into Cash-Generating Units ("CGU"), being the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

The Group assesses impairment by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers.

(ii) Other financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Intangibles

(i) Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

(ii) Computer software

Computer software is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of expected benefit, which ranges from 2.5 to 10 years.

(iii) Water rights

Water rights have been recognised at cost and are assessed annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The water rights have been determined to have an indefinite useful life as there is no expiry date on the licences.

(iv) Other

Other intangibles include access rights, other mining licenses and management rights associated with the Group's right to manage Port Waratah Coal Services. These intangibles have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Amortisation of these other intangibles is calculated as the shorter of the life of the mine or agreement and using a units of production basis in tonnes, or on a straight-line basis. The estimated useful lives vary from 10 to 25 years.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents includes:

(i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

(ii) other short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Royalty receivable

The royalty receivable is revalued at each reporting period based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates. Gains or losses arising from changes in the fair value of the royalty receivable is recognised in profit or loss. The cash receipts will be recorded against the royalty receivable which will be decreased over time. Since the contract is long term, unwinding of the discount (to reflect the time value of money) for the asset will be recognised under interest income.

The royalty receivable is measured based on management's expectations of the future cash flows with the re-measurement recorded in the consolidated statement of profit or loss and other comprehensive income at each reporting date.

The amount expected to be received during the next 12 months is disclosed as a current receivable and the discounted expected future cash flow beyond 12 months is disclosed as a non-current receivable.

Inventories

Coal stocks are stated at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overheads on the basis of normal mining capacity. Net realisable value is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of auxiliary materials, spare parts, small tools, and fuel expected to be used in production are stated at weighted average cost after deducting rebates and discounts, less allowance for obsolescence, if necessary.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or loss of control transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed transaction within one year from the date of classification.

When the Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Leases

Property, plant and equipment held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases.

The leased property, plant and equipment are initially measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently they are accounted for in accordance with the property, plant and equipment accounting policy.

The corresponding minimum lease payments are included in lease liabilities within interest bearing liabilities. Each lease payment is allocated between finance cost and a reduction in the outstanding lease liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The net gains arising on the sale of an asset and the leasing back of the same asset using a finance lease are included as deferred income in the statement of financial position and are released to the profit or loss on a straight-line basis over the term of the lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are:

- recognised when: the Group has a legal or constructive obligation as a result of a past event; it is probable that cash will be required to settle the obligation; and the amount has been reliably estimated.

- measured at the present value of the management's best estimate at reporting date of the cash outflow required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability where the time value is material. Any increase in the provision due to the passage of the time is recognised as an interest expense.

Non-contingent royalty

In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under IFRS 3 Business Combinations. The non-contingent royalty was fair valued on initial recognition and payable in US dollars so subject to foreign exchange movements. The amount has a finite life with any discounting and foreign exchange released to profit or loss over the contract term.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each statement of financial position date, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognised in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Employee benefits

(i) Employee benefits expenses

Employee benefits are expensed as the related service by the employee is provided and includes equity based transactions. Employee benefits recognised in the profit or loss are net of recoveries.

(ii) Superannuation

Contributions made by the Group to defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

(iii) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be wholly settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at the reporting date including related on costs, such as superannuation, workers compensation, insurance and payroll tax and are included in trade and other payables. Non-accumulating, non-monetary benefits such as housing and cars are expensed by the Group as the benefits are used by the employee.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Additional Long Service Leave payments are made monthly to the Coal Mining Industry (Long Service Leave Funding) Corporation based on the eligible monthly payroll of employees involved in the mining of black coal. Reimbursement is sought from the fund when long service leave is paid to employees involved in the mining of black coal. An asset for the amount recoverable from the Coal Mining Industry (Long Service Leave Funding) Corporation is recognised in trade and other receivables.

These employee benefits are presented as current provisions as the Group has no unconditional right to deferred settlement for at least 12 months after the end of the reporting period.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item.

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 at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at 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. The Group has not designed any debt instruments as at FVTPL.

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 in the 'investment income' line item.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities including trade and other payables, non-contingent royalty payable, interest-bearing liabilities which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method and financial liabilities at fair value through profit or loss.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 34.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

SCN issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 34. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the profit or loss.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the Historical Financial Information.

Control over Watagan

There is significant judgment in assessing whether the Group controls Watagan, even though it holds 100% of the nominal share capital. An assessment has been made that in accordance with the accounting standards the Group does not control Watagan as it is not able to direct the relevant activities of Watagan, and therefore accounts for its interest in Watagan as an associate.

Sales of coal

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.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Acquisition accounting

Accounting for acquisition of Coal & Allied requires judgement and estimates in determining the fair value of acquired assets and liabilities. Techniques used to determine the fair value of acquired assets and liabilities include an income and cost approach for mining tenements and depreciated replacement cost for the valuation of property, plant and equipment.

The relevant accounting standard allows the fair value of assets acquired to be refined for a window of one year after the acquisition date, and judgement is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill or gain recognised on acquisition.

Depreciation of property, plant and equipment

The cost of mine development (note 22) is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortisation of assets

Mining tenements (note 19) are amortised on unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

Provisions

Rehabilitation costs

The rehabilitation provision has been created based on managements' internal estimates and assumptions relating to the current economic environment, which management believes is a reasonable basis upon which to estimate the future liability.

These estimates are reviewed regularly to take into account any material changes to the assumptions, however actual rehabilitation costs will ultimately depend upon the future market prices for the necessary decommissioning works and the timing of when the rehabilitation costs are incurred. Timing is dependent upon when the mines ceases to produce at economically viable rates, which in turn, will depend upon future coal prices, which are inherently uncertain.

Take or pay

The provision is recognised and estimated based on management's assessment of contracted port capacity versus forecast usage. This involves making assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits.

Sales contract

The provision is recognised and estimated based on management's assessment of future market prices.

Investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ("WICET")

The recoverable amount of Wiggins Island Preference Securities ("WIPS") and Gladstone Long Term Securities ("GiLTS"), is estimated based on expected future cashflows. WICET is currently re-negotiating its senior debt facility that could result in a change to those expected future cashflows.

Royalty receivable

The fair value of the royalty receivable is estimated based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates.

Impairment of assets

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, coal prices (considering current and historical prices, price trends and related factors), foreign exchange rates, coal resources and reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstance will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of profit or loss.

Taxation

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Judgement is also required in respect of the application of existing tax laws.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, coal prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods.

Coal reserves and resources

The Group estimates its coal resources and reserves based on information compiled by Competent Persons as defined by the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2012), which is prepared by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as the JORC 2012 Code, and Australian Securities Exchange ("ASX") Listing Rules 2012.

Mineral Resources and Ore Reserves are based on geological information and technical data relating to the size, depth, quality of coal, suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of Recoverable Reserves is based on factors such as estimates of foreign exchange rates, coal price, future capital requirements, rehabilitation obligations and production costs, along with geological assumptions and judgements made in estimating the size and quality of the reserves. Management forms a view of forecast sales prices based on current and long-term historical average price trend.

As the economic assumptions used may change and as additional geological information is produced during the operations of a mine, estimates of reserves may change. Additionally the amount of reserves that may actually be mined in the future and the Group's current reserve estimate may vary. Such changes may impact the Group's reported financial position and results including:

- the carrying value of the exploration and evaluation assets, mine properties, property, plant and equipment and goodwill may be affected due to changes in estimated future cash flows;

- depreciation and amortisation charges in the statement of profit and loss and other comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change; and

- the carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Impairment of loan receivable from Watagan

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 A$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 A$1,590 million includes, A$724 million, A$371 million and A$386 million for the Ashton, Austar and Donaldson mines, respectively.

Non-current assets of A$1,590 million includes, A$724 million, A$371 million and A$386 million for the Ashton, Austar and Donaldson mines as at 30 June 2018, respectively.

Austar has recently been subject to prohibition notices issued by the Resource Regulator that restricted current operations, however as announced on 7 August 2018 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 will return to normal production give the notices lifted on 3 August 2018 and Donaldson will recommence operations at some time in the future which is management's current intention. Based on this estimation, there is no impairment on its loan receivable from Watagan.

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 or on any further reconsolidation of Watagan.

6. SEGMENT INFORMATION

The Group is engaged primarily in the coal mining.

For management purposes, the Group considered the business at a regional level, namely NSW and QLD.

On 31 March 2016, the Company transferred control of Watagan. Watagan holds the ownership interests in the Austar, Ashton and Donaldson mines located in NSW. The amount disclosed for revenue in 2015 and 2016 below includes the operational results of the three mines for 2015 and the period 1 January 2016 to 31 March 2016.

(a) **Segment revenues and results**

Segment information about these businesses is presented below:

For the year ended 31 December 2015

	NSW	**QLD**	**Corporate**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	976	290	–	1,266
Add: fair value losses recycled from hedge reserve (derivative instruments)	22	–	–	22
Revenue from external customers	998	290	–	1,288
Operating Earnings before interest and tax ("EBIT")	(39)	(31)	(42)	(112)

For the year ended 31 December 2016

	NSW	**QLD**	**Corporate**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	873	326	(133)	1,066
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	133	133
Revenue from external customers	873	326	–	1,199
Operating EBIT	71	9	(41)	39

For the year ended 31 December 2017

	NSW	**QLD**	**Corporate**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	2,163	460	(229)	2,394
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	229	229
Revenue from external customers	2,163	460	–	2,623
Operating EBIT	682	92	(42)	732

For the six months ended 30 June 2017 (unaudited)

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	616	219	(101)	734
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	101	101
Revenue from external customers	616	219	–	835
Operating EBIT	209	33	(45)	197

For the six months ended 30 June 2018

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	2,051	199	(45)	2,205
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	45	45
Revenue from external customers	2,051	199	–	2,250
Operating EBIT	747	16	(27)	736

* Total segment revenue consists of revenue from the sales of coal whereas revenue disclosed in the consolidated statements of profit or loss and other comprehensive income also includes other revenue such as management fees, rents and sub-lease rentals, interest income, dividend income, mining services fee, sea freight and royalty income.

(b) Segment assets and liabilities

31 December 2015	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	5,160	666	870	6,696
Deferred tax assets	21	31	1,114	1,166
Investments in associate and joint venture	–	–	8	8
Total assets	5,181	697	1,992	7,870

31 December 2016	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	3,954	644	1,718	6,316
Deferred tax assets	45	25	1,269	1,339
Investments in associate and joint venture	–	–	5	5
Total assets	3,999	669	2,992	7,660

31 December 2017	**NSW**	**QLD**	**Corporate**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	8,793	714	1,336	10,843
Deferred tax assets	182	24	1,013	1,219
Investments in associate and joint venture	191	–	60	251
Total assets	9,166	738	2,409	12,313

30 June 2018	**NSW**	**QLD**	**Corporate**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	9,454	721	373	10,548
Deferred tax assets	82	14	990	1,086
Investments in associates and joint ventures	192	–	88	280
Total assets	9,728	735	1,451	11,914

Segment liabilities

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

(c) Other segment information

Year ended 31 December 2015

	NSW	**QLD**	**Corporate**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	2	2
Depreciation and amortisation expense	(172)	(21)	(7)	(200)
Gain on acquisition of additional interests in joint operation and subsidiaries	–	–	6	6
Cash items	–	–	–	–
Total capital expenditure	319	15	2	336

Year ended 31 December 2016

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	(6)	(6)
Depreciation and amortisation expense	(94)	(31)	(8)	(133)
Transaction costs	–	–	(3)	(3)
Stamp duty payable	–	–	(12)	(12)
Cash items	–	–	–	–
Total capital expenditure	370	3	10	383

Year ended 31 December 2017

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	8	8
Depreciation and amortisation expense	(215)	(35)	(6)	(256)
Gain on acquisition of subsidiaries	–	–	177	177
Transactions costs	–	–	(16)	(16)
Stamp duty accrued	–	–	(9)	(9)
Impairment reversal of mining tenements	100	–	–	100
Cash items				
Transaction costs	–	–	(17)	(17)
Stamp duty paid	–	–	(148)	(148)
Total capital expenditure	335	4	1	340

Six months ended 30 June 2017 (unaudited)

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	2	2
Stamp duty	–	–	(3)	(3)
Transaction costs	–	–	(21)	(21)
Depreciation and amortisation expense	(61)	(16)	(3)	(80)
Cash items	–	–	–	–
Total capital expenditure	153	3	–	156

Six months ended 30 June 2018

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	2	2
Depreciation and amortisation expense	(229)	(12)	(3)	(244)
Gain on acquisition of interest in joint operation	–	–	78	78
Remeasurement of financial assets	–	–	(29)	(29)
Impairment of financial assets	–	–	(21)	(21)
Cash items				
Transaction costs	–	–	(10)	(10)
Stamp duty paid	–	–	(16)	(16)
Total capital expenditure	77	9	–	86

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Reconciliation of segment revenue to total revenue					
Total segment revenue	1,266	1,066	2,394	734	2,205
Interest income	50	125	114	57	58
Mining services income	–	38	52	29	26
Sea freight	–	–	12	–	37
Other revenue	3	9	29	12	21
Total revenue	1,319	1,238	2,601	832	2,347

Geographical information

The following table sets out the geographical information. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations.

The geographical information of non-current assets (note) are as follows:

	At 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Australia (place of domicile)	3,998	4,222	7,792	4,297	7,921

Note: Non-current assets excludes interests in other entities, trade and other receivables, interest bearing loan to associate, royalty receivable, other non-current assets, non-contingent royalty receivable and deferred tax assets.

Geographical information presented as the Group's revenue are disclosed in note 7 based on the location of goods delivered and services provided.

Information about major customers

Revenue from customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Customer A[1]	247	162	–*	92	–*
Customer B[1]	201	–*	–*	–*	–*

[1] Revenue from NSW segment

* The corresponding revenue did not contribute over 10% of the total revenue of the Group

No revenue from each of the customers was 10% or more of the Group's revenue for the year ended 31 December 2017 and six months ended 30 June 2018.

Operating EBIT and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBIT and EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and significant impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value re-measurements and foreign exchange gains/(losses) on interest-bearing liabilities. Interest income and expense are not allocated to the NSW and QLD segments, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

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

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
(Loss)/profit before income tax	(354)	(312)	335	(18)	539
Adjustment:					
Finance costs	162	209	294	105	152
Bank fees and other charges	116	113	109	49	62
Interest income	(50)	(125)	(114)	(57)	(58)
Fair value losses recycled hedged reserve – US$ loans and derivatives	22	133	229	101	45
Gain on acquisition of subsidiary	–	–	(177)	–	–
Gain on disposal of joint operation and subsidiaries	–	–	–	–	(78)
Receipts from joint venture participant	–	–	(5)	(5)	–
Gain on non-substantial loan modification	–	–	(31)	–	–
Impairment reversal of mining tenements	–	–	(100)	–	–
Stamp duty expensed	–	12	167	3	16
Remeasurement of financial assets	–	–	–	–	29
Impairment of financial assets	–	–	–	–	21
Transaction costs	–	3	33	21	10
Gain on acquisition of additional interest in joint operation and subsidiaries	(6)	–	–	–	–
Remeasurement of royalty receivable	(2)	6	(8)	(2)	(2)
Operating EBIT	(112)	39	732	197	736
Adjustment for depreciation and amortisation	200	133	256	80	244
Operating EBITDA	88	172	988	277	980

7. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Sales revenue					
Sales of coal					
Coal sold in Australia, gross	28	69	322	118	228
Coal sold outside Australia, gross	1,260	1,130	2,301	717	2,022
	1,288	1,199	2,623	835	2,250
Fair value of losses recycled from hedge reserve	(22)	(133)	(229)	(101)	(45)
	1,266	1,066	2,394	734	2,205
Other revenue					
Interest income	50	125	114	57	58
Mining services fees	–	38	52	29	26
Sea freight	–	–	12	–	37
Other	3	9	29	12	21
	53	172	207	98	142
Total revenue	1,319	1,238	2,601	832	2,347

Disaggregation of revenue

Revenue represents the gross amounts received and receivable arising from sales of coal during the Track Record Period.

Year ended 31 December 2015

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	14	14	28
Singapore	300	15	315
South Korea	348	79	427
China	30	77	107
Japan	103	49	152
Taiwan	58	10	68
All other foreign countries	145	46	191
Total	998	290	1,288
Major product			
Thermal coal	724	–	724
Metallurgical coal	274	290	564
Total	998	290	1,288

During the Track Record Period, all revenue are recognised at a point in time upon delivering.

Year ended 31 December 2016

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	10	59	69
Singapore	212	49	261
South Korea	222	74	296
China	163	16	179
Japan	69	74	143
Taiwan	56	37	93
All other foreign countries	141	17	158
Total	873	326	1,199
Major product			
Thermal coal	833	52	885
Metallurgical coal	40	274	314
Total	873	326	1,199

Year ended 31 December 2017

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	307	15	322
Singapore	193	144	337
South Korea	299	116	415
China	593	61	654
Japan	380	109	489
Taiwan	118	13	131
All other foreign countries	273	2	275
Total	2,163	460	2,623
Major product			
Thermal coal	1,442	443	1,885
Metallurgical coal	721	17	738
Total	2,163	460	2,623

Six months ended 30 June 2017 (unaudited)

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company'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	53	3	56
Total	616	219	835

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Major product			
Thermal coal	534	11	545
Metallurgical coal	82	208	290
Total	616	219	835

Six months ended 30 June 2018

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company'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			
Thermal coal	1,690	8	1,698
Metallurgical coal	361	191	552
Total	2,051	199	2,250

8. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Gain on change in fair value of royalty receivable	2	–	8	2	2
Net gain on foreign exchange	15	12	–	–	30
Receipts from joint venture participants	–	–	5	5	–
Gain on non-substantial loan modification *(Note)*	–	–	31	–	–
Gain on bargain purchase *(note 35)*	–	–	177	–	–
Impairment reversal of mining tenements	–	–	100	–	–
Gain on acquisition of additional interests in joint operation and subsidiaries *(note 35)*	6	–	–	–	–
Gain on disposal of interest in joint operation	–	–	–	–	78
Others	11	3	4	1	5
	34	15	325	8	115

Note: On the adoption of IFRS 9 Financial Instruments, the secured bank loans were adjusted as a result of refinancing the secured bank loan at a lower margin during 2017. Such refinancing is considered as a non-substantial modification of the terms of the secured bank loans and resulted in a gain of A$31 million at the time of modification in 2017. 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. During 2017 and 2018, A$7 million and A$7 million were amortised in finance cost respectively.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Interest expenses on:					
– Bank borrowings	116	139	138	66	80
– Loan from related parties	44	76	91	41	57
– Finance lease charges	2	4	4	2	2
– Amortisation of loan refinance fair value	–	–	7	–	7
– Unwinding of discount on provisions and deferred payables	6	5	63	2	6
	168	224	303	111	152
Less: interest expenses capitalised into assets under construction	(6)	(15)	(9)	(6)	–
	162	209	294	105	152

Note: The borrowing costs capitalised arose from the general borrowing pool are calculated by applying a capitalisation rate of 7% per annum to expenditure on qualifying assets for the years ended 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018.

10. INCOME TAX BENEFIT/(EXPENSE)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
(i) Net tax benefit/(expense)					
Income tax benefit/(expense)	82	73	(87)	(5)	(177)
Income tax (under)/over provision in respect of prior years	(19)	12	(2)	9	(1)
Net tax benefit/(expense)	63	85	(89)	4	(178)
(ii) Income tax benefit/(expense)					
Deferred tax benefit/(expense) included in income tax benefit comprises:					
Increase/(decrease) in deferred tax assets	214	157	(73)	8	(214)
(Increase)/decrease in deferred tax liabilities	(151)	(70)	(16)	(4)	36
Movements in other assets including assets classified as held for sale	–	(2)	–	–	–
	63	85	(89)	4	(178)

The Company and its subsidiaries are subject to the standard income tax rate of 30% on its taxable income, in accordance with the relevant Australia Income Tax Assessment Act.

The total tax benefit/(expense) for the years/periods can be reconciled to the (loss)/profit per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
(Loss)/profit before income tax	(354)	(312)	335	(18)	539
Tax at applicable income tax rate of 30%	106	94	(101)	5	(162)
Tax effect of non-taxable/deductible amounts in calculating income taxes:					
Stamp duty provision expensed	–	(4)	(50)	–	(5)
Share of (loss)/profit of equity-accounted investees not (deductible)/taxable	(11)	(2)	10	(6)	10
Gain on acquisition of subsidiaries	3	–	53	–	–
(Under)/over provision in prior years	(19)	12	2	9	(1)
Denial of debt deductions	(16)	(19)	(1)	–	–
Non-deductible expense	–	–	–	(11)	(18)
Other	–	4	(2)	7	(2)
Income tax benefit/(expense)	63	85	(89)	4	(178)

11. (LOSS)/PROFIT BEFORE INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
(Loss)/profit before income tax has been arrived at after charging:					
Amortisation of mining tenements and intangible assets	67	61	106	39	95
Depreciation of property, plant and equipment					
– Under finance leases	4	6	8	4	3
– Self-owned	129	66	142	37	146
Total depreciation and amortisation	200	133	256	80	244
Auditor's remuneration	1	1	2	–	–
Transaction costs#	–	3	33	21	10
Employee benefit expense (including directors', chief executive, supervisors' and management team's emoluments)*					
Wages, salaries, housing benefits and other allowances	210	174	281	95	230
Share-based payment expense	–	–	–	–	6
Pension scheme contribution	19	14	21	7	18
Total employee benefits	229	188	302	102	254
Cost of inventories recognised as expenses	211	194	342	99	313
Change in fair value of royalty receivable	(2)	6	(8)	(2)	(2)
Impairment of financial assets	–	–	–	–	21
Remeasurement of financial assets	–	–	–	–	29

* During the years ended 31 December 2015, 2016, 2017 and six months ended 30 June 2017 and 2018, A$45 million, A$26 million, A$17 million, A$6 million and A$1 million of employee benefits were capitalised.

# Included listing expenses of approximately nil, nil, nil, nil and A$10 million for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 respectively.

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's emoluments are as follows:

	Year ended 31 December 2015			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu	–	–	–	–
Xinghua Ni[1]	–	–	–	–
Fuqi Wang[2]	–	–	–	–
	–	–	–	–
Independent non-executive directors				
William Randall	–	–	–	–
Geoffrey Raby	0.2	–	–	0.2
Vincent O'Rourke	0.2	–	–	0.2
Huaqiao Zhang	0.1	–	–	0.1
Gregory Fletcher	0.2	–	–	0.2
	0.7	–	–	0.7
Executive directors				
Baocai Zhang	–	1.0	–	1.0
Boyun Xu	–	–	–	–
	–	1.0	–	1.0
Chief Executive				
Reinhold Schmidt	–	4.2	–	4.2
	0.7	5.2	–	5.9

[1] Resigned on 23 April 2015.

[2] Appointed on 23 April 2015.

	Year ended 31 December 2016			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu	–	–	–	–
Fuqi Wang	–	–	–	–
	–	–	–	–
Independent non-executive directors				
William Randall	–	–	–	–
Geoffrey Raby	0.2	–	–	0.2
Vincent O'Rourke	0.2	–	–	0.2
Huaqiao Zhang	0.1	–	–	0.1
Gregory Fletcher	0.2	–	–	0.2
	0.7	–	–	0.7
Executive directors				
Baocai Zhang	–	0.8	–	0.8
Boyun Xu	–	–	–	–
	–	0.8	–	0.8
Chief Executive				
Reinhold Schmidt	–	4.5	–	4.5
	0.7	5.3	–	6.0

	Year ended 31 December 2017			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu[1]	–	–	–	–
Fuqi Wang	–	–	–	–
Qingchun Zhao[2]	–	–	–	–
Xiangqian Wu[2]	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Gregory Fletcher	0.6	–	–	0.6
Geoffrey Raby	0.3	–	–	0.3
Xing Feng[4]	–	–	–	–
Vincent O'Rourke[5]	0.3	–	–	0.3
Huaqiao Zhang[5]	0.1	–	–	0.1
William Randall[3]	–	–	–	–
	1.3	–	–	1.3
Executive directors				
Baocai Zhang	–	1.9	–	1.9
Boyun Xu[1]	–	–	–	–
	–	1.9	–	1.9
Chief Executive				
Reinhold Schmidt	–	6.8	–	6.8
	1.3	8.7	–	10.0

[1] Resigned on 28 April 2017.

[2] Appointed on 28 April 2017.

[3] Resigned on 9 November 2017.

[4] Appointed on 15 December 2017.

[5] Resigned on 30 January 2018.

	Six months ended 30 June 2017 (unaudited)			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu[1]	–	–	–	–
Fuqi Wang	–	–	–	–
Qingchun Zhao[2]	–	–	–	–
Xiangqian Wu[2]	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Gregory Fletcher	0.3	–	–	0.3
Geoffrey Raby	0.2	–	–	0.2
Vincent O'Rourke	0.2	–	–	0.2
Huaqiao Zhang	0.1	–	–	0.1
William Randall[3]	–	–	–	–
	0.8	–	–	0.8
Executive directors				
Baocai Zhang	–	0.2	–	0.2
Boyun Xu[1]	–	–	–	–
	–	0.2	–	0.2
Chief Executive				
Reinhold Schmidt	–	0.6	–	0.6
	0.8	0.8	–	1.6

[1] Resigned on 28 April 2017.

[2] Appointed on 28 April 2017.

[3] Resigned on 9 November 2017.

	Six months ended 30 June 2018			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Baocai Zhang[2]	–	–	–	–
Xiyong Li[3]	–	–	–	–
Cunliang Lai	–	–	–	–
Fuqi Wang	–	–	–	–
Qingchun Zhao	–	–	–	–
Xiangqian Wu	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Gregory Fletcher	0.2	–	–	0.2
Helen Gillies	0.1	–	–	0.1
David Moult	0.1	–	–	0.1
Geoffrey Raby	0.1	–	–	0.1
Xing Feng	–	–	–	–
Vincent O'Rourke[4]	–	–	–	–
Huaqiao Zhang[4]	–	–	–	–
	0.5	–	–	0.5
Executive directors				
Fucun Wang[1]	–	–	–	–
Baocai Zhang[2]	–	0.2	–	0.2
	–	0.2	–	0.2
Chief Executive				
Reinhold Schmidt	–	0.8	–	0.8
	0.5	1.0	–	1.5

The executive directors' and the Chief Executive's emoluments show above were for their services to the management of the affairs of the Company and the Group.

The non-executive directors' emoluments show above were for their services as directors of the Company throughout the Track Record Period.

[1] Appointed on 8 June 2018.

[2] Resigned on 8 June 2018 as an executive director and Chair of Executive Committee and reappointed as a non-executive director and Chairman.

[3] Resigned on 8 June 2018.

[4] Resigned on 30 January 2018.

Employees' emoluments

The five highest paid individuals in the Group included one director and the Chief Executive for each of the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018, details of whose remuneration are set out above. Details of emoluments of the remaining three highest paid individuals who are neither a director nor chief executive of the Company for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Salaries, allowance and other benefits in kind	1	1	1	1	1
Retirement benefit scheme contributions	–	–	–	–	–
Discretionary bonuses	1	1	3	–	–
	2	2	4	1	1

Their emoluments were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(Unaudited)	
HKD1,000,001 to HKD1,500,000	–	–	–	3	–
HKD1,500,001 to HKD2,000,000	–	–	–	–	3
HKD3,500,001 to HKD4,000,000	2	1	–	–	–
HKD4,000,001 to HKD4,500,000	–	1	–	–	–
HKD4,500,001 to HKD5,000,000	1	1	–	–	–
HKD7,000,001 to HKD7,500,000	–	–	2	–	–
HKD8,000,001 to HKD8,500,000	–	–	1	–	–

None of the directors, chief executive director, supervisors, management team and the five highest and individuals waived any emoluments in the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018. No emoluments were paid by the Group to any of the directors as an inducement to joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend has been distributed by the Company for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018.

On 15 August 2018, the Directors announced an unfranked dividend of A$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.

14. (LOSS)/EARNINGS PER SHARE

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Basic (loss)/profit per share (A$)	(9.30)	(7.26)	0.54	(0.44)	0.29
Diluted (loss)/profit per share (A$)	(9.30)	(7.26)	0.31	(0.44)	0.29
a) Reconciliation of (loss)/profit used in calculating (loss)/earnings per share					
Basic and diluted (loss)/earnings per share					
(Loss)/profit used in calculating the basic and diluted (loss)/earnings per share:	(291)	(227)	246	(14)	361
Weighted average number of shares used in calculating (loss)/earnings per share					
Adjustments to calculation of basic earnings per share					
Bonus factor restatement associated with rights issue dated 31 August 2017	10%	10%	10%	10%	–
Number of shares associated with bonus factor	2,889,295	2,889,295	1,926,313	2,889,469	–
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	31,295,485	31,295,490	458,131,808	31,297,374	1,256,055,998
Adjustments to denominator used in calculating the diluted (loss)/earnings per share	–	–	325,045,691	–	23,333
Weighted average number of shares used as the denominator in calculating the diluted (loss)/earnings per share	31,295,485	31,295,490	783,177,499	31,297,374	1,256,079,331

In 2015 and 2016, the potential conversion of SCN into ordinary shares has an anti-dilutive impact as the Group was loss making and was therefore excluded from the weighted average number of ordinary shares for the purpose of diluted loss per share.

As disclosed in note 32, 18,000,181,943 shares were issued during 2017 for the conversion of SCN's and are included in the basic and diluted weighted average calculation for 2017. At 31 December 2017 there are 4,900 SCN on issue. The SCN's were redeemed on 31 January 2018 already included from the above calculation.

Additionally as required by IAS 33 when there is a rights issue, shares on issue prior to the rights issue need to be increased by a bonus factor equal to the fair value per share immediately before the exercise of rights and the rights issue price. In the calculation above this factor accounts to 10%.

A share consolidation of 35 shares into 1 share of the Company had been completed on 28 September 2018. The weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share has been adjusted for the share consolidation in 28 September 2018.

15. CASH AND CASH EQUIVALENTS

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Cash at bank and in hand	89	190	207	444
Deposits at call	70	–	–	41
	159	190	207	485
Transfer to assets classified as held for sale	(5)	–	–	–
	154	190	207	485

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Cash at bank and in hand	57	63	112	242
Deposits at call	70	–	–	41
	127	63	112	283

16. TRADE AND OTHER RECEIVABLES

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Trade receivables	157	278	540	424
Current promissory note receivable *(i)*	21	21	36	38
Restricted cash	4	32	1	–
Receivables from joint venture *(ii)*	331	347	332	274
Investment in securities *(iii)*	47	60	61	14
Long service leave receivables	–	–	80	62
Others*	44	104	81	97
	447	564	591	485
	604	842	1,131	909
Presented as:				
Current Portion	225	435	658	561
Non-current portion	379	407	473	348
	604	842	1,131	909

* Included impairment provision of nil, nil, nil and A$3 million as at 31 December 2015, 2016 and 2017 and 30 June 2018.

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Trade receivables	–	11	–	–
Current promissory note receivable *(i)*	21	21	36	38
Advances to related entities	5,910	822	880	901
Investment in securities *(iii)*	32	32	32	14
Restricted cash	2	31	–	–
Others	–	–	29	9
	5,965	906	977	962
	5,965	917	977	962
Presented as:				
Current portion	1,014	168	240	242
Non-current portion	4,951	749	737	720
	5,965	917	977	962

(i) Promissory notes to the value of A$674 million were issued to the Group by the Parent Company on 22 June 2012 on the disposal of certain mining assets, including promissory notes of A$21 million with regard to the expected tax on the disposal. During 2017 the promissory notes of A$21 million with the Parent Company was settled against related party loan interest payable by the Company. In addition as part of the equity raising completed on 1 September 2017, US$28 million (approximately A$36 million and A$38 million as at 31 December 2017 and 30 June 2018 respectively)) was deposited to Yankuang Ozstar (Ningbo) Trading Co Limited, a related party, and a promissory note was issued to the Company. Management believe that this will be settled within the next 12 months.

(ii) Receivables from joint venture includes a loan provided to Middlemount Coal Pty Ltd ("Middlemount JV") with a face value of A$350 million as at 31 December 2015, 2016 and 2017 and a face value of A$281 million as at 30 June 2018. On 1 July 2015, the shareholders of Middlemount JV agreed to make the loan interest-free for 18 months.

At 31 December 2016, this loan was further extended on an interest free basis for two months.

On 1 July 2017, the shareholders of Middlemount JV agreed to make the loan interest free for 18 months.

This loan has been revalued using the effective interest rate method to A$331 million, A$347 million, A$332 million and A$274 million at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively with the difference being recognised as a contribution to the joint venture.

(iii) Investments in securities represent the Group's investment in securities issued by WICET. These include E Class WIPS of A$15 million, A$28 million, A$29 million and nil and GiLTS of A$32 million, A$32 million, A$32 million and A$14 million as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively.

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
GiLTS				
Opening balance	32	32	32	32
Impairment	–	–	–	(18)
Closing balance	32	32	32	14

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis, as appropriate. The following is an aged analysis of trade receivables based on the invoice dates at the reporting dates:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
0-90 days	116	198	531	410
91-180 days	9	19	4	2
181-365 days	9	13	1	5
Over 1 year	23	48	4	7
	157	278	540	424

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
0-90 days	–	9	–	–
91-180 days	–	1	–	–
181-365 days	–	1	–	–
	–	11	–	–

Before accepting any new customer, the Group and the Company assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The ageing analysis of the Group's and the Company's trade receivables, that were past due but not yet impaired as at 31 December 2015, 2016 and 2017 and 30 June 2018, is as follows:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
1-90 days	31	45	23	28
91-180 days	9	19	4	2
181-365 days	9	13	1	5
Over 1 year	23	48	4	7
	72	125	32	42

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
91-180 days	–	1	–	–

The Group and the Company does not hold any collateral over these balances. The management closely monitors the credit quality of trade receivable and consider the balance that are neither past due nor impaired are of good credit quality.

17. ROYALTY RECEIVABLE

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
As at 1 January	200	205	199	199
Cash received	(18)	(21)	(29)	(13)
Unwinding discount	21	21	21	10
Change in fair value	2	(6)	8	2
As at 31 December/30 June	205	199	199	198
Presented as:				
Current portion	20	31	24	28
Non-current portion	185	168	175	170
	205	199	199	198

A right to receive a royalty of 4% of Free on Board Trimmed sales from the Middlemount mine was acquired as part of the merger with Gloucester Coal Ltd ("Gloucester"). This financial asset has been determined to have a finite life being the life of the Middlemount mine and is measured at fair value basis.

18. INVENTORIES

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Work in progress	15	13	19	23
Finished goods	34	34	68	100
	49	47	87	123
Fuel	1	1	4	5
Tyres and spares – at cost	26	27	59	77
	76	75	150	205

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 31 December 2015, 2016 and 2017 and 30 June 2017 and 2018 amounted to A$12 million, A$1 million, A$1 million, A$4 million and A$1 million respectively. The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the consolidated statements of profit or loss and other comprehensive income.

19. MINING TENEMENTS

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Opening net book amount	2,467	2,085	2,128	4,296
Acquisition through business combination and changes interest in joint operations *(note 35)*	25	–	2,456	127
Transfers from exploration and evaluation assets *(note 20)*	–	101	26	2
Impairment reversal	–	–	100	–
Amortisation	(64)	(58)	(103)	(93)
Transfer to assets classified as held for sale *(note 25)*	(343)	–	(311)	(24)
Closing net book amount	2,085	2,128	4,296	4,308

The mining tenements are recognised at cost less accumulated amortisation and impairment based on units of production method.

(i) Impairment of assets

(a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines are considered to be one CGU. In 2015, due to the classification of the three NSW underground mines as assets classified as held for sale, the NSW regional CGU comprises the open cut mines Moolarben and Stratford/Duralie. In 2017, Hunter Valley Operations and Mount Thorley Warkworth have been included in the NSW regional CGU alongside Moolarben and Stratford/Duralie. Yarrabee and Middlemount are considered separate CGU 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 expected life of mine is based on the coal reserves and resources (see discussion at note 5) and the expected production that will deplete the reserves and resources, in accordance with the current life of mine plan, to the point where further extraction is either no longer economic or requires further work to attend the life of mine. The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

The key assumptions in the model include:

Key assumptions Description	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$55 – US$109 per tonne, US$66 – US$100 per tonne and US$65 – US$101 per tonne and US$67 – US$102 per tonne for thermal coal and US$91 – US$166 per tonne, US$104 – US$165 per tonne, US$110 – US$190 per tonne and US$112 – US$176 per tonne for metallurgical coal for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 respectively. The Group receives long term forecast coal price data from multiple external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities. For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts.
Foreign exchange rates	The long term A$/US$ forecast exchange rate of US$0.73, US$0.73, US$0.75 and US$0.75 is based on external sources and the year-end A$/US$ exchange rate was US$0.73, US$0.72, US$0.78 and US$0.74 per the Reserve Bank of Australia at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively.
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	See discussion at note 5 for how the coal reserves and resources are determined.

Key assumptions Description	Description
Discount rate	The Group has applied a post-tax discount rate of 10.5%, 10.5%, 10.5% and 10.5% to discount the forecast future attributable post-tax cash flows for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 respectively. 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 31 December 2015, 2016, 2017 and 30 June 2018 the recoverable amount is determined to be above book value for all CGU resulting in no further impairment.

Impairment provision recorded as at 31 December 2015 and 2016 is A$108 million and A$105 million respectively for Moolarben. At 31 December 2017, the recoverable amount for Moolarben was determined to be approximately A$12,294 million and the remaining impairment provision at Moolarben of A$100 million has been reversed. Management have assessed the following as being reasons for the reversal:

- both the NSW CGU and Moolarben standalone recoverable amounts are above book value;

- completion of open-cut expansions and commencement of underground mining operations during 2017 have derisked future cash flows and increased production from 8 million tones ("Mt") in 2014 to approximately 17Mt of Run of mines ("ROM") coal; and

- current and life of mine operating costs and capital expenditure have decreased.

The impairment reversal has been recognised through the profit and loss.

Impairment provision recorded as at 31 December 2015, 2016, 2017 and 30 June 2018 is A$73 million, A$73 million, A$73 million and A$73 million respectively for Stratford and Duralie. Stratford and Duralie is included in the NSW region CGU. Management may consider reversals of the impairment provision previously recognised if there is either an increase in the average long term real revenue over the life of the mine due to either an increase in US$ coal prices, or a further weakening of the A$/US$ foreign exchange rate or a combination of both, or further 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) 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 A$/US$ forecast exchange rate.

For the year ended 31 December 2015, if coal prices were -10% life of mine ("LOM") the NSW CGU recoverable amount would exceed book value however for Yarrabee the book value would exceed the recoverable amount by A$267 million and for Middlemount by A$103 million. If the A$/US$ long-term forecast exchange rate was A$0.80 the NSW CGU recoverable amount would exceed book value however for Yarrabee the book value would exceed the recoverable amount by A$184 million and for Middlemount by A$30 million.

For the year ended 31 December 2016, if coal prices were -10% LOM the recoverable amount would exceed book value for all CGUs. If the AU$/US$ long term forecast exchange rate was A$0.80 the recoverable amount would exceed book value for all CGUs.

For the year ended 31 December 2017, if coal prices were-10% LOM the recoverable amount would exceed book value for all CGUs with the exception of Yarrabee who exceeded the recoverable amount by A$15 million. If the A$/US$ long term forecast exchange rate was A$0.80 the recoverable amount would exceed book value for all CGUs.

For the six months ended 30 June 2018, if coal prices were -10% LOM the recoverable amount would exceed book value for all CGUs with the exception of Yarrabee who exceeded the recoverable amount by A$149 million. If the A$/US$ long term forecast exchange rate was A$0.80 the recoverable amount would exceed book value for all CGUs.

20. EXPLORATION AND EVALUATION ASSETS

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Opening net book amount	896	591	498	565
Acquisition through business combination *(note 35)*	3	–	108	12
Other additions	3	–	3	–
Transfers to mining tenements *(note 19)*	–	(101)	(26)	(2)
Transfers from assets under construction	–	8	–	2
Transfer to assets classified as held for sale *(note 25)*	(311)	–	(18)	–
Closing net book amount	591	498	565	577

21. INTANGIBLE ASSETS

The Group

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
As at 1 January 2015					
Cost	60	21	–	5	86
Accumulated amortisation	–	(7)	–	–	(7)
Closing Net book amount	60	14	–	5	79
Year ended 31 December 2015					
Opening net book amount	60	14	–	5	79
Transfers from assets under construction *(note 22)*	–	2	–	–	2
Amortisation charge	–	(3)	–	–	(3)
Transfer to assets classified as held for sale *(note 25)*	–	(1)	–	(5)	(6)
Closing net book amount	60	12	–	–	72
At 31 December 2015					
Cost	60	22	–	–	82
Accumulated amortisation	–	(10)	–	–	(10)
Net book amount	60	12	–	–	72

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2016					
Opening net book amount	60	12	–	–	72
Transfers from assets under construction *(note 22)*	–	1	–	–	1
Amortisation charge	–	(3)	–	–	(3)
Closing net book amount	60	10	–	–	70
At 31 December 2016					
Cost	60	25	–	–	85
Accumulated amortisation	–	(15)	–	–	(15)
Net book amount	60	10	–	–	70

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2017					
Opening net book amount	60	10	–	–	70
Acquisition through business combination *(note 35)*	–	–	22	13	35
Transfers from assets under construction *(note 22)*	–	–	–	1	1
Transfer to asset classified as held for sale *(note 25)*	–	–	(4)	–	(4)
Amortisation charge	–	(2)	–	(1)	(3)
Closing net book amount	60	8	18	13	99
At 31 December 2017					
Cost	60	25	18	14	117
Accumulated amortisation	–	(17)	–	(1)	(18)
Net book amount	60	8	18	13	99

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Six months ended 30 June 2018					
Opening net book amount	60	8	18	13	99
Acquisition through business combination *(note 35)*	–	2	–	–	2
Other addition	–	–	1	–	1
Other disposal	–	–	(2)	–	(2)
Amortisation charge	–	(1)	–	(1)	(2)
Closing net book amount	60	9	17	12	98
At 30 June 2018					
Cost	60	27	17	14	118
Accumulated amortisation	–	(18)	–	(2)	(20)
Net book amount	60	9	17	12	98

The goodwill at 31 December 2015, 2016, 2017 and 30 June 2018 relates to the acquisition of Yancoal Resources Limited (formerly known as Felix Resources Limited) from an independent third party in an arm's length transaction and was allocated to Yarrabee mine.

The Yarrabee goodwill and water rights were not subject to impairment charges as the recoverable amounts were greater than the carrying value for these CGUs. Refer to note 19(i) for the details regarding the fair value less cost to sell calculation performed for goodwill and water rights.

The Company

Computer software

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Opening net book amount	3	3	2	2
Amortisation charge	–	(1)	–	(1)
Closing net book amount	3	2	2	1
At end of the year/period				
Cost	5	5	5	5
Accumulated depreciation	(2)	(3)	(3)	(4)
Net book amount	3	2	2	1

At 1 January 2015, the cost and accumulated amortisation were A$5 million and A$3 million respectively.

22. PROPERTY, PLANT AND EQUIPMENT

The Group

	Assets under construction	Freehold land & buildings	Mine development	Plant and equipment	Leased plant and equipment	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015						
Cost	303	259	624	1,334	56	2,576
Accumulated depreciation	–	(11)	(149)	(499)	(11)	(670)
Net book amount	303	248	475	835	45	1,906
Year ended 31 December 2015						
Opening net book amount	303	248	475	835	45	1,906
Transfer (to)/from assets under construction	(306)	8	186	110	–	(2)
Transfer – reclassification	–	(1)	1	–	–	–
Acquisition through business combination *(note 35)*	1	1	1	4	–	7
Other additions	281	–	47	5	–	333
Other disposals	–	–	–	(3)	–	(3)
Depreciation	–	(3)	(46)	(94)	(4)	(147)
Transfer to assets classified as held for sale *(note 25)*	(44)	(81)	(361)	(355)	(3)	(844)
Closing net book amount	235	172	303	502	38	1,250
At 31 December 2015						
Cost	235	182	374	766	53	1,610
Accumulated depreciation	–	(10)	(71)	(264)	(15)	(360)
Net book amount	235	172	303	502	38	1,250
Year ended 31 December 2016						
Opening net book amount	235	172	303	502	38	1,250
Transfer (to)/from assets under construction	(227)	–	92	126	–	(9)
Other additions	316	–	14	3	50	383
Other disposals	–	–	–	(14)	–	(14)
Depreciation	–	(2)	(28)	(48)	(6)	(84)
Closing net book amount	324	170	381	569	82	1,526
At 31 December 2016						
Cost	324	182	480	869	103	1,958
Accumulated depreciation	–	(12)	(99)	(300)	(21)	(432)
Net book amount	324	170	381	569	82	1,526

	Assets under construction	Freehold land & buildings	Mine development	Plant and equipment	Leased plant and equipment	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2017						
Opening net book amount	324	170	381	569	82	1,526
Transfer (to)/from assets under constructions	(576)	27	308	240	–	(1)
Other additions	303	–	21	12	9	345
Acquisition through business combination *(note 35)*	33	96	353	844	–	1,326
Other disposals	–	–	–	(17)	(7)	(24)
Depreciation	–	(4)	(45)	(98)	(8)	(155)
Transfer to assets classified as held for sale *(note 25)*	(3)	(15)	(51)	(116)	–	(185)
Closing net book amount	81	274	967	1,434	76	2,832
At 31 December 2017						
Cost	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
Six months ended 30 June 2018						
Opening net book amount	81	274	967	1,434	76	2,832
Transfer (to)/from assets under construction	(41)	5	138	(102)	–	–
Other additions	69	–	10	–	5	84
Acquisition through business combination *(note 35)*	6	19	39	114	–	178
Other disposals	–	–	(1)	(6)	–	(7)
Depreciation	–	(2)	(57)	(87)	(3)	(149)
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

The Company

	Assets under construction	Mine development	Plant and equipment	Total
	A$M	*A$M*	*A$M*	*A$M*
At 1 January 2015				
Cost	–	–	75	75
Accumulated depreciation	–	–	(50)	(50)
Net book amount	–	–	25	25
Year ended 31 December 2015				
Opening net book amount	–	–	25	25
Additions	7	–	–	7
Depreciation	–	–	(4)	(4)
Closing net book amount	7	–	21	28
At 31 December 2015				
Cost	7	–	75	82
Accumulated depreciation	–	–	(54)	(54)
Net book amount	7	–	21	28
Year ended 31 December 2016				
Opening net book amount	7	–	21	28
Transfers	(1)	1	–	–
Additions	–	15	–	15
Depreciation	–	–	(4)	(4)
Closing net book amount	6	16	17	39
At 31 December 2016				
Cost	6	16	75	97
Accumulated depreciation	–	–	(58)	(58)
Net book amount	6	16	17	39
Year ended 31 December 2017				
Opening net book amount	6	16	17	39
Additions	10	1	–	11
Depreciation	–	–	(4)	(4)
Closing net book amount	16	17	13	46
At 31 December 2017				
Cost	16	17	75	108
Accumulated depreciation	–	–	(62)	(62)
Net book amount	16	17	13	46
Six months ended 30 June 2018				
Opening net book amount	16	17	13	46
Depreciation	–	–	(2)	(2)
Closing net book amount	16	17	11	44
At 30 June 2018				
Cost	16	17	75	108
Accumulated depreciation	–	–	(64)	(64)
Net book amount	16	17	11	44

During the years ended 31 December 2015, 2016, 2017 and six months ended 2017 and 30 June 2018, A$14 million, A$12 million, A$5 million, A$2 million and nil of depreciation and amortisation were capitalised respectively and A$6 million, A$15 million, A$9 million, A$6 million and nil of interest were capitalised in property, plant and equipment respectively.

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than freehold land:

- Buildings 10 – 25 years
- Mine development 10 – 40 years
- Plant and equipment 2.5 – 40 years
- Leased plant and equipment 2 – 20 years

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment. Mine development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

At 31 December 2015, 2016 and 2017 and 30 June 2018, mines assets with carrying amount of approximately A$303 million, A$381 million, A$967 million and A$1,096 million respectively have been pledged to secure bank borrowings of the Group.

At 31 December 2015, 2016 and 2017 and 30 June 2018, the carrying amount of property, plant and equipment held under finance leases was A$38 million, A$82 million, A$76 million and A$78 million respectively.

23. INTERESTS IN OTHER ENTITIES

(a) Interests in associates

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Share of net assets of associates	–	–	191	192

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activities	Interest held at 31 December			Interest held at 30 June
				2015	2016	2017	2018
Watagan *(note (i))*	Australia	Ordinary shares	Coal Mining and sales	N/A	100%	100%	100%
Port Waratah Coal Services ("PWCS") *(note (ii))*	Australia	Ordinary shares	Coal terminal	N/A	N/A	36.5%	30%
NCIG *(note (iii))*	Australia	Registered capital	Coal terminal	27%	27%	27%	27%

All of the above associates have been accounted for using equity method in the consolidated financial statements.

(i) During 2015 the Group established a 100% owned subsidiary, 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 coal mining operations in Australia, being the Austar, Ashton and Donaldson coal mines (the "Three Mines"), to Watagan. On completion, under the terms of the Watagan Agreements, upon issuance of the bonds, the Group was determined to lose control of Watagan. These powers were transferred to the bondholders under the terms of the Watagan Agreements as the bond holders were given control of Watagan's board of directors' via appointment of the majority of directors. Given the Group maintains one seat on the board of directors of Watagan and had ongoing involvement under the terms of the Watagan Agreements, the Group could exercise significant influence over Watagan.

(ii) The Group through the acquisition of Coal & Allied during 2017, acquired 36.5% equity interest in PWCS of which 6.5% is classified as held for sale as at 31 December 2017 (note 25(b)(i)).

(iii) The Group holds 27% (2017: 27%) of the ordinary shares of 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.

(iv) All of the associates are private companies whose quoted market price is not available.

The information below reflects the summarized financial in respect of each of the associates that is material to the Group and are accounted for using equity method. 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:

	PWCS			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Current assets	N/A	N/A	79	103
Non-current assets	N/A	N/A	1,574	1,527
Current liabilities	N/A	N/A	(351)	(350)
Non-current liabilities	N/A	N/A	(665)	(640)
Revenue	N/A	N/A	101	183
Expenses	N/A	N/A	(101)	(170)
(Loss)/profit for the year/period	N/A	N/A	–	13
Dividend shared by the Group and received from the associate during the year/period	N/A	N/A	20	17

Statement of profit or loss of Watagan

	Watagan				
	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Revenue	N/A	282	569	255	189
Other income	N/A	1	56	47	1
Changes in inventories of finished goods and work in progress	N/A	8	(13)	8	(6)
Coal purchases	N/A	(61)	(76)	(48)	(38)
Raw materials and consumables used	N/A	(44)	(62)	(30)	(26)
Employee benefits	N/A	(23)	(43)	(20)	(8)
Depreciation and amortisation	N/A	(90)	(136)	(59)	(37)
Transportation	N/A	(17)	(34)	(14)	(18)
Contractual services and plant hire expense	N/A	(26)	(45)	(19)	(24)
Government royalties expense	N/A	(14)	(31)	(13)	(9)
Finance costs	N/A	(134)	(174)	(74)	(71)
Service fee	N/A	(38)	(56)	(32)	(28)
Other operating expenses	N/A	(53)	(23)	(7)	(50)
Total expenses	**N/A**	**(492)**	**(693)**	**(308)**	**(315)**
Loss before income tax	N/A	(209)	(68)	(6)	(125)
Income tax benefit/(expense)	**N/A**	**47**	**10**	**(1)**	**35**
Loss for the year/period	**N/A**	**(162)**	**(58)**	**(7)**	**(90)**
Total comprehensive expense for the year/period	**N/A**	**(162)**	**(58)**	**(7)**	**(90)**

Asset and liabilities of Watagan

	Watagan			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Cash and cash equivalents	N/A	100	103	100
Trade and other receivables	N/A	263	151	66
Inventories	N/A	45	30	23
Other current assets	N/A	3	3	4
Total current assets	**N/A**	**411**	**287**	**193**
Trade and other receivables	N/A	–	43	70
Property, plant and equipment	N/A	884	844	853
Mining tenements	N/A	332	330	324
Deferred tax assets	N/A	31	–	29
Intangible assets	N/A	6	5	5
Exploration and evaluation assets	N/A	311	298	298
Other non-current assets	N/A	3	10	11
Non-current assets	**N/A**	**1,567**	**1,530**	**1,590**
Trade and other payables	N/A	(40)	(97)	(62)
Interest-bearing liabilities	N/A	(1)	(1)	(1)
Provisions	N/A	(2)	(1)	(1)
Current liabilities	**N/A**	**(43)**	**(99)**	**(64)**
Interest-bearing liabilities	N/A	(1,843)	(1,704)	(1,777)
Deferred tax liabilities	N/A	(214)	(183)	(201)
Provisions	N/A	(34)	(47)	(47)
Other non-current liabilities	N/A	(6)	(5)	(5)
Non-current liabilities	**N/A**	**(2,097)**	**(1,939)**	**(2,030)**
Net liabilities	N/A	(162)	(221)	(311)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates in respect of material associates recognised in the consolidated financial statements:

	PWCS			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Net assets of the associate's attributable to owners	N/A	N/A	637	640
Proportion of the Group's ownership interest	N/A	N/A	30%	30%
Carrying amount of the Group's interest in the associate	N/A	N/A	191	192

	Watagan			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Net liabilities of the associate's attributable to owners	N/A	(162)	(221)	(311)
Proportion of the Group's ownership interest	N/A	100%	100%	100%
Carrying amount of the Group's interest in the associate	N/A	–	–	–

The carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Carrying amount of the Group's interests in immaterial associates	–	–	–	–

For the associates not individually material, no profit or loss was recognised during the Track Record Period because the accumulated losses exceeds its interest.

Movements of carrying amounts

The Group's share of NCIG's loss after tax of A$93 million, A$10 million, profit after tax of A$36 million and loss after tax of A$37 million has not been recognised for the years ended 31 December 2015, 2016 and 2017 and 30 June 2018 respectively since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 31 December 2015, 2016 and 2017 and 30 June 2018.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the cumulative unrecognised losses of NCIG are A$301 million, A$311 million and A$275 million and A$313 million respectively.

Apart from the initial A$100 invested, the Group's share of Watagan's loss after tax of A$162 million, A$58 million and A$90 million has not been recognised for the years ended 31 December 2016 and 2017 and six months ended 30 June 2018 as the Group's share of Watagan's accumulated losses exceeds its interest in Watagan at 31 December 2016 and 2017 and six months ended 30 June 2018.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the cumulative unrecognised losses of Watagan are nil, A$162 million and A$220 million and A$310 million respectively.

(b) Interests in joint ventures

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Share of net assets of joint ventures	8	5	60	88

				At 31 December						At 30 June	
				2015		2016		2017		2018	
Name of joint venture	Place of establishment and operation	Class of shares held	Principal activities	Voting power	Interest held	Voting power	Interest held	Voting power	Interest held	Voting power	Interest held
Middlemount JV	Australia	Ordinary shares	Coal mining and sales	50%	50%	50%	50%	50%	50%	50%	50%
HVO Coal Sales Pty Ltd (note (i))	Australia	Ordinary shares	Coal sales	N/A	N/A	N/A	N/A	N/A	N/A	50%	51%
HVO Operations Pty Ltd (note (i))	Australia	Ordinary shares	Coal management	N/A	N/A	N/A	N/A	N/A	N/A	50%	51%
HVO Services Pty Ltd (note (i))	Australia	Ordinary shares	Employment company for HVO	N/A	N/A	N/A	N/A	N/A	N/A	50%	51%

(i) Through the acquisition of Coal & Allied as detailed in note 35(ii), the Company acquired 67.6% of the Hunter Valley Operations ("HVO JV"), and HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd ("HVO entities"). HVO entities are used to manage sales and costs on behalf of the HVO JV. On 27 July 2017, the Group entered into an agreement with Glencore Coal Pty Ltd ("Glencore") to dispose of 16.6% interest in HVO. Upon completion of the transaction on 4 May 2018, the operation of HVO entities by the Group ceased. Even though the Group holds 51% of the shares in HVO entities, those entities are governed by shareholder agreements whereby it is required that decisions are made jointly. Accordingly, the Group has determined that from 4 May 2018 it jointly controls these companies and has accounted for the HVO entities as joint ventures.

The following table provides summarised financial information for Middlemount JV. 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.

	Middlemount JV			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Cash and cash equivalents	20	12	4	18
Other current assets	68	118	156	90
Current assets	88	130	160	108
Non-current assets	1,194	1,092	976	922
Current liabilities	(244)	(226)	(126)	(102)
Non-current financial liabilities	(748)	(780)	(680)	(546)
Other non-current liabilities	(274)	(206)	(210)	(206)
Non-current liabilities	(1,022)	(986)	(890)	(752)
Net assets	16	10	120	176
Revenue	426	498	664	352
Depreciation and amortisation	(82)	(42)	(62)	(20)
Other expense	(376)	(410)	(458)	(226)
Interest expense	(50)	(48)	(42)	(22)
Income tax benefit/(expense)	8	(8)	(38)	(28)
(Loss)/profit for the year/period	(74)	(10)	64	56

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group did not have any share of contingent liabilities or commitment of the joint ventures.

The joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

	Middlemount JV			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Net assets of the joint venture's attributable to owners	16	10	120	176
Proportion of the Group's ownership interest	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	8	5	60	88

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint venture in respect of joint ventures recognised in the consolidated financial statements.

The liabilities of Middlemount JV include an interest bearing liability of A$331 million (face value of A$350 million), A$347 million (face value of A$350 million), A$331 million (face value of A$350 million) and A$274 million (face value of A$281 million) due to the Group at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively. The repayment of the loan due to the Group can only be made by Middlemount JV after the full settlement of all external borrowings (bank loans) and the Priority Loans owed to the other shareholder of Middlemount JV amounting to A$130 million, A$130 million, A$16 million and A$69 million at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively. The liabilities of Middlemount JV also include a royalty payable of A$51 million, A$74 million, A$11 million and A$8 million due to the Group at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively.

During 2018, Middlemount JV settled the priority loan owed to the other shareholder of Middlemount JV amounting to A$42 million and has made A$69 million of loan repayments to the Group. From 1 July 2017, the shareholders of Middlemount JV 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 carrying amount, in aggregate, of the Group's interests in HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd joint ventures which are not individually material and are accounted for using the equity method are set out below:

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Carrying amount of the Group's interests in joint venture	–	–	–	–

For the joint ventures not individually material, no profit or loss was recognised during the Track Record Period because the accumulated losses exceeds its interest.

(c) Interests in joint operations

Information on major joint operations is as follows:

Name of joint operation	Place of establishment and operation	Principal activities	At 31 December			At 30 June
			2015	2016	2017	2018
			Interest held	Interest held	Interest held	Interest held
Boonal joint operation *(note (i))*	Australia	Provision of a coal haul road and train load out facilities	50%	50%	50%	50%
Moolarben joint venture *(note (ii))*	Australia	Development and operation of open-cut and underground coal mines	81%	81%	81%	81%
Warkworth joint venture *(note (iii))*	Australia	Development and operation of open-cut mines	N/A	N/A	55.6%	84.5%
Mount Thorley joint venture *(note (iv))*	Australia	Development and operation of open-cut mines	N/A	N/A	80%	80%
HVO joint venture *(note (v))*	Australia	Development and operation of open-cut mines	N/A	N/A	67.6%	51%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company.

Notes:

(i): The Company, through the subsidiary of Yarrabee Coal Company Pty. Limited, has an 50% interest in Boonal Joint Venture.

(ii): The Company, through the subsidiary of Moolarben Coal Mines Pty Limited, has an 81% interest in Moolarben Joint Venture.

(iii): The Company, through the acquisition of Coal & Allied in 2017, through CNA Warkworth Associates Pty Ltd and CNA Resources Ltd, have an combined interest of 55.6% in Warkworth Joint Venture. On 7 March 2018, the Group acquired an additional 28.898% from Mitsubishi Development Pty Ltd ("Mitsubishi") resulting in interest of 84.5%.

(iv): The Company, through the acquisition of Coal & Allied in 2017, through Mount Thorley Pty Ltd, acquired an 80% interest in the Mount Thorley Joint Venture.

(v): The Company, through the acquisition of Coal & Allied in 2017, through Coal & Allied Operations Pty Ltd, acquired 67.6% interest in HVO JV of which 16.6% was classified as held for sale. On 4 May 2018, the 16.6% interest was disposed of.

24. INTEREST BEARING LOAN TO AN ASSOCIATE

The Group and the Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Non-current assets				
– Loan to an associate	–	775	712	730

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 for a purchase price of A$1,363 million. The purchase price was funded by way of a A$1,363 million loan from the Company to Watagan bearing interest of Bank Bill Swap Bid Rate ("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.

25. ASSETS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During 2015, the Group established a 100% owned subsidiary, Watagan Mining Company Pty Ltd ("Watagan"). The management of the Company had been in active discussion with the potential bond subscribers for the proposed transaction before 31 December 2015 and from the discussion held, management noted that it is appropriate to classified as held for sale.

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 approximately A$1.3 billion (an amount equal to the book value of the three mines at completion). The purchase price was funded by way of an approximate A$1.3 billion loan from Yancoal 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 9 years to three external financiers ("Bondholders"). The Bondholders received interest on the face value outstanding on the bonds comprising a fixed interest component, as well as a variable interest component that was 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 resided with the Group. Specifically, these 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. Due to the Watagan transaction being near completion and the transaction considered to be highly likely at 31 December 2015, the three mines are disclosed as Disposal Group Held for Sale. While Watagan was deconsolidated for accounting purposes, as a result of the Group's ongoing 100% equity ownership in Watagan, Watagan remains within the Group's tax consolidated group.

The following table provides summarised financial information for the Three Mines that are held for sale as at 31 December 2015.

	31 December 2015
	A$M
Cash and cash equivalents	5
Other current assets	95
Current assets	100
Property, plant and equipment	844

	31 December 2015
	A$M
Mining tenements	343
Exploration and evaluation assets	311
Deferred tax assets	21
Intangible assets	6
Other non-current assets	12
Non-current assets	1,537
Assets classified as held for sale	1,637
Current liabilities	75
Deferred tax liability	207
Other non-current liabilities	40
Non-current liabilities	247
Liabilities associated with assets classified as held for sale	322
Net assets classified as held for sale	1,315

(a) As at 31 December 2017 and 30 June 2018, the Group had net assets classified as held for sale for which the relevant sales are expected to be completed in 2018 as follows:

	31 December 2017	30 June 2018
	A$M	*A$M*
Current assets		
Interest in an associate *(note (i))*	25	–
Land held for sale *(note (ii))*	57	57
Interest in a joint operation *(note (iii))*	531	–
Total current assets	613	57
Current liabilities		
Interest in a joint operation *(note (iii))*	67	–
Total current liabilities	67	–

(i) Investment in an associate

The investment in an associate was included in the asset sale agreement with Glencore. An indirect interest in PWCS of 6.5%, held via shares in Newcastle Coal Shippers Pty Ltd, was sold for US$20 million (equivalent to A$25.6 million) and was complete in May 2018.

(ii) Land held for sale

The land held for sale refers to parcels of non-mining land located in the Lower Hunter Valley that is held for development or future sale. These were acquired as part of the acquisition of Coal & Allied at fair value.

(iii) Interest in joint operation

On 27 July 2017, the Group entered into an agreement with Glencore, for the disposal of 16.6% interest in HVO for a cash consideration of US$429 million (equivalent to A$550 million), subject to certain adjustments on completion. This amount is reduced by the net cash flows generated by the 16.6% HVO interest from 1 September 2017 to the date of completion. The consideration will also include a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by the Group and a net debt and working capital adjustment in respect of the Coal & Allied acquisition. The US$429 million includes US$20 million associated with the sale of shares in Newcastle Coal Shippers Pty Ltd held by Coal & Allied to Glencore noted above. The assets and liabilities disclosed below, refers to the share of assets and liabilities associated with the 16.6% interest in HVO. The transaction was completed in May 2018.

	31 December 2017
	A$M
Current assets	13
Property, plant and equipment	185
Mining tenements	311
Exploration and evaluation assets	18
Intangible assets	4
Non-current assets	518
Total assets classified as held for sale	531
Current liabilities	38
Non-current liabilities	29
Total liabilities associated with assets classified as held for sale	67
Net assets classified as held for sale	464

There was no gain/loss arising from classification of the assets/disposal group held for sale during the Track Record Period.

26. TRADE AND OTHER PAYABLES

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Trade payable	200	257	496	371
Accrued staff costs	36	53	112	85
Advances from related entities	–	45	44	70
Others	56	114	106	257
	292	469	758	783

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Trade payable	11	1	–	1
Accrued staff costs	7	7	32	13
Advances from related entities	109	103	989	1,997
Others	29	52	113	126
	156	163	1,134	2,137

The following is an aged analysis of trade payable based on the invoice dates at the reporting date:

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
0 – 90 days	200	257	495	370
91 – 180 days	–	–	1	1
	200	257	496	371

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
0 – 90 days	11	1	–	1
	11	1	–	1

The average credit period for trade payable is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

27. INTEREST-BEARING LIABILITIES

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Current liabilities				
Bank borrowings				
– Secured borrowings *(i)*	7	–	–	–
Finance lease liabilities *(iii)*	4	20	17	17
	11	20	17	17
Non-current liabilities				
Bank borrowings				
– Secured borrowings *(i)*	3,751	3,593	3,117	2,622
Finance lease liabilities *(iii)*	27	47	38	34
Unsecured loans from related parties *(ii) (note)*	943	1,290	1,527	1,611
	4,721	4,930	4,682	4,267
Interest-bearing liabilities	4,732	4,950	4,699	4,284

Note: A$137 million of SCN distributions to related parties was included in the balance at 31 December 2017.

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Non-current liabilities				
Bank borrowings				
– Secured borrowings *(i)*	3,750	3,593	3,117	2,622
Unsecured loans from related parties *(ii)*	943	1,632	1,527	1,611
	4,693	5,225	4,644	4,233
Interest-bearing liabilities	4,693	5,225	4,644	4,233

(i) Secured borrowings

Secured borrowings are repayable as follows:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Within one year	7	–	–	–
More than one year, but not exceeding two years	62	–	–	406
More than two years, but not more than five years	1,320	2,404	3,117	2,232
More than five years	2,369	1,189	–	–
Total	3,758	3,593	3,117	2,638*

* Excludes fair value adjustment of A$16 million.

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Within one year	–	–	–	–
More than one year, but not exceeding two years	62	–	–	406
More than two years, but not more than five years	1,320	2,404	3,117	2,232
More than five years	2,368	1,189	–	–
Total	3,750	3,593	3,117	2,638*

* Excludes fair value adjustment of A$16 million.

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

		At 31 December 2015		At 31 December 2016		At 31 December 2017		At 30 June 2018	
	Facility	**Facility**	**Utilised**	**Facility**	**Utilised**	**Facility**	**Utilised**	**Facility**	**Utilised**
	US$/A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Syndicated Facility	US$2,450	3,559	3,559	3,593	3,593	3,117	3,117	2,638	2,638
Bi-lateral facility	US$140	192	192	–	–	–	–	–	–
Chattel mortgage	US$22	29	7	–	–	–	–	–	–
Working capital facility	A$50	50	–	–	–	–	–	–	–
		3,830	3,758	3,593	3,593	3,117	3,117	2,638	2,638

Syndicated facility and bi-lateral facility

In 2009, a syndicated loan facility ("Syndicated Facility") of US$2,600 million and bi-lateral loan facility ("Bi-lateral Facility") of US$140 million were 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 2016, the Bi-lateral facility of US$140 million was repaid in full and restructured to a bank guarantee facility with the same limit. During 2017 and 2018 US$150 million and US$500 million was repaid respectively reducing the facility to US$1,950 million.

Security is held over the Syndicated Facility and Bi-lateral Facility in the form of a corporate guarantee issued by the Parent Company, for the full amount of the facility. As part of the acquisition of Coal & Allied the financial covenants were adjusted from 1 September 2017. The Syndicated Facility and Bi-Iateral Facility includes the following financial covenants to be tested half-yearly:

(a) The interest cover ratio will not be less than 1.15 for the twelve month period ended 30 June 2017 and 1.40 period from 1 September 2017 to 31 December 2017.

(b) The gearing ratio of the Group will not exceed 0.9, 0.8, 0.75 and 0.75 for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 respectively.

(c) The consolidated net worth of the Group is not less than A$1,600 million for the years ended 31 December 2015 and 2016, A$3,000 million for the year ended 31 December 2017 and six months ended 30 June 2018.

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

(a) The Company is to maintain in the Lender Accounts an aggregate daily average balance of not less than A$25 million, this is tested at the end of each month, and;

(b) The Company is to maintain in the Lender Accounts an aggregate end of month balance of not less than A$50 million.

There was no breach of covenants at 31 December 2015, 2016, 2017 and 30 June 2018.

At 31 December 2015, 2016 and 2017 and 30 June 2018, mine assets (mining tenements, exploration and evaluation assets, intangible assets, property, plant and equipment and etc.) with carrying amount of approximately A$3,247 million, A$3,024 million, A$7,482 million and A$6,008 million respectively have been pledged to secure bank borrowings of the Group.

Chattel mortgage facility

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group acquired a chattel mortgage facility of US$22 million. During 2016, the outstanding balance was repaid and the facility was cancelled. Security in the form of a bank guarantee issued by Westpac Banking Corporation and eleven trucks was also released.

Working capital facility

During 2015, a working capital facility was taken out to fund working capital and capital expenditure. The facility was for A$50 million. In March 2016, this facility was repaid in full and the facility was terminated. Security was held in the form of a corporate guarantee issued by the Parent Company for the full amount of the facility.

(ii) Unsecured loans from related parties

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

Facility 1: A$1,400 million – the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both A$ and US$.

During 2015, US$300 million (A$402 million) was drawn down. In total US$500 million (A$684 million) was drawn down as at 31 December 2015.

During 2016, US$191 million (A$251 million) was drawn down. In total US$682 million (A$942 million) was drawn down as at 31 December 2016.

During 2017, US$150 million (A$188 million) had been drawn. In total US$832 million (A$1,066 million) was drawn down as at 31 December 2017.

During 2018, no additional amounts have been drawn down. In total US$832 million (A$1,125 million) was drawn down as at 30 June 2018.

Facility 2: US$807 million – the purpose of the facility is to fund the coupon payable on subordinated capital notes.

During 2015, US$73 million was drawn down. In total US$73 million (A$100 million) was drawn down as at 31 December 2015.

During 2016, US$63 million was drawn down. In total US$136 million (A$188 million) was drawn down as at 31 December 2016.

During 2017, US$107 million was drawn down. In total US$243 million (A$312 million) was drawn down as at 31 December 2017.

During 2018, no amounts have been drawn down. In total US$243 million (A$329 million) was drawn down as at 30 June 2018. On 31 January 2018 all remaining SCN were redeemed limiting the facility to the current drawn amount US$243 million.

Both the facilities have a term of ten years (with the 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 the Parent Company. 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 (A$160 million) which remains outstanding as at 31 December 2015, 2016 and 2017 and 30 June 2018 which is repayable on 12 May 2022.

(iii) Finance lease liabilities are repayable as follows:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Minimum lease payments				
Within one year	11	24	19	19
More than one year, but not exceeding two years	15	14	13	10
More than two years, but not more than five years	9	38	29	27
	35	76	61	56
Less: Future finance charges	(4)	(9)	(6)	(5)
Present value of lease payments	31	67	55	51

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Present value of minimum lease payments				
Within one year	4	20	17	17
More than one year, but not exceeding two years	13	12	12	8
More than two years, but not more than five years	14	35	26	26
Present value of lease payments	31	67	55	51
Less: Amounts due within one year and included in current liabilities	(4)	(20)	(17)	(17)
Amounts due after one year and included in non-current liabilities	27	47	38	34

Finance lease liabilities of A$31 million, A$67 million, A$55 million and A$51 million carried interest at an effective interest rate of 5.22%, 5.13%, 5.10% and 5.00% per annum for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 respectively.

(iv) Bank guarantee facilities as follows:

The Group 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:

For the year ended 31 December 2015

Providers	Facility	Utilised	Security
	A$M	*A$M*	
Syndicate of Australian Financiers	350	299	Yarrabee, Ashton, and Moolarben mine assets with a carrying value of A$3,247 million.
Bank of China	47	37	Letter of comfort from the Parent Company to Bank of China for the full amount of the facility.
Industrial and Commercial Bank of China ("ICBC")	125	122	Cash deposit of A$3 million on A$25 million of the facility, included in restricted cash and a corporate guarantee provided by the Parent Company to ICBC for the remaining A$100 million.
Total	522	458	

For the year ended 31 December 2016

Providers	Facility	Utilised	Security
	A$M	*A$M*	
Syndicate of Australian Financiers	93	92	A$1 million 100% cash deposit provided by Yancoal Resources Limited, and A$91.3 million is secured by Yarrabee and Moolarben mine assets with carrying value of A$3,024 million.
Bank of China	268	228	A$47 million is supported by Letter of Comfort from the Parent Company, US$140 million (A$194 million) is secured by the Parent Company's corporate guarantees, and A$28 million is secured by 100% cash collateral from the Company.
ICBC	125	121	A$3 million is secured by cash (10% of the guaranteed amount, and A$100 million is supported by the Parent Company's Corporate Guarantee.
Total	486	441	

For the year ended 31 December 2017

Providers	US$M	A$M	Utilised A$M	Security
Syndicate of seven domestic and international banks	–	1,000	935	Secured by Yarrabee and Moolarben mine assets with carrying value of A$3,159 million, and Coal & Allied Group assets with carrying value of A$4,323 million. Facility expires on 31 August 2020.
Bank of China*	95	122	106	Parent corporate guarantees from the Parent Company to Bank of China for the full amount of the facility. Expiry dates are as follow: – US$45 million expires on 16 December 2018 – US$50 million expires on 16 December 2019
Total	95	1,122	1,041	

For the six months ended 30 June 2018

Providers	US$M	A$M	Utilised A$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 with carrying value of A$6,008 million. Facility expires on 31 August 2020.
Bank of China*	95	129	101	Parent corporate guarantees from the Parent Company to Bank of China for the full amount of the facility. Expiry dates are as follow: – US$45 million expires on 16 December 2018 – US$50 million expires on 16 December 2019
Total	95	1,129	894	

* This facility can be drawn in both A$ and US$. As at 31 December 2017 and 30 June 2018, all bank guarantees outstanding under this facility were denominated in A$.

The syndicated 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 syndicated guarantee facility was increased to A$1 billion and the financial covenants were adjusted from 1 September 2017:

(a) The interest cover ratio is greater than 5.0 times in 2016 and 2017;

(b) The finance debt to EBITDA ratio is less than 3.0 times in 2016 and 2017; and

(c) The net tangible assets are greater than A$600 million and A$1,500 million in 2016 and 2017 respectively.

There was no breach of covenants at 31 December 2015, 2016 and 2017 and 30 June 2018.

28. PROVISIONS

The Group

	Employee benefits (note (iii))	**Rehabilitation (note (iv))**	**Take or pay (note (i))**	**Other provisions (note (v))**	**Total**
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2015					
Opening net book amount	1	73	56	30	160
Charged/(credit) to profit or loss					
– Unwinding of discount	–	2	4	–	6
– Release of the provision	–	–	(14)	(22)	(36)
– Rehabilitation expenditure incurred	–	(1)	–	(2)	(3)
Re-measurement of provisions	–	42	–	–	42
Additions on business combination	–	–	5	–	5
Asset as held for sale	–	(31)	–	–	(31)
Closing net book amount	1	85	51	6	143
Split between:					
Current	1	–	10	1	12
Non-current	–	85	41	5	131
Total	1	85	51	6	143

	Employee benefits (note (iii))	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2016					
Opening net book amount	1	85	51	6	143
Charged/(credit) to profit or loss					
– Unwinding of discount	–	2	3	–	5
– Release of the provision	–	–	(13)	(1)	(14)
Re-measurement of provisions	–	(4)	–	–	(4)
Transfer to asset classified as held for sale	–	–	(3)	–	(3)
Closing net book amount	1	83	38	5	127
Split between:					
Current	1	–	8	1	10
Non-current	–	83	30	4	117
Total	1	83	38	5	127

Year ended 31 December 2017

	Employee benefits (note (iii))	Sales contract provision	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Opening net book amount	1	–	83	38	5	127
Charged/(credit) to profit or loss						
– Unwinding of discount	–	41	3	6	–	50
– Release of the provision	–	(62)	–	(24)	(1)	(87)
Acquired through business combination	64	149	129	50	44	436
Re-measurement of provisions	35	–	20	–	–	55
Transfer to asset classified as held for sale	–	(7)	(17)	(8)	(2)	(34)
Closing net book amount	100	121	218	62	46	547
Split between:						
Current	8	34	–	16	1	59
Non-current	92	87	218	46	45	488
Total	100	121	218	62	46	547

Six months ended 30 June 2018

	Employee benefits (note (iii))	Sales contract provision	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Opening net book amount	100	121	218	62	46	547
Charged/(credit) to profit or loss						
– Unwinding of discount	–	1	3	2	–	6
– Release of the provision	–	(19)	–	(12)	(1)	(32)
Acquired through business combination	–	–	16	–	–	16
Disposal of share in HVO	(24)	(15)	(17)	–	–	(56)
Re-measurement of provisions	(3)	–	24	–	–	21
Closing net book amount	73	88	244	52	45	502
Split between:						
Current	5	24	–	12	1	42
Non-current	68	64	244	40	44	460
Total	73	88	244	52	45	502

(i) Take or pay provision, which arose from business combination, is the assessment of forecast excess capacity for port and rail contracts. A provision was recognised for the discounted estimated excess capacity for the contracted rail or port tonnage utilised. The provision has a finite life and will be released to profit or loss over the period in which excess capacity is realised.

(ii) In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under IFRS 3 Business Combinations. The sales contract provision is the assessment of a coal supply and transportation agreement to supply coal to BLCP Power Limited in Thailand at below market prices. A provision was recognised for the discounted estimated variance between contract and market prices. The provision has a finite life and will be released to profit or loss over the contract term.

(iii) The balance mainly included provision for long-term employee entitlements and other employee incentives, which arose mainly from the acquisition of Coal & Allied.

(iv) Mining lease agreements and exploration permits impose obligations on the Group to rehabilitate areas where mining activity has taken place. Rehabilitation of these areas is ongoing and in some cases will continue until 2060. The provision for rehabilitation costs has been calculation based on the present value of the future costs expected to be incurred in restoring affected mining areas, assuming current technologies.

(v) Other provision includes R&D provision, marketing services fee payable to Noble Group Limited deemed above market norms, contingent royalties payable to Rio Tinto assessed as part of the Coal & Allied acquisition in 2017 which will be amortised over the contract term, and reinstatement cost for any hired equipment, in case any major overhaul costs are incurred at the end of the lease period.

The coal price linked contingent royalty is based on US$2.0/tonne of attributable saleable production from Coal & Allied for a period of 10 years commencing on 1 September 2020 which will be payable if the Newcastle benchmark thermal coal price exceeds US$75/tonne.

(vi) The provision for employee benefits represents long service leave and annual leave entitlements and other incentives accrued by employees.

29. NON-CONTINGENT ROYALTY PAYABLE

The Group and the Company

Non-contingent royalty receivable

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Opening balance	–	–	–	–
Initial recognition	–	–	–	87
Payments	–	–	–	(65)
Foreign exchange	–	–	–	3
Non-contingent royalty receivable	–	–	–	25
Analysed for financial reporting purpose:				
Current portion	–	–	–	18
Non-current portion	–	–	–	7
Total	–	–	–	25

Non-contingent royalty receivable represented part of the consideration for the disposal of Hunter Valley Operation, details please refer to note 35.

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

Non-contingent royalty payable

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Opening balance	–	–	–	160
Initial recognition	–	–	283	–
Payments	–	–	(142)	(78)
Unwind of discount	–	–	13	2
Foreign exchange	–	–	6	4
Non-contingent royalty payable	–	–	160	88
Analysed for financial reporting purpose:				
Current portion	–	–	112	64
Non-current portion	–	–	48	24
Total	–	–	160	88

Non-contingent royalty payable represents part of the consideration for the acquisition of Coal & Allied on 1 September 2017. The amount is payable by the Group by installments from 2017 to 2021.

30. DEFERRED TAXATION

Deferred tax assets and the movements thereon for the Track Record Period are:

The Group

Deferred tax assets movements	Tax losses and offsets	Provisions	Cash flow hedges	Others	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015	511	41	244	41	837
Under/(over) – provision in prior year					
– to profit or loss	171	–	(127)	16	60
– other	–	–	–	(3)	(3)
(Charged)/credited					
– to profit or loss	152	13	–	(11)	154
– directly to equity	–	–	134	–	134
– other	–	–	–	5	5
Transfer to assets classified as held for sale	–	(10)	–	(11)	(21)
At 31 December 2015	834	44	251	37	1,166
At 1 January 2016	834	44	251	37	1,166
(Over)/under – provision in prior year					
– to profit or loss	(14)	–	24	–	10
(Charged)/credited					
– to profit or loss	148	(4)	–	3	147
– directly to equity	(40)	–	13	–	(27)
– tax loss recorded on behalf of Watagan Group	45	–	–	–	45
– Re-recognised from Assets classified as held for sale	–	(2)	–	–	(2)
At 31 December 2016	973	38	288	40	1,339

Deferred tax assets and the movements thereon for the Track Record Period are:

The Group

Deferred tax assets movements	Tax losses and offsets	Provisions	Cash flow hedges	Others	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2017	973	38	288	40	1,339
(Over)/under – provision in prior year	(44)	1	–	–	(43)
(Charged)/credited					
– to profit or loss	(73)	49	–	(6)	(30)
– directly to equity	(20)	–	(153)	20	(153)
– tax loss recorded on behalf of Watagan Group	1	–	–	–	1
Acquisition of subsidiaries	2	89	–	14	105
At 31 December 2017	839	177	135	68	1,219
At 1 January 2018	839	177	135	68	1,219
Over – provision in prior year	(1)	–	–	–	(1)
(Charged)/credited					
– to profit or loss	(152)	(26)	–	(36)	(214)
– directly to equity	–	(7)	60	–	53
– tax loss recorded on behalf of Watagan Group	26	–	–	–	26
Acquisition of subsidiaries	–	7	–	(4)	3
At 30 June 2018	712	151	195	28	1,086

Deferred tax liabilities and the movements thereon for the Track Record Period are:

The Group

Deferred tax liabilities movements	**Property, plant and equipment**	**Mining tenements and exploration and evaluation assets**	**Unrealised foreign exchange gains/(loss)**	**Others**	**Total**
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015	56	481	180	31	748
(Under)/over – provision in prior year	(1)	207	(127)	–	79
Charged/(credited)					
– to profit or loss	49	16	4	3	72
Transfer to liabilities associated with assets classified as held for sale	(42)	(157)	(1)	(7)	(207)
At 31 December 2015	62	547	56	27	692
At 1 January 2016	62	547	56	27	692
Under – provision in prior year	(2)	–	–	–	(2)
Charged/(credited)					
– to profit or loss	20	4	41	7	72
At 31 December 2016	80	551	97	34	762
At 1 January 2017	80	551	97	34	762
Under/over – provision in prior year	(6)	(4)	(31)	–	(41)
Charged/(credited)					
– to profit or loss	78	3	(71)	47	57
– other	–	–	–	(11)	(11)
Acquisition of subsidiaries	(9)	300	2	(23)	270
At 31 December 2017	143	850	(3)	47	1,037
At 1 January 2018	143	850	(3)	47	1,037
Charged/(credited)					
– to profit or loss	82	(134)	3	12	(37)
– other	–	–	–	(6)	(6)
Acquisition of additional interest in joint operation	(11)	6	–	1	(4)
At 30 June 2018	214	722	–	54	990

The Company

Deferred tax assets movements	Tax losses and tax offsets	Unrealised foreign exchange losses	Cash flow hedges	Others	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015	692	(149)	244	(107)	680
Under/(over) – provision in prior year					
– to profit or loss	37	(136)	(127)	125	(101)
(Charged)/credited					
– to profit or loss	–	–	–	140	140
– directly to equity	105	–	134	(122)	117
At 31 December 2015	834	(285)	251	36	836
At 1 January 2016	834	(285)	251	36	836
Under/(over) – provision in prior year					
– to profit or loss	(16)	–	24	(11)	(3)
(Charged)/credited					
– to profit or loss	150	196	–	(9)	337
– directly to equity	(40)	–	13	–	(27)
– tax loss recorded on behalf of Watagan Group	45	–	–	–	45
At 31 December 2016	973	(89)	288	16	1,188
At 1 January 2017	973	(89)	288	16	1,188
Under/(over) – provision in prior year					
– to profit or loss	(44)	31	–	3	(10)
(Charged)/credited					
– to profit or loss	(71)	66	–	34	29
– directly to equity	(20)	–	(153)	–	(173)
– directly to equity issue costs	–	–	–	(21)	(21)
– tax loss recorded on behalf of Watagan Group	1	–	–	–	1
At 31 December 2017	839	8	135	32	1,014
At 1 January 2018	839	8	135	32	1,014
Over – provision in prior year					
– to profit or loss	(1)	–	–	–	(1)
(Charged)/credited					
– to profit or loss	(130)	74	–	13	(43)
– directly to equity	(30)	–	60	(13)	17
– tax loss recorded on behalf of Watagan Group	26	–	–	–	26
At 30 June 2018	704	82	195	32	1,013

The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Deferred tax assets	1,166	1,339	1,219	1,086
Deferred tax liabilities	(692)	(762)	(1,037)	(990)
	474	577	182	96

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Deferred tax assets	836	1,188	1,014	1,013
	836	1,188	1,014	1,013

At 31 December 2015, 2016 and 2017 and 30 June 2018, the Group and the Company has unused tax losses of A$2,781 million, A$3,243 million, A$2,799 million and A$2,373 million respectively available for offset against future profits. A$834 million, A$973 million, A$834 million and A$712 million deferred tax asset has been recognised for such tax losses for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 respectively.

By reference to financial budgets, management believes that there will be sufficient future profits for the realisation of deferred tax assets which have been recognised in respect of tax losses.

The Group's tax consolidated group includes Watagan and its controlled subsidiaries. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised. The Group has unrecognised capital tax losses (tax effected) of A$2 million, A$2 million, A$2 million and A$13 million as at 31 December 2015, 2016, 2017 and 30 June 2018. There is no expiry date on these tax losses.

31. EQUITY

(a) Equity

	31 December 2015 Number	**31 December 2016 Number**	**31 December 2017 Number**	**30 June 2018 Number**	**31 December 2015**	**31 December 2016**	**31 December 2017**	**30 June 2018**
					A$M	*A$M*	*A$M*	*A$M*
(i) Share capital (note 1)								
Ordinary shares								
Issued and fully paid up	994,216,659	994,276,659	43,959,446,612	43,962,462,588	657	657	5,953	5,957
(ii) Other equity securities								
SCN	18,005,102	18,005,042	4,900	–	2,183	2,184	1	–
Contingent value right shares ("CVR")					263	263	263	263
					2,446	2,447	264	263
Total contributed equity					3,103	3,104	6,217	6,220

Note 1: Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. During the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 the Company repurchased none of its own ordinary shares.

(b) Movement of Contributed equity

	Ordinary shares *(note (b)(1))*		**SCN** *(note (b)(2))*		**CVR** *(note (b)(3))*	**Total**
	Number	*A$M*	*Number*	*A$M*	*A$M*	*A$M*
Balance as at 1 January 2015	994,216,659	657	18,005,102	2,186	263	3,106
Transaction costs, net of tax	–	–	–	(3)	–	(3)
Balance as at 31 December 2015 and 1 January 2016	994,216,659	657	18,005,102	2,183	263	3,103
Conversion of ordinary shares	60,000	–	(60)	1	–	1
Balance as at 31 December 2016 and 1 January 2017	994,276,659	657	18,005,042	2,184	263	3,104
Subordinated capital notes converted to ordinary shares	18,000,240,433	2,183	(18,000,142)	(2,183)	–	–
Ordinary shares issued under entitlement offer	23,464,929,520	2,971	–	–	–	2,971
Ordinary shares issued under institutional placement	1,500,000,000	190	–	–	–	190
Transaction costs, net of tax	–	(48)	–	–	–	(48)
Balance as at 31 December 2017 and 1 January 2018	43,959,446,612	5,953	4,900	1	263	6,217
Balance as at 1 January 2018	43,959,446,612	5,953	4,900	1	263	6,217
Subordinated capital note converted to ordinary shares	3,015,976	1	(1,606)	(1)	–	–
Ordinary shares issued under entitlement offer	–	–	–	–	–	–
Ordinary shares issued under institutional placement	–	–	–	–	–	–
Redemption of SCN *(note 2)*	–	–	(3,294)	–	–	–
Transaction costs, net of tax	–	3	–	–	–	3
Balance as at 30 June 2018	43,962,462,588	5,957	–	–	263	6,220

Notes:

1. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares presents at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

   Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

During 2016, 60,000 ordinary shares were issued on conversion of the SCNs.

During 2017, 58,490 ordinary shares were issued on conversion of the SCNs.

During 2018, 3,015,976 ordinary shares were issued on conversion of the SCNs.

On 31 August 2017, the Company issued new shares under the pro-rata renounceable entitlement offer and institutional placement as announced to ASX on 1 August 2017. 23,464,929,520 new shares were issued under pro-rata renounceable entitlement offer and 1,500,000,000 new shares under the institutional placement. In addition, the Company issued 18,000,031,000 new shares to the Parent Company on conversion of all of its SCN and 150,943 new shares on conversion of 80 other SCN by other holders. In total 42,965,111,463 new shares were issued. The total amount raised was US$2,496 million (A$3,161 million) and issue costs of A$68 million have been capitalised. US$28 million (A$36 million) was deposited in Yankuang Ozstar (Ningbo) Trading Co Limited, a related party, and a promissory note was issued to the Company.

2. On 31 December 2014, Yancoal SCN Limited, a wholly-owned subsidiary of the Company issued 18,005,102 SCN at USD100 each. Each SCN is convertible into 1,000 ordinary shares of the Company. The SCN are perpetual, subordinated, convertible, unsecured capital notes of face value US$100 per note.

   Each SCN entitled holders to receive fixed rate distribution payments, payable semi-annually in arrears unless deferred. The distribution rate is set at 7% per annum, the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years. The SCN were convertible at the option of the holders to the Company ordinary shares within 30 years.

   During 2016, 60 SCNs were converted into 60,000 ordinary shares of the Company in accordance with the terms of the SCNs. At 31 December 2016 there were 18,005,042 SCNs on issue.

   During 2017, 18,000,240,433 new shares were issued on conversion of 18,000,142 SCNs. At 31 December 2017 there were 4,900 SCN on issue. On 31 January, 1,606 SCNs were converted into 3,015,976 ordinary shares of the Company and 3,294 SCNs were redeemed for their face value of US$100 each.

3. The CVR shares provided a level of downside price protection for certain former Gloucester shareholders. The Company and the Parent Company entered into an agreement whereby the Parent Company was obligated to repurchase (or procure the repurchase of) the CVR shares. The Parent Company directed the Company that the method of satisfaction of the Repurchase Price of the CVRs was to be satisfied in cash. The CVR shares were repurchased on 4 March 2014 for cash of A$262,936,000, representing the market value of A$3.00 cash per CVR share.

(c) Reserves

	Year ended 31 December			**30 June**
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Hedging reserve	880	817	413	554
Treasury shares reserve	–	–	–	6
Employee compensation reserve	–	–	–	(6)
	880	817	413	554

	Year ended 31 December			June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Movements:				
Hedging reserve – cash flow hedges:				
Opening balance	561	880	817	413
Profit/(loss) recognised on USD interest bearing liabilities	475	43	(348)	246
Transferred to profit or loss	(22)	(133)	(229)	(45)
Deferred income tax (expenses)/benefit	(134)	27	173	(60)
Closing balancing	880	817	413	554

Hedge 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 derivative instruments as at 31 December 2015 and natural hedge as at 31 December 2016 and 2017 and 30 June 2018 using the US dollar denominated interest-bearing liabilities to hedge against future coal sales.

During the year ended 31 December 2015, losses of A$22 million was transferred from other comprehensive income to profit or loss in respect of the hedge reserve.

During the year ended 31 December 2016, losses of A$133 million were transferred from other comprehensive income to profit or loss in respect of hedging reserve.

During the year ended 31 December 2017, losses of A$229 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve.

During the six months ended 30 June 2018, losses of A$45 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve.

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. Of these shares, 41,482,104 will be distributed to employees as share-based payments as disclosed in note 43. The remaining balance will be held for future schemes.

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).

32. SUBORDINATED CAPITAL NOTE DISTRIBUTIONS

Details of the SCN distributions throughout Track Record Period are as below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (unaudited)	*A$M*
Interim distribution paid on 31 July 2015, 29 July 2016 and 31 July 2017, and accured at 30 June 2017	100	84	79	82	–
Final distribution for 2015, paid on 29 January 2016, for 2016 paid on 31 January 2017 and for 2017 paid on 31 January 2018	86	87	–	–	–
	186	171	79	82	–

Due to foreign exchange the 29 January 2016 payment increased by A$2 million from the 31 December 2015 accrual, the 31 January 2017 payment decreased by A$4 million from the 31 December 2016 accrual and the 31 July 2017 payment decreased by A$3 million from the 30 June 2017 accrual. No accrual was made as 31 December 2017 for the distribution on 31 January 2018 as Yancoal SCN Ltd Board had not approved the distribution as at 31 December 2017. The Yancoal SCN Ltd Board approved the distribution for payment on 31 January 2018.

On 31 January 2018, all SCNs were either redeemed or converted into shares of the Company.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. The Group will balance its capital structure through the payment of dividends, issue of new shares and new debts or the repayment of existing debts.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Financial assets				
Loans and receivables (including cash and cash equivalents)	743	1,779	2,021	2,124
Assets at fair value through profit or loss	220	227	228	223
	963	2,006	2,249	2,347
Financial liabilities				
Amortised cost	4,993	5,352	5,562	5,104
Derivative financial instruments	1	–	–	–
	4,994	5,352	5,562	5,104

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Financial assets				
Loans and receivables (including cash and cash equivalents)	6,092	1,755	1,801	1,975
Assets at fair value through profit or loss	–	–	–	25
	6,092	1,755	1,801	2,000
Financial liabilities				
Amortised cost	4,849	5,388	5,938	6,458
Derivative financial instruments (fair value through profit or loss)	1	–	–	–
	4,850	5,388	5,938	6,458

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, royalty receivables, cash and cash equivalents, interest-bearing liabilities, including bank loans and finance leases, derivative financial instruments, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group's and Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in note 41.

In order to minimise credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks. Therefore, the directors consider that the credit risk for such is minimal.

In assessing the ECL of trade receivables management assesses historical write offs of trade receivables, aging of debtors and whether sufficient credit enhancement is provided by customers (letters of credit and bank guarantees). If the aging of trade receivables significantly increased then the recognition of ECLs would need to be reassessed.

Receivables will only be written off if there is demonstrable evidence that there is no reasonable expectation of recovery.

The Group

Details of the trade receivable from the five customers with the largest gross receivable balances at 31 December 2015, 2016 and 2017 and 30 June 2018 are as follows:

	Percentage of trade receivable			
	At 31 December			**At 30 June**
	2015	**2016**	**2017**	**2018**
Customer A	31%	–	–	–
Customer B	6%	2%	7%	6%
Customer C	5%	–	–	–
Customer D	5%	–	–	–
Customer E	4%	–	–	–
Customer F	–	2%	–	–
Customer G	–	2%	–	–
Customer H	–	2%	–	–
Customer I	–	3%	–	–
Customer J	–	–	6%	–
Customer K	–	–	6%	–
Customer L	–	–	6%	–
Customer M	–	–	5%	–
Customer N	–	–	–	8%
Customer O	–	–	–	5%
Customer P	–	–	–	4%
Customer Q	–	–	–	4%
Five largest receivable balances	51%	11%	30%	27%

There was no provision for lifetime or 12 month ECL recognised for trade receivables in the Track Record Period as there are no aged debts and sufficient credit enhancement has been provided by customers which supports the recoverability of these balances in full.

Other receivables are primarily with related parties. There has been no indication of credit deterioration with related parties and no impairment provision has been recognised for these amounts.

Investments in securities (GiLTs) has required a provision of A$18 million to be recognised in the six months ended 30 June 2018. This was due to the expectation that the contractual maturity and interest payments receivable for the GiLTs was to be adjusted in the refinancing of WICET. In prior periods the securities were still paying the contractual coupon and the ECL was assessed as not being required.

The movement of the impairment provision is as follows:

	At 31 December			At 30 June
	2015	2016	2017	2018
Opening provision	–	–	–	–
Impairment recognised	–	–	–	(18)
Closing provision	–	–	–	(18)

The Company

Details of the trade receivable from the customer with the largest gross receivable balances at 31 December 2015, 2016 and 2017 and 30 June 2018 are as follows:

	Percentage of trade receivable			
	At 31 December			At 30 June
	2015	2016	2017	2018
Customer A	–	88%	–	–

The management considers the strong financial background and good creditability of the customer, and there is no significant uncovered credit risk.

Market risk

(i) Currency risk

The Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the Australian dollar. Export coal sales are denominated in US dollars and a strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flow settlement. Liabilities for some plant and equipment purchases and loans are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement.

The hedging policy of the Group aims to protect against the volatility of cash expenditures or reduced collection in the above mentioned transactions as well as to reduce the volatility of profit or loss for retranslation of US dollar denominated loans at each period end.

Hedging through bank issued instruments

Operating foreign exchange risk that arises from firm commitments or highly probable transactions are managed through the use of bank issued forward foreign currency contracts and collar option contracts. The Group hedges a portion of contracted US dollar sales and asset purchases settled in foreign currencies in each currency to mitigate the adverse impact on cash flow due to the future rise or fall in Australian dollars against the relevant currencies.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the profit or loss or recognised as part of the cost of the asset to which it relates. The ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the profit or loss. The loss relating to the ineffective portion was nil for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018.

Natural cash flow hedge

The Group currently does not use bank issued instruments to hedge foreign exchange risks in respect of US dollar denominated loans, however, the scheduled repayment of the principal on US dollar loans is designated to hedge the cash flow risks on the portion of forecast US dollar sales that are not hedged through bank issued instruments ("natural cash flow hedge"). US dollar loan repayments up to a six-month period are designated to hedge the forecast US dollar sales during the same period after the designation of the hedge relationship based on a dollar for dollar basis until the hedge ratio reaches one.

Hedging effectiveness is determined by comparing the changes in the hedging instruments and hedged sales. Hedge ineffectiveness will occur when cash flows generated by sales transactions are lower than the forecast sales transaction. In cases of hedge ineffectiveness, gains or losses in relation to the excess portion in the foreign exchange movement of the designated US dollar loan repayment will be recycled to profit or loss. The effective portion of changes in the hedging instruments will be recognised in the cash flow hedge reserve in Other Comprehensive Income. When the sales transactions occur, amounts accumulated in equity are recycled through the profit or loss as an increase or decrease to sales revenue.

Royalty receivable

The royalty receivable from the Middlemount JV is estimated based on expected future cash flows that are dependent on sales volumes, US dollar denominated coal prices and the US dollar foreign exchange rate.

Other assets

As at 31 December 2017, other assets include the US$10 million associated with the Warkworth Call Option as details in note 35, and the promissory note receivable. These balances are predominantly held in US dollars and expected to settle within 12 months.

Non-contingent royalty payable

The Company has agreed to make deferred non contingent royalty payments to Rio Tinto in US dollars.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Cash and cash equivalents	30	124	139	204
Trade receivables	87	165	432	421
Other assets	–	–	49	76
Royalty receivable	205	199	199	198
Non-contingent royalty receivable	–	–	–	25
Trade and other payables	(78)	(157)	(249)	(96)
Interest bearing liabilities	(4,701)	(4,883)	(4,668)	(4,249)
Non contingent royalty payable	–	–	(160)	(88)
Net exposure	(4,457)	(4,552)	(4,258)	(3,509)

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonable possible change in the US dollar exchange rate. The Group's exposure to other foreign exchange movements is not material. The Group has used the observed range of actual historical rates for the preceding five year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. A 10% depreciation/appreciation of the Australian dollar against the US dollar would have (decreased)/increased equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

The Group

	US$ Impact 10%			
	Year ended 31 December			**Six months ended 30 June**
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in other comprehensive income				
– if A$ weakens against respective foreign currency	(365)	(380)	(363)	(331)
– if A$ strengthens against respective foreign currency	299	311	297	270
(Decrease)/increase in profit				
– if A$ weakens against respective foreign currency	14	20	32	47
– if A$ strengthens against respective foreign currency	(11)	(15)	(56)	(38)
(Decrease)/increase in shareholders' equity				
– if A$ weakens against respective foreign currency	(351)	(360)	(331)	(284)
– if A$ strengthens against respective foreign currency	288	296	241	232

Equity movements above reflect movements in the hedge reserve due to foreign exchange movements on US$ interest bearing loans.

The Company

	US$ Impact 10%			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in other comprehensive income				
– if A$ weakens against respective foreign currency	(365)	(380)	(363)	(331)
– if A$ strengthens against respective foreign currency	299	311	297	270
(Decrease)/increase in profit				
– if A$ weakens against respective foreign currency	(2)	(5)	(15)	(3)
– if A$ strengthens against respective foreign currency	2	4	12	3
(Decrease)/increase in shareholders' equity				
– if A$ weakens against respective foreign currency	(367)	(385)	(378)	(334)
– if A$ strengthens against respective foreign currency	301	315	309	273

Equity movements above reflect movements in the hedge reserve due to foreign exchange movements on US$ interest bearing loans.

(ii) Interest rate risk

The Group is subject to interest rate risk that arises from borrowings, cash and cash equivalents and restricted cash. Generally, no variable interest is receivable or payable on the Group's trade and other receivables or payables where applicable as they are fixed in nature and therefore they are not exposed to the interest rate risk.

The Group's cash flow interest rate risk for assets primarily arises from cash at bank and deposits subject to market bank rates. Floating rate borrowings bearing LIBOR rates are re-set on a quarterly basis.

Sensitivity Analysis

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to changes in variable interest rates. This sensitivity is based on reasonably possible changes, determined using observed historical interest rate movements for the preceding five year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements. For financial assets, a 25 basis point (decrease)/increase in interest rates would have (decreased)/increased equity and profit or loss after tax by the amounts shown below. For financial liabilities, a 25 basis point (decrease)/increase in interest rates would have increased/(decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

The Group

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in profit or loss				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2
Increase/(decrease) in shareholders' equity				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2

The Company

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in profit or loss				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2
(Decrease)/increase in shareholders' equity				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2

Other price risk

The price risk of the Group include coal price risk.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sales requirements, such contracts are not settled net. The royalty receivables from Middlemount JV is exposed to fluctuations in coal price. The Group currently does not have any derivative hedges in place against the movement in the spot coal price.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

The Group

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	292	–	–	–	292	292
Interest-bearing liabilities	288	343	2,135	3,705	6,471	4,701
Total non-derivatives	580	343	2,135	3,705	6,763	4,993
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(141)	–	–	–	(141)	–
– outflow	143	–	–	–	143	1
Total derivatives	2	–	–	–	2	1

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	469	–	–	–	469	469
Interest-bearing liabilities	317	318	3,263	2,786	6,684	4,883
Total non-derivatives	786	318	3,263	2,786	7,153	5,352
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(93)	–	–	–	(93)	–
– outflow	93	–	–	–	93	–
Total derivatives	–	–	–	–	–	–

At 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Contractual maturities of financial liabilities						
Trade and other payables	758	–	–	–	758	758
Non-contingent royalty payable	115	26	26	–	167	160
Interest-bearing liabilities	350	371	4,087	1,612	6,420	4,644
Total non-derivatives	1,223	397	4,113	1,612	7,345	5,562

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	A$M	A$M	A$M	A$M	A$M
Contractual maturities of financial liabilities						
Trade and other payables	783	–	–	–	783	783
Non-contingent royalty payable	67	14	14	–	95	88
Interest-bearing liabilities	351	771	3,013	1,649	5,784	4,233
Total non-derivatives	1,201	785	3,027	1,649	6,662	5,104

The Company

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	A$M	A$M	A$M	A$M	A$M
Non-derivatives						
Trade and other payables	156	–	–	–	156	156
Interest-bearing liabilities	289	343	2,134	3,705	6,471	4,693
Total non-derivatives	445	343	2,134	3,705	6,627	4,849
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(141)	–	–	–	(141)	–
– outflow	143	–	–	–	143	1
Total derivatives	2	–	–	–	2	1

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	A$M	A$M	A$M	A$M	A$M
Non-derivatives						
Trade and other payables	163	–	–	–	163	163
Interest-bearing liabilities	317	318	3,262	2,786	6,683	5,225
Total non-derivatives	480	318	3,262	2,786	6,846	5,388
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(93)	–	–	–	(93)	–
– outflow	93	–	–	–	93	–
Total derivatives	–	–	–	–	–	–

At 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Contractual maturities of financial liabilities						
Trade and other payables	1,134	–	–	–	1,134	1,134
Non-contingent royalty payable	115	26	26	–	167	160
Interest-bearing liabilities	349	370	4,088	1,612	6,419	4,644
Total non-derivatives	1,598	396	4,114	1,612	7,720	5,938

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	2,137	–	–	–	2,137	2,137
Interest-bearing liabilities	370	781	3,040	1,649	5,840	4,233
Non-contingent royalty payable	67	14	14	–	95	88
Total non-derivatives	2,574	795	3,054	1,649	8,072	6,458
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	–	–	–	–	–	–
– outflow	–	–	–	–	–	–
Total derivatives	–	–	–	–	–	–

(c) Fair values

The Group uses various methods in estimating the fair value of financial instruments. IFRS 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 date (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2015, 2016 and 2017 and 30 June 2018:

The Group

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	15	15
Royalty receivable	–	–	205	205
Total assets	–	–	220	220
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	–	1	–	1
Total liabilities	–	1	–	1

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	29	29
Royalty receivable	–	–	199	199
Total assets	–	–	228	228

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	29	29
Royalty receivable	–	–	199	199
Total assets	–	–	228	228

30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	–	–
Royalty receivable	–	–	198	198
Total assets	–	–	198	198

The Company

31 December 2015	Level 1	Level 2	Level 3	Total
	A$M	*A$M*	*A$M*	*A$M*
Liabilities				
Forward foreign exchange contracts *(note 1)*	–	1	–	1
Total liabilities	–	1	–	1

Note 1:

Fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes and fluctuations in foreign exchange rates.

During the years ended 31 December 2015, 2016 and 2017 and 30 June 2018, there are no change in categories between level 1 and level 2 and no movement from or into level 3. For more information about royalty receivable, please refer to note 17.

The fair value of the royalty receivable is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in 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 long term exchange rates are based on external data consistent with the data used for impairment assessments. The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%. 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.

Sensitivity analysis

The following tables summarise the sensitivity analysis of royalty receivable. This analysis assumes that all other variables remain constant.

Coal price	Fair value increase (decrease)			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
+10%	18	17	18	18
-10%	(18)	(17)	(18)	(18)

Exchange rates	Fair value increase (decrease)			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
+10%	(16)	(16)	(17)	(16)
-10%	20	19	19	20

Discount rates	Fair value increase (decrease)			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
+10%	(6)	(5)	(5)	(4)
-10%	6	5	5	4

35. BUSINESS COMBINATION AND CHANGES INTERESTS IN JOINT OPERATIONS

(i) Moolarben Coal Joint Venture 1% acquisition

On 30 March 2015, Moolarben Coal Mine Pty Ltd, a 100% owned subsidiary of the Company acquired an additional 1% interest in the Moolarben Coal Joint Venture ("Moolarben JV") owned by Hanwha Resources (Australia) Pty Ltd ("Hanwha"). The Moolarben JV is accounted for as a joint operation. With the 1% acquisition the Group now holds an 81% interest in the Moolarben JV. The cash consideration paid was A$20 million.

The accounting for the acquisition of the additional 1% interest in Moolarben JV has been determined on a final basis at 31 December 2015.

Details of the purchase consideration, the net assets and liabilities acquired and gain on the additional interest in the Moolarben JV are as follows:

	A$M
Total consideration	20
Gain on acquisition of additional interest in joint operation	7
Fair value of net identifiable assets acquired	27

As the fair value of the assets acquired was greater than the consideration a gain of A$7 million was recognised in the profit and loss.

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

	Fair value
	A$M
Trade receivables	1
Plant and equipment	7
Mining tenements	25
Exploration and evaluation assets	3
Prepayments (non-current)	(5)
Deferred tax liabilities	(4)
Fair value of net identifiable assets acquired	27

The acquired 1% contributed revenue of A$4 million and a net profit of A$1 million to the Group for the period from 1 April 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the contributed revenue and net profit for the year ended 31 December 2015 would have been A$5 million and A$1 million respectively. These amounts have been calculated using the Group's accounting policies.

(ii) Acquisition of Coal & Allied

As announced on 24 January 2017 and as subsequently amended on 26 June 2017, the Company entered into a binding agreement to acquire 100% of the shares in Coal & Allied from wholly owned subsidiaries of Rio Tinto for US$2.69 billion plus an adjustment for net debt and working capital. US$2.45 billion was paid on completion, plus US$240 million in non-contingent royalty payments over five years from completion. The Acquisition completed on 1 September 2017 resulting in the Company acquiring (through its ownership of the shares in Coal & Allied) Rio Tinto's interest in the HVO and MTW mines (an integrated operation of two open-cut mines located adjacent to each other in the Hunter Valley, NSW), a 36.5%interest in PWCS (the owner of a coal export terminal located at the Port of Newcastle), as well as other coal exploration projects and landholdings.

In 24 May 2017, the Company transferred its right to acquire Mitsubishi's 32.4% interest in the HVO JV (the "Tag-along Offer") to Glencore. For details, please refer to note 23(a).

Mitsubishi has also agreed to grant the Company a call option amounted US$10 million to purchase its 28.9% interest in the Warkworth operation for the price of US$230 million.

The Tag-along Offer fulfills the Company's obligation to make a tag-along offer to Mitsubishi under the sale and purchase agreement for the Company's acquisition of 100% of the shares in Coal & Allied from wholly owned subsidiaries of Rio Tinto ("CNA Transaction") and the corresponding requirements of the Hunter Valley Operations Joint Venture Agreement.

Transaction funding and capital structure simplification

On 31 August 2017, funding for the acquisition of Coal & Allied was achieved by the Company successfully completing the issue of new fully paid ordinary shares under the pro-rata renounceable entitlement offer and institutional placement announced to Australian Securities Exchange on 1 August 2017. New shares under the entitlement offer and placement were issued at the offer price of US$0.10. The Company issued:

1. 23,464,929,520 new shares under the entitlement offer, raising gross proceeds of US$2,346,492,952; and

2. 1,500,000,000 new shares under the placement, raising gross proceeds of US$150,000,000.

Details of the purchase consideration, the net assets and liabilities acquired and gain on acquisition of subsidiaries are as follows:

	A$M
Purchase consideration	
Acquisition price	3,102
Non-contingent royalty*	283
Net debt and working capital adjustment*	162
Total consideration	3,547
Gain on acquisition of subsidiaries	177
Fair value of net identifiable assets acquired	3,724

* These amounts are all cash payments either up front or over time which will be paid for the acquisition.

	Fair value
	A$M
Cash	152
Trade receivables	135
Inventories	79
Assets classified as held for sale	82
Other assets	60
Investments in associates	197
Plant and equipment	1,326
Mining tenements	2,456
Exploration and evaluation assets	108
Intangible assets	35
Deferred tax asset	105
Trade and other payables	(303)
Other liabilities	(2)
Provisions	(436)
Deferred tax liabilities	(270)
Fair value of net identifiable assets acquired	3,724

Assets and liabilities acquired

The accounting for the acquisition on a provisional basis at 30 June 2018.

The preliminary assessment of the contingent royalty included in the entitlement offer booklet was that it formed part of the purchase consideration. Having performed a more detailed assessment it has been determined the contingent royalty obligation represents a liability of the acquired group as it is payable by subsidiaries of Coal & Allied and is included in provisions above.

The fair value of net identifiable assets acquired includes A$3 million of non-controlling interests measured at fair value over certain subsidiaries controlled by Coal & Allied.

Acquisition-related costs amounting to approximately A$16 million have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2017, within other operation expenses in the consolidated statements of profit or loss and other comprehensive income

The Group recognised a gain on a bargain purchase of approximately A$177 million in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. In the opinion of the directors of the Company, the bargain purchase is mainly attributable to the improved valuation assumptions on completion date compared to the date the acquisition price was struck.

The fair value and the gross amount of trade receivables, prepayments and other receivables at the date of acquisition amounted to approximately A$195 million. No estimated uncollectible contractual cash flows were expected at the acquisition date.

	A$M
Net cash outflow arising on acquisition	
Cash paid on acquisition	3,264
Non-contingent royalty paid	142
Less: Bank balances and cash acquired	(152)
	3,254

During the period from the acquisition date to 31 December 2017, Coal & Allied has contributed a total revenue of A$749 million and net profit of A$138 million.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and net profit of the Group for the year ended 31 December 2017 would have been A$2,173 million and A$818 million respectively.

The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2017 and could not serve as a basis for the forecast of future operation result.

(iii) Disposal of interest in HVO to Glencore

On 4 May 2018 the Company announced that it had completed the establishment of a 51%:49% unincorporated joint operation with Glencore in relation to HVO JV as was previously announced on 27 July 2017 and held a 51%:49% shareholding in 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 for its 32.4% interest and US$429 million was paid to a wholly owned subsidiary of the Company, 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.

The Company will also receive from Glencore a 27.9% share of the US$240 million non-contingent royalties payable by the Company to Rio Tinto resulting from the acquisition of Coal & Allied, 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 and Warkworth Coal Sales Limited to a Glencore subsidiary.

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

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:

	A$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 (i) below)	542

(i) Assets and liabilities acquired

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

	Fair value
	A$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 35(iii) the acquisition accounting relating to 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.

(iv) Acquisition of additional interest in Warkworth Joint Venture

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 Mitsubishi for US$230 million, plus a net debt and working capital adjustment. This transaction was executed pursuant to a call option that the group held in connection with the Acquisition of Coal & Allied. The acquisition also included acquiring additional Mitsubishi'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.

	A$M
Purchase consideration	
Acquisition price	295
Net debt and working capital adjustment	58
Total consideration	353
Gain on acquisition of additional interest in joint operation	–
Fair value of net identifiable assets acquired (refer to (i) below)	353

(i) Assets and liabilities acquired

	Fair value
	A$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.

Revenue and profit contribution

The acquired additional interest contributed revenue of A$103 million and net profit of A$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 A$151 million and A$70 million respectively. These amounts have been calculated using the Group's accounting policies.

36. NON-CONTROLLING INTERESTS

The non-controlling interest relates to the Group's investments in Mount Thorley Coal Ltd, HVO Coal Sales Pty Ltd, Miller Pohang Coal Company Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Company Pty Ltd and Warkworth Tailings Treatment Pty Ltd which were acquired as part of the Coal & Allied acquisition.

	31 December 2017
	A$M
Opening non-controlling interests	–
Acquisition of Coal & Allied	3
Profit/loss of non-controlling interest	–
Closing non-controlling interest	3

The movement of non-controlling interest relates to the group's acquisition of additional investments in Warkworth joint operation, details refer to note 35.

The non-controlling interest relates to the Group's investments in Warkworth Joint Venture, Warkworth Coal Sales Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Co Pty Ltd and Warkworth Tailings Treatment Pty Ltd.

	30 June 2018
	A$M
Opening non-controlling interests	3
Acquisition of additional interest	(1)
Profit/loss of non-controlling interest	–
Closing non-controlling interest	2

37. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Saved as disclosed in elsewhere of the Historical Financial Information, the Group had the following related party balances and transactions.

Outstanding balances arising from transactions with related parties

	31 December			30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Current assets				
Trade and other receivables				
Receivable from Yancoal International Group entities in relation to cost reimbursement *(note i)*	24	5	11	6
Receivable from Watagan Group entities in relation to cost reimbursement *(note ii)*	–	1	–	12
Trade receivable from Noble Group Limited in relation to sales of coal	14	41	42	–
Promissory Notes receivable from Yancoal International (Holding) Co., Ltd *(note i)*	21	21	–	–
Royalty receivable from Middlemount JV *(note iii)*	51	74	11	8
Other receivables from Yancoal International Group entities *(note i)*	–	35	–	4
Promissory Notes receivable from Oz Star Ningbo Trading Co Ltd *(note i)*	–	–	36	38
Interest income receivable from Watagan *(note ii)*	–	–	16	16
	110	177	116	84
Non-current assets				
Advances to joint venture				
Other receivable from Middlemount JV being an unsecured, non interest bearing advance *(note iii)*	331	347	332	274
Other receivable from Watagan being an unsecured, interest bearing loan *(note ii)*	–	775	712	730
	331	1,122	1,044	1,004

	31 December			30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Current liabilities				
Trade and other payables				
Other payables to the Parent Company	35	77	81	157
Other payables to Yancoal International Resources Development Co., Ltd *(note i)*	1	1	1	1
Other payables to Yancoal International Trading Co., Ltd HK *(note i)*	8	8	8	8
Other payables to Yancoal International (Holding) Co., Ltd *(note i)*	2	4	4	4
Trade payables to Yancoal International Group entities *(note i)*	3	–	–	–
Trade payables to Noble Group Limited	1	–	–	–
Trade payables to NCIG Holdings Pty Limited *(note ii)*	1	–	–	–
Other payable under tax sharing and funding with Watagan Group *(note ii)*	–	–	43	69
Trade payable to Watagan Group Entities *(note ii)*	–	–	32	–
	51	90	169	239
Non-current liabilities				
Other payables				
Other payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan *(note i)*	159	160	322	340
Other payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan *(note i)*	137	138	128	135
Other payable to Yancoal International Trading Co., Ltd being an unsecured, interest-bearing loan *(note i)*	284	276	276	291
Other payable to the Parent Company being an unsecured, interest-bearing loan	363	715	801	845
	943	1,289	1,527	1,611

Balances outstanding at the reporting date to /from related parties are unsecured, non-interest bearing (except for loans receivable and loans payable) and are repayable on demand.

Transactions with related parties

	31 December			30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Sales of goods and services					
Sales of coal to Noble Group Limited	247	162	195	92	–
Sales of coal to Watagan *(note ii)*	–	61	76	48	16
Sales of coal to Yancoal International (Holding) Co., Ltd *(note i)*	16	41	–	–	–
Provision of marketing and administrative services to other related parties – Watagan Group *(note ii)*	–	7	6	3	3
Provision of marketing and administrative services to other related parties – Yancoal International Group *(note i)*	11	10	8	4	4
	274	281	285	147	23
Purchases of goods and services					
Purchase of coal from Watagan Group *(note ii)*	–	(48)	(161)	(56)	(34)
Purchases of coal from Noble Group Limited	(2)	–	–	–	–
Purchase of coal from Syntech Resources Pty Ltd *(note i)*	(7)	(31)	(39)	(22)	(27)
	(9)	(79)	(200)	(78)	(61)
Advances/loans to and repayment of advances					
Loan to Watagan *(note ii)*	–	(1,363)	–	–	–
Net repayment (advances) of loan to (from) Watagan *(note ii)*	–	588	63	15	(18)
Repayment from a related party – Premier Coal Holdings Pty Ltd *(note i)*	3	–	–	5	–
Repayment from a related party – Yancoal Technology Development Pty Ltd *(note i)*	16	–	–	–	–
Advances to a related party – Yancoal Technology Development Pty Ltd *(note i)*	(16)	–	–	–	–
Repayment/(advances) to a related party – Premier Coal Holdings Pty Ltd *(note i)*	(3)	(35)	35	–	(4)
Repayment of loan – Middlemount JV	–	–	–	–	69
Loans from Parent Company	–	–	–	71	–
	–	(810)	98	91	47

	31 December			30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Equity subscription, debt repayment and debt provision					
Loans from the Parent Company	351	352	330	–	–
Loan from Yancoal International (Holding) Co., Limited *(note i)*	140	–	–	–	–
Loan from Yancoal International Trading Co., Ltd *(note i)*	10	–	–	–	–
	501	352	330	–	–
Finance costs					
Interest paid on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(9)	(8)	(8)	(5)	(4)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(1)	(1)	(1)	–	(11)
Interest paid on loans from the Parent Company	(2)	(18)	(22)	–	(9)
Interest accrued on loans from the Parent Company	(11)	(25)	(34)	(24)	(18)
Interest paid on loans from Yancoal International (Holding) Co., Ltd *(note i)*	–	(5)	(5)	(4)	(4)
Interest accrued on loans from Yancoal International (Holding) Co., Ltd *(note i)*	(2)	(4)	(4)	–	–
Interest accrued on loans from Yancoal International Trading Co., Ltd HK *(note i)*	(11)	(7)	(9)	1	(1)
Interest paid on loans from Yancoal International Trading Co., Ltd HK *(note i)*	(8)	(8)	(8)	(8)	–
	(44)	(76)	(91)	(40)	(47)
Other costs					
Corporate guarantee fee paid to the Parent Company (extended portion)	(75)	(49)	(118)	–	–
Corporate guarantee fee accrued to the Parent Company (extended portion)	(24)	(52)	24	(43)	(47)
Port charges paid to NCIG Holdings Pty Limited *(note ii)*	(64)	(68)	(102)	(44)	(68)
Port charges accrued to NCIG Holdings Pty Limited *(note ii)*	(1)	(2)	(14)	(1)	3
Port charges paid to Noble Group Limited	(2)	–	–	(1)	–
Demurrage paid to Noble Group Limited	(1)	–	–	–	–
Demurrage paid to NCIG Holdings Pty Limited *(note ii)*	(1)	–	–	–	–

	31 December			30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (unaudited)	*A$M*
Arrangement fee paid on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(2)	(2)	(2)	(1)	(1)
Arrangement fee accrued on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(1)	–	–	–	–
	(171)	(173)	(212)	(90)	(113)
Finance income					
Interest income received from Premier Coal Holdings Pty Ltd *(note i)*	–	1	2	–	–
Interest income capitalised into loan receivable from Middlemount JV *(note iii)*	19	19	27	9	11
Interest income received on loan to Watagan *(note ii)*	–	74	50	34	32
Interest income receivable from Watagan *(note ii)*	–	–	16	–	–
Interest income accrued on loan to Watagan *(note ii)*	–	–	–	1	–
	19	94	95	44	43
Other income					
Mining services fees charged to Watagan *(note ii)*	–	38	52	29	26
Royalty income from Middlemount JV *(note iii)*	18	20	28	13	15
Bank guarantee fee charged to Premier Coal Holdings Pty Ltd *(note i)*	–	1	–	–	–
Bank guarantee fee charged to Syntech Resources Pty Ltd *(note i)*	2	1	–	1	1
Longwall hire fee charged to Austar Coal Mine Pty Ltd *(note i)*	–	3	3	2	2
	20	63	83	45	44

Note:

(i) The entities are fellow subsidiaries to the Company.

(ii) The entities are associates to the Company.

(iii) The entities are joint venture to the Company.

Terms and conditions

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

1. Syndicated facility and bi-lateral facility (converted to a bank guarantee facility in 2016) – a fixed rate of 2.5% is charged on the outstanding loan principal and outstanding bank guarantee facility limit as at 31 December 2015, 2016 and 2017 and 30 June 2018 provided by the Parent Company. Refer below for further analysis on the Parent Company corporate guarantee and the market reset effective from 1 April 2018.

2. ICBC bank guarantee facility – a fixed rate of 2.0% is charged on the facility limit of A$100 million as at 31 December 2015 and 2016. This corporate guarantee was cancelled on 30 September 2017.

3. Working capital facility – a fixed rate of 2.5% is charged on the facility limit of A$50 million as at 31 December 2015.

The Parent Company provided corporate guarantees as security for the following facilities:

1. The Company is charged a guarantee fee by the Parent Company for the provision of a corporate guarantee over the Company's syndicated facility and bilateral bank guarantee facility. During the Track Record Period, up to 1 April 2018, the fee was 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. The market reset work was completed on 3 October 2018 resulting in the guarantee fee being reduced to 1.5% for the period from 1 April 2018. If this lower rate had been accrued for the period 1 April 2018 to 30 June 2018 the guarantee fee would have been reduced by A$8 million.

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

Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Short-term employee benefits	5	5	9	1	1
Other long-term benefits	2	2	2	–	–
	7	7	11	1	1

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. COMMITMENTS

Save as disclosed elsewhere is the consolidated financial statements the Group had the following capital commitments.

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Capital expenditure contracted for but not provided in the consolidated financial statements				
Acquisition of property, plant and equipment				
– share of joint operations	6	138	33	32
– others	9	1	–	4
	15	139	33	36

39. RETIREMENT BENEFITS

The Company and Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a minimum 9.5% superannuation of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment by the employer. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group.

40. OPERATING LEASE COMMITMENTS

Operating lease as lessee:

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Within one year	5	25	38	26
More than one year, but not more than five years	1	67	149	151
	6	92	187	177

The Group leases mining equipment, office space and small items of office equipment under operating leases. The leases typically run for 1 month to 5 years with an option to renew at the expiry of the lease period. None of the leases include contingent rentals.

41. CONTINGENT LIABILITIES

	31 December			30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
The Group and the Company				
Guarantees secured over deposits	24	–	–	–
Performance guarantees provided to external parties	162	88	352	203
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	101	77	80	108
	287	165	432	311
Joint ventures				
Guarantees provided in respect of land acquisition	50	20	–	–
Performance guarantees provided to external parties	–	65	195	150
Guarantees provided in respect of the cost of restoration of certain mining leases	–	27	248	266
	50	112	443	416
Guarantees to related parties				
Guarantees secured over deposits	1	–	–	–
Performance guarantees provided to external parties	102	112	109	112
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	18	52	57	55
	121	164	166	167
	458	441	1,041	894

(i) The Company has issued a letter of support dated 4 March 2015 to Middlemount JV, confirming:

- It will not demand the repayment of any loan due from Middlemount JV, except to the extent that Middlemount JV agrees otherwise or as otherwise provided in the loan agreement; and

- It will provide financial support to Middlemount JV 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 JV.

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

(ii) The Company is charged a guarantee fee by the Parent Company for the provision of a corporate guarantee over the Company's syndicated facility and bilateral bank guarantee facility. During the Track Record Period, up to 1 April 2018, the fee was 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. The market reset work was completed on 3 October 2018 resulting in the guarantee fee being reduced to 1.5% for the period from 1 April 2018. If this lower rate had been accrued for the period 1 April 2018 to 30 June 2018 the guarantee fee would have been reduced by A$8 million.

(iii) 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 these claims will have a material impact on the Group's financial position.

42. DEED OF CROSS GUARANTEE

The Company and certain subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Legislative Instrument 2016/785 issued by the Australian Securities and Investments Commission.

43. SHARE-BASED PAYMENT TRANSACTIONS

On 28 February 2018, the establishment of an employee incentive share scheme was approved by the Company's Board of Directors. Pursuant to the scheme, the Group has set up a trust for the purpose of administering the incentive share scheme and holding the shares before they vest. The Company shall pay the trustee monies and give directions to the trustee to apply such monies and/or such other net amount of cash derived from shares held as part of the fund of the trusts to acquire shares from the market, and/or to allot and issue shares to the trustee, to satisfy any award made to selected participants. The Company shall select eligible persons from time to time and determine the number of shares to be awarded to such eligible persons. As of 30 June 2018, 42,574,974 shares of the Company (before share consolidation) were held by the Trust for the share award scheme.

During the six months ended 30 June 2018, a total of 41,482,104 shares of the Company based on A$0.141 per share, 1,185,203 shares after the share consolidation on 28 September 2018, have been awarded to certain employees of the Group respectively at no consideration which will be vested on 1 September 2018. With respect to this award of shares to eligible employees, there are no service or performance vesting conditions.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statements of cash flows as cash flows from financing activities.

For the year ended 31 December 2015

	At 1 January 2015	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 31 December 2015
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,354	–	(5)	–	–	409	3,758
Loan from related parties	385	502	–	–	–	56	943
Finance leases	41	–	–	(11)	22	–	52
Total interest-bearing liabilities	3,780	502	(5)	(11)	22	465	4,753

For the year ended 31 December 2016

	At 1 January 2016	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 31 December 2016
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,758	–	(198)	–	–	33	3,593
Loan from related parties	943	350	–	–	–	(3)	1,290
Finance leases	52	–	–	(16)	32	–	68
Total interest-bearing liabilities	4,753	350	(198)	(16)	32	30	4,951

For the year ended 31 December 2017

	At 1 January 2017	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 31 December 2017
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,593	–	(196)	–	–	(280)	3,117
Loan from related parties	1,290	326	–	–	–	(89)	1,527
Finance leases	68	–	–	(26)	13	–	55
Total interest-bearing liabilities	4,951	326	(196)	(26)	13	(369)	4,699

For the six months ended 30 June 2017 (unaudited)

	At 1 January 2017	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 30 June 2017
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,593	–	–	–	–	(213)	3,380
Loan from related parties	1,290	71	–	–	–	(78)	1,283
Finance leases	68	–	–	(14)	10	–	64
Total interest-bearing liabilities	4,951	71	–	(14)	10	(291)	4,727

For the six months ended 30 June 2018

	At 1 January 2018	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 30 June 2018
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,117	–	(664)	–	–	169	2,622
Loan from related parties	1,527	–	–	–	–	84	1,611
Finance leases	55	–	–	(10)	6	–	51
Total interest-bearing liabilities	4,699	–	(664)	(10)	6	253	4,284

45. FINANCIAL INFORMATION FOR PROPOSED ACQUISITION OF MOOLARBEN

Subject to certain approvals, the Company will acquire a 4% interest in Moolarben from Korea Resources Corporation for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019, and adjusted for the economic benefit of the 4% interest from 15 April 2018, that will flow to the Company. The Moolarben Acquisition will raise the interest in the unincorporated Moolarben JV to 85%. The following financial information represents 100% of Moolarben's profit or loss and its financial position.

Statement of profit or loss

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Revenue	521	683	1,254	532	924
Other income	–	–	2	1	–
Changes in inventories of finished goods and work in progress	(3)	10	(2)	15	23
Raw materials and consumables used	(63)	(104)	(144)	(79)	(88)
Employee benefits	(37)	(45)	(69)	(33)	(51)
Depreciation and amortisation	(28)	(30)	(52)	(21)	(63)
Transportation	(134)	(149)	(165)	(81)	(118)
Contractual services and plant hire	(44)	(70)	(111)	(54)	(68)
Government royalties	(33)	(49)	(88)	(39)	(67)
Coal purchases	(81)	(41)	(66)	(11)	(52)
Other operating expenses	(17)	(17)	(26)	(9)	(16)
Finance costs	–	(1)	(1)	–	–
Profit before income tax	81	187	532	221	424
Income tax expense	(24)	(56)	(160)	(66)	(127)
Profit for the year	57	131	372	155	297

Asset and liabilities

	At 30 June
	2018
	A$M
Current assets	
Cash and cash equivalents	44
Trade and other receivables	198
Inventories	56
Other current assets	3
	301
Non-current assets	
Mining tenements	28
Exploration and evaluation assets	8
Intangible assets	1
Property, plant and equipment	1,311
Other non-current assets	2
	1,350
Total assets	1,651
Current liability	
Trade and other payables	295
Non-current liability	
Provision	43
Total liabilities	338
Net assets	1,313

B. SUBSEQUENT EVENTS

No matter or circumstances have occurred subsequent to the end of the financial year which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods except for the following matters:

(1) Share consolidation

In preparation for the Listing, the shareholders approved the share consolidation by ordinary resolution at the general meeting of the Company held on 26 September 2018 pursuant to section 254H of the Australia Corporations Act. The share consolidation took effect on 28 September 2018 which resulted in the issued capital of the Company being consolidated on the basis of one Share for every 35 Shares on issue on 1 October 2018, and fractional entitlements as a result of holdings not being evenly divisible by 35 were rounded up to the nearest whole number. The issued share capital of the Company immediately following the share consolidation was 1,256,071,756 shares.

(2) Dividend

On 15 August 2018 the Directors announced an unfranked dividend of A$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.

(3) Debt pre-payments

On 17 September 2018, the Company pre-paid US$150 million in loans to reduce its existing debt liabilities. US$75 million was pre-paid in loans from the Bank of China and China Construction Bank under the Company's Syndicated Facility Agreement, and US$75 million pre-paid to unsecured related-party loans.

On 17 October 2018, the Company pre-paid US$100 million in loans to reduce its existing debt liabilities. US$50 million was pre-paid in loans from the Bank of China and China Construction Bank under the Company's Syndicated Facility Agreement, and US$50 million pre-paid to unsecured related-party loans.

The following is the text of a report set out on pages IB-1 to IB-71, received from the Company's reporting accountants, ShineWing Australia, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Report on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

ShineWing
AUSTRALIA

ShineWing Australia
Accountants and Advisors
Level 8, 167 Macquarie Street
Sydney NSW 2000

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF COAL & ALLIED INDUSTRIES LIMITED, CMB INTERNATIONAL CAPITAL LIMITED, MORGAN STANLEY ASIA LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Coal & Allied Industries Limited (the "C&A") and its subsidiaries (hereinafter collectively referred to as the "C&A Group") set out on pages IB-3 to IB-71, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three financial years ended 31 December 2015, 2016 and 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-3 to IB-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Yancoal Australia Ltd (the "Company") dated 26 November 2018 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' Responsibility for the Historical Financial Information

The directors of C&A are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of C&A determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the C&A, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the consolidated financial position of the C&A Group as at 31 December 2015, 2016 and 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINGING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-3 have been made.

Dividends

We refer to Note 27 to the Historical Financial Information which states that no dividends have been paid by C&A to target groups during the relevant Track Record Period.

ShineWing Australia
Chartered Accountants
Rami Eltchelebi
Sydney
26 November 2018

A. FINANCIAL INFORMATION OF THE GROUP

HISTORICAL FINANCIAL INFORMATION OF THE C&A GROUP

Preparation of financial information of C&A Group

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of C&A Group for the Track Record Period ("Underlying Financial Statements") prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), on which the Historical Financial Information is based, were audited by ShineWing Australia in accordance with Australia Auditing Standards issued by the Auditing and Assurance Standards Board in Australia.

The Historical Financial Information is presented in Australian Dollars ("A$") and all values are rounded to the nearest million (A$M) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Predecessor			Successor
		31 December	31 December	1 January to 31 August	1 September to 31 December
	Notes	2015	2016	2017	2017
		A$M	*A$M*	*A$M*	*A$M*
Revenue	*7*	2,131	1,664	1,424	732
Other income	*8*	24	1,902	26	(5)
Changes in inventories of finished goods and work in progress		(22)	(6)	(11)	26
Raw materials and consumables used		(524)	(357)	(274)	(141)
Employee benefits	*9*	(333)	(253)	(140)	(77)
External services		(256)	(192)	(169)	(80)
Selling and distribution		(437)	(322)	(221)	(98)
Debt forgiveness	*9*	–	(1,475)	–	–
Other operating expenses		(108)	(90)	(25)	(35)
Net gain/(loss) on disposal of property, plant and equipment		(2)	10	–	–
Depreciation and amortisation		(184)	(125)	(78)	(39)
Exploration and evaluation		(8)	–	–	–
Sea freight and purchase coal		(40)	(26)	–	(34)
Net foreign exchange (losses)/gains		10	(2)	(1)	4
Finance costs	*9*	(16)	(7)	(3)	(1)
Share of (loss)/profit of equity-accounted investees, net of tax		7	2	(16)	(6)
Profit before income tax		242	723	512	246
Income tax benefit/(expense)	*10*	42	(326)	169	(79)
Profit for the year		284	397	681	167
Profit for the year attributable to:					
Equity holders of C&A		283	396	681	166
Non-controlling interests		1	1	–	1
		284	397	681	167
Profit for the year		284	397	681	167
Other comprehensive income for the year (after income tax)		–	–	–	–
Total comprehensive income for the year		284	397	681	167
Total comprehensive income for the year attributable to:					
Equity holders of C&A		283	396	681	166
Non-controlling interests		1	1	–	1
		284	397	681	167

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Predecessor		Successor
		31 December	31 December	31 December
	Notes	2015	2016	2017
		A$M	*A$M*	*A$M*
ASSETS				
Current assets				
Cash and cash equivalents	*11*	213	312	33
Trade and other receivables	*12*	130	276	554
Inventories	*13*	87	61	71
		430	649	658
Assets classified as held for sale	*14*	320	–	132
		750	649	790
Non-current assets				
Trade and other receivables	*12*	–	–	53
Interests in associates	*15*	216	206	145
Land held for development or future sale		1	1	1
Property, plant and equipment	*16*	1,243	762	627
Deferred tax assets	*17*	81	155	454
Intangible assets	*18*	188	154	145
		1,729	1,278	1,425
Total assets		2,479	1,927	2,215
LIABILITIES				
Current liabilities				
Trade and other payables	*19*	251	346	384
Bank overdraft	*20*	1	–	–
Current tax payable		7	4	–
Provisions	*22*	76	118	15
		335	468	399
Liabilities directly associated with assets classified as held for sale	*23*	44	–	53
		379	468	452
Non-current liabilities				
Deferred income		3	3	2
Deferred tax liabilities	*24*	72	11	6
Provisions	*25*	158	133	176
		233	147	184
Total liabilities		612	615	636
Net assets		1,867	1,312	1,579
EQUITY				
Contributed equity	*26*	441	60	60
Reserves	*28(a)*	11	10	1
Retained earnings	*28(b)*	1,413	1,240	1,515
Equity attributable to equity holders of the C&A		1,865	1,310	1,576
Non-controlling interests	*29*	2	2	3
Total equity		1,867	1,312	1,579

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the C&A					
	Notes	Share capital	Other reserves	Retained earnings	Total	Non-controlling interests	Total
		A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Predecessor							
At 1 January 2015		441	7	1,230	1,678	2	1,680
Profit for the year		–	–	283	283	1	284
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	283	283	1	284
Transactions with owners:							
– Dividends paid	*27*	–	–	(100)	(100)	(1)	(101)
– Employee share schemes	*28*	–	4	–	4	–	4
At 31 December 2015		441	11	1,413	1,865	2	1,867
At 1 January 2016		441	11	1,413	1,865	2	1,867
Profit for the year		–	–	396	396	1	397
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the year		–	–	396	396	1	397
Transactions with owners:							
– Return of capital		(381)	–	–	(381)	–	(381)
– Dividends paid	*27*	–	–	(569)	(569)	(1)	(570)
– Employee share schemes	*28*	–	(1)	–	(1)	–	(1)
		(381)	(1)	(569)	(951)	(1)	(952)
At 31 December 2016		60	10	1,240	1,310	2	1,312

		Attributable to equity holders of the C&A				Non-	
	Notes	Share capital	Other reserves	Retained earnings	Total	controlling interests	Total
		A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2017		60	10	1,240	1,310	2	1,312
Profit for the period		–	–	681	681	–	681
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the period		–	–	681	681	–	681
Transactions with owners:							
– Return of capital		–	–	–	–	–	–
– Dividends paid	*27*	–	–	(581)	(581)	(1)	(582)
– Employee share schemes	*28*	–	(9)	9	–	–	–
		–	(9)	(572)	(581)	(1)	(582)
At 31 August 2017		60	1	1,349	1,410	2	1,412
Successor							
At 1 September 2017		60	1	1,349	1,410	2	1,412
Profit for the period		–	–	166	166	1	167
Other comprehensive income		–	–	–	–	–	–
Total comprehensive income for the period		–	–	166	166	1	167
At 31 December 2017		60	1	1,515	1,576	3	1,579

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Operating activities				
Profit before income tax	242	723	512	246
Adjustments for:				
Interest income	(6)	(18)	(6)	(1)
Dividend income from associates	(12)	(13)	(1)	–
Net unrealised foreign exchange loss/(gain)	(1)	5	1	(4)
Depreciation of property, plant and equipment and amortization	184	125	78	39
Exploration and evaluation	8	–	–	–
Gain on sale of investments	–	(1,860)	–	–
Net loss on debt forgiveness	–	1,475	–	–
Share of loss or profit of associates	5	10	10	6
(Loss)/gain on disposal of property, plant and equipment	2	(10)	(20)	–
Other	13	9	(6)	(11)
Operating cash flows before movements in working capital	435	446	568	275
Decrease/(increase) in bills and accounts receivable	39	(138)	141	(123)
Decrease in inventories	49	9	(13)	(9)
Decrease in assets held for sale	11	–	–	–
Movement in provision for land subsidence, restoration, rehabilitation and environmental cost	6	(4)	–	–
Deferred tax liability	–	–	(312)	4
(Increase)/decrease in long term receivables	(1)	1	–	–
(Increase)/decrease in bills and accounts payable	(5)	111	(163)	106
Increase/(decrease) in other payables and accrued expenses	2	–	(3)	–
(Increase)/decrease in long-term payable and provision	(12)	8	34	(4)
Cash generated from operations	524	433	252	249
Income taxes paid	(110)	(451)	169	(79)
Interest received	6	18	5	1
Dividend received	12	13	1	–
Net cash inflow from operating activities	432	13	427	171

		Predecessor			Successor
				1 January to	1 September to
		31 December	31 December	31 August	31 December
	Notes	2015	2016	2017	2017
		A$M	*A$M*	*A$M*	*A$M*
Cash flows from investing activities					
Purchase of property, plant and equipment		(64)	(40)	(33)	(26)
Exploration and evaluation		(8)	–	–	–
Advances to related parties		–	–	–	(272)
Dividends received		–	–	7	6
Proceeds on disposal of property, plant and equipment		4	9	20	3
Proceeds from sale of an investment in an associate	*8*	–	1,069	–	–
Net cash (outflow)inflow from investing activities		(68)	1,038	(6)	(289)
Cash flows from financing activities					
Dividends paid	*27*	(100)	(569)	(581)	–
Dividends paid to non-controlling interest		(1)	(1)	(1)	
Capital return		–	(381)	–	–
Repayment of bank borrowings		(293)	–	–	–
Net cash outflow from financing activities		(394)	(951)	(582)	–
Net (decrease) increase in cash and cash equivalents		(30)	100	(161)	(118)
Cash and cash equivalents at the beginning of the year/period		242	212	312	151
Cash and cash equivalents at end of year/period	*11*	212	312	151	33
Breakdown of cash and cash equivalents at end of year/period:					
Bank balances and cash held		213	312	151	33
Bank overdraft	*20*	(1)	–	–	–
Cash and cash equivalents at end of year/period		212	312	151	33

1. GENERAL INFORMATION

Description of business

Coal & Allied Industries Limited (the "C&A") is a leading Australian producer of high quality thermal coal, indirectly owning majority joint venture interests in three coal mine operations, namely Hunter Valley Operations ("HVO"), Mount Thorley and Warkworth (together, "MTW") and associated assets.

During the Track Record Period the effective ownership interest in HVO and MTW was 100% and 64.1% respectively at 31 December 2015, 67.6% and 64.1% respectively at 31 December 2016 and 67.6% and 64.1% respectively at 31 December 2017.

The C&A Group's parent entity during the years ended 31 December 2015 and 31 December 2016 was Rio Tinto Limited, owned 80% and 100% respective at the end of each of the financial years. On 1 September 2017 the C&A Group's parent entity changed from Rio Tinto Limited to Yancoal Australia Ltd. As a result, the ultimate parent entity and ultimate controlling party became Yankuang Group Corporation Limited (incorporated in the People's Republic of China).

The principal activities of the Group and its subsidiaries (the "Group") during the three years ended 31 December 2017 (the "Track Record Period") were coal mining and related coal preparation and marketing.

The consolidated financial information are presented in Australian dollars, which is C&A's functional and presentation currency.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared on a going concern basis.

Historical cost convention

The consolidated financial information have been prepared on a historical cost basis, except for the following:

- assets held for sale – measured at the lower of cost or fair value less costs of disposal.

The accounting policies adopted in the preparation of the Financial Information are presented in Note 3 – Significant Accounting Policies. These policies have been consistently applied to all of the Track Record Period.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all of the new and revised IFRS, International Accounting Standards ("IASs"), IFRSs amendments and the related interpretations ("IFRICs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2017 and has early adopted the new and revised IFRSs which are in issue but not yet effective until the Group's financial year beginning on 1 January 2018 throughout the Track Record Period.

New and revised IFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRSs	Annual improvements to IFRS Standards 2015-2017 Cycle[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective date not yet been determined.

The directors of C&A anticipate that, except as described below, the application of the new and revised IFRSs will have no material impact on the results and the financial position of the Group.

The Group's assessment of the impact of these new standards and interpretations is set out below.

The directors of C&A anticipate that all the pronouncements will be adopted in the C&A Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the C&A Group's financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The directors of C&A are in the process of assessing the impacts on the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of until the Group performs a detailed review.

As at 31 December 2017, C&A Group has non-cancellable operating lease commitments of A$21M as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the C&A Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of C&A are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The directors of C&A expect that the adoption of IFRS 16 will not have material impact on the Group's results but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the C&A are in the process of assessing their impact on the consolidated financial statements of these requirements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the C&A and its subsidiaries for the Track Record Period.

Subsidiaries are entities controlled by the Group. The C&A Group controls an entity when the C&A Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the C&A Group has power over the entity, only substantive rights relating to the entity (held by the C&A Group and others) are considered.

The C&A Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the C&A Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the C&A Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the C&A Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the C&A, and in respect of which the C&A Group has not agreed any additional terms with the holders of those interests which would result in the C&A Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the C&A Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the C&A. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the C&A.

Changes in the C&A Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the C&A Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the C&A's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the C&A on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the C&A's profit or loss.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the C&A Group, liabilities incurred by the C&A Group to former owners of the acquiree and the equity interests issued by the C&A Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the C&A Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Where the consideration transferred by the C&A Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the C&A Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the C&A Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the C&A Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Interests in other entities

(i) Associates

Associates are all entities over which the C&A Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The C&A Group's investments in associates include goodwill identified on acquisition.

The C&A Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the C&A Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the C&A Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(ii) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control. Joint control exists only when the strategic, financial and operational policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture. The structure of each joint arrangement is analysed to determine whether the joint arrangement is a joint operation or a joint venture. The classification of a joint arrangement is dependent on the rights and obligations of the parties to the arrangement.

Joint operations

The C&A Group recognises its proportional right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Joint ventures

A joint venture is structured through a separate vehicle and the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method where the assets and liabilities will be aggregated into one line item on the face of the consolidated statements of financial position, after adjusting for the share of profit or loss after tax, which is shown as a separate line item on the face of the consolidated statements of profit or loss and other comprehensive income, after adjusting for amounts recognised directly in equity.

When the C&A Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the C&A Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the C&A Group and its joint ventures are eliminated to the extent of the C&A Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the C&A Group.

Parent entity financial information

(a) Investments in subsidiaries, associates and joint arrangements

Investments in subsidiaries, associates and joint arrangements are accounted for at cost less any impairment in the financial statements of the C&A. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(b) Tax consolidation legislation

At 31 December 2015, the C&A was the head entity of a tax consolidated group, which included its wholly owned Australian entities.

At 31 December 2016, C&A and its wholly owned Australian entities were part of the Rio Tinto Limited tax consolidated Group.

On 1 September 2017, C&A and its wholly owned Australian entities became a member of the Yancoal Australia Limited tax consolidated group, of which Yancoal Australia Limited is the head entity.

The head entity, Yancoal Australia Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

The C&A has entered into a tax sharing and funding agreement with the head entity of the tax consolidated group, Yancoal Australia Limited, in relation to their participation in the tax consolidation regime. Under the terms of this agreement, the subsidiary entities in the tax consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a "current intercompany payable/receivable in respect of tax" by C&A.

Segment information

Management has determined the operating segments based on the strategic direction and organisational structure of the C&A 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.

Non-operating items of the C&A 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.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. for the sales of coal and services in the ordinary course of the C&A Group's activities, stated net of discounts, returns and value added taxes. The C&A Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the C&A Group and specific criteria have been met for each of the Group's activities as described below. The C&A Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Revenue is recognised in the profit or loss as follows:

(i) Sale of coal

Revenue from the sale of coal is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at a point in time which is the time of delivery, usually on a Free On Board ("FOB") basis. On occasion 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.

In Track Record Period, the C&A Group recognises the revenue from sales of coal when the risks and rewards of coal are transferred to the purchasers, which is when the production of coal has been completed and the coal has been delivered to the purchasers and recoverability of related receivables is reasonably assured.

In adopting IFRS 15, revenues are recognised when or as the control of the coal is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the C&A Group's performance does not create an asset with an alternative use to the C&A Group and the C&A Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the C&A Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

For coal production and sales contracts for which the control of the coal is transferred at a point in time, revenue is recognised when the customer obtains the coal and the C&A Group has present right to payment and the collection of the consideration is probable.

The revenue is measured at the transaction price received or receivable under the contract.

For contract where the period between the payment by the customer and the transfer of the promised coal exceeds one year, the promised amount of consideration is adjusted for the effects of a significant financing component.

(ii) Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

(iii) 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. 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.

Other income

Gain on acquisition is recognised in line with the accounting for business combinations.

Taxation

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate enacted or substantially enacted at the end of the reporting period for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying value of the deferred tax asset is reviewed at each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are recognised for taxable temporary differences between the carrying amount and tax bases of investments in controlled entities, except where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the C&A Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly attributable to the acquisition of the items and the estimated restoration costs associated with the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the C&A Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment.

The open pit operations capitalise mine development costs including both direct and indirect costs incurred to remove overburden and other waste materials to enable access to the coal seams during the development of a mine before commercial production commences, and during future development of new open pit mining areas. Amortisation of those capitalised costs over the life of the operation commences at the time that commercial production begins for the mine for the new open pit mining area.

Underground mine development costs include both direct and indirect mining costs relating to underground longwall panel development and mains development (primary access/egress roads for the mine).

Mains development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Open cut

During the commercial production stage of open pit operations, production stripping costs comprises the accumulation of expenses incurred to enable access to the coal seam, and includes direct removal costs (inclusive of an allocation of overhead expenditure) and machinery and plant running costs.

Production stripping costs are capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called "stripping activity asset" included in mine development.

The stripping activity asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied.

Production stripping costs that do not satisfy the asset recognition criteria are expensed.

Depreciation and amortisation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line or units of production basis over the asset's useful life to the Group based on life of mine plans and Joint Ore Reserves Committee ("JORC") estimated reserves, commencing from the time the asset is held ready for use. Leased assets are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

For some assets, the useful life of the asset is linked to the level of production. In such cases, depreciation is charged on a units of production basis based on the recoverable reserves or the remaining useful hours. Alternatively, the straight-line method may be used where this provides a suitable alternative because production is not expected to fluctuate significantly from one year to another.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and any change in estimate is taken into account in the determination of remaining depreciation charges.

The estimated useful lives are as follows:

- Buildings 10 – 25 years
- Mine development 10 – 45 years
- Plant and equipment 2.5 – 40 years
- Leased plant and equipment 2 – 20 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining tenements

Mining tenements have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Mining tenements are amortised from the date when commercial production commences, or the date of acquisition. Amortisation is calculated over the life of the mine on a 'units of production' method based on the JORC estimated reserves.

Changes in the annual amortisation rate resulting from changes in the remaining estimated reserves, are applied on a prospective basis from the commencement of the next financial year. Every year the mining tenement's carrying amount is compared to its recoverable amount and assessed for impairment, or for possible reversals of prior year impairment (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at the individual exploration permit or license level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets acquired in a business combination are recognised at their fair value at the acquisition date. The carrying amount of exploration and evaluation assets are assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount. A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to each area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining tenements.

Impairment of assets

(i) Long term assets

Mining tenements are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Mining tenements and other non-financial assets that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purposes of assessing impairment, assets are grouped into Cash-Generating Units ("CGU"), being the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

The C&A Group assesses impairment by evaluation of conditions and events specific to the C&A that may be indicative of impairment triggers.

(ii) Other financial assets

The C&A Group recognises a loss allowance for expected credit loss ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The C&A Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Intangibles

(i) Computer software

Computer software is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of expected benefit, which ranges from 2.5 to 10 years.

(ii) Access, water rights and other mining licences

Access rights and other mining licences have a finite useful life and are carried at cost less any accumulated amortisation and accumulated impairment losses. Water rights have been recognised at cost and are assessed annually for impairment. The water rights have been determined to have an indefinite useful life. Amortisation of access rights and other mining licences is calculated as the shorter of the life of the mine or agreement using a units of production basis in tonnes, or on a straight-line basis. The estimated useful lives vary from 10 to 25 years.

(iii) Other

In acquiring Coal & Allied Industries Limited ("Coal & Allied") in 2017 under IFRS3 Business Combinations an asset was recognised for management fees charged to Port Waratah Coal Services Pty Ltd. The intangible asset will be released to the profit and loss on a straight line basis.

Construction in progress

Construction in progress represents production site development projects under construction for production or for its own use purposes. Construction in progress is carried at cost less any impairment loss. Costs included costs of constructing the production plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Construction in progress is classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes:

(i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

(ii) other short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

Coal stocks are stated at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overheads on the basis of normal mining capacity. Net realisable value is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of auxiliary materials, spare parts, small tools, and fuel expected to be used in production are stated at weighted average cost after deducting rebated and discounts less allowance, if necessary, for obsolescence.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or loss of control transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed transaction within one year from the date of classification.

When the C&A Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Provisions

Provisions are:

– recognised when: the C&A Group has a legal or constructive obligation as a result of a past event; it is probable that cash will be required to settle the obligation; and the amount has been reliably estimated.

– measured at the present value of the management's best estimate at reporting date of the cash outflow required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability where the time value is material. Any increase in the provision due to the passage of the time is recognised as an interest expense.

Employee benefits

The provision for employee benefits represents long service leave and annual leave entitlements and other incentives accrued by employees.

Close down and restoration costs

Close down and restoration costs include the dismantling and demolition of infrastructure, the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the site development or during the production phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Close down and restoration costs are a normal consequence of operations and majority of close down and restoration expenditures are incurred at the end of the life of the operation. Although the ultimate cost to be incurred is uncertain, the Company estimates its costs based on specific legislative requirements.

The initial closure provision together with other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each balance date and the cost is charged to the profit or loss.

As a result of the change in ownership of the Company on 1 September 2017 the Group changed its accounting policy application prospectively from recognising changes in rehabilitation estimates through the statement of profit and loss to recognising a capital asset which is then depreciated over the life of mine. This change in accounting policy is to more closely align the recognition of rehabilitation provisions with the accounting standard AASB 137 Provisions, Contingent Liabilities and Contingent Assets, and associated accounting standard interpretations.

Remediation procedures may commence soon after the time of the disturbance, remediation processes and estimated remediation costs become known, but may continue for a number of years depending on the nature of the disturbance and the remediation techniques used.

Environmental clean-up costs

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance date. These costs are charged to the profit or loss. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a financing cost.

Take or pay

In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under IFRS 3 Business Combinations. Take or pay is the assessment of forecast excess capacity for port and rail contracts. A provision was recognised for the discounted estimated excess capacity. The provision has a finite life and will be released to profit or loss over the period in which excess capacity is realised.

Sales contract

In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under IFRS 3 Business Combinations. The sales contract provision is the assessment of a coal supply and transportation agreement to supply coal to BLCP Power Limited in Thailand at below market prices. A provision was recognised for the discounted estimated variance between contract and market prices. The provision has a finite life and will be released to profit or loss over the contract term.

Other provisions

The provision includes marketing services fee payable to Noble Group Limited deemed above market norms, contingent royalties payable to Rio Tinto Plc assessed as part of the Coal & Allied acquisition in 2017 which will be amortised over the contract term, and make good provisions to cover the cost to 'make good' any hired equipment, in case any major overhaul costs are incurred at the end of the lease period.

Contributed equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Costs directly attributable to the issue of new shares, options or other equity instrument are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

In the consolidated financial statements, the assets and liabilities of the C&A Group's foreign operations are translated into the presentation currency of the C&A at the rate of exchange prevailing at the reporting date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Employee benefits

(i) Employee benefits expenses

Employee benefits are expensed as the related service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits recognised in the profit or loss are net of recoveries.

(ii) Superannuation

Contributions made by the C&A Group to defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

(iii) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be wholly settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on wage and salary rates that C&A Group expects to pay as at the reporting date including related on costs, such as superannuation, workers compensation, insurance and payroll tax and are included in trade and other payables. Non-accumulating, non-monetary benefits such as housing and cars are expensed by the C&A Group as the benefits are used by the employee.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Additional Long Service Leave payments are made monthly to the Coal Mining Industry (Long Service Leave Funding) Corporation based on the eligible monthly payroll of employees involved in the mining of black coal. Reimbursement is sought from the fund when long service leave is paid to employees involved in the mining of black coal. An asset for the amount recoverable from the Coal Mining Industry (Long Service Leave Funding) Corporation is recognised in trade and other receivables.

These employee benefits are presented as current provisions as the C&A Group has no unconditional right to deferred settlement for at least 12 months after the end of the reporting period.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the Track Record Period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item.

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 at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

– Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at 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. The C&A Group has not designated any debt instruments as at FVTPL.

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 in the 'investment income' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, C&A Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, C&A Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which C&A Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to C&A Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the C&A Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the C&A Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the C&A Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The C&A Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The C&A Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The C&A Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the C&A Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the C&A Group considers that default has occurred when a financial asset is more than 90 days past due unless the C&A Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the C&A Group in accordance with the contract and all the cash flows that the C&A Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the C&A Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the C&A Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The C&A Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The C&A Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by the C&A Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the C&A Group after deducting all of its liabilities.

Financial liabilities

The C&A Group's financial liabilities including bills and accounts payables, other payables, amounts due to the parent entity and its subsidiary companies, long term payables and borrowings which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method and financial liabilities at fair value through profit or loss.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

– it has been incurred principally for the purpose of repurchasing in the near term; or

– on initial recognition it is a part of a portfolio of identified financial instruments that the C&A Group manages together and has a recent actual pattern of short-term profit-taking; or

– it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 34.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Track Record Period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the C&A are recognised at the proceeds received, net of direct issue costs.

Offsetting financial instruments

Financial assets and liabilities of the C&A Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The C&A Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the C&A Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the C&A Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the C&A Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the profit or loss.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the C&A Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the C&A Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is outlined below.

Mine closure and rehabilitation provisions estimates

The calculation of rehabilitation and closure provisions (and corresponding capitalised closure cost assets where necessary) rely on estimates of costs required to rehabilitate and restore disturbed areas of land to their original condition. The costs are estimated on the basis of a closure plan. Significant judgement is required in determining the provision as there are many transactions and other factors that will affect the ultimate liability payable. Factors that will affect this liability include future disturbances caused by further development, changes in technology and restoration techniques, changes in the timing of rehabilitation expenditure due, for example, to changes in ore reserves or production rates, changes in regulations, price increases and changes in discount rates. These estimates are regularly reviewed and adjusted in order to ensure the most up to date data is used to calculate these balances. When these factors change in the future, such differences will impact the provision in the period in which they change or become known.

Determination of coal reserves and resources

The C&A Group estimates its coal reserves and coal resources based on information compiled by Competent Persons as defined in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves of December 2012 (the "JORC code"). Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, and the assessment of mine lives and for forecasting the timing of the payment of closure and rehabilitation costs.

Impairment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount exceeds its recoverable amount. The assessment of the carrying amount often requires estimates of future cash flows and foreign exchange rates.

5. FINANCIAL RISK MANAGEMENT

The C&A Group carries out risk management under policies approved by the directors of C&A. The C&A Group provides principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate and other risks, and the use of derivative and non-derivative financial instruments.

The C&A Group's business is coal mining and not trading. Accordingly, the C&A Group only contracts to sell coal that it plans to produce, however purchasing coal for resale may be required in circumstances where actual production falls short of contractual sales volumes. The C&A Group operates entirely in Australia and is exposed primarily to Australian dollar denominated costs. Sales are primarily denominated in US dollars. Cash deposits are denominated in both Australian and US dollars.

(a) Market risk

(i) Foreign exchange risk

The C&A Group markets its products internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to export coal sales being denominated in US dollars and recognised financial assets and liabilities that are denominated in a currency that is not the respective functional currency of entities within the C&A Group. The C&A Group has a number of US dollar denominated cash, trade receivables and payables balances. The exposures to foreign currency risk at the reporting dates were as follows:

Exposure

	Predecessor		**Successor**
	31 December	**31 December**	**31 December**
	2015	**2016**	**2017**
	US$M	*US$M*	*US$M*
Cash	6	5	15
Trade receivables	60	126	50
Trade payables	40	101	106

Sensitivity

The sensitivity of profit or loss to changes in exchange rates arises mainly from US dollar denominated financial instruments. Profit is more sensitive to movements in the Australian dollar/US dollar exchange rates in 2016 than 2015 because of the increased net amount of USD denominated trade receivables and trade payables.

The tables below summarise the impact on the C&A Group's post-tax profit of a 10% movement of the Australian dollar against the US dollar with all other variables held constant. Other components of equity would have been unaffected.

	Impact on post-tax profit Sensitivity 10% increase FX*		
	Predecessor		Successor
	31 December	31 December	31 December
Index	2015	2016	2017
	A$M	A$M	A$M
Cash	(1)	–	(2)
Trade receivables	(5)	(11)	(4)
Trade payables	4	8	9
Total	(2)	(3)	3

	Impact on post-tax profit Sensitivity 10% decrease in FX*		
	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	A$M	A$M
Cash	1	–	2
Trade receivables	6	14	5
Trade payables	(4)	(11)	(11)
Total	3	3	(4)

* All other variables held constant. Figures include trade receivables and trade payables classified as held for sale.

(ii) Interest rate risk

The C&A Group's interest rate management policy is generally to borrow and invest at floating interest rates. This approach is based on a historical correlation between interest rates and commodity price. Cash deposits and borrowings issued at variable rates expose the C&A Group to risk of changes in cash flows due to changes in interest rates.

During the year ended 31 December 2015, 2016 and 2017, deposits were held at variable rates and were held in both Australian dollars and US dollars.

Exposure

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Cash	213	312	33
Borrowings	–	–	–

Sensitivity

The table below summarises the impact on the C&A Group's post-tax profit of a 50 basis points (bps) increase in interest rates with all other variables held constant. A 50 bps decrease would have the same impact in the opposite direction. Other components of equity would have been unaffected.

	Impact on post-tax profit 50 bps increase in interest rates		
	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Cash	1	1	–
Borrowings	–	–	–

(iii) Price risk

The C&A Group's policy is to sell coal at prevailing market prices by creating a pricing portfolio of various pricing mechanisms available in the market. Typically for thermal coal this means three main pricing mechanisms-annual bi-lateral price negotiations with major customers for a 12 month fixed price, short term spot pricing and index linked pricing based on global COAL NEWC index which are settled monthly or quarterly depending on contract terms. Semi soft coking coal is priced on a quarterly basis, set through negotiations with major customers. A small proportion of semi soft sales are sold at spot price.

The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue.

Exposure

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Provisionally priced trade receivables	52	49	63

Sensitivity

The table below summarises the impact on the C&A Group's post-tax profit for a 10% increase in coal price because of provisionally priced trade receivables with all other variables held constant. A 10% decrease in coal price would have the same impact in the opposite direction. Other components of equity would have been unaffected.

	Impact on post-tax profit 10% increase in coal price		
	Predecessor		Successor
	31 December	31 December	31 December
Index	2015	2016	2017
	A$M	*A$M*	*A$M*
Impact to sales revenue	4	3	4

(b) Credit risk

(i) Risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The C&A Group is exposed to credit risk from its operating activities, including bank deposits, foreign exchange transactions and trade receivables.

Japan represents the highest percentage of the C&A Group's sales and accordingly Japanese customers represent the highest concentration of credit risk (refer to segment information in Note 6 for further details on sales by country of destination). However, management believes the C&A Group has minimal exposure to credit risk related to trade receivables or by virtue of the possible non-performance of the counterparties to the C&A Group's other financial instruments. There is a limited number of counterparties who purchase coal from the C&A Group, all of which are well known, reputable counterparties with sound financial positions. In the unlikely event of a default of counterparty, the C&A Group is likely to be able to sell its coal to another counterparty at short notice, reducing the scope for potential loss.

As at 31 December 2015, 2016 and 2017, the C&A Group has concentration of credit risk as 11.7%, 21.1% and 12.9% of the C&A Group's receivables were due from the C&A Group's largest customer respectively while 49.6%, 51.3% and 45.2% of the C&A Group's receivables were due from the C&A Group's five largest customers respectively.

The C&A Group has a single external customer which represents more than ten per cent of its total revenue. Refer to note 6(c).

Cash transactions are limited to high credit quality financial institutions. The C&A Group has policies that limit the amount of credit exposure to any one financial institution.

The maximum credit risk exposure to the C&A Group's financial assets at each reporting date is as follows:

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Cash and cash equivalents			
Counterparties with external credit rating			
Deposits with Rio Tinto Finance (Baa1 credit rating – Moody's)	159	232	–
Deposits with banking institutions with a minimum Baa1 credit rating – Moody's	54	80	33
Total cash and cash equivalents *(Note 11)*	213	312	33
Trade and other receivables *(Note 12)*			
Trade and other receivables	130	276	554

Impaired trade receivables

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment.

The C&A Group considers that there is evidence of impairment if any of the following indicators are present.

- significant financial difficulties of the debtor
- probability that the debtor will enter into bankruptcy

At 31 December 2015, 2016 and 2017 there were no impaired trade receivables.

Past due but not impaired

At 31 December 2015, 2016 and 2017 there were no trade receivables that were past due.

The other classes within trade and other receivables do not contain impaired assets and are not past due.

Credit risk in relation to financial guarantees

The C&A Group only issues financial guarantees in exceptional circumstances or where required in order to secure access to mining leases. Guarantees are usually required by government bodies in order to guarantee the restoration of disturbed sites under mining leases granted to the C&A Group. Refer to note 31 on contingent liabilities for further disclosure of the amount under risk and the counterparty involved.

(c) Liquidity risk

The C&A Group's liquidity and risk management strategies are principally driven by Yancoal. Liquidity needs and surpluses of the C&A Group are primarily managed through equity funding from and loans to Yancoal. Credit facilities have also previously been used to ensure sufficient funds are available to meet contractual obligations arising in the ordinary course of business.

(i) Maturities of financial liabilities

The amounts disclosed in the table below analyse the C&A Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Predecessor 31 December 2015							
Non-derivatives							
Trade and other payables	251	–	–	–	–	251	251
31 December 2016							
Non-derivatives							
Trade and other payables	346	–	–	–	–	346	346
Successor 31 December 2017							
Non-derivatives							
Trade and other payables	384	–	–	–	–	384	384

(d) Capital risk management

The C&A Group's overriding objectives when managing capital include safeguarding the business as a going concern; maximising returns for Yancoal; and maintaining an optimal capital and tax structure in order to provide a high degree of financial flexibility at the lowest cost of capital. The capital structure of the C&A Group is regularly reviewed taking into account strategic priorities and the economic conditions within which the C&A Group operates.

The capital structure of the C&A Group consists of borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, including issued capital, reserves and retained earnings.

The C&A Group is part of a larger organisational structure and as such the ultimate parent controls the C&A Group's capital management policy. The ultimate parent controls financing decisions, however, cash levels are managed within the C&A Group. The C&A Group does not have a target debt to equity ratio, but considers various financial metrics including liquidity levels, total capital, cash flow and EBITDA to ensure a strong balance sheet is maintained.

The C&A Group's gearing ratios at Track Record Period were as follows:

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Total borrowings	1	–	–
Less: Cash and cash equivalents	(213)	(312)	(33)
Net (cash)/debt	(212)	(312)	(33)
Total equity	1,867	1,312	1,579
Total capital	1,654	1,000	1,546
Gearing ratio (%)	–	–	–

6. SEGMENT INFORMATION

(a) Description of segments and principal activities

Operating segments are reported in a manner consistent with the internal reporting provided to the senior management team (being the chief operating decision maker), comprising the Managing Director of Coal and the Coal Executive Committee in assessing performance and determining strategy.

The C&A Group derives its revenue from coal mining and as such, performance is assessed for each of the operating coal mines individually. The following operating segments have been identified:

- Hunter Valley Operations
- Mount Thorley Warkworth
- Bengalla Mining
- Other

'Other' refers to corporate activities (including revenue from purchased coal), Mount Pleasant and any other items that are not appropriate to allocate to an individual operating segment.

Performance of the segments is assessed on a stand-alone, pre-tax basis as per below.

The senior management team do not regularly review assets and liabilities on a segment basis, rather at the consolidated level and therefore assets and liabilities by segment have not been disclosed.

(b) Segment results

	Hunter Valley Operations	Mount Thorley Warkworth	Bengalla Mining	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Predecessor Year ended 31 December 2015					
Segment revenue[(1)]	1,160	692	257	22	2,131
EBITDA[(2)]	242	164	84	(54)	436
Reconciliation of EBITDA to profit after tax					
Depreciation and amortisation expense					(184)
Net finance expense					(10)
Income tax benefit					42
Profit for the year					284

	Hunter Valley Operations	Mount Thorley Warkworth	Bengalla Mining	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2016					
Segment revenue[1]	878	728	35	23	1,664
EBITDA[2]	71	215	570	(19)	837
Other material items included in EBITDA					
Debt forgiveness	(1,475)	–	–	–	(1,475)
Gain on sale of operations	1,567	–	261	32	1,860
Reconciliation of EBITDA to profit after tax					
Depreciation and amortisation expense					(125)
Net finance income					11
Income tax expense					(326)
Profit for the year					397

	Hunter Valley Operations	Mount Thorley Warkworth	Bengalla Mining	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
1 January to 31 August 2017					
Segment revenue[1]	792	623	–	8	1,424
EBITDA[2]	326	270	–	(3)	593
Other material items included in EBITDA					
Debt forgiveness	–	–	–	–	–
Gain on sale of operations	–	–	–	–	–
Reconciliation of EBITDA to profit after tax					
Depreciation and amortisation expense					(78)
Net finance expense					(3)
Income tax benefit					169
Profit for the period					681

	Hunter Valley Operations	Mount Thorley Warkworth	Bengalla Mining	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Successor					
1 September to 31 December 2017					
Segment revenue[1]	383	321	–	28	732
EBITDA[2]	151	137	–	(2)	286
Other material items included in EBITDA					
Debt forgiveness	–	–	–	–	–
Gain on sale of operations	–	–	–	–	–
Reconciliation of EBITDA to profit after tax					
Depreciation and amortisation expense					(39)
Net finance expense					(1)
Income tax expense					(79)
Profit for the period					167

[1] Segment revenue refers to total sales revenue as per note 7 and are from external customers.

[2] EBITDA is earnings before net finance costs, depreciation, amortisation and income tax expense.

EBITDA is the key measure that management uses to assess performance of individual segments and make decisions on the allocation of resources.

EBITDA includes the C&A Group's share of profit (loss) from investments accounted for using the equity method, included within 'Other' and debt forgiven as part of the deed of forgiveness entered into by the C&A Group, Hunter Valley Resources Pty Ltd and Rio Tinto NSW Holdings Ltd.

(c) Other segment revenue disclosures

Segment revenue reconciles to total sales revenue from continuing operations as disclosed in Note 7.

The C&A Group is domiciled in Australia. Sales revenue by country of destination and product are outlined below:

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Segment revenue				
Japan	937	544	554	282
Korea	214	216	212	66
Taiwan	214	233	130	70
Singapore	262	227	121	55
Thailand	224	163	130	85
Malaysia	36	53	–	–
China	37	28	18	72
Switzerland	76	38	–	–
Turkey	23	1	–	–
Other foreign countries	36	102	118	36
Australia	72	59	128	58
Total sales revenue *(note 7)*	2,131	1,664	1,411	724
Interest revenue	6	17	5	1
Other revenue	18	25	8	7
Total revenue	2,155	1,706	1,424	732
Total sales revenue by product				
Thermal	1,671	1,190	1,053	560
Semi-soft	460	474	358	164
	2,131	1,664	1,411	724

(d) Segment assets and liabilities

The senior management team do not regularly review assets on a segment basis and therefore assets and liabilities by segment are not disclosed here. All non-current assets are located in Australia.

7. REVENUE

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
From continuing operations				
Sales revenue				
Sale of coal – produced	2,091	1,638	1,411	698
Sale of coal – purchased	23	23	–	26
Sea freight	17	3	–	–
Interest income	–	–	5	1
Management fee income-related parties	–	–	1	6
Coal handling services	–	–	–	–
Dividend income	–	–	1	–
Rental and sub-lease rental income	–	–	1	1
Other income	–	–	5	–
	2,131	1,664	1,424	732

8. OTHER INCOME

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Interest income	6	17	–	–
Management fee income-related parties	7	8	–	–
Coal handling services	5	5	–	–
Dividend income	–	1	–	–
Rental and sub-lease rental income	2	3	–	–
Other income	4	8	–	–
Net gain/(loss) on sale of PPE	–	1,860	26	(5)
	24	1,902	26	(5)

The net gain on sale of operations is a combination of the three sale events below:

On 3 February 2016, the C&A completed the sale of 32.4 per cent of the assets and liabilities associated with its Hunter Valley Operations to Mitsubishi Development Pty Ltd ("MDP"). The sale was in exchange for acquiring MDP's interest in the Coal & Allied Group (the "C&A Group"). A component of the non-cash consideration was intercompany receivables from Hunter Valley Resources Pty Ltd and Rio Tinto Coal NSW Holdings Ltd (parent of Hunter Valley Resources Pty Ltd). This intercompany receivable was later forgiven (refer Note 9(i)).

On 1 March 2016, the C&A completed the sale of the 40 per cent interest in Bengalla Joint Venture (Bengalla) to New Hope Corporation Limited.

On 4 August 2016, the C&A completed the sale of the Mount Pleasant thermal coal development project to MACH Energy Australia Pty Limited.

The table below is a reconciliation of the components of the net gain on sale of operations.

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Cash consideration received	–	1,110	–	–
Less: Cash divested	–	(5)	–	–
Less: Transaction costs	–	(36)	–	–
Net cash consideration	–	1,069	–	–
Non-cash consideration				
Intercompany receivable	–	1,474	–	–
Contingent consideration	–	21	–	–
Total disposal consideration	–	2,564	–	–
Less: Carrying amount of net assets disposed				
Assets classified as held for sale	–	322	–	–
Other current assets	–	21	–	–
Property, plant and equipment and intangible assets	–	423	–	–
Deferred tax assets	–	1	–	–
Trade and other payables	–	(35)	–	–
Provisions	–	(42)	–	–
Liabilities classified as held for sale	–	(46)	–	–
Other	–	(1)	–	–
	–	643	–	–
Onerous contracts provision recognised on disposal	–	(61)	–	–
	–	1,860	–	–

9. EXPENSES

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Employee benefits expense				
Salaries and other benefits	333	253	140	77
Transportation				
Rail Freight	139	101	61	13
Port charges	112	76	41	22
Net demurrage	24	15	8	7
	275	192	110	42
Debt forgiveness (i)	–	1,475	–	–
Finance costs				
Interest expenses	8	1	–	–
Unwinding of discount on provisions	8	6	3	1
	16	7	3	1

Depreciation is disclosed with Note 16 by class. No impairment has been recorded.

(i) Debt forgiveness

During 2016, the C&A and its wholly owned subsidiaries entered into a deed of forgiveness with Hunter Valley Resources Pty Ltd and Rio Tinto Coal NSW Holdings Ltd (parent of Hunter Valley Resources Pty Ltd), whereby each party agreed to settle all intercompany balances in existence at 31 August 2016. A second tranche was forgiven for any new intercompany balances arising from 31 August 2016 to 30 November 2016.

10. INCOME TAX (BENEFITS)/EXPENSES

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Current tax expense on profits for the year	80	462	139	–
Adjustments to current tax for prior periods	(4)	–	1	–
	76	462	140	–
Deferred income tax expense/(benefit) included in income tax expense comprises:				
Deferred tax in relation to current year	(123)	(136)	(316)	79
Deferred tax in relation to prior year	5	–	7	–
	(118)	(136)	(309)	79
	(42)	326	(169)	79

The C&A and its subsidiaries in the C&A Group are subject to the standard income tax rate of 30% on its taxable income.

The total tax benefit/(expense) for the years can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Profit from continuing operations before income tax expense	242	723	512	246
Tax at applicable income tax rate of 30.0%	72	217	153	73
Tax effect of amounts which are not taxable/deductible in calculating taxable income:				
Change in tax base due to sale	(110)	(337)	(331)	–
Debt forgiveness	–	442	–	–
Other	(4)	4	9	6
Income tax (benefits)/expenses	(42)	326	(169)	79

(a) Amounts recognised directly in equity

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:				
Deferred tax: Share based payments	(2)	1	–	–

(b) Unrecognised temporary differences

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Tax losses	1	–	–	–
Unrecoverable deductions	–	–	–	–
	1	–	–	–

11. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

		Predecessor		Successor
		31 December	31 December	31 December
	Notes	2015	2016	2017
		A$M	*A$M*	*A$M*
Coal & Allied cash held		180	264	30
Coal & Allied's share of cash held in Joint Operations		33	48	3
Cash and cash equivalents per consolidated statements of financial position		213	312	33
Bank overdraft	*20*	(1)	–	–
Cash and cash equivalents per consolidated statements of cash flows		212	312	33

12. TRADE AND OTHER RECEIVABLES

		Predecessor		Successor
		31 December	31 December	31 December
	Notes	2015	2016	2017
		A$M	*A$M*	*A$M*
Trade receivables		73	177	112
Amounts due from related parties	*33(e)*	21	54	328
Other receivables		33	43	111
Long service leave receivable		–	–	53
Prepayments		3	2	3
		130	276	607
Presented as:				
Current Portion		130	276	554
Non-current portion		–	–	53

The following is an aged analysis of trade receivables, net of provision for impairment, based on the invoice dates at the reporting dates:

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
0 to 60 days	73	177	109
61 to 90 days	–	–	–
Over 90 days	–	–	3
	73	177	112

Before accepting any new customer, the C&A Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The ageing analysis of the C&A Group's bills and accounts receivables, that were past due but not yet impaired as at 31 December 2015, 2016 and 2017, based on due date is as follows:

The C&A Group

	At 31 December		
	2015	2016	2017
	A$'M	*A$'M*	*A$'M*
1-90 days	31	45	23
91-180 days	9	19	4
181-365 days	9	13	1
Over 1 year	23	48	4
	72	125	32

The C&A Group does not hold any collateral over these balances. The management closely monitors the credit quality of accounts receivable and consider the balance that are neither past due nor impaired are of good credit quality.

13. CURRENT ASSETS – INVENTORIES

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Coal stocks – at cost			
Finished goods	16	7	18
Work in progress	13	16	18
	29	23	36
Stores			
Stores	60	38	35
Provision for obsolescence	(2)	–	–
	58	38	35
	87	61	71

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Balance as at 1 January	–	2	–
Impairment loss recognized during the year	1	–	–
Reversal of impairment loss recognized during the year	–	(2)	–
	1	–	–

14. CURRENT ASSETS – ASSET CLASSIFIED AS HELD FOR SALE

		Predecessor		Successor
		31 December	31 December	31 December
	Notes	2015	2016	2017
		A$M	*A$M*	*A$M*
Property, plant and equipment	*(i)*	288	–	–
Receivables	*(i)*	27	–	–
Inventories	*(i)*	5	–	–
Interest in joint venture	*(ii)*	–	–	106
Investment in associate	*(iii)*	–	–	26
		320	–	132

(i) The 31 December 2015 balance relates to the sale of the C&A Group's 40 per cent interest in the Bengalla Joint Venture. The sale was completed in 2016, refer to Note 6.

The 31 December 2017 balance relates to the following:

(ii) On 27 July 2017 YAL announced that it has entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore in relation to HVO, following completion of Yancoal Australia Ltd acquisition of Coal & Allied from Rio Tinto. Glencore will pay cash consideration of US$429 million to the Group for a 16.6% interest in HVO, and this amount is reduced by the net cash flows generated by the 16.6% HVO interest from 1 September 2017 to the date of completion. The consideration will also include a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by Yancoal Australia Ltd and a net debt and working capital adjustment in respect of the Coal & Allied acquisition. The US$429 million includes US$20 million associated with the sale of shares in Newcastle Coal Shippers Pty Ltd held by Coal & Allied to Glencore noted above.

The land held for sale refers to parcels of non-mining land located in the Lower Hunter Valley that is held for development or future sale.

(iii) An indirect interest in Port Waratah Coal Services Pty Ltd of 6.5%, held via shares in Newcastle Coal Shippers Pty Ltd, will be sold for US$20m and is expected to complete in 2018.

15. NON-CURRENT ASSETS – INVESTMENTS IN ASSOCIATES

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Shares in associates	216	206	145
Interest in joint venture partnership	–	–	–
	216	206	145

16. NON-CURRENT ASSETS-PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Operational mining properties	Plant and equipment	Construction in progress	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Predecessor					
At 1 January 2015					
Cost	150	1,034	2,526	23	3,733
Accumulated depreciation	(2)	(536)	(1,541)	–	(2,079)
Net book amount	148	498	985	23	1,654
Year ended 31 December 2015					
Opening net book amount	148	498	985	23	1,654
Additions	–	–	–	64	64
Depreciation charge	–	(26)	(149)	–	(175)
Net disposals	–	(1)	(5)	–	(6)
Assets classified as held for sale	–	(160)	(123)	(5)	(288)
Transfers to/(from) construction in progress	2	7	48	(57)	–
Adjustment to rehabilitation and closure provisions	–	(6)	–	–	(6)
Closing net book amount	150	312	756	25	1,243

	Freehold land and buildings	Operational mining properties	Plant and equipment	Construction in progress	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Predecessor					
At 1 January 2016					
Cost	152	713	2,267	25	3,157
Accumulated depreciation	(2)	(401)	(1,511)	–	(1,914)
Net book amount	150	312	756	25	1,243
Year ended 31 December 2016					
Opening net book amount	150	312	756	25	1,243
Additions	–	–	–	41	41
Depreciation charge	(1)	(9)	(106)	–	(116)
Net disposals	(1)	2	–	–	1
Net assets included in divested operations	(210)	(39)	(145)	(5)	(399)
Reclassifications	166	(166)	–	–	–
Transfers to/(from) construction in progress	16	7	18	(41)	–
Adjustment to rehabilitation and closure provisions	–	(8)	–	–	(8)
	120	99	523	20	762
At 31 December 2016					
Cost	166	330	1,697	20	2,213
Accumulated depreciation	(46)	(231)	(1,174)	–	(1,451)
Net book amount	120	99	523	20	762

	Freehold land and buildings	Operational mining properties	Plant and equipment	Construction in progress	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2017					
Cost	166	330	1,697	20	2,213
Accumulated depreciation	(46)	(231)	(1,174)	–	(1,451)
Net book amount	120	99	523	20	762
Year ended 31 December 2017					
Opening net book amount	120	99	523	20	762
Additions	–	3	–	43	46
Depreciation charge	(1)	(7)	(100)	–	(108)
Net disposals	–	(1)	(2)	–	(3)
Reclassifications	(51)	51	–	–	–
Transfers to/(from) construction in progress	10	1	33	(44)	–
Adjustment to rehabilitation and closure provisions	–	6	11	–	17
Transfer to assets classified as held for sale	(16)	(15)	(56)	–	(87)
	62	137	409	19	627
Successor					
At 31 December 2017					
Cost	102	388	1,520	19	2,029
Accumulated depreciation	(40)	(251)	(1,111)	–	(1,402)
Net book amount	62	137	409	19	627

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than freehold land:

- Buildings 10 – 25 years
- Operational mining properties 10 – 45 years
- Plant and equipment 2.5 – 25 years
- Leased plant and equipment 2 – 20 years

17. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
The balance comprises temporary differences attributable to:			
Rehabilitation and closure provision	51	38	40
Employee benefits	28	28	11
Other provision	–	16	23
Tax losses	2	2	2
Property, plant and equipment and Intangible assets	–	69	375
Other receivables	–	1	3
Unrealised foreign exchange gains/losses	–	1	–
	81	155	454

18. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Mining reserves	Others	Total
	A$M	*A$M*	*A$M*
COST			
At 1 January 2015	306	37	343
Reclassification	–	–	–
At 31 December 2015 and 1 January 2016	306	37	343
Disposal for the year	–	(26)	(26)
At 31 December 2016 and 1 January 2017	306	11	317
At 31 December 2017	306	11	317

	Mining reserves	Others	Total
	A$M	*A$M*	*A$M*
AMORTIZATION AND IMPAIRMENT			
At 1 January 2015	137	9	146
Provided for the year	8	1	9
At 31 December 2015 and 1 January 2016	145	10	155
Provided for the year	9	1	10
Disposal for the year	–	(2)	(2)
At 31 December 2016 and 1 January 2017	154	9	163
Provided for the year	8	1	9
Disposal for the year	–	–	–
At 31 December 2017	162	10	172
CARRYING VALUES			
At 31 December 2015	161	27	188
At 31 December 2016	152	2	154
At 31 December 2017	144	1	145

19. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

		Predecessor		Successor
		31 December	31 December	31 December
	Notes	2015	2016	2017
		A$M	*A$M*	*A$M*
Trade payables		222	290	257
Amounts due to related parties	*33(e)*	15	17	6
Intercompany payable in respect of income tax		–	13	75
Other payables		14	26	46
		251	346	384
The following is an aged analysis of trade payables:				
0 to 60 days		222	270	254
61 to 90 days		–	1	3
Over 90 days		–	19	–
		222	290	257

20. CURRENT LIABILITIES – BANK OVERDRAFT

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Bank overdraft	1	–	–

21. CURRENT LIABILITIES – BORROWINGS

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Shareholder loan – unsecured	–	–	–

The shareholder loan was advanced from its shareholders Australian Coal Holdings Pty Limited, Hunter Valley Resources Pty Ltd and Mitsubishi Development Pty Ltd and was unsecured and interest bearing at the London interbank offered rate for three month dollar deposits plus 5% and is repayable equally to all shareholders every three months.

Financing facilities

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Shareholder loan			
Total shareholder loan facility	–	–	–
Used at balance date	–	–	–
	–	–	–

The shareholder loan was repaid in full during 2015.

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Credit standby arrangements			
Total overdrafts	75	75	–
Unused at balance date	74	75	–
Loan facilities			
Total revolving loan facility	400	400	–
Unused at balance date	400	400	–

The bank overdraft facility was undrawn as at 31 December 2015, 2016 and 2017 (see Note 20 – Bank Overdraft).

An unsecured revolving loan facility of A$400.0 million was available at 31 December 2016 of which A$320.0 million (80 per cent) was with Rio Tinto Finance Limited and A$80.0 million (20 per cent) was with MDP. This facility lapsed on 9 February 2017.

22. CURRENT LIABILITIES – PROVISIONS

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Employee benefits	68	70	5
Rehabilitation	8	7	–
Other provisions*	–	41	10
	76	118	15

Refer to Note 25 for the movements in each class of provision other than employee benefits.

* Other provisions in 2016 and 2017 principally relates to onerous contracts.

23. CURRENT LIABILITIES – LIABILITIES CLASSIFIED AS HELD FOR SALE

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Provisions	25	–	43
Trade payables	19	–	10
Borrowing	–	–	–
	44	–	53

The 31 December 2015 balance above represent the liabilities of the Group's 40 per cent interest in Bengalla Joint Venture. Refer to Note 14 for further information and assets classified as held for sale.

24. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
The balance comprises temporary differences attributable to:			
Property, plant and equipment and Intangible assets	54	–	–
Inventories	18	11	6
	72	11	6

25. NON-CURRENT LIABILITIES – PROVISIONS

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Employee benefits	4	4	60
Rehabilitation	74	63	116
Closure	80	53	–
Other provisions*	–	13	–
	158	133	176

* Other provisions in 2016 principally relates to onerous contracts.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

At 31 December 2015

	Rehabilitation	Closure	Other	Total
	A$M	*A$M*	*A$M*	*A$M*
Current & Non-current				
Carrying amount at start of year	67	93	5	165
Additional provisions recognised	15	–	–	15
Adjustment to operation mining properties	–	(6)	–	(6)
Unwinding of discount	3	4	–	7
Assets classified as held for sale	(3)	(11)	–	(14)
Unused amounts reversed	–	–	–	–
Amounts used during the year	–	–	(5)	(5)
Carrying amount at end of year	82	80	–	162
At 31 December 2016				
Current & Non-current				
Carrying amount at start of year	82	80	–	162
Additional provisions recognised	6	1	61	68
Adjustment to operation mining properties	(1)	(8)	–	(9)
Unwinding of discount	4	2	–	6
Unused amounts reversed	(2)	–	–	(2)
Amounts used during the year	–	–	(9)	(9)
Foreign exchange	–	–	2	2
Net amounts divested	(19)	(22)	–	(41)
Carrying amount at end of year	70	53	54	177

At 31 December 2017

	Rehabilitation	Closure	Other	Total
	A$M	*A$M*	*A$M*	*A$M*
Current & Non-current				
Carrying amount at start of period	70	53	53	176
Additional provisions recognised	7	–	–	7
Adjustment to operation mining properties	–	–	–	–
Unwinding of discount	(3)	–	–	(3)
Unused amounts reversed	–	–	–	–
Amounts used during the year	(11)	–	(43)	(54)
Assets held for sale	–	–	–	–
Reclassifications	53	(53)	–	–
Carrying amount at end of year	116	–	10	126

26. SHARE CAPITAL

(a) Share capital

	Predecessor		Successor	Predecessor		Successor
	31 December		31 December	31 December		31 December
	2015	2016	2017	2015	2016	2017
	Shares	*Shares*	*Shares*	*A$M*	*A$M*	*A$M*
Ordinary shares – fully paid	86,584,735	86,584,735	86,584,735	441	60	60

During the year-ended 31 December 2016 there was a capital return of A$381 million to shareholders.

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the C&A Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up the Group ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Ordinary shares have no par value and the C&A Group does not have a limited amount of authorised capital.

(c) Earnings per share

The C&A Group is not required to calculate earnings per share as it is not a listed entity.

27. DIVIDENDS

Ordinary shares

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Final dividend for the year ended 31 December 2015, 2016 and 2017 was paid of A$1.15, A$6.57 and A$6.72 per fully paid share respectively	100	569	581	–

No dividends have been paid or declared since year ended 31 December 2017.

28. OTHER RESERVES AND RETAINED EARNINGS

(a) Other reserves

(i) Share-based payments

The C&A Group participates in a number of share-based payment plans available to executives and employees of the C&A Group administered by Rio Tinto Limited. The share-based payments reflected in this reserve relate to various equity-settled Rio Tinto share option plans. The share-based payments reserve is used to recognise the fair value of options issued but not exercised. On 1 September 2017, due to a change of ownership of Yancoal Australia Limited, the share based payment scheme was settled and reserve recycled through retained earnings.

(ii) Foreign currency translation

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 3(b) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iii) Other reserves

Other reserves relates to the equity instruments reserve of Port Waratah Coal Services Ltd, an equity accounted associate of Coal & Allied Industries Limited.

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Share-based payments	11	9	–
Equity accounted units' equity instrument reserve	–	1	1
	11	10	1

(b) Retained earnings

Movements in retained earnings were as follows:

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Balance 1 January	1,230	1,413	1,240
Net profit for the year	283	396	857
Dividends paid	(100)	(569)	(582)
Balance 31 December	1,413	1,240	1,515

29. NON-CONTROLLING INTERESTS

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Interest in:			
Retained earnings	2	2	3

30. JOINT ARRANGEMENTS

Joint operations

At the end of the year the Group held the following interests in joint operations, the principal activity of which is coal mining and exploration:

	Principal place of business	31 December 2015	31 December 2016	31 December 2017
		%	%	%
Hunter Valley Operations	Australia	100	67.6	67.6
Bengalla Joint Venture	Australia	40	–	–
Mount Thorley Co-venture*	Australia	80	80	80
Warkworth Associates*	Australia	55.6	55.6	55.6

* Coal & Allied Industries Limited holds an 80 per cent interest in the Mount Thorley Co-Venture and a 55.574 per cent interest in Warkworth Associates. In 2004 these two joint ventures entered into an Operational Integration Agreement (OIA) that allows the two joint ventures to be managed as a single operation. Under the terms of the OIA production can be sourced from either mining lease and is allocated between the two joint ventures based on a tonnage ratio that is contractually agreed between the two joint ventures. The tonnage ratio is agreed at the beginning of each year. Since entering into the OIA the tonnage commitment ratio has been Warkworth Associates 65 per cent and Mount Thorley Co-Venture 35 per cent. In effect, Warkworth Associates receives 65 per cent and the Mount Thorley Co-Venture receives 35 per cent of the output from the combined mining leases with each joint venture then being responsible for the marketing and sale of its respective tonnage received. Production costs are shared on the same basis as the tonnage ratio. The OIA provides for compensation to be made for the use of each joint venture's assets and resource depletion.

Refer to Note 6 for further information.

31. CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2015, 2016 and 2017 in respect of:

Guarantees

For information about guarantees given by entities within the Group and under the deed of cross guarantee, including the parent entity.

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Bank guarantees for restoration obligations The consolidated entity has a programme of on-going restoration as part of its mining operations. Guarantees have been provided to the NSW government in respect of the cost of restoration of certain leasehold properties, representing guarantees required by statute.	228	175	152
Bank guarantee for port allocation The consolidated entity has entered into various agreements with Port Waratah Coal Services Limited to secure port allocation arrangements and coal handling services. The consolidated entity has entered into various agreements with Newcastle Coal Infrastructure Group Pty Ltd as a condition of participating in the port nomination process.	98	91	100
Bank guarantees for rail network access The consolidated entity has entered into an access holder agreement with Australian Rail Track Corporation Limited relating to rail access to the Hunter Valley Network.	14	23	23
Bank guarantees for land conservation and environmental land offsets The consolidated entity has entered into various agreements with the Commonwealth Office of the Environment and Heritage, trading as National Parks and Wildlife with respect to land development in the Lower Hunter region.	19	19	54
Bank guarantees for infrastructure and emergency services			

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
The consolidated entity has entered into agreements with the NSW Department of Planning And Infrastructure for infrastructure and emergency services relating to land development applications in the Lower Hunter Valley.	5	5	2
Bank guarantee for other miscellaneous obligations			
The consolidated entity has entered into various agreements with State and local government authorities and other entities.	1	6	1

As at 31 December 2017, the Coal & Allied Industries Ltd and Yancoal Resources Ltd had contingent liabilities in the form of bank guarantees amounting to A$331.9 million (2016: A$319.5 million) associated with subsidiaries of Coal & Allied Industries Ltd, A$374.4 million (2016: A$91.8 million) associated with subsidiaries of Yancoal Resources Ltd and A$256.4 million (2016: A$nil) associated with Yancoal Australia Ltd. Total combined bank guarantees for 2017 are A$960.7 million (2016: A$411.3 million).

The Group has no other contingent liabilities or assets other than the ones mentioned in these financial statements.

32. COMMITMENTS

(a) Non-cancellable operating leases

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Commitments for minimum lease payments in relation of non-cancellable operating leases are payable as follows:			
Within one year	5	5	9
Later than one year but not later five years	11	8	12
Later than five years	–	–	–
	16	13	21
Average remaining lease terms	2 years	2 years	2 years

Items that are subject to operating leases include mining equipment, office space and small items of office equipment.

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Within one year	12	16	17
Later than one year but not later five years	–	–	–
	12	16	17

(c) Lease commitments: Group as lessee

Non-cancellable mining leases

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Commitments required to satisfy expenditure requirements on mining and exploration lease:			
Within one year	16	12	9
Later than one year but not later five years	60	47	35
Greater than five years	109	66	5
	185	125	49

33. RELATED PARTY TRANSACTIONS

The consolidated entity operated through a Management Services Agreement with Rio Tinto Coal Australia Pty Limited (RTCA), an integrated approach to managing and organising its operating companies. Directly attributable costs are charged to Coal & Allied and costs that are incurred by RTCA on behalf of Coal & Allied are charged based on an estimate of time spent providing the service.

(a) Parent entities

The immediate parent entities are Australian Coal Holdings Pty Ltd and Hunter Valley Resources Pty Ltd which at 31 December 2016 owned 75.71% and 24.29% respectively (2015: 75.71%, 14.09%) of the issued ordinary shares of Coal & Allied. The ultimate parent entity at 31 December 2016 is Rio Tinto Limited.

The parent entity within the Group is Coal & Allied Industries Ltd. On 1 September 2017 the Group's parent entity changed from Rio Tinto Limited to Yancoal Australia Ltd. The ultimate parent entity and ultimate controlling party is Yankuang Group Corporation Limited (incorporated in the People's Republic of China).

(b) Subsidiaries

Interests in subsidiaries are set out in note 34.

(c) Terms and conditions

Amounts due to and from related parties are unsecured and non-interest bearing. There are no formal agreements for these amounts, therefore they are classified as current.

Transactions with other related parties were made on normal commercial terms and conditions.

(d) Ownership interests in related parties

Interests held in the following classes of related parties are set out in the following notes: Joint operations – note 30

Associates and Joint Ventures – note 34(a)

(e) Amounts due to and from related parties as at Track Record Period

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Cash deposited with Rio Tinto Finance Limited	160	231	–
Amounts owing by related parties *(note 12)*	21	54	328
Amounts owing to related parties *(note 19)*	(15)	(17)	(6)

The Cash deposited with Rio Tinto Finance Limited is interest bearing at the unofficial unsecured overnight mid-rate quoted on the Reuters Screen 'AUCASH=' at 11:00am on the applicable date on which interest is to be calculated. This is settled with 1 business days notice.

The amounts owing by and to related parties are non-interest bearing and are settled on thirty day terms.

(f) Transactions with other related parties

The following transactions occurred with other related parties:

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
Rio Tinto Group companies				
Expenditure				
Insurance services	(4)	(4)	(4)	–
Management services	(62)	(53)	(37)	–
Interest paid	(6)	–	–	–
Shipping services	(18)	(3)	–	–
Consulting services	(2)	–	–	–
Debt forgiveness	–	(1,475)	–	–
Share based payment expenses	6	2	–	–
Revenue				
Interest received	5	16	4	–
Coal sales	247	206	190	–
Yancoal Group companies				
Expenditure				
Insurance services	–	–	–	(4)
Management services	–	–	–	(7)
Revenue				
Coal Sales	–	–	–	132
Other related companies				
Port Waratah Coal Services Limited				
Coal handling charges	(65)	(36)	(17)	–
Management fee	1	2	1	–
Employee related recharges	–	1	1	–
Dividend revenue – associates	12	13	6	6
Mitsubishi Development Pty Limited				
Commissions paid	(1)	(1)	(1)	–
Interest paid	(2)	–	–	–

Coal Handling charges are calculated based a throughput rate agreed by the PWCS management. Management fee is generated for providing management services to PWCS.

Employee related charges are reimbursement for provided employee services to PWCS. Dividend revenue are dividends received from PWCS.

Commissions paid are for 1% of the average quarterly price on Japanese sales from Hunter Valley Operations.

Interest paid on shareholder loan at London interbank offered rate for three month dollar deposits plus 5%.

34. SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

(a) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the C&A Group as at 31 December 2015, 2016 and 2017. 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, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	Class of shares held	Principal activities	% of ownership interest			Nature of relationship	Measurement method	Carrying amount		
				31 December					31 December		
				2015	2016	2017			2015	2016	2017
Port Waratah Coal Services Limited (1)	Australia	Ordinary	The provision of coal receivable, blending, Stockpiling and ship loading service	36.5	36.5	36.5	Associate	Equity method	215	205	145
UBE C&A Co Ltd	Japan	Ordinary	The provision of procurement, coal handling and storage facilities, charter of oceangoing vessels and barging of coal service	24.5	24.5	–	Associate	Equity method	1	1	–
Bengalla Agricultural Company Pty Limited	Australia	Ordinary	Non-trading entity	–	–	–	Joint venture	Equity method	–	–	–
									216	206	145

All of the above associates have been accounted for using equity method in the consolidated financial statements.

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are accounted for using the equity method are set out below:

	Predecessor			Successor
	31 December	31 December	1 January to 31 August	1 September to 31 December
	2015	2016	2017	2017
	A$M	*A$M*	*A$M*	*A$M*
The Group's share of (loss)/profit and total comprehensive income	7	2	(16)	(6)
Aggregate carrying amount of the Group's interests in these associates	216	206	170	145

The principal activities of Port Waratah Coal Services Limited were the provision of coal receivable, blending, stockpiling and ship loading services in the Port of Newcastle. The investment is strategic as the Group utilises port services provided by the associate.

(i) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates that are material to the C&A Group. The information disclosed reflects amounts presented in the financial statements of the relevant associates. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Port Waratah Coal Services Limited		
Summarised balance sheet			
	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Total current assets	88	76	79
Non-current assets	1,685	1,620	1,433
Total current liabilities	(438)	(312)	(351)
Total non-current liabilities	(743)	(822)	(665)
Net assets	592	562	496
Ownership share (%)	37	37	37
Carrying amount of investment	216	205	145

Summarised balance sheet	Port Waratah Coal Services Limited		
	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Reconciliation to carrying amounts of investment:			
Carrying amount at 1 January	221	216	205
Share of (loss)/profit after income tax	7	2	(22)
Amount reclassified as asset held for sale	–	–	(25)
Dividends received/receivable	(12)	(13)	(13)
Carrying amount at 31 December	216	205	145
Summarised statement of comprehensive (expense)/income			
Revenue	320	301	329
(Loss)/profit before income tax	26	10	(73)
Income tax benefit/(expense)	(8)	(3)	22
(Loss)/profit from continuing operations	18	7	(51)
(Loss)/profit for the period	18	7	(51)
Other comprehensive income	–	–	–
Total comprehensive (expense)/income	18	7	(51)

(ii) Share of associates' expenditure commitment

	Predecessor		Successor
	31 December	31 December	31 December
	2015	2016	2017
	A$M	*A$M*	*A$M*
Capital commitments	24	15	1
Lease commitments	47	43	41
Other commitments	19	14	50
	90	72	92

(b) Significant investments in subsidiaries

The consolidated financial information incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 3(a). The proportion of ownership interest is the same proportion of voting rights held.

		Predecessor		Successor
	Notes	31 December 2015	31 December 2016	31 December 2017
		%	%	%
Australian Coal Resources Limited	*A*	100	100	100
Black Hill Land Pty Ltd		100	100	100
Catherine Hill Bay Land Pty Ltd		100	100	100
CNA Bengalla Pty Limited	*D*	100	–	–
CNA Bengalla Investments Pty Limited	*A*	100	100	100
CNA Investments (UK) Pty Limited	*D*	100	100	–
CNA Resources Holdings Pty Limited	*D*	100	100	–
CNA Resources Limited	*A, D*	100	100	–
CNA Sub Holdings Pty Limited		100	100	–
CNA Warkworth Australasia Pty Limited	*A*	100	100	100
CNA UK Limited	*D*	100	–	–
Coal & Allied Mining Services Pty Limited	*A*	100	100	100
Coal & Allied Operations Pty Limited	*A*	100	100	100
Darex Capital Inc (UK)	*D*	100	–	–
Dolphin Properties Pty Limited	*C, D*	100	100	–
Gwandalan Land Pty Ltd		100	100	100
HV Operations Pty Ltd	*A*	100	100	100
HVO Coal Sales Pty Ltd	*B*	67	67	67
Kalamah Pty Ltd	*A*	100	100	100
Lower Hunter Land Holdings Pty Ltd		100	100	100
Miller Pohang Coal Company Pty limited	*B*	80	80	80
Minmi Land Pty Ltd		100	100	100
Mount Thorley Coal Loading Pty Limited	*B*	66	66	66
Mount Thorley Operations Pty Limited	*A*	100	100	100
Namoi Valley Coal Pty Limited	*A*	100	100	100
Nords Wharf Land Pty Ltd		100	100	100
Northern (Rhondda) Collieries Pty Limited	*A*	100	100	100
Novacoal Australia Pty Limited	*A*	100	100	100
Oaklands Coal Pty limited		100	100	100
Coal & Allied (NSW) Pty Limited	*A*	100	100	100
R W Miller (Holdings) Limited	*A*	100	100	100
Warkworth Coal Sales Pty Ltd		56	56	56
Warkworth Pastoral Company Pty Ltd		56	56	56
Warkworth Tailings Treatment Pty Ltd		56	56	56
Warkworth Mining Limited		56	56	56

All entities are incorporated in Australia except the following:

Entity	Place of incorporation
Darex Capital Inc (UK)	United Kingdom
CNA UK Limited	United Kingdom

Notes:

A These wholly-owned companies and the parent entity have entered into a deed of cross guarantee under which each Group guarantees the debts of the others. By entering into the deed, the wholly-owned entities are relieved from the requirement to prepare a Financial Report and directors' report under Australian Securities and Investment Commission Class Order 98/1418. These companies represent a "Closed Group" for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by the parent entity, they also represent the "Extended Closed Group".

On 19 December 2016 the following entities were added to the deed of cross guarantee:

CNA Warkworth Australiasia Pty Ltd
CNA Resources Limited
CNA Bengalla Investments Pty Ltd
Kalamah Pty Limited
Coal & Allied Mining Services Pty Ltd
HV Operations Pty Ltd

The proportion of ownership interest is equal to the proportion of voting power held.

B Non-controlling interest in controlled entities refer to Note 29.

C Non-beneficially controlled.

D These entities were deregistered during 2017.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year 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 C&A Group or economic entity in subsequent financial years except for the following:

Effective 1 March 2018 CNA Warkworth Australasia Pty Ltd, a subsidiary of C&A, completed its purchase of Mitsubishi Development Pty Ltd's 28.898% interest in the Warkworth joint venture for US$230 million plus an adjustment for working capital. The C&A Group now owns 84.472% of the Warkworth joint venture, which will increase the C&A Group's share of coal production from the integrated Mount Thorley Warkworth ("MTW") operations from 64.1% to 82.9%.

36. CARVE OUT ACCOUNTING

The consolidated financial information presented in this Accountants' Report above represents the audited financial information of the Group for the financial years ended 31 December 2015, 2016 and 2017.

As further stated in note 8, the C&A Group had disposed of certain material operations during the year ended 31 December 2016. The information set forth below provides carve-out adjustments to those financial information to reflect the consolidated financial information of the Group as if those disposals were completed on 1 January 2015.

The carve-out adjustments made comprise:

Bengalla

In March 2016 Coal & Allied's interest in Bengalla was sold to New Hope. The carve out adjustments remove the one-off gain on sale of Bengalla as well as all Bengalla assets and associated P&L and cash flow for the three year financial period.

Mount Pleasant

In August 2016 the Mount Pleasant thermal coal development project was sold to MACH Energy Australia Pty Ltd. The carve out adjustments remove the one-off gain on sale of Mount Pleasant as well as all Mount Pleasant assets and associated P&L and cash flow for the three year financial period.

HVO 32.4%

In February 2016 Coal & Allied sold 32.4% of its interest in the Hunter Valley Operations to Mitsubishi Development. The carve out adjustments remove the one-off gain on sale of HVO beneficial interest as well as the 32.4% of HVO's assets and associated P&L and cash flow for the three year financial period.

Included below is the consolidated income statement and consolidated statement of cash flows of the Group for the financial years ended 31 December 2015, 2016 and 2017 after making the carve-out adjustments.

Included below is the consolidated balance sheet of the Group as at 31 December 2015, 2016 and 2017 after making the carve-out adjustments.

PROFORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

	31 December 2015			31 December 2016			31 December 2017		
	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Revenue	2,131	634	1,497	1,664	65	1,599	2,156	–	2,156
Other income	24	–	24	1,902	1,860	42	21	–	21
Changes in inventories of finished goods and WIP	(22)	(4)	(18)	(6)	5	(11)	15	–	15
Raw material and consumables used	(524)	(145)	(379)	(357)	(16)	(341)	(415)	–	(415)
Employee benefits expense	(333)	(80)	(253)	(253)	(8)	(245)	(217)	–	(217)
External services	(256)	(70)	(186)	(192)	(11)	(181)	(249)	–	(249)
Selling and distribution	(437)	(132)	(305)	(322)	(33)	(289)	(319)	–	(319)
Debt forgiveness	–	–	–	(1,475)	(1,475)	–	–	–	–
Other operating expenses	(108)	(26)	(82)	(90)	(6)	(84)	(60)	–	(60)
Net (loss)/gain on disposal of property, plant and equipment	(2)	–	(2)	10	–	10	–	–	–
Depreciation and amortisation expense	(184)	(53)	(131)	(125)	(3)	(122)	(117)	–	(117)
Exploration and evaluation	(8)	(8)	–	–	–	–	–	–	–
Freight and purchased coal	(40)	(11)	(29)	(26)	–	(26)	(34)	–	(34)
Net foreign exchange gains	10	2	8	(2)	–	(2)	3	–	3
Finance costs	(16)	(2)	(14)	(7)	(1)	(6)	(4)	–	(4)
Share of profits after tax of equity accounted units	7	–	7	2	–	2	(22)	–	(22)
Profit before income tax	242	105	137	723	377	346	758	–	758
Income tax benefit/(expense)	42	87	(45)	(326)	(226)	(100)	90	–	90
Profit for the year	284	192	92	397	151	246	848	–	848
Profit for the year is attributable to:									
Owners of Coal & Allied Industries Limited	283	192	91	396	151	245	847	–	847
Non-controlling interests	1	–	1	1	–	1	1	–	1
	284	192	92	397	151	246	848	–	848
Other comprehensive income									
Items that may be reclassified to profit or loss									
Share of other comprehensive income of equity accounted unites	–	–	–	–	–	–	–	–	–
Foreign differences on translation	–	–	–	–	–	–	–	–	–
Other comprehensive income for the year, net of tax	–	–	–	–	–	–	–	–	–
Total comprehensive income for the year	284	192	92	397	151	246	848	–	848
Total comprehensive income for the year is attributable to:									
Owners of Coal & Allied Industries Limited	283	192	91	396	151	245	847	–	847
Non-controlling interests	1	–	1	1	–	1	1	–	1
	284	192	92	397	151	246	848	–	848

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015, 2016 AND 2017

	31 December 2015			31 December 2016			31 December 2017		
	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
ASSETS									
Current assets									
Cash and cash equivalents	213	4	209	312	–	312	33	–	33
Trade and other receivables	130	25	105	276	–	276	554	–	554
Inventories	87	18	69	61	–	61	71	–	71
Assets classified as held for sale	320	320	–	–	–	–	132	–	132
Total Current assets	750	367	383	649	–	649	790	–	790
Non-Current assets									
Receivables	–	–	–	–	–	–	53	–	53
Investment accounted for using the equity method	216	–	216	206	–	206	145	–	145
Land held for development or future sale	1	–	1	1	–	1	1	–	1
Property, plant and equipment	1,243	394	849	762	–	762	627	–	627
Deferred tax assets	81	(51)	132	155	–	155	454	–	454
Intangible assets	188	25	163	154	–	154	145	–	145
Total non-current assets	1,729	368	1,361	1,278	–	1,278	1,425	–	1,425
Total assets	2,479	735	1,744	1,927	–	1,927	2,215	–	2,215
LIABILITIES									
Current liabilities									
Trade and other payables	251	41	210	346	–	346	384	–	384
Bank overdraft	1	–	1	–	–	–	–	–	–
Provisions	76	31	45	118	–	118	15	–	15
Current tax liabilities	7	7	–	4	–	4	–	–	–
Liabilities classified as held for sale	44	44	–	–	–	–	53	–	53
Total Current liabilities	379	123	256	468	–	468	452	–	452
Non-Current liabilities									
Deferred income	3	–	3	3	–	3	2	–	2
Deferred tax liabilities	72	58	14	11	–	11	6	–	6
Provisions	158	22	136	133	–	133	176	–	176
Total non-liabilities	233	80	153	147	–	147	184	–	184
Total liabilities	612	203	409	615	–	615	636	–	636
Net assets	1,867	532	1,335	1,312	–	1,312	1,578	–	1,579
EQUITY									
Contributed equity	441	–	441	60	–	60	60	–	60
Other reserves	11	1	10	10	–	10	1	–	1
Retained earnings	1,413	531	882	1,240	–	1,240	1,515	–	1,515
Non-controlling interests	2	–	2	2	–	2	3	–	3
Total equity	1,867	532	1,335	1,312	–	1,312	1,579	–	1,579

PROFORMA CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

	31 December 2015			31 December 2016			31 December 2017		
	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Cash flows from operating activities									
Receipts from customers	2,175	635	1,540	1,555	96	1,459	1,989	–	1,989
Payments to suppliers and employees	(1,642)	(566)	(1,076)	(1,121)	(231)	(890)	(1,166)	–	(1,166)
	533	69	464	434	(135)	569	823	–	823
Interest paid	(9)	–	(9)	–	–	–	–	–	–
Income taxes paid	(110)	(49)	(61)	(12)	71	(83)	(232)	–	(232)
Tax paid to tax consolidation group head entity	–	–	–	(440)	(440)	–	–	–	–
Dividends received	12	–	12	13	–	13	–	–	–
Interest received	6	–	6	18	–	18	7	–	7
Net cash inflow from operating activities	432	20	412	13	(504)	517	598	–	598
Cash flows from investing activities									
Payment for property, plant and equipment	(64)	(21)	(43)	(40)	–	(40)	(59)	–	(59)
Drawdown from related parties	–	–	–	–	–	–	(272)	–	(272)
Dividends received	–	–	–	–	–	–	13	–	13
Payments for exploration	(8)	(8)	–	–	–	–	–	–	–
Proceeds from sale of property, plant and equipment	4	2	2	9	–	9	23	–	23
Proceeds from divestment	–	–	–	1,069	1,069	–	–	–	–
Net cash outflow from investing activities	(68)	(27)	(41)	1,038	1,069	(31)	(295)	–	(295)

PROFORMA CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

	31 December 2015			31 December 2016			31 August 2017		
	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted	As Reported	Carve Outs	Adjusted
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Cash flows from financing activities									
Dividends paid to non-controlling interest	(1)	–	(1)	(1)	–	(1)	(1)	–	(1)
Dividends paid	(100)	–	(100)	(569)	(569)	–	–	–	–
Return of capital	–	–	–	(380)	–	(380)	(581)	–	(581)
Repayment of loan facilities	(293)	–	(293)	–	–	–	–	–	–
Repayment of advances from related entities	–	–	–	–	–	–	–	–	–
Net cash outflow from financing activities	(394)	–	(394)	(950)	(569)	(381)	(582)	–	(582)
Net decrease in cash and cash equivalents	(30)	(7)	(23)	100	(4)	104	(279)	–	(279)
Cash and cash equivalents at the beginning of the year	242	11	231	212	4	208	312	–	312
Cash and cash equivalents at end of year	212	4	208	312	–	312	33	–	33

This information set out in this Appendix does not form part of the Accountants' Report from the joint reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong and ShineWing Australia, Chartered Accountants, Australia, independent members of ShineWing International Limited, as set out in Appendix IA, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section heading "Financial Information of the Group" in this prospectus and the Accountants' Report of the Group set out in Appendix IA to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, prepared in accordance with Rule 4.29 of the Listing Rules and is for illustrative purpose only, and is set out below to illustrate the effect of the Proposed Listing on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2018 as if the Proposed Listing had taken place on 30 June 2018.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group was prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2018, or at any future date following the Proposed Listing.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2018 as set out in the Accountants' Report of Yancoal Australia Ltd, the text of which is set out in Appendix IA to this prospectus, and adjusted as follows.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2018	Estimated net proceeds from the Proposed Listing	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company per share	Unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company per share
	A$'M *(Note 1)*	*A$'M* *(Note 2)*	*A$'M*	*A$* *(Note 3)*	*HK$* *(Note 5)*
Based on an Offer Price of HK$23.48 per Share	5,165	224	5,389	4.10	23.54
Based on an Offer Price of HK$25.84 per Share	5,165	249	5,414	4.12	23.65

(1) The consolidated net tangible assets attributable to owners of the Company as at 30 June 2018 was determined as follows:

	A$'M
Audited consolidated net assets of the Group set out in Appendix IA to this prospectus	5,265
Less: Non-Controlling interests	(2)
Less: Intangible assets attribute to owners of the Company	(98)
Audited consolidated net tangible assets attributable to owners of the Company	5,165

(2) The estimated net proceeds from the Share Offer are based on the issue of 59,441,900 new shares at the Offer Price of HK$23.48 and HK$25.84 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and take no account of any Shares which may be issued upon the completion of the Australian Entitlement Offer on Australian Securities Exchange ("ASX") and exercise of the over-allotment option.

(3) The unaudited pro forma net tangible assets of the Group attributable to owners of the Company per Share is arrived at after the adjustments referred to in Notes 1 and 2 above and on the basis that 1,315,513,656 Shares were in issue assuming that the Share Offer and share consolidation (one share for every 35 shares) has been completed on 30 June 2018 but takes no account of any Shares which may be issued upon the completion of the Australian Entitlement Offer on ASX and exercise of the over-allotment option.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2018, including but not limited to the effect of the interim dividend of A$130,000,000 declared and payable by the Company for the period ended 30 June 2018 on 15 August 2018 (the "Transaction"). The dividend was paid on 21 September 2018. Had the Transaction been completed on 30 June 2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share would be A$4.00 or HK$22.96 (assuming an Offer Price of HK$23.48 per share) and A$4.02 or HK$23.08 (assuming an Offer Price of HK$25.84 per share).

(5) For the purpose of presentation of the unaudited pro forma financial information, the exchange rate adopted is A$1 = HK$5.7405, which is based on a rate of A$1 = US$0.7332 and US$1 = HK$7.8295.

No representation is made that the amounts in Australian dollars ("A$") or US dollars ("US$") were or could have been or could be converted into Hong Kong dollars ("HK$") and/or that amounts in Hong Kong Dollars were or could have been or could be converted into Australian dollars or US dollars at such rate or any other exchange rates.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION IN ACCORDANCE WITH RULES 4.29 OF THE LISTING RULES ON THE STOCK EXCHANGE OF HONG KONG

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay, Hong Kong

ShineWing Australia
Level 8,
167 Macquarie Street
Sydney NSW 2000

26 November 2018

The Directors
Yancoal Australia Ltd
Level 18, Darling Park Tower 2
201 Sussex Street,
Sydney NSW 2000
Australia

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yancoal Australia Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2018 and related notes as set out on pages IIA-1 to IIA-2 of Appendix IIA to the prospectus (the "Prospectus") dated 26 November 2018 in connection with the proposed listing (the "Proposed Listing") of shares of the Company on The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages in Appendix IIA to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Listing on the Group's net tangible assets as of 30 June 2018 as if the Proposed Listing had been taken place at 30 June 2018. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's financial information for the six months ended 30 June 2018, on which accountants' reports of the Company has been included in the Appendix IA to the Prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firms apply International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in prospectus is solely to illustrate the impact of the Proposed Listing on unadjusted financial information of the Group as if the Proposed Listing had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Listing at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong

ShineWing Australia
Chartered Accountants
Rami Eltchelebi
Sydney

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE GROUP

The following is the unaudited pro forma consolidated statement of profit or loss of the Group for the purpose of providing additional information to potential investors. The unaudited pro forma consolidated statement of profit or loss for the Group is for illustrative purpose only and set out below to illustrate the effect of the acquisition of Coal & Allied Industries Ltd ("C&A"), the acquisition of a further 28.9% interest in the Warkworth joint venture ("Warkworth") and the disposal of a 16.6% interest in the Hunter Valley Operations joint venture ("HVO") (collectively referred to as the "Acquisitions and Disposal") on the consolidated statements of profit or loss of the Group attributable to the owners of the Company for the year ended 31 December 2017 and for the six months ended 30 June 2018 as if the Acquisitions and Disposal had taken place on 1 January 2017.

Details of the Acquisitions and Disposal are set out as "Financial information – Acquisitions, Disposals and deconsolidation" section of this prospectus.

The unaudited pro forma consolidated statement of profit or loss of the Group was prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated statements of profit or loss of the Group for the year ended 31 December 2017 and for the six months ended 30 June 2018, or at any future date following the Acquisitions and Disposal.

The unaudited pro forma consolidated statement of profit or loss of the Group is prepared based on the consolidated statements of profit or loss of the Group attributable to the owners of the Company for the year ended 31 December 2017 and for six months ended 30 June 2018 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix IA to this prospectus, and adjusted as follows.

(i) unaudited pro forma consolidated statements of profit or loss of the Group attributable to the owners of the Company for the year ended 31 December 2017

			Pro forma adjustments for			
	The Group as original for the year ended 31 December 2017	**C&A for the eight months ended 31 August 2017**	**Adjustments arising from acquisition accounting for acquisition of C&A, (including 55.6% interest in Warkworth & 67.6% interest in HVO)**	**Acquisition of additional 28.9% interest in Warkworth**	**Disposal of 16.6% interest in HVO**	**Unaudited pro forma consolidated statement of profit or loss of the Group for the year ended 31 December 2017**
	A$'M	*A$'M*	*A$'M*	*A$'M*	*A$'M*	*A$'M*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Revenue	2,601	1,424	46	261	(288)	4,044
Other income	325	26	–	–	78	429
Changes in inventories of finished goods and work in progress	7	(11)	–	3	(2)	(3)
Raw materials and consumables used	(349)	(274)	–	(50)	56	(617)
Employee benefits	(302)	(140)	–	(33)	27	(448)
Depreciation and amortisation	(256)	(78)	(97)	(27)	–	(458)
Transportation	(312)	(110)	26	(19)	20	(395)
Contractual services and plant hire	(274)	(169)	–	(26)	39	(430)
Government royalties	(173)	(111)	–	(21)	23	(282)
Coal purchases	(340)	–	–	–	–	(340)
Other operating expenses	(330)	(26)	–	(19)	7	(368)
Finance costs	(294)	(3)	(10)	–	1	(306)
Share of profit of equity-accounted investees, net of tax	32	(16)	–	–	–	16
Profit (loss) before income tax	**335**	**512**	**(35)**	**69**	**(39)**	**842**
Income tax expenses	(89)	169	(320)	(20)	12	(248)
Profit (loss) for the year	**246**	**681**	**(355)**	**49**	**(27)**	**594**

Notes:

(1) The audited consolidated statement of profit or loss of the Group for the year ended 31 December 2017 is extracted from the Accountants' Report of the Group as set out in Appendix IA to this Prospectus.

(2) The audited consolidated statement of profit or loss of C&A for the eight months ended 31 August 2017 is extracted from the Accountants' Report of C&A as set out in Appendix IB to this Prospectus. To conform with the presentation of the audited consolidated statement of profit or loss of the Group (i) distribution expenses of A$110 million have been reclassified as transportation expense (ii) distribution expenses of A$111 million have been reclassified as government royalties, and (iii) net foreign exchange differences of A$1 million have been aggregated into other operating expense. The tax benefit of A$169 million includes an adjustment to the deferred tax bases of assets of A$331 million which is eliminated in the consolidated financial statements of the Group for the year ended 31 December 2017.

(3) The adjustments arising from acquisition accounting for the acquisition of C&A including:

a. An increase in revenue of A$46 million to reflect the partial release of the BLCP sales contract provision recognised as if the acquisition had occurred on 1 January 2017. The BLCP Agreement is a long-term sales offtake contract as detailed in Note 28(ii) to the Accountants' Report of the Group. Based on management's provisional long-term coal price forecast the contract is "below market" and as such a provision has been recognised representing the discounted, after tax, "below market" value of the contract.

b. An increase in amortisation of A$55 million to reflect the amortisation of additional mining tenements and intangibles recognised on acquisition.

c. An increase in depreciation of A$42 million to reflect the depreciation of the uplift in value of property, plant and equipment as if the acquisition had occurred on 1 January 2017.

d. A decrease in transportation expenses of A$26 million to reflect the partial release of the excess take-or-pay ("ToP") provision calculated as if the acquisition had occurred on 1 January 2017.

e. An increase in finance costs of A$10 million to reflect the unwind of the discount on the non-contingent royalty payable, contingent royalty payable and BLCP and ToP provisions.

f. An increase in tax expense of A$320 million, of which A$331 million (which is included in the consolidated financial statements of C&A for the eight months ended 31 August 2017) reflects the reversal of deferred tax effect on tax base pushed down to C&A legal entities as part of the Group's acquisition tax allocation at the consolidation level of the Group (as stated in note 2 above).

(4) The adjustment to the statement of profit or loss on the acquisition of an additional 28.9% interest in Warkworth, (representing an 18.8% economic interest in the Mount Thorley Warkworth mine complex) for the year ended 31 December 2017 including:

a. 18.8% of profit and loss of Mount Thorley Warkworth for the year ended 31 December 2017, including the pro rata proportion of the acquisition accounting applied to the 64.1% interest in Mount Thorley Warkworth recognised as part of the C&A Acquisition, attributable to the Group as if the acquisition completed on 1 January 2017.

b. An increase in transaction costs of A$16 million to reflect the stamp duty not already included in "other operating expense" of the statement of profit and loss for the year ended 31 December 2017.

c. There is no gain or loss of the acquisition recognized as at acquisition completion date i.e. 7 March 2018. Due to the various price adjustments it is not practical to calculate the gain on acquisition as at 1 January 2017.

(5) The adjustment to the statement of profit or loss on the disposal of a 16.6% interest in HVO for the year ended 31 December 2017 comprises:

a. 16.6% of profit or loss of HVO for the year ended 31 December 2017,including the pro rata proportion of the acquisition accounting applied to the 67.6% interest in HVO recognised as part of the C&A Acquisition, attributable to the Group as if the transaction had been completed on 1 January 2017.

b. A gain on disposal of A$78 million representing;

i. the surplus of cash proceeds receivable from Glencore over the book value of the 16.6% interest in HVO. In accordance with the Asset Sale Agreement the cash proceeds receivable from Glencore is US$429 million (A$569 million) including adjustments of (i) a decrease of US$28 million (A$38 million) for the net cash inflows of the 16.6% HVO interest between completion of the C&A Acquisition and completion of the Glencore Transaction, (ii) an increase of US$2 million (A$3 million) for HVO cash, working capital and bank guarantee adjustments, and (iii) an increase of US$45 million (A$59 million) representing 27.9% of the non-contingent royalty paid to Rio Tinto on the C&A Acquisition up to the date of completion of the Glencore Transaction. The gain on disposal of A$78 million represents the gain calculated as at 1 May 2018. Due to the various price adjustments noted above it is not practical to calculate the gain on disposal as at 1 January 2017.

ii. the recognition of a US$21 million (A$27 million) receivable for the non-contingent royalty now receivable from Glencore.

iii. the de-recognition of US$31 million (A$39 million) of the contingent royalty, BLCP and ToP provisions recognised on the C&A Acquisition to be assumed by Glencore.

iv. Disposal of US$438 million (A$581 million) of book value assets and liabilities.

(ii) unaudited pro forma consolidated statements of profit or loss of the Group attributable to the owners of the Company for six months ended 30 June 2018

		Pro forma adjustments for		
	The Group as original for the six months ended 30 June 2018	**Acquisition of additional 28.9% interest in Warkworth**	**Disposal of 16.6% interest in HVO**	**Unaudited pro forma consolidated statement of profit or loss of the Group for the six months ended 30 June 2018**
	A$'M	*A$'M*	*A$'M*	*A$'M*
	(Note 6)	*(Note 7)*	*(Note 8)*	
Revenue	2,347	48	(89)	2,306
Other income	115	–	(78)	37
Changes in inventories of finished goods and work in progress	24	1	–	25
Raw materials and consumables used	(337)	(9)	18	(328)
Employee benefits	(254)	(5)	10	(249)
Depreciation and amortisation	(244)	(4)	–	(248)
Transportation	(274)	(3)	7	(270)
Contractual services and plant hire	(206)	(5)	11	(200)
Government royalties	(161)	(4)	7	(158)
Coal purchases	(182)	–	–	(182)
Other operating expenses	(170)	–	3	(167)
Finance costs	(152)	–	(1)	(153)
Share of profit of equity-accounted investees, net of tax	33	–	–	33
Profit (loss) before income tax	**539**	**19**	**(112)**	**446**
Income tax expenses	(178)	(6)	34	(150)
Profit (loss) for the period	**361**	**13**	**(78)**	**296**

Notes:

(6) The audited consolidated statement of profit or loss of the Group for the six months ended 30 June 2018 is extracted from the Accountants' Report of the Group as set out in Appendix IA to this Prospectus.

(7) The adjustment to the statement of profit or loss on the acquisition of an additional 28.9% interest in Warkworth, a joint operation of the Company (representing an 18.8% economic interest in the Mount Thorley Warkworth mine complex) for the two months ended 28 February 2018 representing the pre-acquisition period, including:

a. 18.8% of profit or loss of Mount Thorley Warkworth for the two months ended 28 February 2018, including the pro rata proportion of the acquisition accounting applied to the 64.1% interest in Mount Thorley Warkworth recognised as part of the acquisition of Coal & Allied Industries Limited (the "C&A Acquisition"), attributable to the Group as if the acquisition completed on 1 January 2017.

(8) The adjustment to the statement of profit or loss on the disposal of a 16.6% interest in HVO, a joint operation of the Company, for the four months ended 30 April 2018 representing the pre-disposal period, including:

a. 16.6% of profit or loss of HVO for the four months ended 30 April 2018, including the pro rata proportion of the acquisition accounting applied to the 67.6% interest in HVO recognised as part of the C&A Acquisition, attributable to the group as if the transaction had been completed on 1 January 2017.

b. A decrease in other income of A$78 million which reflects the reversal of gain on disposal of HVO recognized in actual result for the six months ended 30 June 2018 as if the transaction had been completed on 1 January 2017. Details also set out in note 5b of this statement.

(9) No adjustments have been made to adjust any trading results or other transactions of the Group subsequent to 30 June 2018.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

This information set out in this Appendix does not form part of the Accountants' Reports from the joint reporting accountants', SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong and ShineWing Australia, Chartered Accountants, Australia, independent members of ShineWing International Limited, as set out in Appendix IA and IB, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section heading "Financial Information" in this prospectus and the Accountants' Report of the Group set out in Appendix IA to this prospectus and Accountants' report of Coal & Allied Industries Ltd set out in Appendix IB to this prospectus.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One,
33 Hysan Avenue,
Causeway Bay, Hong Kong

ShineWing Australia
Level 8,
167 Macquarie Street
Sydney NSW 2000

26 November 2018

The Directors
Yancoal Australia Ltd
Level 18, Darling Park Tower 2,
201 Sussex Street,
Sydney NSW 2000,
Australia

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Yancoal Australia Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information in connection with the acquisition of Coal & Allied Industries Ltd ("C&A"), the acquisition of a further 28.9% interest in the Warkworth joint venture ("Warkworth") and the disposal of a 16.6% interest in the Hunter Valley Operations joint venture ("HVO") (collectively referred to as the "Acquisitions and Disposal") consists of the unaudited pro forma statement of consolidated statements of profit or loss of the Group for the year ended 31 December 2017 and for the six months ended 30 June 2018 and related notes as set out on pages IIB-2 to IIB-6 of Appendix IIB to the prospectus (the "Prospectus") dated 26 November 2018. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages in Appendix IIB to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisitions and Disposal on the Group's financial performance for the year ended 31 December 2017 and for six months ended 30 June 2018 as if the Acquisitions and Disposal had been taken place at 1 January 2017. As part of this process, information about the Group's financial performance has been extracted by the directors of the Company from the Group's consolidation financial statements for the year ended 31 December 2017 and for the six months ended 30 June 2018, on which the Accountants' Report of the Group has been included in the Appendix IA to the Prospectus.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firms apply International Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Charter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Acquisition and Disposal on unadjusted financial information of the Group as if the Acquisition and disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition and Disposal at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong

ShineWing Australia
Chartered Accountants
Rami Eltchelebi
Sydney

The following is the pro forma consolidated statement of financial position of the Group as at 30 June 2018 ("Pro Forma Financial Position"). It has been prepared to reflect the impact of the net proceeds from the Hong Kong IPO and the Australian Entitlement Offer (the "Capital Raising").

The Pro Forma Financial Position of the Group has been prepared in accordance with the recognition and measurement principles prescribed by International Financial Reporting Standards. It has been prepared in an abbreviated form insofar as it does not include all of the disclosures required by International Financial Reporting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The Pro Forma Financial Position of the Group has not been audited but has been reviewed by ShineWing Australia in accordance with International Auditing Standards applicable to review engagements.

The Pro Forma Financial Position of the Group is prepared based on the consolidated statement of financial position of the Group as at 30 June 2018 as set out in the Accountants' Report of the Company, the text of which is set out in Appendix IA to this prospectus.

The pro forma adjustments have been prepared using a A$:US$ exchange rate of A$1 = US$0.73.

The following information should be read together with the other information contained in this prospectus, including the risks in risk factors section, to understand the basis, assumptions and limitations underlying the financial information presented.

	The Group as at 30 June 2018	Pro forma adjustment for net proceeds from the Capital Raising	Pro Forma Financial Position of the Group as at 30 June 2018
	A$'M	*A$'M*	*A$'M*
	(Note 1)	*(Note 2)*	
Current assets			
Cash and cash equivalents	485	216	701
Trade and other receivables	561	–	561
Royalty receivable	28	–	28
Non-contingent royalty receivable	18	–	18
Inventories	205	–	205
Other current assets	16	–	16
	1,313	216	1,529
Assets classified as held for sale	57	–	57
	1,370	216	1,586
Non-current assets			
Mining tenements	4,308	–	4,308
Exploration and evaluation assets	577	–	577
Intangible assets	98	–	98
Property, plant and equipment	2,938	–	2,938
Investments accounted for using the equity method	280	–	280
Trade and other receivables	348	–	348
Interest bearing loan to an associate	730	–	730
Royalty receivable	170	–	170
Non-contingent royalty receivable	7	–	7
Deferred tax assets	1,086	8	1,094
Other non-current assets	2	–	2
	10,544	8	10,552
Total assets	11,914	224	12,138
Current liabilities			
Trade and other payables	783	–	783
Interest-bearing liabilities	17	–	17
Provisions	42	–	42
Non-contingent royalty payable	64	–	64
	906	–	906
Non-current liabilities			
Interest-bearing liabilities	4,267	–	4,267
Deferred tax liabilities	990	–	990
Provisions	460	–	460
Non-contingent royalty payable	24	–	24
Other non-current liabilities	2	–	2
	5,743	–	5,743

	The Group as at 30 June 2018	Pro forma adjustment for net proceeds from the Capital Raising	Pro Forma Financial Position of the Group as at 30 June 2018
	A$'M	*A$'M*	*A$'M*
	(Note 1)	*(Note 2)*	
Total liabilities	6,649	–	6,649
Net assets	5,265	224	5,489
Equity			
Contributed equity	6,220	238	6,458
Reserves	(554)	–	(554)
Accumulated losses	(403)	(14)	(417)
Equity attributable to equity holders of the Company	5,263	224	5,487
Non-controlling interests	2	–	2
Total equity	5,265	224	5,489

Notes:

(1) The audited consolidated statement of financial position of the Group as at 30 June 2018 is extracted from the Accountants' Report of the Group as set out in Appendix IA to this Prospectus.

(2) **The Capital Raising**

The Pro Forma Financial Position as at 30 June 2018 includes the following pro forma adjustments as if the Capital Raising had been completed on 30 June 2018.

- An increase in cash and cash equivalents and contributed equity of A$243 million representing the proceeds of the Capital Raising. This assumes the low point of the potential high-low range of the Capital Raising and does not include any over-allotment. The high amount would be A$268 million excluding any over-allotment.

- A decrease in cash and cash equivalents and contributed equity of A$7 million representing transaction costs of the Capital Raising to be capitalised against contributed equity. This assumes the low point of the potential high-low range of the Capital Raising and does not include any over-allotment. The transaction costs capitalised against contributed equity under the high amount would increase to A$8 million excluding any over-allotment.

- A decrease in cash and cash equivalents and an increase in accumulated losses of A$20 million representing transaction costs of the Capital Raising expensed to the statement of profit and loss not recognised at 30 June 2018. A$10 million of transaction costs of the Capital Raising costs were expensed for the period ended 30 June 2018.

- An increase in deferred tax assets of A$8 million, an increase in contributed equity of A$2 million and a decrease in accumulated losses of A$6 million representing the tax effect of the A$7 million and A$20 million transaction costs capitalised and expensed, respectively.

YANCOAL

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GLOBAL OFFERING

Volume 2

YANCOAL AUSTRALIA LTD
(Incorporated in Victoria, Australia with limited liability)
STOCK CODE: 3668

YANCOAL
兖煤澳大利亚有限公司

YANCOAL AUSTRALIA LTD
兗煤澳大利亞有限公司*

PROSPECTUS

PART 2 OF 2

This is Part 2 of 2 of the Prospectus. Prospective investors should note this Prospectus is printed in two parts that together form the Prospectus. You should read each part of the Prospectus in conjunction with the other part in order to understand the matters to which the Prospectus relates, particularly the Hong Kong Public Offering. Prospective investors should read each part of the Prospectus before making any application in response to the Hong Kong Public Offering. Copies of the two parts of the Prospectus are available at the locations set out in the section headed "*How to Apply for Hong Kong Offer Shares*" in this Prospectus. In addition, the complete Prospectus is available at www.hkexnews.hk and www.yancoal.com.au.

* *For identification purposes only*

RPMGLOBAL

Competent Person Report

Yancoal Australia Ltd

Job Number: ADV-BR-11019
Report Date: 26 November 2018
Effective Date: 30th June, 2018

IMPORTANT INFORMATION ABOUT THIS DOCUMENT

1. Client

This report has been produced by or on behalf of RPM Advisory Services Pty Ltd ("RPM") solely for Yancoal Australia Ltd (the "Client").

2. Client Use

The Client's use and disclosure of this report is subject to the terms and conditions under which RPM prepared the report, which permit the Client to file the Report with The Stock Exchange of Hong Kong Limited in accordance with the requirements of Chapter 18 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the "Listing Rules") and prepared pursuant to the Listing Rules.

3. Notice to Third Parties

RPM prepared this report for the Client only. If you are not the Client:

- RPM has prepared this report having regard to the particular needs and interests of the Client and in accordance with the Client's instructions. It did not draft this report having regard to any other person's particular needs or interests. Your needs and interests may be distinctly different to the Client's needs and interests and the report may not be sufficient, fit or appropriate for your purposes.
- RPM does not make and expressly disclaims from making any representation or warranty to you – express or implied – regarding this report or the conclusions or opinions set out in this report (including without limitation any representation or warranty regarding the standard of care used in preparing this report, or that any forward-looking statements, forecasts, opinions or projections contained in the report will be achieved, will prove to be correct or are based on reasonable assumptions).
- RPM expressly disclaims any liability to you and any duty of care to you.
- RPM does not authorise you to rely on this report. If you choose to use or rely on all or part of this report, then any loss or damage you may suffer in so doing is at your sole and exclusive risk.

4. Inputs, subsequent changes and no duty to update

RPM has created this report using data and information provided by or on behalf of the Client [and Client's agents and contractors]. Unless specifically stated otherwise, RPM has not independently verified that data and information. RPM accepts no liability for the accuracy or completeness of that data and information, even if that data and information has been incorporated into or relied upon in creating this report (or parts of it).

The conclusions and opinions contained in this report apply as at the date of the report. Events (including changes to any of the data and information that RPM used in preparing the report) may have occurred since that date which may impact on those conclusions and opinions and make them unreliable. RPM is under no duty to update the report upon the occurrence of any such event, though it reserves the right to do so.

5. Mining Unknown Factors

The ability of any person to achieve forward-looking production and economic targets is dependent on numerous factors that are beyond RPM's control and that RPM cannot anticipate. These factors include, however are not limited to, site-specific mining and geological conditions, management and personnel capabilities, availability of funding to properly operate and capitalize the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, unforeseen changes in legislation and new industry developments. Any of these factors may substantially alter the performance of any mining operation.

RPMGLOBAL

Executive Summary

Yancoal Australia Ltd
Level 18, Tower 2, 201 Sussex Street
Sydney NSW 2000
Phone: +61 2 8583 5300
26th November, 2018

RE: Competent Person Report

To Whom it May Concern,

RPM Advisory Services Limited ("RPM") has been engaged by Yancoal Australia Ltd. (ASX:YAL) referred to as ("Yancoal", the "Client" or the "Company") to undertake an Independent Technical Review ("ITR") and compile a Competent Person Report ("CPR" or the "Report") (as defined by Chapter 18 of the Rules Governing the Listing Rules of the Stock Exchange of Hong Kong (the "Listing Rules") on Multiple Coal Assets (the "Assets"). The Assets are located within the Hunter and Central Western Region of New South Wales (NSW) and Central Highlands Region of Queensland, Australia.

The Assets in NSW include Hunter Valley Operations ("HVO"), Mount Thorley Operation and Warkworth Mine (combined "MTW"), Moolarben, Ashton, Austar, Donaldson and Stratford and Duralie Operations, whilst the Queensland assets include Yarrabee and Middlemount Operations in Queensland. Collectively these assets are regarded as the "Projects" or the "Operations". The Ashton, Austar and Donaldson mines are managed by YAL on behalf of Watagan, YAL's unconsolidated, wholly-owned subsidiary. The remaining operations are owned (at various interests) and operated/managed by Yancoal with the exception of Middlemount which is a Joint Venture with Peabody and HVO with the recent formation of a Joint Venture with Glencore.

As at March, 2016 Yancoal lost accounting control of the Watagan Assets (Ashton, Austar and Donaldson), with all material decisions made by the Watagan Board, not Yancoal or its Directors. RPM understands Yancoal is the manager and operator of the mines, pursuant to mining and management services agreements and have day-to-day operational jurisdiction over the operations, however all mine plans for each year and annual capital expenditure and operational expenditure budgets are approved by the Watagan Board. The information contained within this report is based on data provided by the Company and the approved mine plans.

The process and conclusions of the ITR are presented in this Report and will be included in the HKEx prospectus prepared as part of the Initial Public Offering.

The statements of Coal Resources and Coal Reserves (as defined in ***Appendix B***) have been reported to be in accordance with the recommendations of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves JORC Code (2012 Edition) and the Australian Guidelines for the Estimation and Classification of Coal Resources (2014)

RPM's technical team ("the Team") consisted of International Competent Person's, International Senior Consultants, Executive Mining Engineers and Consultant Geologists as well as environmental/social specialists with significant coal mining experience. RPM's Hong Kong Competent Person was responsible for compiling or supervising the compilation of the Report and the JORC reported Statements of Coal Resources and Coal Reserves, stated within. The Team's qualifications and experience is detailed in ***Appendix A*** for reference.

A site visit was conducted by members of the Team to the Assets' operations to familiarise themselves with the Assets characteristics. The site visit to HVO/MTW was undertaken on the 16th February, 2017 by Ms. Trisha, Wilson Mr. Peter Ellis and Mr. Jolyon Peart while all other assets were visited during the weeks of the 23rd and 30th April, 2018. During the site visits the Team inspected the mining operations, the Coal processing plant, the tailings storage facility, the water supply system, the power distribution system and conducted general inspections of the Assets area. The visit was also used to gain a better understanding of the Assets status. The Team had open discussions with the Company's personnel on technical aspects relating to the relevant issues. The Company's personnel were cooperative and open in facilitating RPM's work.

In addition to work undertaken to generate independent JORC Coal Resources and Coal Reserves estimates, the CPR relies largely on information provided by the Company, either directly from the sites and other offices, or from reports by other organizations whose work is the property of the Company or its subsidiaries. The data relied upon for the JORC Coal Resources and Coal Reserves estimates independently completed by RPM have been compiled primarily by the Client and the Company and subsequently reviewed and verified as well as reasonably possible by RPM. The CPR is based on information made available to RPM as at 26 November, 2018. The Company has not advised RPM of any material change, or event likely to cause material change, to the underlying data, designs or forecasts since the date of Assets inspections.

Asset Summary

- The business consists of multiple open pit and underground operating mines which exploit and process market ready coal products for international demand (***Table 1***). In addition to eight operating mines, the Assets include a re-start project (Donaldson) which is currently on care and maintenance pending re-start at the Company's discretion and the potential MTW underground project. Of importance the Assets include the large world class, low risk open cut operations, HVO, MTW and Moolarben which collectively contribute 80% of all future coal products planned to be sold over the Life of Mine ("LOM") planning period.
- The eight operating mines are located in three areas, the Hunter and Central Western Regions of NSW and Central Highland region of Queensland. Both areas contain a number of medium to large scale coal deposits which are well known geologically and have been in operation for several decades in some instances.
- Run of Mine ("ROM") coal and overburden is mined via conventional truck, shovel/excavator and/or dragline at the open cut operations and via longwall mining methods at the underground operations. The majority of ROM coal is washed at coal handling processing plants ("CHPP") and loaded on trains via dedicated train loading points. All products are transported via rail links to the deep water Ports of Newcastle in NSW and one of three ports in Queensland. A variety of product coals are produced across the group including thermal coal products and metallurgical coal products including semi soft to semi hard coking coal products and pulverised coal injection ("PCI") product. These products can be customised and quantities can be varied based on market and customer demands within each operation and between all operations where rail and port synergies exist to optimise revenue based on short term market trends.
- In addition to the mining and the surface processing plants and office infrastructure, significant regional and local infrastructure provide support to the operations and the forecast production requirements. A review by RPM of the regional and local infrastructure indicates that the area has suitable transport logistics connecting the operating assets to local and international markets for both supply of consumables and transport of product to market. The Projects are located close to well established highways, water sources with power provided via a long-term agreement with electric utility company serving the regions.
- The Assets are operated directly by Yancoal or via various joint venture arrangements with ownership proportions differing between the operations (***Table 1***). Of particular note, a Joint Venture was recently formed between Yancoal and Glencore for HVO and an Operational Integration Agreement ("OIA") allows MTW to be managed as a single integrated operation by the Company. Under the terms of the OIA, export coal can be produced from either area and is allocated between the two joint ventures based on a tonnage commitment ratio. The Middlemount mine is managed by Middlemount Coal Pty Ltd which is an incorporated joint venture between Peabody and Yancoal. Further to this the Ashton, Austar and Donaldson assets are owned by Watagan (wholly owned subsidiary of Yancoal), controlled by Independent Directors however are managed directly by Yancoal pursuant to management agreements systems, plans and the operation of equipment.

Table 1 Ownership Control of Assets.

Asset	Yancoal Ownership[3]	Operational Control	Type
Hunter Valley Operations ("HVO") - OC	51%	Joint Venture	Met/Thermal
Mount Thorley[1] - OC	80.0%	Yancoal	Met/Thermal
Warkworth[1] - OC	84.47%		Met/Thermal
Moolarben - OC & UG	81%	Yancoal	Thermal
Ashton[2] - OC & UG	100%	Yancoal	Met/Thermal
Yarrabee - OC	100%	Yancoal	PCI/Thermal
Stratford and Duralie - OC	100%	Yancoal	Met/Thermal
Austar[2] - UG	100%	Yancoal	Met
Donaldson[2] - UG	100%	Yancoal	Met/Thermal
Middlemount - OC	50%	Joint Venture	PCI/Met

Note: Supplied by the Company

[1] Mount Thorley and Warkworth mines are referred to in the Report as one operation know as "MTW"

OC = Open Cut, UG = Underground

2 Assets owned by Watagan (wholly owned subsidiary of Yancoal) and managed directly by Yancaol.

3 Based on the ownership at Latest Applicable Date

RPM highlights that the statements contained within this Report all Coal Resources and Coal Reserves within the Assets on a 100% equity basis unless otherwise stated.

Mineral Resource and Ore Reserves Estimates

- The review undertaken by RPM of the drilling and sampling procedures indicates that in general, good practices were used with no material issues noted. RPM also notes the majority of the data used for the Resource estimations were derived from drilling which has followed the Companies procedures and protocols typically considered to be industry standard, however this varies between operations. As such, RPM considers the data which supports the resource estimations to have no material sample bias and is representative of the samples taken. Further details of the data verification and types is provided in ***Section 6***.
- Results of the independent Coal Resources estimates for the Assets as at 30th June, 2018 are tabulated in the Statement of Coal Resources in ***Table 2*** below, which were developed in line with the 2014 Coal Guidelines and reported in line with the requirements of the 2012 JORC and the reporting standards of Chapter 18 of the HKEx Listing Rules. The Statement of Coal Resources is therefore suitable for public reporting. The Statement of Coal Resources shown in ***Table 2*** and graphically in ***Figure 1*** are inclusive and not additional to the Coal Reserves reported in ***Table 3***.
- In addition to the Coal Resources for the operating assets, 16.8Mt of Indicated and 80Mt of Inferred for a total of 96.8Mt of Coal Resources is contained with the Monash Deposit located 25km south of Singleton. The Monash deposit is considered an underground coal target with limited potential for open cut mining.
- The Assets are mature open cut/underground mining operations that have approvals and license to operate for an extended period of time. As part of the Coal Resource reporting, RPM has made a number of general assumptions to define the reasonable prospects for economic extraction, these assumptions are detailed in ***Section 7.6*** for each asset.

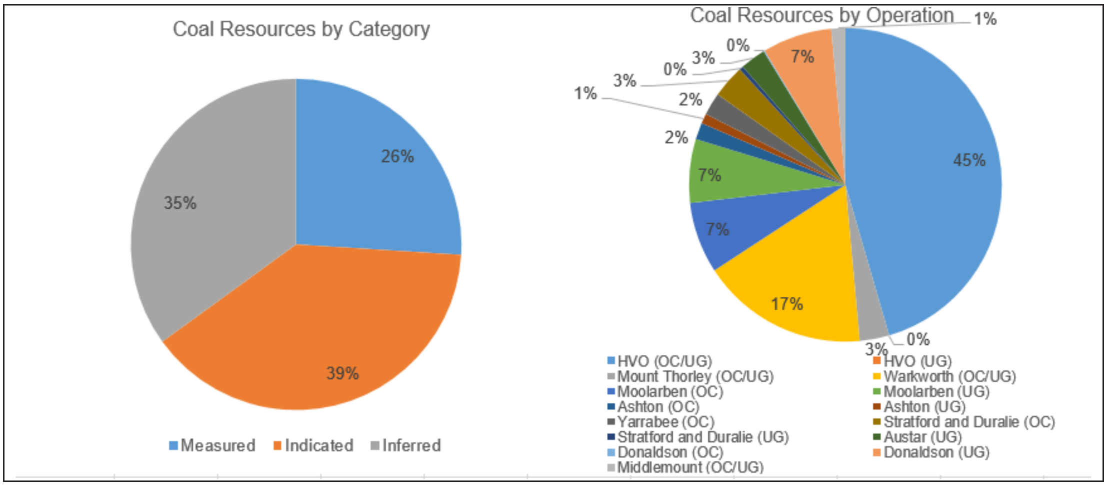
Table 2 Statement of Coal Resources by Operation as at 30th June, 2018.

Operation	Classification				
	Measured (Mt)	Indicated (Mt)	M + I (Mt)	Inferred (Mt)	Total (Mt)
HVO (OC/UG)	704	1,430	2,134	1,654	3,788
Mount Thorley (OC/UG)	27	75	102	153	255
Warkworth (OC/UG)	197	713	910	527	1,437
Moolarben (OC)	438	105	543	69	612
Moolarben (UG)	287	131	418	129	547
Ashton (OC)	25	49	74	70	144
Ashton (UG)	52	18	70	15	85
Yarrabee (OC)	94	80	174	20	194
Stratford and Duralie (OC)	11	196	207	76	283
Stratford and Duralie (UG)	-	1	1	35	36
Austar (UG)	70	80	150	69	219
Donaldson (OC)	10	-	10	-	10
Donaldson (UG)	178	326	503	95	598
Middlemount (OC/UG)	73	47	120	1	121
Total (100% Basis)	**2,165**	**3249**	**5,414**	**2,913**	**8,327**
Yancoal Attributable Share[6]	**1,610**	**2,355**	**3,964**	**1,952**	**5,916**

Notes for Table 2:

1. *The Statement of JORC Coal Resources for HVO, Mount Thorley and and Warkworth have been compiled under the supervision of Mr. Peter Ellis who is a full-time employee of RPM and a Registered Member of the Australian Institute of Mining and Metallurgy. Mr. Ellis has sufficient experience that is relevant to the style of Coal and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.*
2. *The Statement of JORC Coal Resources for Yarrabee and Middlemount have been compiled under the supervision of Mr. Michael Johnson who is a sub-consultant to RPM and a Registered Member of the Australian Institute of Mining and Metallurgy. Mr. Johnson has sufficient experience that is relevant to the style of Coal and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.*
3. *The Statement of JORC Coal Resources for all others deposits have been compiled under the supervision of Mr. Brendan Stats who is a full-time employee of RPM and a Registered Member of the Australian Institute of Mining and Metallurgy. Mr. Stats has sufficient experience that is relevant to the style of Coal and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the JORC Code.*
4. *All Coal Resources figures reported in the table above represent estimates at 30th June, 2018. Coal Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate. Rounding may cause some computational discrepancies.*
5. *Coal Resources are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The Joint Coal Reserves Committee Code – JORC 2012 Edition).*
6. *Based on the ownership at the latest applicable date*

Figure 1 Graphical Representation Coal Resources (100% Basis)



- The Independent Statement of Ore Reserves for the Project is estimated as at the 30th June, 2018 by RPM and reported in accordance with the JORC Code. RPM has confirmed suitable Modifying Factors to apply in the Ore Reserve estimation process following review of site data and technical information contained with studies of at least a pre-feasibility level of confidence. Further information taken into consideration included the proposed life of mine plans, mining method, forecast processing plant recoveries, environmental management and license to operate in addition to the historical performance of each operations. Further details ae provided in ***Section 8, 9 and 10*** for each Asset.

- The Proved and Probable Coal Reserves estimate for each Asset is summarised in ***Table 3*** and shown graphically in ***Figure 2***. The Coal Reserves estimates reported below are included in the Measured and Indicated Coal Resources quantities reported in ***Table 2*** and are not additional to. RPM highlights that approximately 80% of the Coal Reserves are contained within the large world class Tier 1 assets of HVO, MTW and Moolarben.

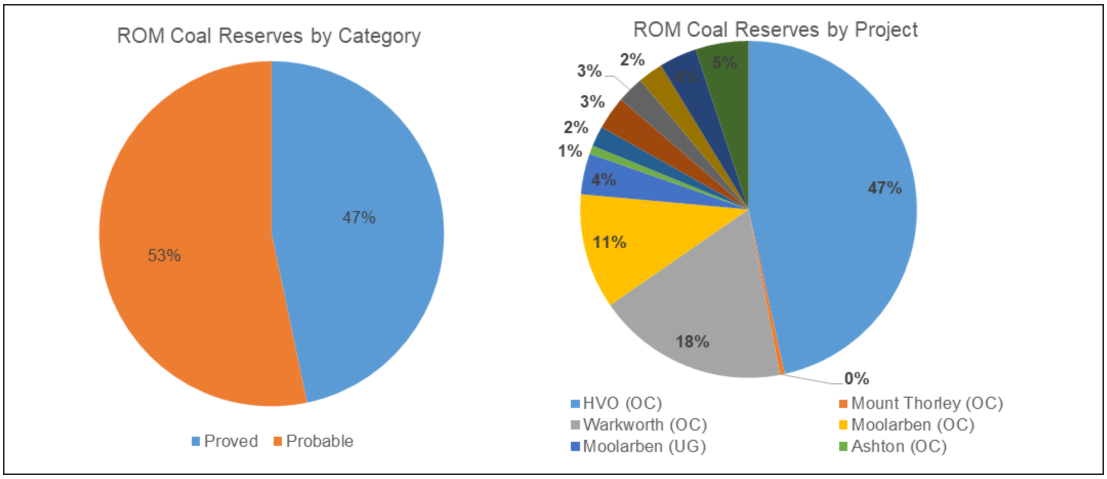
Table 3 Statement of JORC Coal Reserves Estimate within the Final Designs as at 30th June, 2018

Operation	Coal Reserves			Marketable Reserves		
	Proved (Mt)	Probable (Mt)	Total (Mt)	Proved (Mt)	Probable (Mt)	Total (Mt)
HVO (OC)	333	463	796	229	325	554
Mount Thorley (OC)	-	8	8	-	5	5
Warkworth (OC)	125	189	314	87	133	220
Moolarben (OC)	178	12	189	136	12	148
Moolarben (UG)	54	13	67	54	13	67
Ashton (OC)	-	14	14	-	7.8	7.8
Ashton (UG)	23	10	33	13	6	18
Yarrabee (OC)	36	19	55	28	14	42
Stratford and Duralie (OC)	-	44	44	-	26	26
Austar (UG)	-	41	41	-	31	31
Donaldson (UG)	-	62	62	-	32	32
Middlemount (OC)	50	37	87	40	27	67
Total (100% basis)	**799**	**912**	**1,710**	**587**	**632**	**1,218**
Yancoal Attributable Share[5]	**547**	**631**	**1,178**	**406**	**432**	**837**

Notes:

1) *The Statement of JORC Open Cut Coal Reserves has been compiled under the supervision of Mr. Doug Sillar who is a full time Senior Mining Engineer employed by RPM and is a Member of the Australian Institute of Mining and Metallurgy. Mr. Sillar has sufficient experience which is relevant to the style of Coal and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.*
2) *The Statement of JORC Underground Coal Reserves has been compiled under the supervision of Mr. Graeme Rigg who is a full time Senior Mining Engineer employed by RPM and is a Member of the Australian Institute of Mining and Metallurgy. Mr. Rigg has sufficient experience which is relevant to the style of Coal and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code.*
3) *Tonnages are metric tonnes*
4) *Figures reported are rounded which may result in small tabulation errors. Coal Reserves have been estimated under the 2012 Edition of the JORC Code.*
5) *Based on ownership at the latest applicbale date.*

Figure 2 Graphical Representation JORC Coal Reserves Estimate within the Final Designs



- To determine the economic viability of the Coal Reserves, RPM undertook a variety of analyse including review of Company margin ranking/pit optimisation and independent break even strip ratio analysis to confirm appropriate pit designs as well as underground mine design reviews. Following confirmation of the design, the quantities and Life of Mine schedules were reviewed and/or updated and discounted cashflow models were constructed to confirm economic viability for each asset. RPM highlights that each asset was considered a separate standalone operation for the cashflow analysis with no blending or cross cost sharing assumed which typically occur on a short term basis. While RPM is aware blending may occur between operations, this was not included as it is difficult to quantify over the long mine lives and would present an upside case versus the assumed base case which should be utilised for the estimation of Coal Reserves.

Exploration Potential

- Exploration has been undertaken over numerous generations over the last decades with the main focus on the areas for which Coal Resources have been estimated. Although these areas have a long history of exploration, RPM considers there to be reasonable potential to define extensions to the coal seams within the Project areas both near planned mining infrastructure and within the broader exploration concession. In addition RPM considers the large concession holding of the Company within particular projects contains numerous targets which present opportunities to increase the resource base and potentially add feed sources to the plant in turn increasing the mine life. ***Section 7.5*** outlines the potential for each asset.

Mining and Production

- All mining operations at the assets are mined via conventional truck, shovel and/or dragline open cut or via underground Longwall mining methods. The majority of ROM coal is washed at coal handling processing plants ("CHPP") and loaded on trains via dedicated train loading points. All products are transported via rail links to the deep water Ports of Newcastle or one of three ports in Queensland.
- The Life of Mine schedules were developed by RPM in conjunction with the Company targeting a variety of ROM Coal production rates dependent on the operation. These vary between 2 Million Tonnes per Annum (Mtpa) at Stratford and Duralie up to 20.6Mtpa at HVO as outlined in ***Table 5***. Each open pit operation consists of numerous open pits which are mined at various times throughout the mine life, while the underground operations typically target specific seams which are mined in spatial areas (known as longwall panels) within the same seam.

- The majority of the assets are at stable production with no significant expansions required to achieve the LOM production quantities planned. As such the groups ROM and Product coal annual production is relatively stable over the next 10 years ranging between 70 and 75Mt ROM before decreasing production with assets nearing the end of their current planned mine life, such as Ashton, Austar and Middlemount. RPM has estimated the total LOM Schedule (including inferred) to achieve a variety of mine life's which range from 11 up to 43 years (***Table 4*** and ***5***). RPM notes that the key low cost assets of HVO, MTW and Moolarben each have mine life's of at least 20 years (43 for HVO) with the highest production rates in the group ranging between 17 and 20.6Mtpa.

Table 4 Operations Mine Life's as at 30th June, 2018

Operation	Mine life (Years)
HVO	43
MTW	23
Moolarben	20
Yarrabee	38
Austar	17
Ashton	13
Stratford and Duralie	35
Donaldson	11
Middlemount	20

- The CHPP facilities are well-established and capable of processing the forecast ROM Coal, with the exception of Ashton and Yarrabee. The operations require upgrades to achieve planned rates for which CAPEX is included in the forecast. While the infrastructure is comparatively old in some operations, it appears to be reasonably well maintained which is required and forecast to continue. All operations utilised CHPP's which are owned and located onsite with the exception of Donaldson which is planned to utilise a third party CHPP located 3km from site. The LOM Coal yields vary between operations based on coal qualities for each seam, however the groups LOM forecast based on the expected bypass and throughputs varies between 71% and 76% with a LOM total average of 75%.

Table 5 LOM Consolidated Schedule

Operation	Year	Units	H2 2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Avg. 2031-2035	Avg. 2036-2040	Avg. 2041-2050	Avg. 2051-2060	Total LOM
HVO	ROM Coal	Mt	10.2	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	19.8	15.4	814.9
	Coal Processed	Mt	10.2	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	20.6	19.8	15.4	814.9
	Plant Yield	%	71.3	69.9	70.3	70.6	70.7	71.4	71.8	71.7	70.7	71.0	70.3	68.7	69.2	69.1	67.5	69.9	69.2	69.6
	Coal Bypassed	Mt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Coal Product	Mt	7.3	14.4	14.5	14.6	14.6	14.7	14.8	14.8	14.6	14.6	14.5	14.2	14.3	14.2	13.9	13.8	10.7	567.4
	Effetive Yield	%	71.3	69.9	70.3	70.6	70.7	71.4	71.8	71.7	70.7	71.0	70.3	68.7	69.2	69.1	67.5	69.8	69.6	69.6
MTW	ROM Coal	Mt	8.5	17.0	17.0	17.0	17.0	17.0	16.9	16.9	16.9	16.7	16.7	16.6	16.6	16.7	14.8			368.1
	Coal Processed	Mt	8.5	17.0	17.0	17.0	17.0	17.0	16.9	16.9	16.9	16.7	16.7	16.6	16.6	16.7	14.8			368.1
	Plant Yield	%	69.4	67.8	69.4	69.8	69.7	70.0	69.8	69.6	69.5	69.3	69.5	69.1	69.4	69.8	70.6			69.7
	Coal Bypassed	Mt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			0.0
	Coal Product	Mt	5.9	11.5	11.8	11.9	11.8	11.9	11.8	11.8	11.7	11.6	11.6	11.4	11.6	11.6	10.4			256.5
	Effetive Yield	%	69.4	67.8	69.4	69.8	69.7	70.0	69.8	69.6	69.5	69.3	69.5	69.1	69.4	69.8	70.4			69.7
Moolarben	ROM Coal	Mt	8.9	18.9	20.0	20.0	20.0	18.8	18.7	18.6	17.6	15.5	12.0	11.9	11.3	11.4	1.3			270.6
	Coal Processed	Mt	6.1	13.0	13.0	13.0	13.0	13.0	12.0	12.0	12.0	12.0	12.0	11.9	11.3	11.4	1.3			212.7
	Plant Yield	%	71.8	77.1	74.6	72.8	75.4	75.4	76.4	77.7	78.4	78.5	78.4	78.4	78.4	77.8	74.1			76.9
	Coal Bypassed	Mt	2.8	5.9	7.0	7.0	7.0	5.8	6.7	6.6	5.6	3.5								57.9
	Coal Product	Mt	8.1	15.9	16.7	16.5	16.8	15.6	15.9	15.9	15.1	13.0	9.4	9.3	8.8	8.9	0.9			222.3
	Effetive Yield	%	90.8	84.2	83.5	82.3	84.0	83.0	84.9	85.6	85.3	83.4	78.4	78.4	78.4	77.8	70.2			82.1
Yarabee	ROM Coal	Mt	2.1	4.0	4.3	4.8	4.6	5.2	5.1	4.9	5.2	4.2	4.2	4.2	4.0	4.2	4.0	4.0	3.5	147.6
	Coal Processed	Mt	1.1	2.3	3.2	3.6	3.4	3.6	4.1	4.1	4.1	3.5	3.4	3.5	3.4	3.5	3.4	3.4	2.7	120.6
	Plant Yield	%	78.8	85.5	75.9	78.6	76.5	77.4	74.0	74.7	80.4	75.8	75.5	74.1	74.1	73.8	73.4	74.1	75.8	76.1
	Coal Bypassed	Mt	0.9	1.7	1.1	1.2	1.2	1.6	1.0	0.8	1.1	0.7	0.8	0.7	0.6	0.7	0.6	0.5	0.8	26.9
	Coal Product	Mt	1.8	3.7	3.5	4.0	3.8	4.4	4.0	3.9	4.4	3.4	3.4	3.3	3.1	3.3	3.1	3.1	2.9	117.5
	Effetive Yield	%	88.2	91.5	82.0	83.8	82.9	84.4	79.2	78.7	84.4	79.9	79.9	78.2	77.9	77.9	77.1	77.5	82.0	79.6
Austar	ROM Coal	Mt	0.0	1.7	2.2	2.9	2.7	2.7	3.1	2.8	3.2	2.5	2.8	3.1	2.5	2.6				42.6
	Coal Processed	Mt	0.0	1.7	2.2	2.9	2.7	2.7	3.1	2.8	3.2	2.5	2.8	3.1	2.5	2.6				42.6
	Plant Yield	%	0.0	86.0	79.0	74.0	70.0	73.0	68.0	70.0	73.0	67.0	73.0	71.0	77.0	73.1				72.9
	Coal Bypassed	Mt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0
	Coal Product	Mt	0.0	1.4	1.7	2.1	1.9	2.0	2.1	2.0	2.4	1.7	2.0	2.2	1.9	1.9				31.0
	Effetive Yield	%	0.0	86.0	79.0	74.0	70.0	73.0	68.0	70.0	73.0	67.0	73.0	71.0	77.0	73.1				72.9
Ashton	ROM Coal	Mt	1.5	3.4	2.9	2.6	2.4	2.8	3.1	5.7	6.2	5.7	5.9	4.8	0.6					47.6
	Coal Processed	Mt	1.5	3.4	2.9	2.6	2.4	2.8	3.1	5.7	6.2	5.7	5.9	4.8	0.6					
	Plant Yield	%	49.1	52.6	54.9	53.5	52.7	59.9	58.8	54.6	57.9	58.4	59.3	60.0	47.1					56.7
	Coal Bypassed	Mt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0.0
	Coal Product	Mt	0.7	1.8	1.6	1.4	1.3	1.7	1.8	3.1	3.6	3.3	3.5	2.9	0.3					27.0
	Effetive Yield	%	49.1	52.6	54.9	53.5	52.7	59.9	58.8	54.6	57.9	58.4	59.3	60.0	47.1					56.7
Stratford Duralie	ROM Coal	Mt	0.5	1.1	1.7	1.9	1.8	1.3	1.6	2.0	2.0	2.0	2.0	2.0	2.3	2.0	2.0	2.0	2.0	68.2
	Coal Processed	Mt	0.5	1.1	1.7	1.9	1.8	1.3	1.6	2.0	2.0	2.0	2.0	2.0	2.3	2.0	2.0	2.0	2.0	68.2
	Plant Yield	%	49.9	56.9	59.4	57.8	58.3	62.4	67.6	64.8	60.1	60.5	60.8	61.4	61.3	61.2	55.3	54.4	36.2	58.4
	Coal Bypassed	Mt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Coal Product	Mt	0.2	0.6	1.0	1.1	1.0	0.8	1.1	1.3	1.2	1.2	1.2	1.2	1.4	1.2	1.1	1.1	0.7	38.2
	Effetive Yield	%	49.9	56.9	59.4	57.8	58.3	62.4	67.6	64.8	60.1	60.5	60.8	61.4	61.3	61.2	55.3	54.4	36.2	56.0
Middlemount	ROM Coal	Mt	2.9	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4				100.4
	Coal Processed	Mt	2.9	5.3	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4	5.4				100.4
	Plant Yield	%	79.7	76.8	78.0	77.0	76.9	77.1	75.6	74.5	74.1	74.1	70.7	74.6	75.9	76.1				75.7
	Coal Bypassed	Mt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0
	Coal Product	Mt	2.1	4.1	4.2	4.2	4.2	4.2	4.1	4.0	4.0	4.0	3.8	4.0	4.1	4.1				76.0
	Effetive Yield	%	79.7	76.8	78.0	77.0	76.9	77.1	75.6	74.5	74.1	74.1	70.7	74.6	75.9	76.1				75.7
Total	ROM Coal	Mt	34.6	71.9	74.1	75.1	74.4	73.8	74.6	77.0	77.1	72.7	69.6	68.6	63.3	62.9	42.6	25.7	20.9	1,859.9
	Coal Product	Mt	26.2	53.4	55.1	55.6	55.3	55.2	55.7	56.8	56.9	52.8	49.4	48.5	45.5	45.3	29.3	18.0	14.3	1,377.7

- An average of 228 Million AUD (ranging between 258 Million AUD in 2021 to 535 Million AUD in 2020 over the next 10 years) is required per year for Growth and Sustaining CAPEX. The majority of the CAPEX is required at HVO, MTW and Moolarben while Yarrabee, due to it mine life, also requires significant sustaining CAPEX. As outlined in ***Section 9***, the operations require continued replacement and sustained maintenance for both mobile and fixed plant to ensure the required production performance and processing yield. New and replacement production fleet (draglines, trucks, excavators) capital encompasses the majority of the sustaining capital for operations (approximately 60%). The remainder of the capital includes replacement and maintenance of the CHPP's and site infrastructure construction. RPM considers the forecast reasonable to support the LOM schedule.
- Forecast operating costs for the LOM Schedule (including inferred) vary between the operations as outlined in ***Table 6*** for Free of Rail (FOR) and Free on Board (FOB)**.** Further breakdowns inclusive of annualised costs are provided in ***Section 14*** as well as ***Appendix G*** for reference. Review of the forecasts clearly highlights the differentiation between the HVO, MTW and Moolarben low cost operations versus the remainder. RPM considers the forecasts reasonable and achievable

Table 6 LOM Average Operating Costs

Operation	Centre	Unit	LOM Average Cost
HVO	FOR	AUD/t prod	45.8
	FOB	AUD/t prod	67.2
MTW	FOR	AUD/t prod	49.3
	FOB	AUD/t prod	67.1
Moolarben	FOR	AUD/t prod	25.9
	FOB	AUD/t prod	50.4
Yarrabee	FOR	AUD/t prod	85.2
	FOB	AUD/t prod	124.8
Ashton	FOR	AUD/t prod	67.1
	FOB	AUD/t prod	91.3
Austar	FOR	AUD/t prod	70.5
	FOB	AUD/t prod	95.6
Stratford and Duralie	FOR	AUD/t prod	80.4
	FOB	AUD/t prod	107.1
Donaldson	FOR	AUD/t prod	34.1
	FOB	AUD/t prod	93.8
Middlemount	FOR	AUD/t prod	87.5
	FOB	AUD/t prod	133.1

Source: Unit Costs were provided by the Company however were adjusted to reflect RPM independent Coal Reserve schedule. LOM Unit costs vary to the Company's due to unit costs changes and production schedule variations.

Environmental, Health, Social and Safety

- The Assets have exhibited a high degree of environmental compliance over recent years. Several independent audits have been completed over the past 3 years on the assets with no material issues noted. The Company have a developed Health, Safety and Environment (HSE) Management System with corresponding resources in terms of staffing and processes in place. One area in which regulatory compliance has been lagging has been the management of water on-site at HVO, including in respect to water pollution incidents. These however, are not expected to pose an ongoing regulatory risk with improved management systems implemented onsite and as such are not considered a risk to the forecast operation.
- Recent reviews of risks and exposure associated with Native Title and Aboriginal Land Claims was conducted in June 2016, the results of which are contained in the Hunter Valley Native Title and Aboriginal Land Claim Risk Register. The review states that while Native Title has not been extinguished for some areas (including land, water ways and access roads)., the majority of the Assets holdings are not subject

to native title claims and that any outstanding areas and claims do not impact the current life of mine plan as presented in this Report.

- The MTW, Stratford and Moolarben mines have been the subject of a medium to high community complaint frequency, largely as a result of noise and dust emissions. As a result the Company has put in place several management strategies and increasingly efficient noise attenuation systems and noise and dust early warning monitoring systems. These trigger the temporary shut-down of mobile plant as noise levels in nearby communities approach regulatory limits. This implementation has resulted in a marked reduction in complaints in recent times and RPM highlights these shut downs are incorporated into the forecast utilisation. In addition, the Company has established a community management system to manage these issues as per good industry practice. Management measures in place support the assumption that the forecast plans will be ultimately accepted by communities. This includes the on-track progress in obtaining approval for the upcoming closing of a community road, which RPM is aware is nearing completion.
- In line with all operating coal mines in the regions, the Assets have accumulated heavy-metal contaminated waste rock in the disposal/storage facilities and these potential contamination factors have not been thoroughly quantified and assessed, however based on the prevailing geo-chemistry of tailings materials in the region, the risk of highly mobile and bio-available contamination is considered unlikely.
- Continuous and phased rehabilitation of mined out areas has been taking place, with an acceptable level of success measured against established criteria for the areas having had the longest regeneration time. Mine closure costs are budgeted beyond the operational expenditures associated with the continuous rehabilitation.
- Several Coal Bursts have occurred within the Austar mine which have resulted in loss of production and forced shutdowns. RPM is aware the company has introduced a number of measures to manage the issue. The longwall operation at Austar is currently not operating as the Company is seeking approval to recommence following development of revised management systems, plans and the operation of equipment.

The Key Opportunities Identified during the ITR include.

While various opportunities exist to increase the value of the Projects, including the exploration potential and the inferred material within the schedules, given the very long mine life, RPM for reference presents below what are considered to be the opportunities which could have a material effect on both the mine life presented in this report and/or the value of the Project.

- **HVO/MTW Underground** – As further outlined in ***Section 16*** this would include multiple working areas and could be undertaken in conjunction with the current open pit operations. If undertaken this would increase ROM production by up to 5 to 7Mtpa and have the added advantage of augmenting take or pay commitments of the groups operation in the short term which are included in the forecast OPEX. Further studies are required to confirm the optimised project ahead of corporate investment decision.
- **HVO Boundary Coal Pillar** – The current Coal Reserves and LOM plans excludes significant coal within the boundary pillar of the tenement holdings due to the inability of mining across the tenement boundary on the neighbouring tenement (***Figure 9-3***) without agreements in place. A high level study indicates that an additional ROM coal tonnage of between 100 and 120Mt could be exploited with extensions of the West, Carrington East, Riverview and Cheshunt Deep pits. Integrated mine planning is required to realise potential upside in LOM plans and Reserves for the site.
- **Blending** – The current LOM plan presented in this Report and the supporting cashflow analysis, assumes no blending occurs either within the operations or between the operations. The products generated by the operations are generally high value coal types and blending based on product qualities can realise additional value rather than selling single products from the operations. In addition, as the Company further incorporates HVO/MTW into its operations this blending strategy could be used to further optimise mining operations in both short and medium term planning through careful and meticulous mine plans focusing on:
  - Maximising the exploitation of the in situ resources by potentially increasing pit limits using improved revenue streams and
  - Incorporating the ability to react quickly to market condition by changing the short term mine plan to target seams with specific coal qualities.
- **Moolarben Expansion** –The expansion of the open cut involves optimisations of the approved Stage 1 and Stage 2 operations to increase site ROM coal production to 24Mtpa from the current circa 18Mtpa.

The Modification also involves a minor extension to the OC2 pit limit, minor extensions and reductions of the OC3 pit limits, rehabilitation, water management and relocated/additional surface infrastructure. The successful implementation of the Stage 2 expansion at Moolarben demonstrates the Company's ability to achieve organic growth targeting low cost/high margin coal.

The Key Risks Identified during the ITR include.

While various risks have been identified, given the very long mine life's, the risks RPM presents below are considered to be the risks that could potentially affect the Company's ability to achieve the mine life as presented in the Report and/or the value of the Project's current LOM schedule and do not include any risks associated with the upside. Further low risks as well as upside risk for the potential underground are presented in ***Section 17***.

- **Community Relations (MTW, Stratford and Moolarben):** Communities have voiced grievances against some mine operations, in particular regarding noise and dust emissions, leading to equipment downtime and subsequent investment in noise attenuation equipment for mobile and fixed plant.
- **Coal Bursts – Austar**: Several Coal Bursts have occurred within the Austar mine which have resulted in loss of production and forced shutdowns. RPM is aware the company has introduced a number of measures to manage the issue. The longwall operation at Austar is currently not operating as the Company is seeking approval to recommence following development of revised longwall management systems, plans and the operation of equipment systems, plans and the operation of equipment.
- **Austar Restart** - RPM is aware that the Austar permit for the operation of the longwall has recently been suspended following coal bursts in 2018 and now has approval for limited longwall activities under controlled conditions. Limited operations at Austar recommenced on 14 August 2018 subject to certain conditions which the mine can comply with however full scale operations are as yet to recommence.

Limitations and Exclusions

RPM's review was based on various reports, plans and tabulations provided by the Client or the Company either directly from the mine site and other offices, or from reports by other organizations whose work is the property of the Client or the Company. Neither Client nor the Company has not advised RPM of any material change, or event likely to cause material change, to the operations or forecasts since the date of Assets inspections.

The work undertaken for this Report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this Report.

It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, except such aspects as may directly influence technical, operational or cost issues and where applicable to the JORC Code guidelines.

RPM has specifically excluded making any comments on the competitive position of the Relevant Assets compared with other similar and competing producers around the world. RPM strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the Relevant Assets in the market and the fundamentals of the seaborne export coal at large.

Limited Liability

This Report has been prepared by RPM for the purposes of Client for inclusion in its Prospectus in respect of the proposed Listing of the Assets in accordance with the Listing Rules and is not to be used or relied upon for any other purpose. RPM will not be liable for any loss or damage suffered by a third party relying on this report or any references or extracts therefrom contrary to the purpose (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise) unless and to the extent that RPM has consented to such reliance or use.

Responsibility and Context of this Report

The contents of this Report have been based upon and created using data and information provided by or on behalf of Client or the Company. RPM accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from Client, the Company or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by RPM in good faith using information that was available to RPM as at the date stated on the cover page and is to be read in conjunction with the Prospectus which has been prepared and forms part of the referenced transaction.

This report contains forecasts, estimates and findings that may materially change in the event that any of the information supplied to RPM is inaccurate or is materially changed. RPM is under no obligation to update the information contained in the report.

Notwithstanding the above, in RPM's opinion, the data and information provided by or on behalf of Client or the Company was reasonable and nothing discovered during the preparation of this Report suggests that there was a significant error or misrepresentation of such data or information.

Indemnification

Client has indemnified and holds harmless RPM and its subcontractors, consultants, agents, officers, directors and employees from and against any and all claims, liabilities, damages, losses and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:

- RPM's reliance on any information provided by Client and the Company; or
- RPM's services or materials; or
- Any use of or reliance on these services or material,

save and except in cases of death or personnel injury, property damage, claims by third parties for breach of intellectual property rights, gross negligence, wilful misconduct, fraud, fraudulent misrepresentation or the tort of deceit, or any other matter which be so limited or excluded as a matter of applicable law (including as a Competent Person under the Listing Rules) and regardless of any breach of contract or strict liability by RPM.

Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward looking production and economic targets is dependent upon numerous factors that are beyond RPM's control and which cannot be fully anticipated by RPM. These factors include site specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

Capability and Independence

RPM provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

RPM has independently assessed the Assets by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of RPM and its specialist advisors.

Drafts of this Report were provided to Client, however only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

RPM has been paid and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. Its remuneration is not dependent upon the findings of this Report or on the outcome of the transaction.

None of RPM or its directors, staff or specialists who contributed to this Report have any economic or beneficial interest (present or contingent), in:

- the Assets, securities of the companies associated with the Assets or that of Client; or
- the right or options in the Relevant Assets; or
- the outcome of the proposed transaction.

This CPR was compiled on behalf of RPM by the signatories to this CPR, details of whose qualifications and experience are set out in ***Appendix A*** of this CPR. The specialists who contributed to the findings within this CPR have each consented to the matters based on their information in the form and context in which it appears.

RPM Qualifications and Experience

RPM's advisory division operates as independent technical consultants providing services across the entire mining life cycle including exploration and Assets feasibility, resource and reserve evaluation, mining engineering and mine valuation services to both the mining and financial services industries.

RPM is the market leader in the innovation of advisory and technology solutions that optimize the economic value of mining Assets and operations. RPM has serviced the industry with a full suite of advisory services for over 50 years and is the largest publicly traded independent group of mining technical experts in the world having completed over 14,000 studies across all major commodities and mining methods and worked in over 118 countries globally. This report was prepared on behalf of RPM by technical specialists, details of whose qualifications and experience are set out in **Appendix A**.

RPM has been paid and has agreed to be paid, professional fees for its preparation of this report; however, none of RPM or its directors, staff or sub-consultants who contributed to this report has any interest or entitlement, direct or indirect in:

- the Company, securities of the Company or companies associated with the Company; or
- The right or options in the relevant Assets.
- The work undertaken is an ITR of the information provided by or on behalf of the Company, as well as information collected during site inspections completed by RPM as part of the ITR process. It specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements and any other agreements/contracts that Company may have entered into.

RPM does not warrant the completeness or accuracy of information provided by the Company which has been used in the preparation of this report.

The title of this report does not pass to the Client until all consideration has been paid in full.

Drafts of this report were provided to the Client, however only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in the report.

Generally, the data available was sufficient for RPM to complete the scope of work. The quality and quantity of data available and the cooperative assistance, in RPM's view, clearly demonstrated the Company's assistance in the ITR process. All opinions, findings and conclusions expressed in the report are those of RPM and its specialist advisors.

Yours faithfully,

Doug Sillar
Senior Mining Engineer (Competent Person – Hong Kong Chapter 18)
RPMGlobal

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Appendix E. Coal Resource Plots
Appendix F. Tenements
Appendix G. Detailed OPEX and CAPEX
Appendix H. CHPP Flow Diagrams

1. Introduction

RPM Advisory Services Pty Ltd ("RPM") has been engaged by Yancoal Australia Ltd. (ASX:YAL) referred to as ("Yancoal", the "Client" or the "Company") to undertake an Independent Technical Review ("ITR") and compile a Competent Person Report ("CPR" or the "Report") (as defined by Chapter 18 of the Rules Governing the Listing Rules of the Stock Exchange of Hong Kong (the "Listing Rules") on Multiple Coal Assets (the "Assets"). The Assets are located within the Hunter and Central Western regions of New South Wales and Central Highlands Region of Queensland, Australia (***Figure 1-1***).

The Assets include Hunter Valley Operations ("HVO"), Mount Thorley Warkworth ("MTW"), Moolarben, Ashton, Austar, Donaldson and Stratford and Duralie Operations in NSW and Yarrabee and Middlemount operations in Queensland. All operations are owned (at various interests) and operated/managed by Yancoal with the exception of Middlemount which is a Joint Venture with Peabody and HVO with the recent formation of a Joint Venture with Glencore.

As at March, 2016 Yancoal lost accounting control of the Watagan Assets (Ashton, Austar and Donaldson), with all material decisions made by the Watagan Board, not Yancoal or its Directors. RPM understands Yancoal is the manager and operator of the mines, pursuant to mining and management services agreements and have day-to-day operational jurisdiction over the operations, however all mine plans for each year and annual capital expenditure and operational expenditure budgets are approved by the Watagan Board. The information contained within this report is based on data provided by the Company and the approved mine plans.

1.1 RPM Scope of Work

RPM's scope of work included:

- Gathering of relevant information on the Assets including resources and reserves information, Life if Mine ("LOM") production schedules and operating and capital cost information;
- Reviewing of the Company's resources and reserves, including quantity and quality of drilling, reliability of data and adequacy of resource and reserve estimation methods;
- Estimation of independent Coal Resources and Coal Reserves (as defined in ***Appendix B***) reported in compliance with the recommended guidelines of the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"), prepared by the Joint Ore Reserves Committee ("JORC") and the Australian Guidelines for the Estimation and Classification of Coal Resources (2014);
- Reviewing and commenting on the exploration prospect of the Assets;
- Reviewing and commenting on forecast operating and capital expenditures in the relevant technical studies;
- Reviewing the Assets short term and long term development plans;
- High level review of the environmental, health and safety risks and management plans for the Assets; and
- Compilation of a CPR as defined under Chapter 18 of the Hong Kong Listing Rules.

1.2 Relevant Assets

The Assets are located in NSW and QLD Australia and include both open cut and underground operations with associated onsite coal processing and handling infrastructure. Coal products include a range of thermal coal products as well as semi soft coking coal products, semi hard coking products and Pulverised Coal Injection (PCI) coal products. All NSW products are currently exported through the Port of Newcastle which allows direct access to international markets via the Pacific Ocean (***Figure 1-1***), while the QLD products are exported through three ports in Queensland.

The relevant assets included in this Report are outlined in ***Table 1-1*** below.

RPM highlights that the statements contained within this Report all Coal Resources and Coal Reserves within the Assets on a 100% equity basis unless otherwise stated.

Table 1-1 Operating Asset List

Asset	Yancoal Ownership[4]	Operational Control	Type
Hunter Valley Operations ("HVO") - OC	51%	Joint Venture	Met/Thermal
Mount Thorley[1] - OC	80%	Yancoal	Met/Thermal
Warkworth[1] - OC	84.47%	Yancoal	Met/Thermal
Moolarben - OC & UG	81%	Yancoal	Thermal
Ashton[2] - OC & UG	100%	Yancoal[2]	Met/Thermal
Yarrabee - OC	100%	Yancoal	PCI/Thermal
Stratford and Duralie[3] - OC	100%	Yancoal	Met/Thermal
Austar[2] - UG	100%	Yancoal[2]	Met
Donaldson[2] - UG	100%	Yancoal[2]	Thermal
Middlemount - OC	49.99%	Joint Venture	PCI/Met

Note: Supplied by the Company

[1] Mount Thorley and Warkworth mines are referred to in the Report as one operation know as "MTW"
OC = Open Cut, UG = Underground
2 Assets owned by Watagan (wholly owned subsidiary of Yancoal) and managed directly by Yancoal.
3 Stratford and Duralie are separate mine with a common CHPP and Management
4 Based on owenership at the latest applicable date

In addition to the operating assets listed above, an exploration asset Monash is located 16km south west of MTW. This asset has Coal Resources declared and is considered a greenfield project.

1.3 Review Methodology

RPM's ITR methodology was as follows:

- Review existing reports and data;
- Conduct a Competent Person's site visit;
- Discussions with Assets personnel of the Company prior to and following the site visit;
- Independent Estimation and Reporting of Coal Resources and Coal Reserves in accordance with the JORC Code (2012) and Australian Coal Guidelines (2014); and
- Preparation of a CPR and provision of drafts of the CPR to Client's personnel to ensure factual accuracy and reasonableness of assumptions.

The comments and forecasts in this CPR are based on information compiled by enquiry and verbal comment from the Client and Assets personnel from the Company. Where possible, this information has been checked with hard copy data or by comment from more than one source. Where there was conflicting information on issues, RPM used its professional judgment to assess the issues.

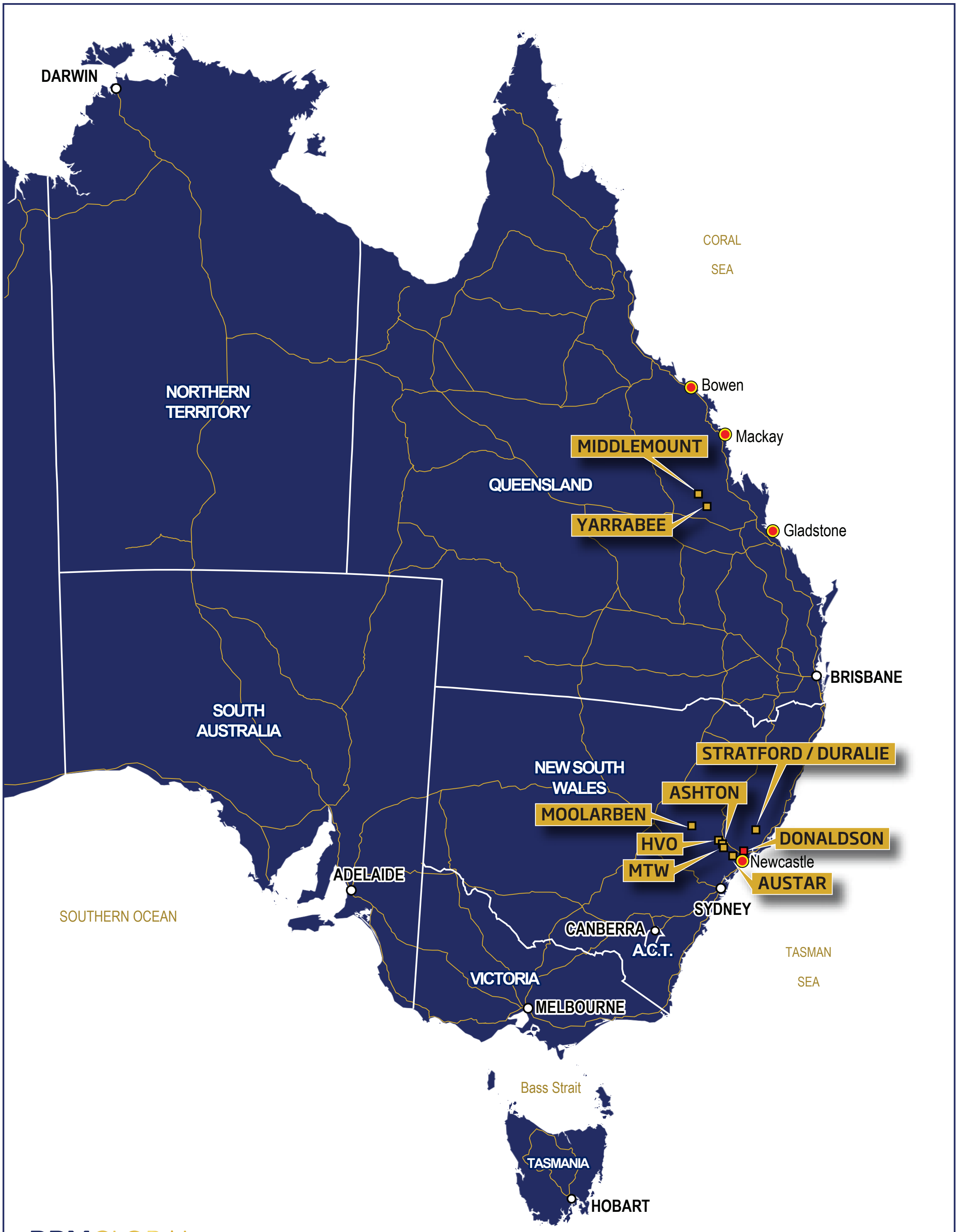
1.4 Site Visits and Inspections

RPM visited HVO/MTW operations on the date of 16th February, 2017 and the remainder between the dates of April 16th and April 28th 2018 to perform technical due diligence on the Assets. RPM's site visit team consisted of:

- Trisha Wilson, Senior Mining Engineer visited HVO/MTW in 2017 and Stratford and Duralie in 2018;
- Peter Ellis, Principal Geologist, visited MTW and HVO in 2017;
- Chris Turvey, Associate Geologist, reviewed and completed the site visit for Stratford and Duralie;
- Greg Eisenmenger, Executive Consultant, Mining; visited Yarrabee and Middlemount;
- Michael Johnson, Associate Geologist visited Middlemount and Yarrabee;
- Graeme Rigg, Principal Mining Engineer visited Ashton, Austar, Donaldson;
- David McMillian, Principal Mining Engineer, visited Moolarben and

- Brendan Stats, Senior Geologist, visited Moolarben.

RPM notes that Hong Kong Competent Person (Mr. Doug Sillar) has not visited all sites, however the JORC Competent Persons (Peter Ellis, Michael Johnson and Brendan Stats) for Coal Resource have. As part of the Hong Kong Competent Person responsibilities Mr. Sillar has relied on the relevant experts who completed the site visit as part of his confirmation of the works completed.


DARWIN
NORTHERN TERRITORY
CORAL SEA
Bowen
Mackay
MIDDLEMOUNT
QUEENSLAND
YARRABEE
Gladstone
BRISBANE
SOUTH AUSTRALIA
NEW SOUTH WALES
STRATFORD / DURALIE
ASHTON
MOOLARBEN
HVO
DONALDSON
Newcastle
MTW
AUSTAR
SYDNEY
ADELAIDE
SOUTHERN OCEAN
CANBERRA
A.C.T.
TASMAN SEA
VICTORIA
MELBOURNE
Bass Strait
TASMANIA
HOBART

RPMGLOBAL

🟨 Operating Mine
🟥 Care and Maintenance
🔴 Port

N

0 1000 km

DO NOT SCALE THIS DRAWING - USE FIGURED DIMENSIONS ONLY. VERIFY ALL DIMENSIONS ON SITE

CLIENT

YANCOAL 兗煤澳大利亞有限公司

PROJECT

NAME COMPETENT PERSON REPORT

DRAWING GENERAL LOCATION PLAN

FIGURE No.	PROJECT No.	Date
1-1	ADV-BR-11019	November 2018

1.5 Information Sources

Several geology studies, feasibility studies, design reports, life of mine budgets and schedules were provided for the Assets as well as recent operational data. This information was either supplied via an online data room or in a bulk information download for large packages of data.

1.6 Competent Person and Responsibilities

The Statements of Coal Resources and Coal Reserves have been reported in accordance with the recommended guidelines of the JORC Code and are suitable for inclusion in a CPR as defined by Chapter 18 of the Listing Rules.

HKEx Competent Person

Mr. Doug Sillar meets the requirements of a Competent Person, as defined by Chapter 18 of the Listing Rules. These requirements include:

- Greater than five years' experience relevant to the type of deposit;
- Member of the Australian Institute of Mines and Metallurgy ("AUSIMM"), which is a Recognised Professional Organisation as per the HKEx and JORC Code;
- Does not have economic or beneficial interest (present or contingent) in any of the reported Relevant Assets;
- Has not received a fee dependent on the findings outlined in the Competent Person's Report;
- Is not an officer, employee or proposed officer for the Client or any group, holding or associated company of the issuer; and
- Assumes overall responsibility for the Competent Person's Report.

Doug Sillar (Hong Kong Competent Person) (MAUSIMM)

Team Responsibility

Additional members of the team who have worked to compile this report include the following:

- Ms. Amanda Antcliff - Amanda was responsibility for the review of the environmental and social aspects of the Assets.
- Mr. Jeremy Clark - Jeremy was responsible for internal peer review of the Report.
- Mr. Philippe Baudry- Philippe was responsible for the final internal peer review and approval of the Report.

JORC Competent Persons

The Competent Persons for JORC Coal Resources were responsible for review of the borehole database and estimation of the Coal Resources stated within this Report. The Competent Person for JORC Reserves was responsible for review of the mining parameters, mine scheduling and estimation of the Open Cut Coal Reserves stated within this Report. The persons responsible for each Asset is listed in ***Table 1-2.***

Table 1-2 JORC Competent Person Responsibility

	Coal Resources	Coal Reserves – Open Cut	Coal Reserves – Underground
HVO	Mr Peter Ellis	Mr Doug Sillar	-
MTW	Mr Peter Ellis	Mr Doug Sillar	-
Moolarben	Mr Brendan Stats	Mr Doug Sillar	Mr Graeme Rigg
Ashton	Mr Brendan Stats	Mr Doug Sillar	Mr Graeme Rigg
Yarrabee	Mr Michael Johnson	Mr Doug Sillar	-
Stratford and Duralie	Mr Brendan Stats	Mr Doug Sillar	-
Austar	Mr Brendan Stats	-	Mr Graeme Rigg
Donaldson	Mr Brendan Stats	-	Mr Graeme Rigg
Middlemount	Mr Michael Johnson	Mr Doug Sillar	-
Monash	Mr Brendan Stats	-	-

Coal Resources

The information in this report that relates to the Coal Resources of the Relevant Assets listed in ***Table 1-2*** is based on information compiled and reviewed by **Mr. Peter Ellis**, who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of RPM.

Mr Ellis has sufficient experience that is relevant to the style of mineralisation and types of coal deposits under consideration and to the activity he is undertaking, to qualify him as a Competent Person (as defined in the 2012 Edition of the JORC Code). He has more than fifteen years of experience in the mining industry and has visited the mine sites.

Mr Ellis has no interest whatsoever in the mining Assets reviewed and will gain no reward for the provision of this Coal Resource Statement. RPM will receive a professional fee for the preparation of this statement.

Peter Ellis BSc (Geology) (Hons) MAusIMM

The information in this report that relates to the Coal Resources of the relevant Assets listed in ***Table 1-2*** is based on information compiled and reviewed by **Mr. Brendan Stats**, who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of RPM.

Mr Stats has sufficient experience that is relevant to the style of mineralisation and types of coal deposits under consideration and to the activity he is undertaking, to qualify him as a Competent Person (as defined in the 2012 Edition of the JORC Code). He has more than thirteen years of experience in the mining industry and has visited the mine sites or worked closely with the person who conducted the site visit.

Mr Stats has no interest whatsoever in the mining Assets reviewed and will gain no reward for the provision of this Coal Resource Statement. RPM will receive a professional fee for the preparation of this statement.

Brendan Stats BSc (Geology) (Hons) MAusIMM

The information in this report that relates to the Coal Resources of the Relevant Assets listed in ***Table 1-2*** is based on information compiled and reviewed by **Mr. Michael Johnson**, who is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists and is a sub-consultant of RPM.

Mr Johnson has sufficient experience that is relevant to the style of mineralisation and types of coal deposits under consideration and to the activity he is undertaking, to qualify him as a Competent Person (as defined in the 2012 Edition of the JORC Code). He has more than nineteen years of experience in the mining industry and has visited the mine sites or worked closely with the person who conducted the site visit.

Mr Johnson has no interest whatsoever in the mining Assets reviewed and will gain no reward for the provision of this Coal Resource Statement. RPM will receive a professional fee for the preparation of this statement.

Michael Johnson BAppSci (Geology) MAusIMM, Member AIG

Open Cut Coal Reserves

The information in this report that relates to the Coal Reserves of the relevant Assets listed in ***Table 1-2*** is based on information compiled and reviewed by **Mr. Doug Sillar,** who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of RPM.

Mr Sillar has sufficient experience that is relevant to the style of mineralisation and types of coal deposits under consideration and to the activity he is undertaking, to qualify him as a Competent Person (as defined in the 2012 Edition of the JORC Code). He has more than fifteen years of experience in the mining industry.

Mr Sillar has no interest whatsoever in the mining Assets reviewed and will gain no reward for the provision of this Coal Reserve Statement. RPM will receive a professional fee for the preparation of this statement.

Doug Sillar BE (Min)(Hons) MAusIMM

Underground Coal Reserves

The information in this report that relates to the Coal Reserves of the relevant Assets listed in **Table 1.2** is based on information compiled and reviewed by **Mr. Graeme Rigg**, who is a member of the Australasian Institute of Mining and Metallurgy and is a full time employee of RPM.

Mr Rigg has sufficient experience that is relevant to the style of mineralisation and types of coal deposits under consideration and to the activity he is undertaking, to qualify him as a Competent Person (as defined in the 2012 Edition of the JORC Code). He has more than twenty years of experience in the mining industry.

Mr Rigg has no interest whatsoever in the mining Assets reviewed and will gain no reward for the provision of this Coal Reserve Statement. RPM will receive a professional fee for the preparation of this statement.

GRigg

Graeme Rigg BE (Min)(Hons) MAusIMM

1.7 Limitations and Exclusions

RPM's review was based on various reports, plans and tabulations provided by Client or the Company either directly from the mine site and other offices, or from reports by other organizations whose work is the property of the Client or the Company. Neither Client nor the Company has advised RPM of any material change, or event likely to cause material change, to the operations or forecasts since the date of Assets inspections.

The work undertaken for this Report is that required for a technical review of the information, coupled with such inspections as the Team considered appropriate to prepare this Report.

It specifically excludes all aspects of legal issues, commercial and financing matters, land titles and agreements, except such aspects as may directly influence technical, operational or cost issues and where applicable to the JORC Code guidelines.

RPM has specifically excluded making any comments on the competitive position of the relevant Assets compared with other similar and competing producers around the world. RPM strongly advises that any potential investors make their own comprehensive assessment of both the competitive position of the relevant Assets in the market and the fundamentals of the coal markets at large.

Limited Liability

This Report has been prepared by RPM for the purposes of Client for inclusion in its Prospectus in respect of the proposed Listing of the Assets in accordance with the Listing Rules and is not to be used or relied upon for any other purpose. RPM will not be liable for any loss or damage suffered by a third party relying on this report or any references or extracts therefrom contrary to the purpose (regardless of the cause of action, whether breach of contract, tort (including negligence) or otherwise) unless and to the extent that RPM has consented to such reliance or use.

Responsibility and Context of this Report

The contents of this Report have been based upon and created using data and information provided by or on behalf of Client or the Company. RPM accepts no liability for the accuracy or completeness of data and information provided to it by, or obtained by it from Client, the Company or any third parties, even if that data and information has been incorporated into or relied upon in creating this report. The report has been produced by RPM in good faith using information that was available to RPM as at the date stated on the cover page and is to be read in conjunction with the Prospectus which has been prepared and forms part of the referenced transaction.

This report contains forecasts, estimates and findings that may materially change in the event that any of the information supplied to RPM is inaccurate or is materially changed. RPM is under no obligation to update the information contained in the report.

Notwithstanding the above, in RPM's opinion, the data and information provided by or on behalf of Client or the Company was reasonable and nothing discovered during the preparation of this Report suggests that there was a significant error or misrepresentation of such data or information.

Indemnification

The Client has indemnified and held harmless RPM and its subcontractors, consultants, agents, officers, directors and employees from and against any and all claims, liabilities, damages, losses and expenses (including lawyers' fees and other costs of litigation, arbitration or mediation) arising out of or in any way related to:

- RPM's reliance on any information provided by Client and the Company; or
- RPM's services or materials; or
- Any use of or reliance on these services or material,

save and except in cases of death or personnel injury, property damage, claims by third parties for breach of intellectual property rights, gross negligence, wilful misconduct, fraud, fraudulent misrepresentation or the tort of deceit, or any other matter which be so limited or excluded as a matter of applicable law (including as a Competent Person under the Listing Rules) and regardless of any breach of contract or strict liability by RPM.

Mining Unknown Factors

The findings and opinions presented herein are not warranted in any manner, expressed or implied. The ability of the operator, or any other related business unit, to achieve forward looking production and economic targets is dependent upon numerous factors that are beyond RPM's control and which cannot be fully anticipated by RPM. These factors include site specific mining and geological conditions, the capabilities of management and employees, availability of funding to properly operate and capitalise the operation, variations in cost elements and market conditions, developing and operating the mine in an efficient manner, etc. Unforeseen changes in legislation and new industry developments could substantially alter the performance of any mining operation.

Capability and Independence

RPM provides advisory services to the mining and finance sectors. Within its core expertise it provides independent technical reviews, resource evaluation, mining engineering and mine valuation services to the resources and financial services industries.

RPM has independently assessed the Relevant Assets of the Assets by reviewing pertinent data, including resources, reserves, manpower requirements and the life of mine plans relating to productivity, production, operating costs and capital expenditures. All opinions, findings and conclusions expressed in this Report are those of RPM and its specialist advisors.

Drafts of this Report were provided to Client, however only for the purpose of confirming the accuracy of factual material and the reasonableness of assumptions relied upon in this Report.

RPM has been paid and has agreed to be paid, professional fees based on a fixed fee estimate for its preparation of this Report. Its remuneration is not dependent upon the findings of this Report or on the outcome of the transaction.

None of RPM or its directors, staff or specialists who contributed to this Report have any economic or beneficial interest (present or contingent), in:

- the Assets, securities of the companies associated with the Assets or that of Client; or
- the right or options in the Relevant Assets; or
- the outcome of the proposed transaction.

This CPR was compiled on behalf of RPM by the signatories to this CPR, details of whose qualifications and experience are set out in ***Appendix A*** of this CPR. The specialists who contributed to the findings within this CPR have each consented to the matters based on their information in the form and context in which it appears.

2. Project Overview

The Assets are contained within a number of exploration and mining tenements that are located in three areas, the Hunter and Central Western regions of NSW and the Central Highland region of Queensland (***Figure 1-1***). These three areas contain a number of medium to large scale coal deposits which are geologically well known and have been in operation for several decades in some instances.

The business consists of multiple open pit and underground operating mines which process and manufacture market ready coal products to meet international demand (***Table 2-1***). In addition to the eight operating mines, the assets include a re-start project (Donaldson) which is currently on care and maintenance pending re-start at the Company's discretion and the potential MTW underground project. The Assets include the large world class, low risk open cut operations, HVO, MTW and Moolarben open cut and underground complex which collectively contribute 80% of all future coal products of the life of mine (LOM) schedules presented in this report.

Table 2-1 Overview of Projects

Area	Operation	Curent Mining Methods		LOM Mining Methods		Product type	Minelife (year)	Comments
		Open Cut	Underground	Open Cut	Underground			
NSW	HVO	✓		✓		SSCC/Thermal	43	
	MTW	✓		✓		SSCC/Thermal	23	
	Moolarben	✓	✓	✓	✓	Thermal	20	UG completed in 2026
	Austar		✓		✓	SHCC/Thermal	16	
	Ashton		✓	✓	✓	SSCC	13	OC commences in 2024
	Stratford and Duralie	✓		✓		SHCC/Thermal	35	
	Donaldson		` ✓		✓	Themal	11	Not in operation
QLD	Yarrabee	✓		✓		PCI/Thermal	38	
	Middlemount	✓		✓		PCI/Coking	19	

Note Donaldson has Coal Reserves and as such can recommence production at the Company's discretion. See Section 9.1 for further details.*

Run of Mine ("ROM") coal and overburden is mined via conventional truck, excavator or shovel and/or dragline at the open cuts or via underground Longwall mining methods. The majority of ROM coal is washed at coal handling processing plants ("CHPP") and loaded on trains via dedicated train loading points. All products are transported via rail links to the deep water Port of Newcastle or one of three ports that are located in Queensland. A variety of product coals are produced across the Assets including thermal, semi soft/hard coking coal products, as well as a pulverized coal injection ("PCI") product. These products can be customised and quantities can be varied based on market and customer demands not just within each operation, however importantly between all operations that have port and product synergies to optimise revenue based on short term market trends. Further information is provided in ***Section 11.1***. All operations follow a similar work flow as described above, with an example flowsheet shown in in ***Figure 2-1***.

2.1 Assets Location and Access

The Assets are all located in regions which are readily accessible via a series of National Highways and regional excellent quality paved roads from capital cities of Sydney and Brisbane and locally from Newcastle, Gladstone and Mackay. Both the regional and capital cities connect further abroad to most eastern seaboard cities and internationally. Good quality paved highways connect the cities in the various regions to the Assets as well as providing access to further regional centres for workers and support services. Good quality gravel roads allow access throughout and across each of the mines where required.

New South Wales Group

The Assets within NSW are all located in the Hunter or Central Western region between 30 to 120km to the west of regional city of Newcastle and 160 to 200km North West of Sydney (***Figure 2-1***). All NSW operations are adjacent to (and utilise) the extensive world class Hunter Valley / NSW railway network. This network transports all coal to three deep water coal terminals located in the Port of Newcastle (***Figure 2-1***). Further information on the rail network can be found in ***Section 12***.

HVO/MTW

The HVO/MTW operations are located in adjacent landholdings in the Hunter Valley region of NSW, Australia (***Figure 2-2*** and ***Figure C-1*** and ***Figure C-2***), approximately 150 km north of Sydney and 90 km west from Newcastle. HVO is centred 24 km northwest of the regional town of Singleton, while MTW is centred approximately 14 km south east of Singleton. Both operations can be accessed by a network of excellent quality regional roads from Singleton.

Current Operations

Mining at HVO/MTW commenced in the 1960's and has continued to the present via conventional large scale dragline and truck and shovel methods. Multiple pits are currently active enabling the operations flexibility to optimise the product blends and mining fleets to de-risk mining activities. The Company is a major regional landholder and employer. The HVO and MTW mines are considered amongst the premier high quality thermal coal providers globally.

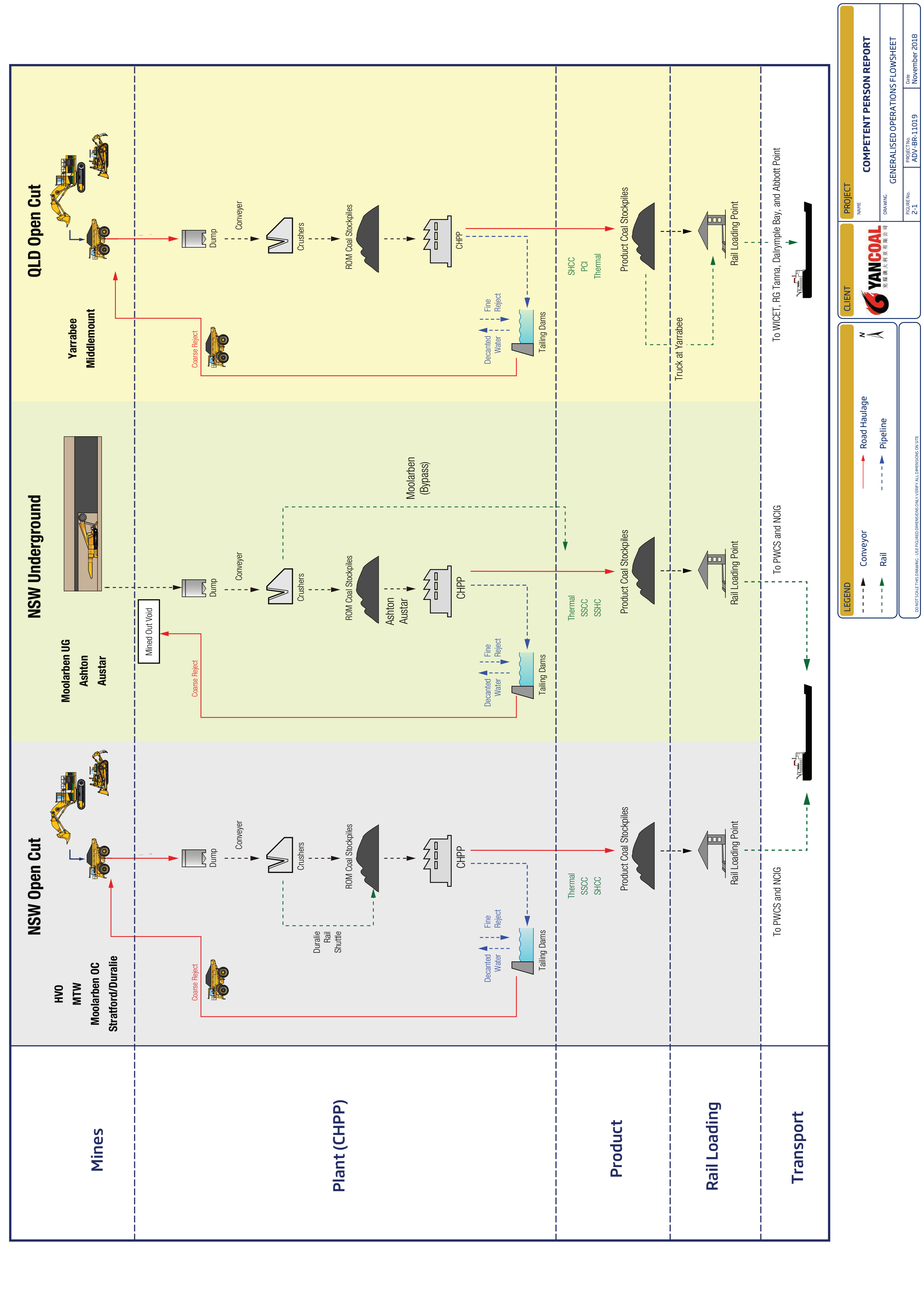
HVO currently produces thermal and semi-soft coking coal ("SSCC") from five active pits. Mining activities are geographically divided by the Hunter River into the HVO North and the HVO South areas and product coal is optimised as part of the overall blending strategy. Current mining focuses on the West and the Carrington pits in the North and the Cheshunt and Riverview pits in the South (Figure ***C-1***). ROM Coal from the pits is hauled to either of two CHPP's which have a combined nameplate throughput capacity of 20 million tonnes per annum ("Mtpa"). These include the Hunter Valley Coal Processing Plant ("HV-CHPP") at 17Mtpa and the Howick Coal Processing Plant (Howick-CHPP") at 3.2Mtpa. Currently the majority of ROM coal is hauled to the HV-CHPP, however some coal is processed at Howick-CHPP.

Product coal is transferred by haul truck from the Howick-CHPP to the Newdell Rail Loading Point and by conveyor to the Hunter Valley Rail Loading Point ("HV-Rail Loading) from the HV-CHPP. RPM notes that further blending occurs at the rail heads via conveyors to further optimise and add value to the products to meet specific customer specifications. This blending is not included the LOM Schedule or Coal Reserve estimate. Product coal is railed 99 km to the port facilities in Newcastle for export. In 2017 HVO produced approximately 19.5 million tonnes ("Mt") of ROM coal for 14.8Mt of product coal versus the planned 20.6Mt ROM Coal for 2018.

MTW produces thermal coal and SSCC from three active pits, North, West and Loders. MTW is geographically separated by the Putty Road, which separates the operation into the southern Mount Thorley and the northern Warkworth areas (***Figure C-2***). There are two coal handling and preparation plants (CHPP) at MTW which have a combined throughput capacity of 18.6Mtpa ROM Coal. The two MTW plants are the Mount Thorley CHPP ("MT-CHPP) at 8.4Mtpa and the Warkworth CHPP (WW-CHPP) at 10.2Mtpa. Thermal ROM coal is directly fed into the WW-CHPP, whilst SSCC ROM coal is trucked to the MT-CHPP as it consists of a two product washing facility enabling SSCC and thermal coal to be produced from a single seam.

Following washing the coal products are conveyed from each plant to the Mount Thorley Rail Loading Point. Blending occurs at the railhead prior to loading on rail wagons for transport 80 km to the Newcastle port. RPM notes this is the same rail line used by HVO. 11.8Mt of product coal (17.7Mt ROM Coal) was produced in 2017 versus the planned 17.0Mt ROM in 2018.

Figure 2-1 shows a generalised operational flowsheet for both the NSW and Queensland operations.


Mines
Plant (CHPP)
Product
Rail Loading
Transport
NSW Open Cut
HVO
MTW
Moolarben OC
Stratford/Duralie
Dump
Conveyer
Crushers
ROM Coal Stockpiles
CHPP
Duralie
Rail
Shuttle
Coarse Reject
Decanted
Water
Fine
Reject
Tailing Dams
Thermal
SSCC
SHCC
Product Coal Stockpiles
Rail Loading Point
To PWCS and NCIG
NSW Underground
Moolarben UG
Ashton
Austar
Mined Out Void
Dump
Conveyer
Crushers
ROM Coal Stockpiles
Ashton
Austar
CHPP
Moolarben
(Bypass)
Coarse Reject
Decanted
Water
Fine
Reject
Tailing Dams
Thermal
SSCC
SSHC
Product Coal Stockpiles
Rail Loading Point
To PWCS and NCIG
QLD Open Cut
Yarrabee
Middlemount
Dump
Conveyer
Crushers
ROM Coal Stockpiles
CHPP
Coarse Reject
Decanted
Water
Fine
Reject
Tailing Dams
SHCC
PCI
Thermal
Product Coal Stockpiles
Truck at Yarrabee
Rail Loading Point
To WICET, RG Tanna, Dalrymple Bay, and Abbott Point
LEGEND
Conveyor
Rail
Road Haulage
Pipeline
N
DO NOT SCALE THIS DRAWING - USE FIGURED DIMENSIONS ONLY. VERIFY ALL DIMENSIONS ON SITE
CLIENT
YANCOAL
兖煤澳大利亚有限公司
PROJECT
NAME
COMPETENT PERSON REPORT
DRAWING
GENERALISED OPERATIONS FLOWSHEET
FIGURE No.
2-1
PROJECT No.
ADV-BR-11019
Date
November 2018

Moolarben

The Moolarben Complex is located 40 km north of the regional town of Mudgee in the Central West Region of NSW and can be accessed by regional paved roads. (***Figure 2-2*** and ***Figure C-3***) The operation is connected to the port of Newcastle by a 270 km rail line and National and regional paved roads. Mudgee, a major regional town in the Central-West of NSW located 270km North West of Sydney, is readily accessed via national highways and regional paved roads.

Current Operations

The Moolarben Operation consists of both underground longwall and open cut truck and shovel operations. The operation commenced in 2010 and produces up to four thermal coal products. Moolarben currently has three active open pits and a single longwall underground operation however it is forecast to complete four open cut pits over the mine life with the vast majority of production being from Open Cut 4 and two underground mining areas, Underground 1 and Underground 4. Additional potential underground mining area, Underground 3, which doesn't form part of the current LOM Plan is being considered by the Company for inclusion in future LOM Plans pending further technical studies.

All Open Cut ROM coal is washed in a single wash plant which produces three thermal coal products, while all Underground ROM coal is crushed and screened and sent directly to the market (bypass) as a low ash thermal coal product. During 2017 the operation produced 12.4Mt product coal from 13.8Mt processed and 1.1Mt bypass. In 2018 the Project is planned to increase ROM coal production to 17.8Mtpa with 9.8Mtpa produced in H1 2018 (open cut and underground combined). This increase is the result of further ramp of the underground operations as discussed in ***Section 10***.

Ashton

Ashton is located 14km north of the regional town of Singleton (***Figure 2-2*** and ***Figure C-5***) and is connected to the port of Newcastle (specifically PWCS) via a 94 km rail line and National and regional paved roads.

Current Operations

The current Ashton Operation consists of a single underground longwall operation producing between 1.5 to 2Mtpa SSCC from 3Mtpa ROM tonnes. The underground operation will be supplemented by an open cut truck and excavator operation in 2024 to produce up to 3.6Mtpa ROM coal with similar products but higher yields compared to the underground operation.

All ROM Cut ROM coal is washed in a single wash plant which is optimised to produce a single semi soft coking coal product. During 2017 the operation produced 1.2Mt product coal from 2.8Mt ROM Coal versus the planned 3.0Mt ROM Coal in 2018, with 963kt produced in H1 2018 which is planned to ramp up to 1.5Mt in H2 2018.

Stratford and Duralie

The Stratford and Duralie Operation is located approximately 2.5km north-east from the Stratford village in the Stratford and Duralie Basin, which is located about 110km north of Newcastle in NSW (***Figure 2-2***). The operation consists of the Stratford and Duralie open cut mines and is readily accessible via national and regional paved roads (***Figure C-6***).

Current Operations

The current mining activities at the Stratford and Duralie operations consist of a series of open pits mined via truck and excavator methods. Split between the Stratford and Duralie areas, four pits are currently active to produce 0.8mt ROM coal which will increase to 2Mt in 2020 for the remainder of the mine life. Duralie ROM coal is transported to Stratford CHPP by a Shuttle Train. All coal is washed at the Stratford CHPP to produce a high quality Semi Hard coking coal as well as a thermal coal.

Some blending of ROM coal from each of the mining areas may occur prior to washing to produce the required export coking and thermal product coal specifications. Blended coal products are transported by rail to the Port of Newcastle for direct export loading and/or blending with other Yancoal group coals at the port.

Open cut mining at the Duralie Pit is currently undertaken 5 days per week for 18.5 hours per day. The Stratford Pits operate for 6 days per week, 21 hours per day, with the exception of Roseville West which is approved to operate on day shift only.

The handling and processing of ROM coal at the CHPP is approved to operate 24 hours per day, seven days per week. The unloading of ROM coal from the Duralie Shuttle Train is currently conducted between 7 am and 10pm.

During 2017 the operation produced 0.7Mt product coal from 0.9Mt ROM Coal versus the planned 0.8Mt ROM Coal in 2018.

Austar

Austar Coal Mine (Austar) is located in the Newcastle Coalfield in the Lower Hunter Valley of New South Wales, Australia. The mine is located 8 kilometres southwest of Cessnock and approximately 65km by rail west of Newcastle. Austar is a wholly owned subsidiary of Yancoal Australia Ltd and in 2005 introduced Longwall Top Coal Caving technology to maximise extraction of coal from the Greta Seam.

Current Operations

Austar is not currently operating due to management of ongoing coal burst issues. Prior to this mining was undertaken in the domain known as "Bellbird South" which lies between Area 2 (Mined by Austar Coal Mine between 2008 and 2012) and Ellalong (Longwall Panel 9A last mined in 1996) (***Figure C-7***). Conventional longwall mining recommenced in Bellbird South in July 2016 with the Longwall Top Coal Caving method planned to be used again in the next mining domain, Area 3. The longwall performance is currently being impacted by coal burst issues which the Company is managing through the development of additional operating management systems, plans and procedures including the operation of equipment.

Austar Coal Mine was previously called Southland and before that was called Ellalong Pelton and Southland Colliery's which date back to 1916. The first longwall mining operation in the Greta Seam commenced at Ellalong Colliery in the early 1980's. All coal is washed onsite with product coal transported by ail 65km to the port of Newcastle. During 2017 the operation produced 1.9Mt product coal from 2.0Mt ROM Coal versus the planned 2.2Mt ROM Coal in 2018. As discussed in ***Section 10***, the 2018 production has been impacted by the recent limitation on longwall production due to management of the coal burst issues.

Donaldson

The Donaldson Project is located in the Newcastle Coalfield, 25km northwest of the port of Newcastle, NSW. It comprises the now closed (April 2013) and rehabilitated Donaldson open cut mine which extracted coal from Upper Donaldson, Lower Donaldson and Big Ben Seams where interburden thickness between those three seams was minimal. The Abel underground mine which was commissioned in 2008, has its portal entry coming off the Donaldson open cut final highwall and mined the Upper and Lower Donaldson Seams by bord and pillar extraction methods (***Figure C-8***). The Abel underground mine was placed on care and maintenance in June 2016.

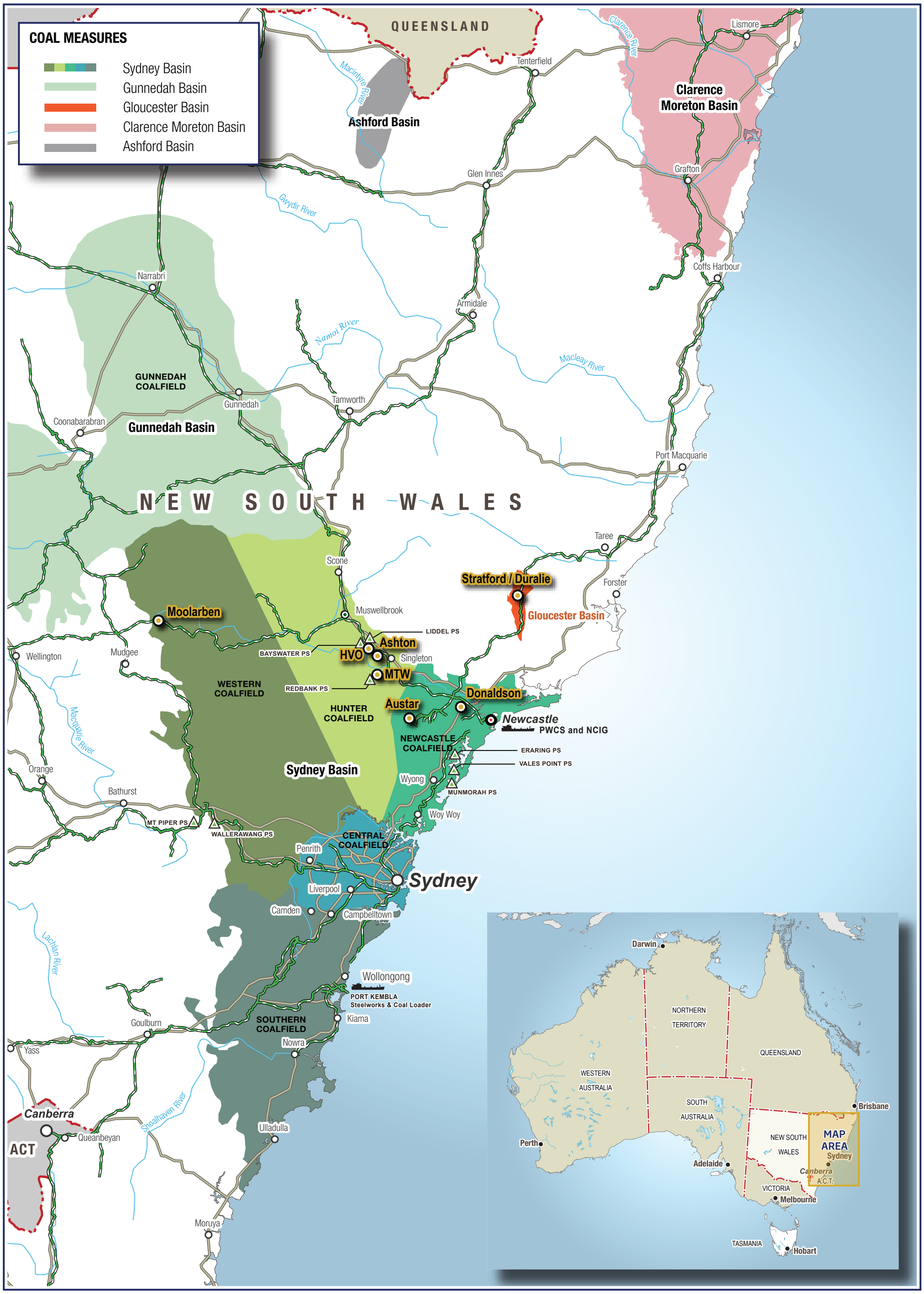
The vast majority of past mining has been completed by Stockrington No 2 mine (1952-1988), extracting the West Borehole Seam by bord and pillar method for over 35 years. Historical tracings of this mine's workings are extensive and cover an area approximately 8km by 8km.

The Abel Underground ROM coal has been washed at the third party Bloomfield CHPP located to the north of Donaldson open cut mine. ROM coal was hauled from the Abel underground mine to the CHPP by truck. Washed coal (coking and thermal) was transported by rail from the Bloomfield CHPP to the port of Newcastle for export. The operation is currently under care and maintenance with no production in 2017 pending re-start at the Company's discretion.

Monash

The Monash greenfield project is locates 17km north of Cessnock and 25km south of Singleton in the south hunter region of NSW. The project is considered a greenfield project with no mining taking place previously and only limited drilling.

The Monash site layout is shown in ***Figure C-10***.


COAL MEASURES
Sydney Basin
Gunnedah Basin
Gloucester Basin
Clarence Moreton Basin
Ashford Basin
QUEENSLAND
Tenterfield
Lismore
Clarence River
Macintyre River
Ashford Basin
Clarence Moreton Basin
Grafton
Glen Innes
Gwydir River
Coffs Harbour
Narrabri
Armidale
Namoi River
Macleay River
GUNNEDAH COALFIELD
Gunnedah
Tamworth
Coonabarabran
Gunnedah Basin
Port Macquarie
NEW SOUTH WALES
Taree
Scone
Stratford / Duralie
Forster
Gloucester Basin
Muswellbrook
Moolarben
LIDDEL PS
Ashton
BAYSWATER PS
HVO
Singleton
Wellington
Mudgee
MTW
WESTERN COALFIELD
REDBANK PS
Donaldson
Austar
HUNTER COALFIELD
Newcastle
PWCS and NCIG
Macquarie River
NEWCASTLE COALFIELD
ERARING PS
VALES POINT PS
Orange
Sydney Basin
Wyong
MUNMORAH PS
Bathurst
Woy Woy
MT PIPER PS
WALLERAWANG PS
CENTRAL COALFIELD
Penrith
Sydney
Liverpool
Camden
Campbelltown
Lachlan River
Wollongong
PORT KEMBLA
Steelworks & Coal Loader
Kiama
Goulburn
SOUTHERN COALFIELD
Nowra
Yass
Shoalhaven River
Canberra
Ulladulla
ACT
Queanbeyan
Moruya
Darwin
NORTHERN TERRITORY
QUEENSLAND
WESTERN AUSTRALIA
SOUTH AUSTRALIA
Brisbane
Perth
NEW SOUTH WALES
MAP AREA
Sydney
Adelaide
Canberra
A.C.T.
VICTORIA
Melbourne
TASMANIA
Hobart

LEGEND

▬	Roads	‒ · ‒	State Boundary
▬	Rail	△	Power Stations
～	Rivers / Creeks	⛴	Coal Export Terminals

N

0 50 100 200 km

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CLIENT

YANCOAL
兖煤澳大利亚有限公司

PROJECT

NAME
COMPETENT PERSON REPORT

DRAWING
NSW LOCATION PLAN

Figure No.	PROJECT No.	Date
2-2	ADV-BR-11019	November 2018

Queensland Group

The Queensland Group of projects consists of the operating Yarrabee and Middlemount Mines both of which are located in the Bowen Basin in Central Queensland (***Figure 2-3***). The Central region of Queensland is accessible through a series of national highways from the state capital of Brisbane as well as the local regional hubs of Blackwater and Emerald (***Figure 2-3****)*.

Yarrabee

The Yarrabee Coal Mine is located 40km northeast of Blackwater in the eastern Bowen Basin of Central Queensland. The mine is located 150km west of major regional town of Rockhampton and 280km northwest of the Port of Gladstone.

Current Operations

The Yarrabee resource is characterised by an overarching south easterly syncline structure that plunges to the south and has been further folded and faulted. It contains seven coal seams that contain low volatile and low to moderate ash content coal. With steep seam dips, of up to 60º and commonly containing a large number of thrust faults, the geology can be described as moderate to complex. Five pits across Yarrabee are planned to be mined during the mine life.

Since 2009 Yarrabee has been producing low volatile PCI and thermal coal products via open cut mining methods. Coal is either washed in the Yarrabee CHPP to produce PCI coal, or crushed and sold as bypass thermal coal. CHPP reject is separated into coarse and fine streams, with the coarse reject being disposed of in the open pit voids and the fine reject being stored in tailings dam facilities. Product coal is hauled 37km by road truck to the Boonal Loadout Facility which is located adjacent to the Capricorn Highway 10km east of Blackwater and then railed up to 280km to either the Wiggins Island Coal Terminal or the RG Tanna Coal Terminal at the Port of Gladstone.

During 2017 the operation produced 2.9Mt product coal (including 1.2Mt bypass) from 3.4Mt ROM Coal versus the planned 3.4Mt ROM Coal in 2018. The H1 2018 ROM coal production for Yarrabee is reported to be 1.3Mt. The Yarrabee site layout is shown in ***Figure C-4***.

Middlemount

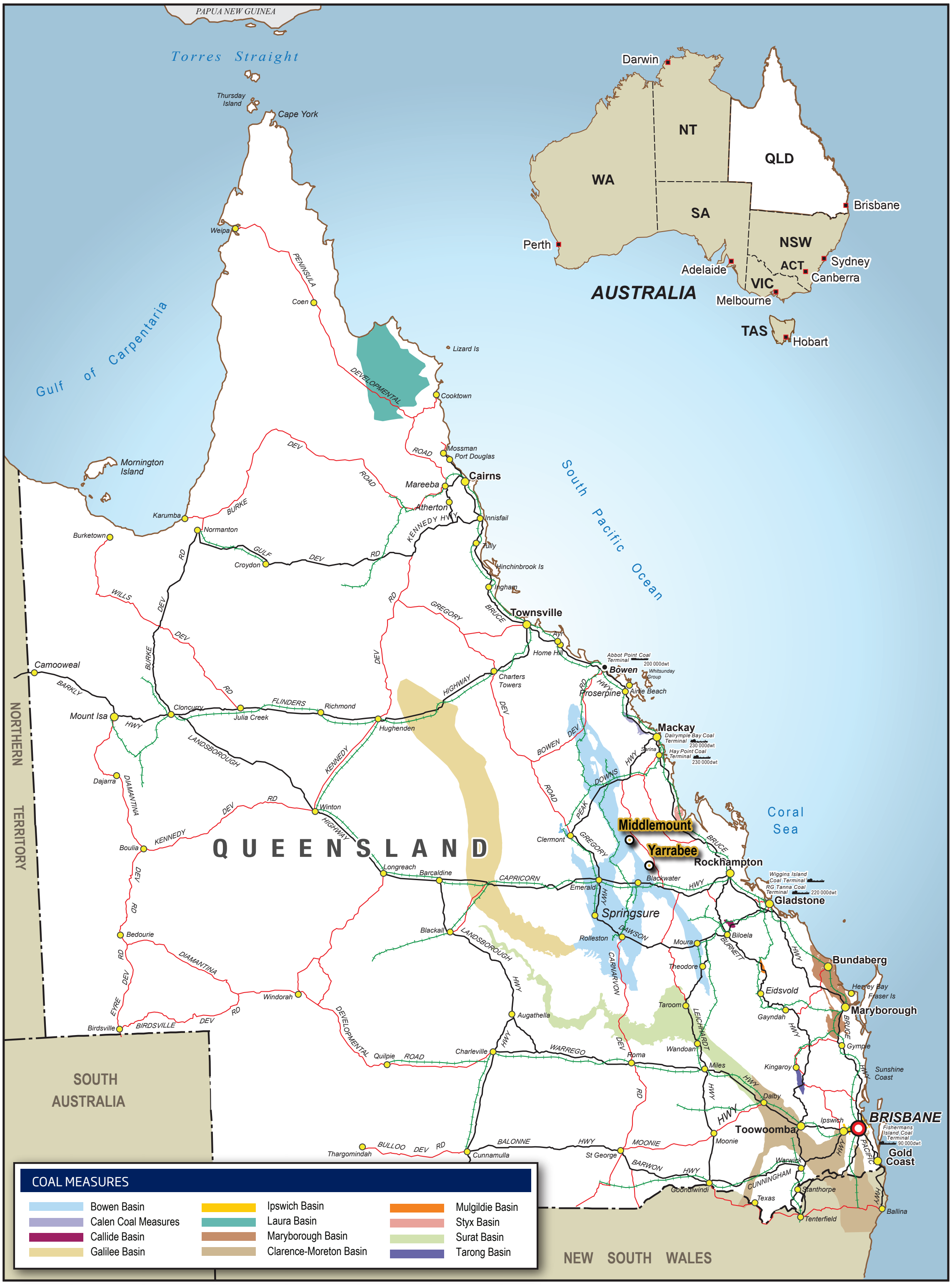
The Middlemount mine is located 10 km southwest of the town of Middlemount and 90 km north-east of Emerald in central Queensland. Roper Creek flows west to east in the southern part of the tenement holding.

Current Operations

Full scale operations at the open-cut mine commenced in November 2011, with mining activities using conventional truck and excavator techniques with ROM coal washed at an onsite CHPP with a capacity of 5.3Mtpa. The Middlemount site layout is shown in ***Figure C-5***.

The Middlemount mine produces low volatile pulverised coal injection coal and semi hard to hard coking coal, with contracted rail and port capacity through Dalrymple Bay Coal Terminal and Abbot Point Coal Terminal in Bowen (***Figure 2-3***). Product coal is railed 306km to the port for export.

During 2017 the operation produced 3.6Mt product coal from 5.3Mt ROM Coal versus the planned 5.4Mt ROM Coal in 2018. The H1 2018 ROM coal production for Middlemount is reported to be 2.5Mt.


PAPUA NEW GUINEA
Torres Strait
Thursday Island
Cape York
Weipa
Coen
Gulf of Carpentaria
Lizard Is
Cooktown
Mossman
Port Douglas
Cairns
Mareeba
Atherton
Innisfail
Tully
Hinchinbrook Is
Ingham
Townsville
Home Hill
Ayr
Abbot Point Coal Terminal 200 000dwt
Bowen
Whitsunday Group
Proserpine
Airlie Beach
Mackay
Dalrymple Bay Coal Terminal 230 000dwt
Hay Point Coal Terminal 230 000dwt
Sarina
Mornington Island
Karumba
Normanton
Burketown
Croydon
Camooweal
Mount Isa
Cloncurry
Julia Creek
Richmond
Hughenden
Charters Towers
Dajarra
Winton
Boulia
Longreach
Barcaldine
Clermont
Emerald
Middlemount
Yarrabee
Blackwater
Rockhampton
Wiggins Island Coal Terminal
RG Tanna Coal Terminal 220 000dwt
Gladstone
Springsure
Rolleston
Moura
Biloela
Theodore
Bundaberg
Hervey Bay
Fraser Is
Maryborough
Eidsvold
Gayndah
Gympie
Sunshine Coast
Kingaroy
Taroom
Wandoan
Miles
Roma
Dalby
Toowoomba
Ipswich
BRISBANE
Fishermans Island Coal Terminal 90 000dwt
Gold Coast
Warwick
Stanthorpe
Tenterfield
Ballina
Texas
Goondiwindi
St George
Moonie
Cunnamulla
Thargomindah
Charleville
Quilpie
Augathella
Blackall
Windorah
Bedourie
Birdsville
QUEENSLAND
NORTHERN TERRITORY
SOUTH AUSTRALIA
NEW SOUTH WALES
South Pacific Ocean
Coral Sea
Darwin
NT
QLD
WA
SA
NSW
ACT
VIC
TAS
Perth
Adelaide
Melbourne
Canberra
Sydney
Brisbane
Hobart
AUSTRALIA
PENINSULA DEVELOPMENTAL ROAD
BURKE DEV RD
GULF DEV RD
KENNEDY HWY
WILLS DEV
FLINDERS HIGHWAY
BARKLY HWY
LANDSBOROUGH HWY
KENNEDY DEV RD
DIAMANTINA DEV RD
EYRE DEV
BIRDSVILLE DEV
GREGORY DEV RD
BRUCE HWY
BOWEN DEV ROAD
PEAK DOWNS HWY
CAPRICORN HWY
DAWSON HWY
CARNARVON HWY
LEICHHARDT HWY
BURNETT HWY
WARREGO HWY
BULLOO DEV RD
BALONNE HWY
MOONIE HWY
BARWON HWY
CUNNINGHAM HWY
PACIFIC HWY
COAL MEASURES
🟦 Bowen Basin
▨ Calen Coal Measures
🟥 Callide Basin
▨ Galilee Basin
🟨 Ipswich Basin
🟩 Laura Basin
🟫 Maryborough Basin
▨ Clarence-Moreton Basin
🟧 Mulgildie Basin
▨ Styx Basin
▨ Surat Basin
🟪 Tarong Basin

LEGEND

Main Highways	● Township
Other Highways	Coal Export Port
Railways	

N

0 100 200 400 km

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CLIENT

YANCOAL 兖煤澳大利亚有限公司

PROJECT

NAME

COMPETENT PERSON REPORT

DRAWING

QLD LOCATION PLAN

Figure No.	PROJECT No.	Date
2-3	ADV-BR-11019	November 2018

2.2 Product Types

A range of product coal types are produced from the operations, these include a range of thermal products, semi soft coking coal, semi hard coking coal and PCI products. RPM presents this for information and refers the reader to the business section of the Prospectus for further information.

Thermal Coal

The Hunter Valley region has been the source of large volumes of high quality bituminous thermal coal which, for several decades, has been used as the basis for the design of power plants in the major developed economies of Japan, Korea, China and Taiwan and the developing economies in south-east Asia. The thermal coal produced and importantly planned to continue as part of the Yancoal LOM plans, is consistent with the historical high quality thermal coals and customers expected requirements. The coals are characterised by low ash, low sulphur, favourable fuel ratio, high energy and benign ash chemistry, as shown in **Table 2-2** which shows the company product specifications. The operations typically produce three thermal product coal types based on ash content, low ash, medium ash and high ash. As would be expected these three product types attract different customers and prices with specifications varying between customers. Marketing specifications are shown in the table below.

Table 2-2 Assets Average Thermal Coal Quality

Quality	Unit	MTW/HVO	Moolarben (low ash)	Moolarben (high ash)
Calorific Value	kcal/kg, gar	6,322	5,994	5,328
Ash (ad)	%	13.5	18	27
Total Moisture (ar)	%	10.0	10.5	10.5
Fixed Carbon (ad)	%	53.0	50	40.5
Sulphur (ad)	%	0.55	0.75	0.5
Volatile matter (ad)	%	31.0	29.5	30
HGI		50	47	47

Source: Provided by the Company

Semi-soft coking coal characteristics

Semi soft coking coal (SSCC) can be produced from a limited number of seams in the lower Hunter Coalfield within which the Company has a large footprint. This product coal type is highly regarded by steel mills throughout Asia, including China, for various reasons, most particularly the low ash, and impurities in the coal. Typical semi soft and semi hard coking coal specifications are shown in **Table 2-3** for reference.

The Austar and Stratford and Duralie coal products have particularly high fluidity which is a sought after property in a coking coal blend. RPM is aware the Company markets these coals as a blend for semi hard coking coal.

Table 2-3 Typical Semi Soft and Semi Hard Coking Coal Quality

Quality	Unit	MTW/HVO	Ashton	Austar	Strat/Duralie	Middlemount
Ash (ad)	%	10.0	9.5	6.5	10.5	10
Total Moisture (ar)	%	10	10	6.5	7	10
Fixed Carbon (ad)	%	55	52	49	51	69.5
Volatile Matter (ad)	%	33.5	36	42	36	19
Phosphorous (ad)	%	0.015	0.023	0.046	0.004	0.039
Free swelling index		6	7	7	7	6
Fluidity	(ddpm)	150	800	60,000	15,000	20

Source: Provided by the Company

PCI Coal and Uses

Coal deposits in the Bowen Basin of central Queensland (such as the Client's Yarrabee and Middlemount mines) include extensive resources of low and medium volatile coals that are well-suited to the PCI market.

These coals give high coke replacement ratios that assist in maintaining blast furnace productivity and exhibit good grinding characteristics.

Usage

Pulverised coal injection has become a standard practice in many of the world's major steelworks, particularly Asia which is the preferred customer of the Company. Finely ground coal is injected with the hot blast directly into the raceway of the furnace to provide energy and reductant in addition to that from the coke bed, thus replacing some of the coke with cheaper non-coking or weakly coking coal. Hence the PCI process increases the economic efficiency of steel-making by using lower cost coals to reduce consumption of higher cost prime coking coals. In addition, the PCI coal is not subject to a coke-making or other process stage, other than grinding, prior to its introduction to the blast furnace. PCI rates must be such that stable blast furnace operation is maintained while the permeability of the coke bed is not affected. The typical PCI Coal specification is presented in ***Table 2-4***.

Table 2-4 Typical PCI Coal Quality

Quality	Unit	Yarrabee YP1	Yarrabee YP4	Middlemount
Ash (ad)	%	9.5	11.5	10.5
Total Moisture (ar)	%	10.5	9	10
Fixed Carbon (ad)	%	80.3	77.8	69.5
Volatile Matter (ad)	%	8.7	9.2	18.5
Phosphorous (ad)	%	0.095	0.096	0.05

Source: Provided by the Company

2.3 Market Overview

The major traditional thermal coal markets of Japan, Korea, China, Taiwan and South East Asia are the primary customers of the Company. Japanese power utilities and some customers in Taiwan and Korea seek high energy, low ash coal to enhance boiler efficiency and/or reduce ash disposal costs. RPM is aware that the Company's coking coals are sought in significant and increasing proportions by North Asian steel mills for their coking coal blends.

The Company updates long term pricing forecasts on a 6 monthly basis using research from third party analysis. RPM is not a commodity forecasting specialist and has relied on third parties for price assumptions. As per the JORC Code (2012) reporting requirements, RPM has completed independent reviews of the Company's coal price forecasts based on public and internal pricing information and considers the price assumptions used by the Company to be reasonable.

2.4 Regional Environment

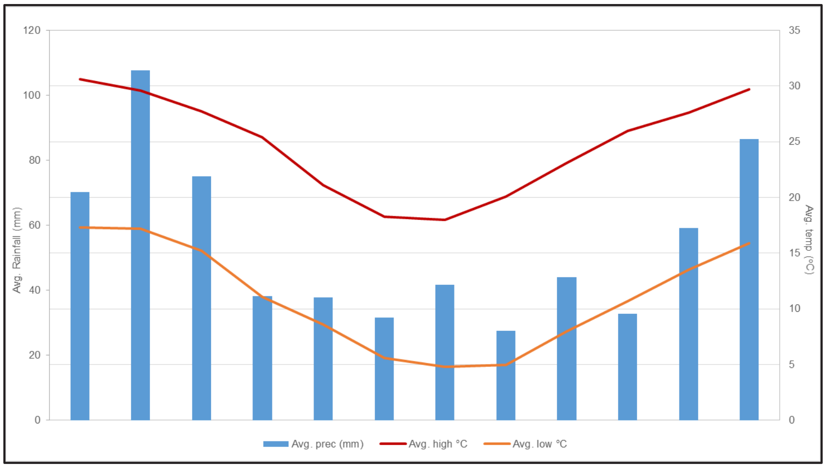
NSW Group

Geography and Climate

The Hunter region of New South Wales (***Figure 1-1***) extends approximately 120 km to 310 km north of Sydney with the land form is dominated by the major regional Hunter River and its tributaries with highland escarpments to the north and south. The Hunter Valley is one of the largest river valleys on the NSW coast and is characterised by rolling hills incised by river and creek systems.

The region has a humid sub-tropical to temperate climate with hot wet summers and cool drier winters. The rainfall observed and moderate temperature ranges result in little to no impact on mining activities and plentiful water supply. The average annual temperature is 17.6°C and has an average rainfall of 692 mm per annum with the driest month being July and the highest rainfalls occur between December and February as outlined in ***Figure 2-4***.

Figure 2-4 Hunter Valley Group Regional Average Rainfall and Temperature



Industry

Apart from mining, the other major industries in the region include Defence, tourism, light industry, vineyards, horse breeding and cattle production. The largest employment industry is coal mining, which employs 24% of the region's workforce.

Regional and Local Infrastructure

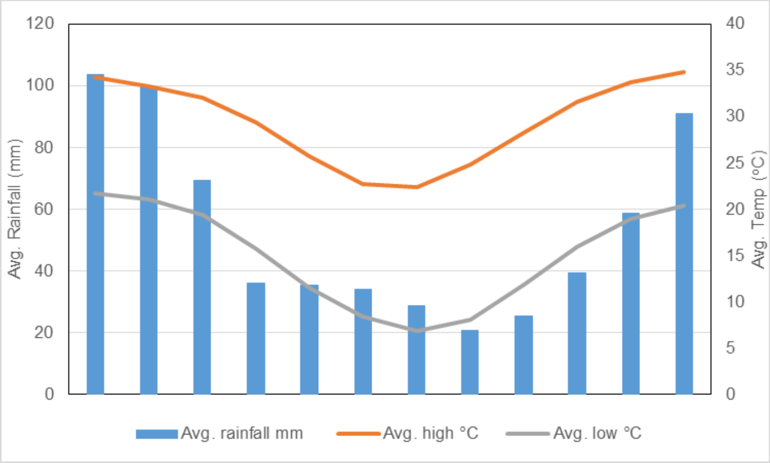
In addition to the minesite open pit mining, maintenance, surface processing plant, office infrastructure, there is significant additional offsite regional and local infrastructure that provides support to the operations and the forecast production. A review by RPM of the regional and local supporting infrastructure indicates that the area has suitable power, water and transport logistics connecting the operating Assets to international markets to support the life of mine ("LOM") production presented in this Report. The Assets are located close to well established excellent quality highways and rail infrastructure (***Figure 2-2 and Figure 2-3***), water sources and regional towns which provide accommodation and support services for the mining operation and its personnel. Further details of the supporting infrastructure are provided in ***Section 12*** and ***Section 13***.

Queensland Group

The Central Highlands region of Queensland is approximately 300km inland (west) from the coastal town of Gladstone (***Figure 1-1***), which is the location of a deep water port for export. The region hosts a large number of large scale coal mines and is the main source of employment along with farming.

The region has a humid subtropical climate with warm to hot summers and mild, dry winters. Maximum temperatures range from 34 °C in January to 22 °C in July, while minimums range from 22 °C to 7 °C with an average annual rainfall of 641.2 mm. The rainfall observed and moderate temperature ranges result in little to no impact on mining activities and plentiful water supply. ***Figure 2-5*** shows the yearly ranges of average high and low temperatures along with monthly rainfall.

Figure 2-5 QLD Group Regional Average Rainfall and temperature



Industry

Apart from coal mining, other major industries include agricultural which includes cotton farming, as well as grapes, citrus and grain growing.

Regional and Local Infrastructure

In addition to the minesite open pit mining, maintenance, surface processing plant and office infrastructure. Significant regional and local infrastructure provides support to the operations and the forecast production. A review by RPM of the regional and local supporting infrastructure indicates that the area has suitable power, water and transport logistics connecting the operating Assets to international markets to support the Life of Mine ("LOM") production presented in this Report. The Assets are located close to well established excellent quality highways and rail infrastructure **(*Figure 2-3*)**, water sources and regional towns which provide accommodation and support services for the mining operation and its personnel. Further details of the supporting infrastructure are provided in ***Section 12*** and ***Section 13***.

3. Licences and Permits

The Company holds numerous current mining tenements including mining and exploration licences (permits), business, environmental and safety permits. These enable the Company's operations including mining, major surface facilities and coal handling, management, electrical infrastructure, waste and tailings emplacement and exploration. Below is a summary of the key permits.

RPM provides this information for reference only and recommends that land titles and ownership rights be reviewed by legal experts.

RPM notes that the approved Yarrabee production rate is 4Mtpa, which is forecast to be exceeded in 2020 and an additional permit is required to expand the Middlemount pit to the North West. These approvals are ongoing and is in-line with typical approval processing in Queensland. RPM assumes as part of the reporting of the LOM plans and costs that this will be granted ahead of required timing, however notes that no material issues will occur if delays occur other than delaying the expanded production. Furthermore, as noted in the Business Section of the prospectus, RPM is aware the designed capacity at HVO is 20Mtpa ROM tonnes versus the forecast 20.6Mtpa, however the approved maximum production is 38Mtpa, as such no further permits are required. The increased designed capacity is to be achieved through CHPP efficiencies rather than material changes to the initial design plans.

3.1 Coal Concessions and Surface Rights

All key mining tenements are currently valid for the continued operation of the Assets to support the planned production rates forecast in this Report. All relevant mining and exploration licenses and authorisations held by the Company are listed in ***Appendix E*** and are shown graphically in ***Figure C-1*** through ***Figure C-10.***

3.2 Water Rights

Water required for the operations is sourced by various methods, including wells and surface water storage dams and the various local rivers. As such numerous water rights permits are required for the Assets. All permits are currently in good standing and support current production. Further information is provided in ***Section 15***.

3.3 Environmental and Operating Permits

The Company currently holds numerous environmental, construction and operating permits that are described in ***Section 15***. The permits include the waste and tailings dam facilities construction and operating permits, water bore drilling and extraction permits and various operating and environmental permits. RPM has completed an overview of these permits and considers them in good standing to support the continued operation of the Assets for the foreseeable future. RPM does note that as per typical Australian standards, various permits and licenses need to be periodically renewed as per any long standing and operating mining and processing operations. RPM is not aware of any reason for these permits to not be renewed pending the correct and suitable application procedure.

Further details on tenements, approvals and licenses held by the Company are provided in ***Section 15***.

4. Assets History

4.1 Exploration History

The Assets have a long history of systematic exploration which has included geological mapping, geophysical and geochemical surveys as well as a large amount of surface diamond and open hole drilling as outlined below.

HVO/MTW

Prior to the acquisition of the operations by the Company, several companies and government agencies completed exploration works which include the following:

- Exploration in MTW commenced in 1949 by the Joint Coal Board (JCB) which completed a series of shallow percussion boreholes. It was not until 1976 that development of the Warkworth Mining Limited (WML) and Mount Thorley Operations (MTO) areas was considered in earnest.
- 1960's: Clutha Bargo explored the Whybrow Seam for coking coal potential.
- 1970-1975: Department of Mines conducts fully cored hole drilling program (DM Warkworth and DM Doyles Creek series).
- 1976: Warkworth Consortium formed (later established as WML) and awarded mining bid for Warkworth area. Commenced exploration program with 12 rigs drilling fully cored, HQ-size holes and large diameter (LD) core drilling in selected seams.
- 1976: Drilling program started at the Mt Thorley site – similar to Warkworth drilling program. Main concentration of drilling was in the shallower, eastern parts of the lease.
- 1980s & 1990s: The main focus at Warkworth was open-hole drilling. Mt Thorley increased open hole drilling in advance of production and made a concerted effort at core drilling during the 1990s.

HVO is an amalgamation of three previously independent mining operations, namely: Howick, Hunter Valley and Lemington. Each mine was developed at different times and was subject to different exploration philosophies and exploration work. Some of the initial exploration work is summarised below:

- Howick open-cut (west pit) – exploration initiated in the 1940s and 1950s completed by the Joint Coal Board and the Bureau of Mineral Resources. Drilling to 200m–300m spacing for cored holes and 50m–150m spacing for open holes.
- Hunter Valley No.1 & 2 mines – exploration initiated in the 1960s and early 1970s by the New South Wales (NSW) Department of Mines. Drilling to 212m spacing for cored holes and 100m spacing for open holes.
- Lemington South open-cut and underground mines – exploration initiated in the 1970s by the Joint Coal Board. Drilling to 200m– 800m spacing for cored holes.

Moolarben

- Exploration in the area commenced in 1950 but historical mining at the Ulan Mine (immediately west of Moolarben) has occurred since 1920's. A summary of key exploration periods completed by other parties is provided below:
- The New South Wales Mines Department carried out initial exploration in 1950 with 6 core holes.
- In 1977 the Joint Coal Board drilled 21 core holes.
- In the late 1970's the Energy Recycling Corporation drilled 33 core holes inside Moolarben leases and 41 core holes in the surrounding areas.
- White Industries in early 1980's drilled 25 core holes.
- In late 1980's Ulan Coal Mine drilled 38 holes (core and non-core).
- Between 1999 and 2003 the Department of Mineral Resources drilled 47 holes (core and non-core) to define potential open cut areas.

- Intensive exploration activity over recent years at Moolarben has focused on improving the classification of Ulan Seam coal resources, defining interpreted igneous and erosive (palaeochannel) features and Ulan Seam sub- crop/limit of oxidation in advance of mine operations.
- RPM notes that an additional 32 holes were drilled after the 2017 Resource model was completed and these have not been included in the model. RPM reviewed the results to ensure any potential impact on resource classification and estimation was identified and addressed prior to the completion of this resource report.

Yarrabee

Exploration in the Yarrabee area commenced in the mid-1960s with Mines Administration (Minad) and the Bellambi Coal Company (Bellambi), both holding tenure and exploring for metallurgical coal. The significant historic tenure held in the Yarrabee area is listed below with a brief description;

- EPC 16 Mines Administration Pty Ltd. (Minad) 24/02/1966 to 21/07/1967
- EPC28 Bellambi Coal Co Ltd.6/12/1965 to 24/03/1966: results of exploration describe intersections in the Burngrove Formation (Fort Cooper Coal Measures equivalent),
- EPC 34 Mines Administration Pty Ltd. 30/11 1966 to 25/03/1969: Minad identified shallow coal in the area that later became ML 1770, the initial mining area at Yarrabee.
- EPC123 Yarrabee Coal Company (YCC) 26/08/972 to 1/05/1996: The title was originally granted to Brigalow Mines Pty Limited a jointly owned company of Mount Isa Mines Limited (MIM) and Thiess Bros. Pty Limited on 26 august 1972. MIM retained the holding in Brigalow when it acquired 100% of the company in January 1990. Assignment of the EPC from Brigalow to YCC was approved by the Department of Mines and Energy (DME) on 19 August 1993. The Company was granted MDL 160 on 1 April 1996 which covered eight of the twelve sub blocks.
- EPC 190 Yarrabee Coal Company Pty Ltd 16/09/1975 to 19/04/1996: The title was originally granted to Mines Administration Pty Limited (Minad) on 16 September 1975, at which time it covered an area of 770 sq.km. Relinquishments progressively reduced the area to 125 sub blocks in 1976, 70 sub blocks in 1977, 40 sub blocks in 1978, 13 sub blocks in 1979 and 11 sub blocks in 1982. The title was transferred to CSR subsidiary Thiess Bros Pty Limited in October 1986 and later approved for sale to Yarrabee Coal Company Pty Limited in November 1989. On 1 April 1996, The YCC was granted MDL 160, which covered four of the eleven sub blocks.
- ML 1770 Yarrabee Coal Company Pty Ltd From 25/03/1976: ML 1770 was granted on 25/03/1976 and has been held by The Company and its antecedents since that date. The subsequent nine MLs were granted during the period 1998 to 2014 within the area held as MDL 160. The initial stages of exploration commenced with aerial photographic interpretation supported by geological field mapping to delineate the location(s) of the coal measures and to interpret the structural geology of the area. Exploration drilling targeted the Rangal Coal Measures (RCM) outcrop, which resulted in the delineation of the initial mining area of the Yarrabee resource that was located in ML1770.

Ashton

Ashton and previous owners have drilled over 300 surface slim holes (open and cored) for exploration, geotechnical, hydrological and seam gas purposes since 2000. Commencing in August 2013, a number of inter-seam bores (IS-series), gas drainage (GW-series) holes and piezometer bores (YAP-series) were drilled. In addition, measured section strip logs were also undertaken during gate road and longwall face mapping.

In addition to the surface holes a number of phases of underground drilling have been undertaken to optimise the underground operations, these include:

- Prior to 2016 a number of cored (NMLC-size) inter-seam holes were drilled vertically into the floor of the underground workings. These drill holes were drilled for coal quality and geotechnical purposes however were not geophysically logged due to logistical issues associated with the underground mine environment. An additional gas hole WMLC335 was available for 2015 JORC classification onward. Interseam hole ISLL54, which cored ULLD in July 2016 facilitated reclassification of Indicated ULLD resources inside the LOM in ML1533 to Measured status in 2016.
- In late 2016 core drill hole YAC-019 was drilled to test geotechnical, coal quality and interburden thickness between Upper Liddell Seam and Upper Lower Liddell Seam to facilitate decisions on the

position of the LW201 installation roadway. Non-core drill holes YAO-020 and YAO-021 were also drilled to facilitate decisions on the position of the LW201 installation roadway as the interseam between Upper Liddell Seam and Upper Lower Liddell Seam was thinning inbye. A single large diameter drill hole YAC-023 was also drilled (200mm core hole). Target seams were Lemington 12 Seam, Lemington 15 Seam, Upper Liddell Seam, Upper Lower Liddell Seam and Lower Barrett Seam for clean coal quality analysis.

- An extensive program of interseam drilling from Upper Liddell Seam northwest mains to Upper Lower Liddell Seam 200 mains, for seam level and geotechnical testing of belt chamber areas was completed in 2017. In addition interseam drilling from MG201 and TG201 will allow more confident resource classification in Lower Barrett Seam, the next underground target below the current mining operation. A series of Upper Lower Liddell Seam strip samples in MG201 and TG201 were taken for quality testing. RPM is aware this drilling will be utilised in the 2018 updated model.

Stratford and Duralie

The following provides an overview of the historical exploration at the Stratford and Duralie project including the Stratford mine are, Duralie mine area and the Grant and Chainey resource area.

- Noranda (1970s): Initial exploration drilling in the Gloucester Basin was completed by Noranda.
- BMI Mining/Noranda (1977-1981): Undertook extensive exploration drilling programs in the Gloucester Basin concentrating on drilling Stratford (Stratford Main Pit area) and Duralie.
- BMI Mining/ESSO 1981-1993): Commenced exploration drilling in Stratford North (including BRN). Completed a number of east-west and north-south 2-D seismic lines in 1982/83.
- During the 1980s extensive surface mapping was undertaken by Malcom Lenox.
- Excon: RPM is unsure if any exploration was undertaken.
- AGIP: Undertook no exploration.
- Excel Mining (1993-1995): Drilled coal quality holes. Float/sink data in the Stratford Main Deposit was later considered unreliable.
- CIM Resources (1995-2003): Mining commenced and the wash plant was upgraded. Exploration drilling was completed on target areas (such as BRN proposed pit area), but was minimal due to tight economic conditions.
- Pacific Power (1990s): Drilled nine deep stratigraphic holes to obtain data for their gas leases.
- Gloucester Coal Ltd (2003-2015): Exploration drilling increased during the time of Gloucester Coal Ltd, targeting future areas in Stratford (Roseville West, Wenham Cox Road, Stratford South, Avon North/Stratford North, Clareval seam) Duralie (Weismantel seam coal quality and Clareval seam) and Grant & Chainey. 2D seismic data from the 1980s was reprocessed over Duralie - further defining the structure of the area and leading to the discovery of the Clareval seam. During 2009-2010, intense exploration drilling was undertaken with the quality of data sometimes compromised for quantity of drilling. 2D seismic undertaken in EL6904 in 2011.
- AGL: completed 2D and 3D seismic surveys and airborne surveys (magnetic and radiometric) thought the Gloucester Basin. 2D survey undertaken in 2009 and 2012 and 3D survey over Stratford in 2010. Several deep stratigraphic drill holes were also undertaken by AGL throughout the basin.

Donaldson

Exploration at Donaldson has been carried out by various parties, commencing in 1951as outlined below:

- 1951- 1952 - 54 shallow cored holes drilled by the Bureau of Mineral Resources (BMR) targeting West Borehole Seam. A further 22 cored holes were drilled by BMR in the Buchanan area to assess open cut potential of the Donaldson, Big Ben, Tomago Thin and Rathluba Seams.
- 1952 - 10 core holes drilled by the Joint Coal Board (JCB), targeting West Borehole Seam.
- 1959-1960 - 11 core holes drilled by the JCB, on behalf of the Electricity Commission of NSW (ELCOM), to investigate thermal coal potential of Tomago Coal Measures.
- 1961-1984 - 145 core holes and 151 oxidation chip holes drilled by RW Miller (RWM) in the Ironbark area.

- 1962-1986 - 21 core holes drilled by the JCB and J&A Brown and Seaham Collieries (JABAS) in the Stockrington No 2 lease area, targeting Newcastle Coal Measures and to assess down dip potential of the Tomago Coal Measures.
- 1969 - Two core holes drilled by the JCB in the Black Hill area.
- 1980 - Five fully cored holes drilled by Gollin Wallsend Company in the Buttai area to investigate West Borehole and Sandgate Seams.
- 1996-1997 - Nine non-core holes and four core holes drilled by Donaldson Projects Pty Ltd primarily for groundwater studies. A comprehensive suite of geophysical logs run in all 13 holes.
- 1997- 2000 - 12 holes drilled in Tasman, in four phases, to improve understanding of stratigraphy, structure and coal quality. Geophysical logs run in all holes.
- 1998-1999 - 32 holes drilled by Callaghans Creek Holdings in the Surveyors Creek area to investigate open cut potential of the West Borehole Seam. Geophysical logs run in most holes.
- 2001 - 10 non-core holes and two core holes drilled by Bloomfield Collieries to evaluate open cut potential of EL5497. Geophysical logs available for 10 of the 12 holes.
- 2002 - Nine core holes drilled by Excel Coal in EL5497 down dip of Donaldson to assess open cut potential of the Donaldson and Big Ben Seams. Geophysical logs run in all holes.
- 2003 - Four non-core and 12 core holes drilled at Donaldson to improve understanding of stratigraphy, structure and coal quality in the North, Central and EW Pits.
- 2005 - 17 holes drilled at Donaldson for structural and quality control purposes.
- 2005- 2007 - 170 holes drilled to target the full Tomago Coal Measures and Newcastle Coal Measures down to the Ashtonfield Seam.
- 2014 - 18 holes drilled by Donaldson Coal targeting West Borehole, Lower Donaldson and Ashtonfield Seams.
- 2016 - Four 100mm diameter (C316-C318, C323) and two 200mm diameter core holes (C319, C322) had been completed. These holes targeted the Lower Donaldson Seam within the proposed mine plan. In addition five non-core holes (R324-R328) were drilled to investigate the parting thickness between B and C plies within the Lower Donaldson

Middlemount

The Roper Creek area was first explored by Central Queensland Coal Associates, a consortium of Utah Development Co. and Mitsubishi Development Pty. Ltd. (Utah) under Authority to Prospect (ATP) 6C. The results of exploration suggested that the coal in the Roper Creek area contained significant tonnages of thermal coal. Utah relinquished large tracts of ATP 6C in 1966 which included the Roper Creek area.

The Department of Mines carried out reconnaissance exploration in late 1972 and 1973 in the Roper Creek area to investigate the extent of the potential coal resources. Three stratigraphic holes were drilled within the current project area.

Further drilling was completed in the 1970's and 1980's by Capricorn Coal Pty Ltd (CapCoal; now Anglo). CapCoal determined that the Middlemount resource area contained low to mid volatile, low sulphur bituminous thermal coal and relinquished part of their tenure which included the Middlemount resource area on 22 February 1992. RPM notes that the PCI coal market did not exist at that time and it was extremely difficult to market low volatile (less than 22%) thermal coal at that time.

No further exploration was completed until 2006-2007 when Peabody (Custom Mining) drilled 54 holes. The Middlemount Coal joint venture have explored the deposit since 2008 and have added a further 705 holes to the resource area.

Drilling includes open holes, partially cored slim (HQ-3 and HMLC) and 4-inch diameter core holes (4C) and large diameter holes. ***Table 4-1*** summarises the drilling statistics for holes stored in the Middlemount database.

Table 4-1 Source of Borehole Data at Middlemount

Source	Period	TOTAL	Modelled	Not Used	LAS	Cored
Department of Mines	1970's	3	0	3	0	3
CapCoal (Middlemount)	1980's	238	93	145	135	238
Anglo	1970's-1980's	52	40	12	31	37
Peabody Custom Mining	2006-07	54	39	15	37	24
Middlemount Coal	2008-17	689	547	142	609	175
Middlemount Coal Water Bore	2008-10	16	3	13	2	0
Other		24	10	14	0	4
TOTAL		**1076**	**732**	**344**	**814**	**481**

NOTE: *"Modelled" refers to Quantity Data Points used in the 2018 resource model; "Not Used" refers to holes not used in the 2018 resource model; "LAS" refer to holes that have been geophysically logged and LAS data exist.*

Two 2D seismic surveys have also been completed at Middlemount. In 2008, 7.50km of data was acquired for assistance to delineate and characterise the Jellinbah Fault. An additional 2.93km of 2D seismic data was acquired in 2017 to investigate the underground extension in the south of the deposit.

Monash

A total of 23 holes have been completed within the Monash deposit, all of which were completed prior to 2014, as such all holes were completed by the previous owners.

4.2 Mining History

As outlined above mining activities are being undertaken at all but one of the operations, with recent production shown in ***Table 4-2***. RPM highlights that during 2017 58Mt ROM were produced for 44Mt product of which approximately 80% was produced from the large world class low risk open cut operations at HVO, MTW and Moolarben. Below is an outline of the mining history of each operation.

RPMGLOBAL

Table 4-2 2015 through 2017 Operations Historical Coal Production by Type and Operation

Operation	Method	Centre	Unit	2015	2016	2017	H1 2018
HVO	**OC**	**ROM Coal**	Kt	na		19,531	9,113
		Strip Ratio	bcm:t			5.4	5.9
		CHPP	Kt			19,437	8,610
		Yield	%			75	74.4
		Bypass	Kt			213	-
		Total Product	Kt			14,784	6,409
		Product type	Kt	SSCC/thermal			
MTW	**OC**	**ROM Coal**	Kt	na		17,691	8,497
		Strip Ratio	bcm:t			5.7	5.6
		CHPP	Kt			17,646	8,314
		Yield	%			67	70
		Bypass	Kt			46	214
		Total Product	Kt			11,817	6,033
		Product type	Kt	SSCC/thermal			
Moolarben	**OC/UG**	**OC ROM Coal**	Kt	9,001	11,815	12,998	6,862
		Strip Ratio	bcm:t	-	3.6	3.7	3.8
		UG ROM Coal	Kt	-	422	1,712	2,952
		CHPP	Kt	9,005	12,156	13,499	7,110
		Yield	%	77	77	84	84
		Bypass	Kt	-	-	1,085	2,814
		Total Product	Kt	6,899	9,349	12,380	8,757
		Product type	-	Thermal			
Ashton	**UG**	**ROM Coal**	Kt	3,001	2,379	2,791	962
		CHPP	Kt	2,975	2,394	2,797	937
		Yield	%	46	45	42	44.5
		Bypass	Kt	-	-	-	-
		Total Product	Kt	1,375	1,074	1,164	417
		Product type	-	SSCC			
Yarrabee	**OC**	**ROM Coal**	Kt	3,360	3,625	3,394	1,341
		Strip Ratio	bcm:t	-	10.9	12.5	15.4
		CHPP	Kt	1,930	2,088	2,192	1,020
		Yield	%	78	74	75	74.2
		Bypass	Kt	1,304	1,548	1,205	373
		Total Product	Kt	2,814	3,098	2,850	1,130
		Product type	Kt	PCI/Thermal			
Stratford and Duralie	**OC**	**ROM Coal**	Kt	1,854	1,218	873	290
		Strip Ratio	bcm:t	-	5.6	3.8	4.3
		CHPP	Kt	1,904	1,223	639	312
		Yield	%	75	71	71	69.1
		Bypass	Kt	-	-	223	-
		Total Product	Kt	1,433	864	677	215.7
		Product type	-	SHCC/Thermal			

Operation	Method	Centre	Unit	2015	2016	2017	H1 2018
Austar	UG	ROM Coal	Kt	823	1,236	2,039	371
		CHPP	Kt	829	1,214	1,866	391
		Yield	%	87	94	91	95
		Bypass	Kt	-	-	177	-
		Total Product	Kt	721	1,138	1,870	371
		Product type	-	SHCC/Thermal			
Middlemount	OC	ROM Coal	kt	5,533	5,275	5,293	2,495
		Strip Ratio	bcm:t	7.5	8.5	10.6	11.0
		CHPP	kt	5,534	5,294	5,069	2,495
		Yield	%	79	77	76	82.6
		Bypass	kt	-	-	-	-
		Total Product	kt	4,367	4,089	3,857	2,061
		Product Type		SHCC/PCI			
Donaldson	UG	ROM Coal	Kt	1,808	265	-	-
		CHPP	Kt	1,742	237	-	-
		Yield	%	77	68	-	-
		Bypass	Kt	-	34	-	-
		Total Product	Kt	1,335	193	-	-
		Product type	-	Thermal		-	-

Source: Provided by the Company

Note: HVO and MTW were not part of the Groups production in 2015 and 2016. Donaldson has no production in 2017

HVO/MTW

The Assets are an amalgamation of five coal mining operations which combined have been in production for over 45 years via various large scale open pits and small bord and pillar underground operations at Lemington.

HVO comprises three separate previous mines namely Howick, Hunter Valley and Lemington Assets which included the following:

- The Lemington Mine, which began production in 1971, was acquired and merged into HVO in 2001.
- Coal production began at the Howick Coal Mine in 1968 in what is known as the West Pit at HVO. In 2000 the Howick Coal Mine became part of Rio Tinto's Hunter Valley Operations as a result of the merger with Hunter Valley Mine.
- The Hunter Valley No. 1 Mine began production in 1979.

In 2000 the Howick and Hunter Valley mines merged to create the Hunter Valley Operations. The Lemington mine was acquired and merged into Hunter Valley Operations in 2001. Yancoal acquired HVO and MTW as part of the acquisition of Coal and Allied in 2017.

MTW comprises the Mt Thorley and Warkworth Assets and includes the following:

- Mount Thorley has been in operation since 1981 and after a business restructuring of mining company R.W. Miller, Coal & Allied became managers of the mine in 1989.
- Warkworth Mining began operations in the same year as Mount Thorley in 1981 and in 2001 Coal & Allied purchased an interest in the mine. In January 2004, the two mines were integrated to improve efficiency by operating as one business.

Mining is ongoing at MTW and HVO with recent production outlined in **Table 4-2**.

Moolarben

Moolarben leases overlie an area of approximately 105 km2 and have been explored since the 1950's by several private companies, the New South Wales Mines Department and the Joint Coal Board.

Yancoal acquired Moolarben mine through the purchase of Felix Resources in December 2009.

The Moolarben Coal Project Stage 1 was assessed in the Moolarben Coal Project Environmental Assessment Report (MCM, 2006) and was approved by the NSW Minister for Planning on 6 September 2007 (Project Approval [05_0117]). The Moolarben Coal Project Stage 2 was approved by the Planning Assessment Commission (PAC) (as a delegate of the NSW Minister for Planning) on 30 January 2015 (Project Approval [08_0135]). The Stage 2 included the addition of the open cut mine OC4 and two underground mines UG 1 and UG 2 plus supporting infrastructure. The now completed and integrated Stage 1 and Stage 2 projects have approval to mine up to 21Mt per annum ROM coal.

Coal mining operations commenced on the site in 2010 and currently include both underground and open cut operations. Production ramped up to 8.3Mt ROM by 2013 as part of the Stage 1 approval and maintained this level of production until 2015. Following the Stage 2 approval the project has developed OC4 and ramped up ROM coal production to a total of 14.7Mt by 2017 which will be further ramped up to 20Mtpa by 2020. Underground development commenced in 2016 and the longwall commenced operation in 2017 in-line with forecasts.

Yarrabee

The construction of the Yarrabee Coal Mine started in 1981 and commercial production commenced in 1982 in ML 196. Ownership of Yarrabee at that time was by CSR Limited. Initial production from Yarrabee was a range of raw coal products having different ash and phosphorus content. A premium brand coal was produced by toll washing at a nearby coal handling and preparation plant (CHPP).

The Yarrabee Coal Company became the owners of the Yarrabee asset in November 1989. Production rates of PCI and thermal coal ranged from 0.35Mtpa to 1Mtpa. Felix Resources operated the Yarrabee Mine from July 2003 to December 2009 when Yancoal acquired Yarrabee mine through the purchase of Felix Resources. Production at Yarrabee during that period was 1.7Mtpa.

From December 2009 ownership of Yarrabee passed to Yancoal. The CHPP was completed and commissioned in June 2009. The mining areas at Yarrabee are shown in ***Figure C-4***. RPM notes that the term DOM refers to DOMAIN, which refers to an area that is structurally separated from other areas due to faulting and folding.

Ashton

Yancoal acquired Ashton mine through the purchase of Felix Resources in December 2009.

The only previous open cut mining operation within the Ashton leases is the North East Open Cut (NEOC) where open cut mining was conducted by Ashton from 2002-2010. The remnant NEOC void is utilised as the course reject emplacement area for the current operation.

Ashton underground operations commenced in 2005 with development entries driven from the remnant highwall of the NEOC. Extraction using longwall commenced in 2007 with an approved mine plan to extract four seams: Pikes Gully, Upper Liddell, (ULD), Upper Lower Liddell (ULLD and Barrett. The longwall is currently operating in the ULLD seam with the Pikes Gully Seam having been fully extracted and the ULD seam having been partially extracted.

Approval for the South East Open Cut (SEOC) was gained in 2015.

Ashton ownership was transferred to Watagan in 2016. Watagan is a wholly owned unconsolidated subsidiary of YAL.

Stratford and Duralie

Open cut mining first commenced in the Stratford and Duralie basin in June 1995. In 2012, Yancoal acquired both the Stratford and Duralie mines through the merger with Gloucester Coal.

The Stratford and Duralie coal project is an open cut coal operation located approximately 100 km north of Newcastle, New South Wales in the Gloucester Basin. Stratford Coal Pty Ltd is the owner and operator of the Stratford Mine and is a wholly owned subsidiary of Yancoal.

The nearby Duralie Coal Mine is also owned by Yancoal and is located approximately 20 km south of the Stratford Mine. Stratford and Duralie mines collectively comprise the Stratford and Duralie Basin operations which are jointly operated and managed.

Austar

Austar is an aggregate of the former Pelton, Ellalong, Cessnock No1 (Kalingo) and Bellbird South Collieries with the current operations dating back to 2005. Austar Coal Mine was previously called Southland and before that was called Ellalong Colliery which date back to 1916. Yancoal acquired the Southland mine (renamed Austar) in December 2004. The first longwall mining operation in the Greta Seam commenced at Ellalong Colliery in the early 1980's. RPM notes the area to the north of Austar has been mined.

Austar is currently mining the domain known as "Bellbird South" which lies between Area 2 (mined by Austar Coal Mine between 2008 and 2012) and Ellalong. Conventional longwall mining commenced in Bellbird South in July 2016. The next mining Domain is Stage 3 where operations will recommence with the Longwall Top Coal Caving mining method.

Austar has introduced the Longwall Top Coal Caving (LTCC) mining method with development by continuous miner. The longwall top coal caving technology is used to maximise recovery of the thick Greta seam. Longwall Top Coal Caving is the extractive method of which has been utilised successfully since 2006. Longwall Top Coal Caving has been included in the estimated Coal Reserves for Stage 3 mining area.

Austar ownership was transferred to Watagan in 2016. Watagan is a wholly owned unconsolidated subsidiary of YAL.

Donaldson

Mining at Donaldson began in 2001 with the Donaldson open cut mine which was closed and rehabilitated in 2013. Donaldson lodged the EIS for the Abel underground mine in 2006, with approval granted in June 2007 and development commencing in March 2008. It was planned as a bord and pillar mine for greater flexibility, particularly around creek and cliff lines. The amount of coal extracted would be varied to control subsidence to protect a range of surface features.

Yancoal acquired Donaldson mine through the merger with Gloucester coal in 2012.

Abel Mine operated as a bord and pillar mine from 2008 to 2016 (when it was placed on care and maintenance), producing up to 2.5Mtpa of ROM coal to wash thermal and SSCC products for export. Production was predominantly from the Upper Donaldson Seam. A combination of total extraction and partial extraction was incorporated across the target area, with partial extraction used below sensitive surface areas and infrastructure.

A modification to the Abel Project Approval (MOD3) was approved by the Department of Planning in December 2013 that allows for a change in mining method to longwall mining and an increase in annual ROM output of 6Mtpa.

Donaldson ownership was transferred to Watagan in 2016. Watagan is a wholly owned unconsolidated subsidiary of YAL.

Middlemount

The Middlemount Mine is managed by Middlemount Coal Pty Ltd which is an incorporated Joint Venture between Peabody and Yancoal. Yancoal acquired its interest in Middlemount Mine with the merger of Gloucester Coal in 2012.

A trial pit was completed during 2008-09 in the centre of ML70379 to extract coal from the Pisces Upper seam for bulk sample testing. Open cut mining commenced at Middlemount in 2011 and by the end of 2012, approximately 2.8Mt of coal had been mined, mostly from the Pisces Upper seam. Saleable production currently amounts to approximately 4.1Mtpa from some 5.4Mtpa of ROM output. The location of the mined out and planned open cut areas are shown in ***Figure C-9.*** The mining method at Middlemount open cut is conventional truck and excavator mining. The operating method is well proven and suitable for the deposit.

All ROM coal at Middlemount is washed to produce two product types: a semi-hard coking product at 10.5% ash with CSN of 6 and CSR of 58 to 63 and a low-volatile PCI coal at 10.0% ash. The CHPP is a 700tph single stage plant with two product coal handling systems and uses industry standard technology, operating at high availability.

Monash

No mining has occurred.

5. Geology

RPM has reviewed the geology of the operations, on both a regional and deposit scale and considers the geology to be well understood and developed through the generations of geological mapping, data acquisition from drilling, geophysical surveys, interpretation and development of three-dimensional models. Below is a summary of the key geological features of the Assets.

RPM notes that the below summary has largely been derived from information provided by the Company from various reports and sources, however it has been reviewed and edited based on RPM's opinion and site visit observations.

5.1 HVO / MTW / Ashton/ Monash

Regional Geology

The HVO/MTW and Ashton assets are located in the Hunter Coalfield, which is located in the northern part of the Sydney Basin as shown in ***Figure 1-1***. The Sydney Basin forms part of the composite Permian-Triassic age Sydney-Gunnedah-Bowen Basin (SGBB) system, which extends for approximately 1,700 km from southern NSW into central Queensland. The SGBB represents a 1,700 km long foreland basin of Early Permian to Late Triassic age. The Sydney Basin is bounded by the New England Fold Belt to the north and this boundary is marked by the structurally complex, Hunter-Mooki Thrust. To the west and south, the basin strata lap onto older rocks of the Lachlan Fold Belt and to the east, the basin's limit is marked by the edge of the continental shelf.

The Sydney Basin is one of the world's premier coal provinces containing multiple stacked sequences of thick bituminous-rank Permian age coal measures. The Permian coal measures in the Sydney Basin are only weakly to moderately folded and faulted and as such are generally amenable to high productivity surface and underground mining methods.

The SGBB system evolved during the Late Carboniferous to the Middle Triassic (approximately 310 to 230 million years ago (Ma)) as a series of contiguous basins which formed along the eastern part of the Gondwana continental margin. The SGBB has been subject to a complex, multiphase geological history including early rifting in a back-arc environment and thermal subsidence evolving into a retro-arc foreland basin.

Coal measure sedimentation in the Sydney Basin began in the early Permian and was terminated towards the end of the Permian by major uplift and basin tilting. The earliest Permian units were deposited in fluvial, coastal plain and marine environments on older Palaeozoic basement rocks. This deposition was followed by rapid subsidence in the middle Permian, providing more space for sediment accumulation, with the main period of coal deposition occurring in the late Permian.

The sedimentary pile in the Sydney Basin has asymmetrical thickness distribution. The thickest accumulations are along the easterly-dipping Hunter-Mooki Thrust Fault System suggesting that subsidence was greatest along that fault. The sedimentary sequence thins to the west due to the sediments onlapping into the basement rocks in the west. The Hunter Coalfield is a district-scale north-eastern subdivision of the Sydney Basin (***Figure 2-2***). The Permian coal bearing stratigraphic section occurs within the Whittingham Coal Measures.

Regional Stratigraphy

The Late Permian Whittingham coal measures are the main focus of operations and its stratigraphy is outlined in ***Figure 5-1***. The existing operations exploit more than 100 individual seams (or seam plies) contained in more than 20 seam groups (or members) across the Vane and Jerrys Plains Subgroups of the Whittingham Coal Measures. Coal seams split and coalesce in various combinations at all stratigraphic intervals.

Whittingham Coal Measures

The Whittingham Coal measures are subdivided in to two Subgroups, namely Jerrys Plains and Vane as outlined below and shown in in ***Figure 5-1***.

The Whittingham Coal Measures were deposited in a retroact foreland basin during the Late Permian at a time when the Sydney-Bowen Basin complex was undergoing east–west compressional tectonics. The sediments were largely derived from the north (Hunter-Mooki Thrust) and the east, shedding off a contemporaneous high associated with the New England Fold Belt and the already developed Hunter-Mooki Thrust System.

Palaeocontemporaneous highs such as the Loder Dome found in the Lower Hunter area probably influential the coal seam deposition at that time by acting as a basement high resulting in thinner Permian sediment deposition. Subsequent burial, rifting and recent compressional tectonics has all influenced the structural character of the area. The coal seams generally dip to the south and west at less than 4 to 6º.

The Whittingham Coal Measures are typically 100 to 300m thick and where they crop out around the Lochinvar Anticline are 60m to 75m thick. Igneous activity occurred at various stages of geological history, particularly during the Jurassic, Late Cretaceous and Tertiary, after deposition of the coal seams and as such cross cut the coal measures and influence continuity and coal qualities in the local vicinity.

Jerrys Plains Subgroup

The Jerry's Plains Subgroup represents a complete cycle of terrestrial coal measure sedimentation that is up to 800m thick. Interseam lithologies are typically lithic sandstones, shale and conglomerate, with siltstone, carbonaceous claystone and tuff also occurring throughout the sequence. This Subgroup is the major source of coal mined in the Hunter Coalfield and due to extensive work has been subdivided in various formations and further into seam members as outlined in ***Figure 5-1***.

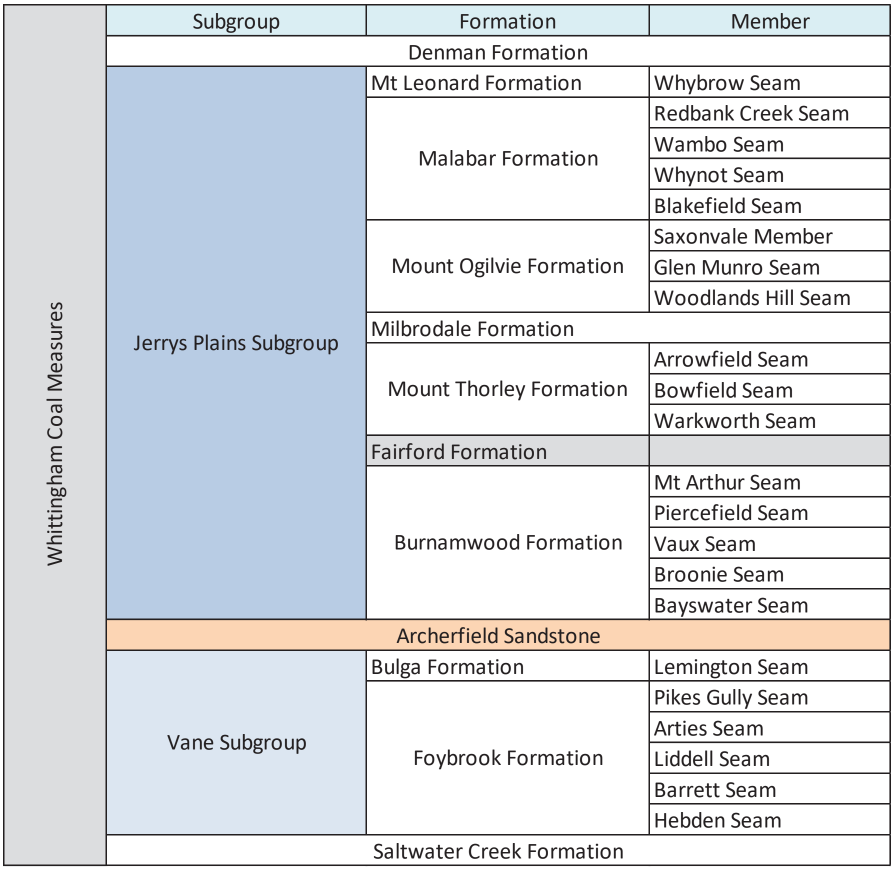
The Bayswater Coal Member is the lowest coal seam in the Jerry's Plains sequence and was formed in a back-barrier coal swamp environment. The Archerfield sandstone which occurs below the Bayswater seam represents a phase of prograding beach complex. Deposition of alternating interdistributary bay laminites and upwards coarsening crevasse-splay sandstones occurred in a lower delta plain environment, with the thin and banded Broonie Coal Member and Vaux Coal Member forming part of this sequence. Upper delta plain conditions then resulted in thicker and laterally continuous seams such as the Piercefield Coal Member and Mount Arthur Coal Member, after which lower delta plain conditions were re-established with the deposition of the Glen Munro through to the Whybrow Coal Member. Deposition of the Jerrys Plains Subgroup ended with a marine transgression, forming the base of the Denman Formation. Coal distribution in the Jerrys Plains Subgroup of the Whittingham Coal Measures is more variable compared to that of the Vane Subgroup stratigraphically below. Although the majority of the upper delta plain seams are laterally extensive, some of the largest variations occur in the Blakefield, Mount Arthur and Piercefield coal members. The lowest seam, the Bayswater Coal Member seam, varies in thickness from about 1 to 14 m and has a dull character with high inertinite content. The brighter coals such as the Broonie through to the Warkworth coal members are subject to extensive splitting.

Vane Subgroup

The Jerrys Plains Subgroup and the Vane Subgroup are separated by a marine incursion, which is represented by the Archerfield Sandstone. The Jerrys Plains Subgroup has been subdivided into two formations, namely the Bulga and Foybrook Formations and various seam members as outlined in ***Figure 5-1***.

The lower seams of the Vane Subgroup generally have similar thicknesses and are characteristic of the facies change from lower to upper delta plain deposits, with the Liddell Coal Member being the thickest coal-bearing unit, up to 14m in the Foybrook area. The majority of the seams are characterised by multiple splitting, thus, individual coal seams tend to be thin and of inferior quality to the upper Jerrys Plains Seams.

Figure 5-1 Generalised Stratigraphic Column for the Whittingham Coal Measures



	Subgroup	Formation	Member
Whittingham Coal Measures	Denman Formation		
	Jerrys Plains Subgroup	Mt Leonard Formation	Whybrow Seam
		Malabar Formation	Redbank Creek Seam
			Wambo Seam
			Whynot Seam
			Blakefield Seam
		Mount Ogilvie Formation	Saxonvale Member
			Glen Munro Seam
			Woodlands Hill Seam
		Milbrodale Formation	
		Mount Thorley Formation	Arrowfield Seam
			Bowfield Seam
			Warkworth Seam
		Fairford Formation	
		Burnamwood Formation	Mt Arthur Seam
			Piercefield Seam
			Vaux Seam
			Broonie Seam
			Bayswater Seam
	Archerfield Sandstone		
	Vane Subgroup	Bulga Formation	Lemington Seam
		Foybrook Formation	Pikes Gully Seam
			Arties Seam
			Liddell Seam
			Barrett Seam
			Hebden Seam
	Saltwater Creek Formation		

Coal Mineralogy and Rank

Vitrinite

Vitrinite is the dominant maceral group in coals of the Jerrys Plains Subgroup (generally greater than 50%) with the content of the coal at MTW and HVO typically ranging between 70 and 80%. Inertinite is most abundant in seams from the Bowfield Coal Member to the Bayswater Coal Member, which could indicate greater extent of oxidation during deposition of coals in that part of the Jerrys Plains Subgroup

Coal Rank

Coals in the south of the Hunter Coalfield are generally of higher rank in comparison to those in the north for the same depth, all generally increasing linearly with increasing depth. Vitrinite Reflectance (Rv max) is used as a measure of coal rank. In the south of the coalfield RV max varies within a broad range between 0.56 and 1.15%, although most are greater than 0.75%. Rv max of 1% or more occurs at depths of greater than 700m with the central regions, Rv max is about 0.72 to 1.00%, whereas in the west Rv max is between 0.65 and 0.95% Rv max in the HVO area does not show any consistent trends and any potential down dip trend of increasing Rv max is within the repeatability range of the vitrinite reflectance measurement and cannot be interpreted as a trend.

A number of seams demonstrate that CSN increases to the south east in HVO rather than down dip. The CSN at MTW appears to follow the south-easterly increasing trend with CSN values that are generally greater than those values at HVO down to the Mount Arthur Seam. The CSN for the Piercefield to Broonie seams appear to have similar values at both MTW and HVO. The CSN values in MTW appear to increase down dip.

The MTO CHPP splits coal at plus and minus 16mm, with the minus 16mm size fraction producing SSCC from certain coal seams. Splitting the coal by size fraction is a way of concentrating vitrinite into the minus 16mm fraction, which enables the coal product to be marketed as SSCC.

RPM considers that increased CSN at MTW and HVO is related to the increased vitrinite content of the coal. Coal rank in the range Rv max 0.75 to 0.8% at MTW and HVO is not a significant driver for caking properties. Additionally RPM concludes that Rv max should not be used as an indicator for determining increased potential for semi soft coking coal down dip, however the relationship between vitrinite content and CSN should be investigated in detail to develop an understanding of how increased value can be obtained from the MTW and HVO resources.

Deposit Geology

The surface geology of the HVO, MTW and Ashton coal leases is dominated by outcrops of the Jerry's Plains and Vane Subgroups which form the Whittingham Coal Measures. The main rock types of this sub-group include sandstone, siltstone and conglomerate, which occur with subordinate coal and tuffaceous claystone

Hunter Valley Operations

HVO is located on the asymmetric southerly plunging Bayswater Syncline. The Auckland area is located on the western flank of the Camberwell Anticline and dips more steeply than the western limb of the Bayswater Syncline. The West Pit is located on the eastern flank of the Muswellbrook Anticline.

The Barrett seam outcrops in the east of the Auckland area on the Camberwell Anticline. A cross section through the HVO resource is shown as ***Figure 5-2***.

Mount Thorley and Warkworth

The Wollombi Coal Measures overlie the Whittingham Coal Measures and outcrop in the far southwestern corner of CCL753. Alluvial deposits associated with the Hunter River and Wollombi Brook cover the coal bearing strata over the northern and eastern parts of CCL753.

The strata within the MTW area dip to the west and southwest between 4 and 6^{o} with increased dips in excess of 60 degrees in the south-eastern corner of the MTO area, known as the Mount Thorley Monocline, which is located on the western flank of the Loder Anticline.

A cross section through the MTW resource is shown as ***Figure 5-3***.

Ashton

The Ashton area is located on the Camberwell Anticline which has a north north-west to north-west orientation and plunges to the north-west. The Camberwell Anticline is asymmetric with a moderately dipping (9° to 18° degrees) eastern limb which is situated in ML1529 and a gently dipping (6° to 9°) western limb which is situated in the remainder of the area as shown in ***Figure 5-4***. The western limb at Ashton contains the seams that are equivalent to those in the Auckland area at HVO.

The Ashton area contains all coal seams from the Bayswater Seam to the Hebden seam which in stratigraphic descending order are:

- Bayswater;
- Lemington;
- Pikes Gully;
- Arties;
- Liddell;
- Barrett; and,

- Hebden.

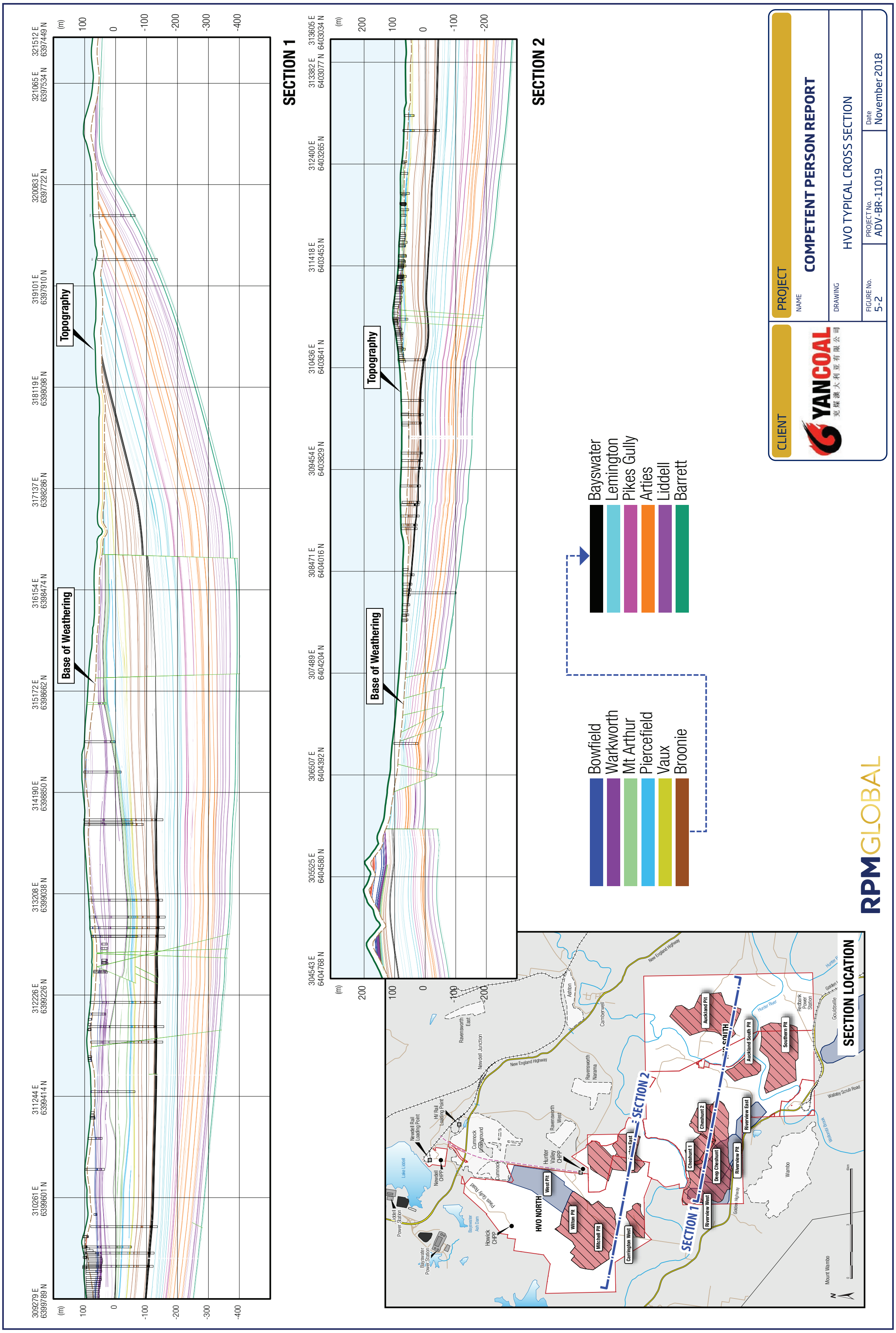
The coal seams at Ashton exhibit the same degree of seam splitting, seam thickness and have similar raw coal ash ranges to the equivalent coal seams at MTW and HVO.

The Barrett Seam outcrops on the Camberwell Anticline south of the New England Highway and joins with the outcrop of that seam to the south in HVO. The stratigraphically higher coal seams above the Barrett Seam crop out sequentially from east to west throughout the Ashton area. The coal seams in the Ashton area are equivalent to the coal seams present in the Auckland area at HVO.

Monash

The Monash area contains stratigraphy from the Newcastle Coal Measures and Jerrys Plains Subgroup of the Whittingham Coal Measures. Regional dip of strata is shallow (<5 degrees) generally towards the southwest. Triassic Narrabeen Group sediments up to 400m thick overlie the Newcastle Coal Measures and form prominent escarpments. Coal seams in this remote portion of the Lower Hunter Valley exhibit a high degree of splitting and so thickness and ash content varies considerably throughout the deposit. The stratigraphy is similar to that outlined in ***Figure 5-1*** and the coal seams contained in the Monash resource in stratigraphic descending order include:

- Fassifern;
- Borehole;
- Whybrow;
- Whynot;
- Woodlands Hill;
- Arrowfield; and,
- Bowfield.


SECTION 1
SECTION 2
Topography
Base of Weathering
(m)
100
0
-100
-200
-300
-400
200
309279 E 6399789 N
310261 E 6399601 N
311244 E 6399414 N
312226 E 6399226 N
313208 E 6399038 N
314190 E 6398850 N
315172 E 6398662 N
316154 E 6398474 N
317137 E 6398286 N
318119 E 6398098 N
319101 E 6397910 N
320083 E 6397722 N
321065 E 6397534 N
321512 E 6397449 N
304543 E 6404768 N
305525 E 6404580 N
306507 E 6404392 N
307489 E 6404204 N
308471 E 6404016 N
309454 E 6403829 N
310436 E 6403641 N
311418 E 6403453 N
312400 E 6403265 N
313382 E 6403077 N
313605 E 6403034 N
Bowfield
Warkworth
Mt Arthur
Piercefield
Vaux
Broonie
Bayswater
Lemington
Pikes Gully
Arties
Liddell
Barrett
SECTION LOCATION
HVO NORTH
SOUTH
West Pit
Wilton Pit
Mitchell Pit
Carrington West
Riverview West
Deep Cheshunt
Riverview Pit
Cheshunt 1
Cheshunt 2
Riverview East
Auckland South Pit
Auckland Pit
Southern Pit
Liddell Power Station
Bayswater Power Station
Lake Liddell
Bayswater Ash Dam
Howick CHPP
Newdell CHPP
Newdell Rail Loading Point
HV Rail Loading Point
Hunter Valley CHPP
Cumnock
Cumnock Underground
Ravensworth West
Ravensworth Narama
Ravensworth East
Newdell Junction
Camberwell
Ashton
New England Highway
Pikes Gully Road
Golden Highway
Wallaby Scrub Road
Hunter River
Redbank Power Station
Goorlaville
Mount Wambo
Wambo
N
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PROJECT

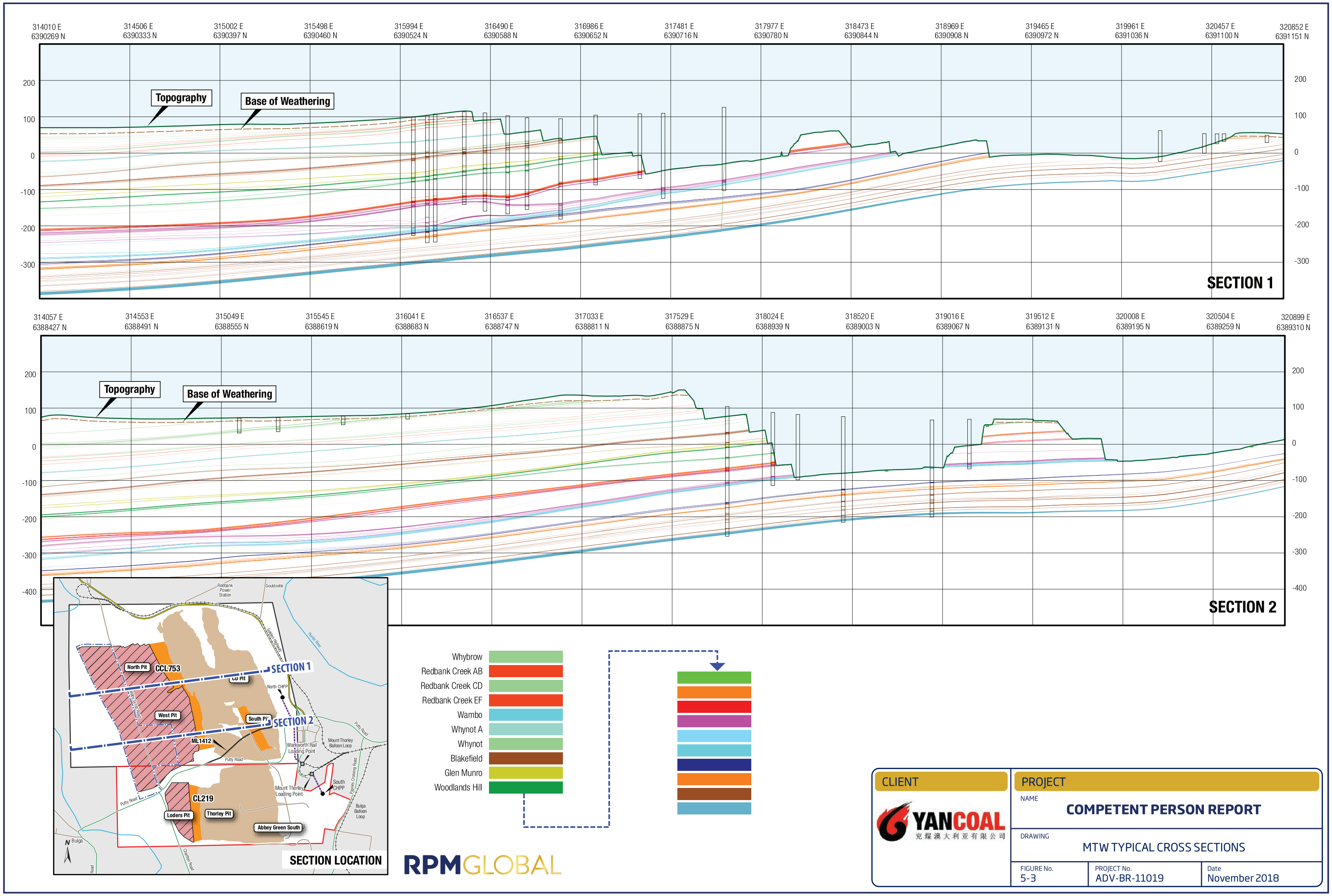
NAME
COMPETENT PERSON REPORT

DRAWING
HVO TYPICAL CROSS SECTION

FIGURE No.
5-2

PROJECT No.
ADV-BR-11019

Date
November 2018



314010 E 6390269 N
314506 E 6390333 N
315002 E 6390397 N
315498 E 6390460 N
315994 E 6390524 N
316490 E 6390588 N
316986 E 6390652 N
317481 E 6390716 N
317977 E 6390780 N
318473 E 6390844 N
318969 E 6390908 N
319465 E 6390972 N
319961 E 6391036 N
320457 E 6391100 N
320852 E 6391151 N
200
100
0
-100
-200
-300
Topography
Base of Weathering
SECTION 1
314057 E 6388427 N
314553 E 6388491 N
315049 E 6388555 N
315545 E 6388619 N
316041 E 6388683 N
316537 E 6388747 N
317033 E 6388811 N
317529 E 6388875 N
318024 E 6388939 N
318520 E 6389003 N
319016 E 6389067 N
319512 E 6389131 N
320008 E 6389195 N
320504 E 6389259 N
320899 E 6389310 N
200
100
0
-100
-200
-300
-400
Topography
Base of Weathering
SECTION 2
Whybrow
Redbank Creek AB
Redbank Creek CD
Redbank Creek EF
Wambo
Whynot A
Whynot
Blakefield
Glen Munro
Woodlands Hill
Redbank Power Station
Gouldsville
North Pit
CCL753
CD Pit
SECTION 1
North CHPP
West Pit
South Pit
SECTION 2
ML1412
Mount Thorley Balloon Loop
Warkworth Rail Loading Point
Putty Road
CL219
Mount Thorley Loading Point
South CHPP
Loders Pit
Thorley Pit
Abbey Green South
Bulga Balloon Loop
N
Bulga
SECTION LOCATION
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COMPETENT PERSON REPORT

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MTW TYPICAL CROSS SECTIONS

FIGURE No. 5-3

PROJECT No. ADV-BR-11019

Date November 2018

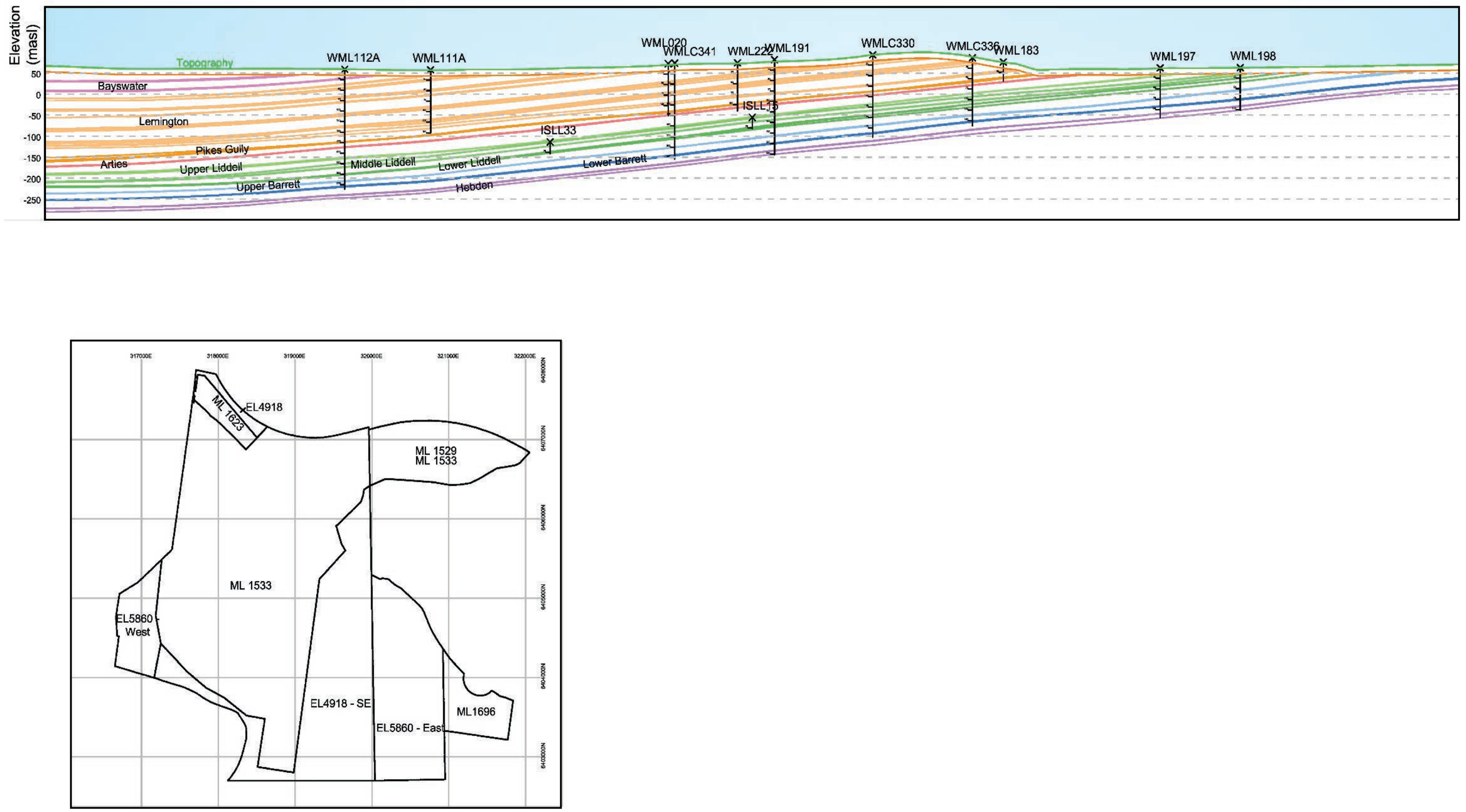
Elevation (masl)
50
0
-50
-100
-150
-200
-250
Topography
Bayswater
Lemington
Pikes Gully
Arties
Upper Liddell
Upper Barrett
Middle Liddell
Lower Liddell
Hebden
Lower Barrett
WML112A
WML111A
ISLL33
WML020
WMLC341
WML222
WML191
ISLL15
WMLC330
WMLC336
WML183
WML197
WML198
317000E
318000E
319000E
320000E
321000E
322000E
6408000N
6407000N
6406000N
6405000N
6404000N
6403000N
ML 1623
EL4918
ML 1529
ML 1533
ML 1533
EL5860 - West
EL4918 - SE
EL5860 - East
ML1696

Figure Source: MBGS Ashton Coal Mine Competent Person Report December 2017

CLIENT	PROJECT		
YANCOAL 兗煤澳大利亞有限公司	NAME COMPETENT PERSON REPORT		
	DRAWING ASHTON - TYPICAL WEST TO EAST CROSS SECTION		
	Figure No. 5-4	PROJECT No. ADV-BR-11019	Date November 2018

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5.2 Moolarben

Regional Geology

The Moolarben deposit is located on the western margin of the Western Coalfield within the Sydney Basin where sedimentary strata of Permian, Triassic and Jurassic age dip towards the northeast at 1° - 3° and overlie Carboniferous granite and folded metamorphic basement. The Permian strata comprise the coal-bearing Illawarra Coal Measures and the underlying Shoalhaven Group, which in turn uncomformably overlies the Lachlan Fold Belt basement rocks (***Figure 5-5****)*. Surface Quaternary alluvial deposits and remnant Tertiary basalt flows are common in the area.

The Illawarra Coal Measures are equivalent to the basal section of the Newcastle Coal Measures and the Wittingham Coal Measures in the Hunter Coalfield. Extrusive basaltic lavas and intrusive igneous activity was common during the Tertiary era (< 65 million years ago). These igneous features are usually not significant for open cut mining but for underground operations the impact of unidentified igneous intrusions can be serious from a safety as well as a cost perspective. RPM is aware the Company and its operators are well aware of this issue and continue to monitor and explore to minimise their impact.

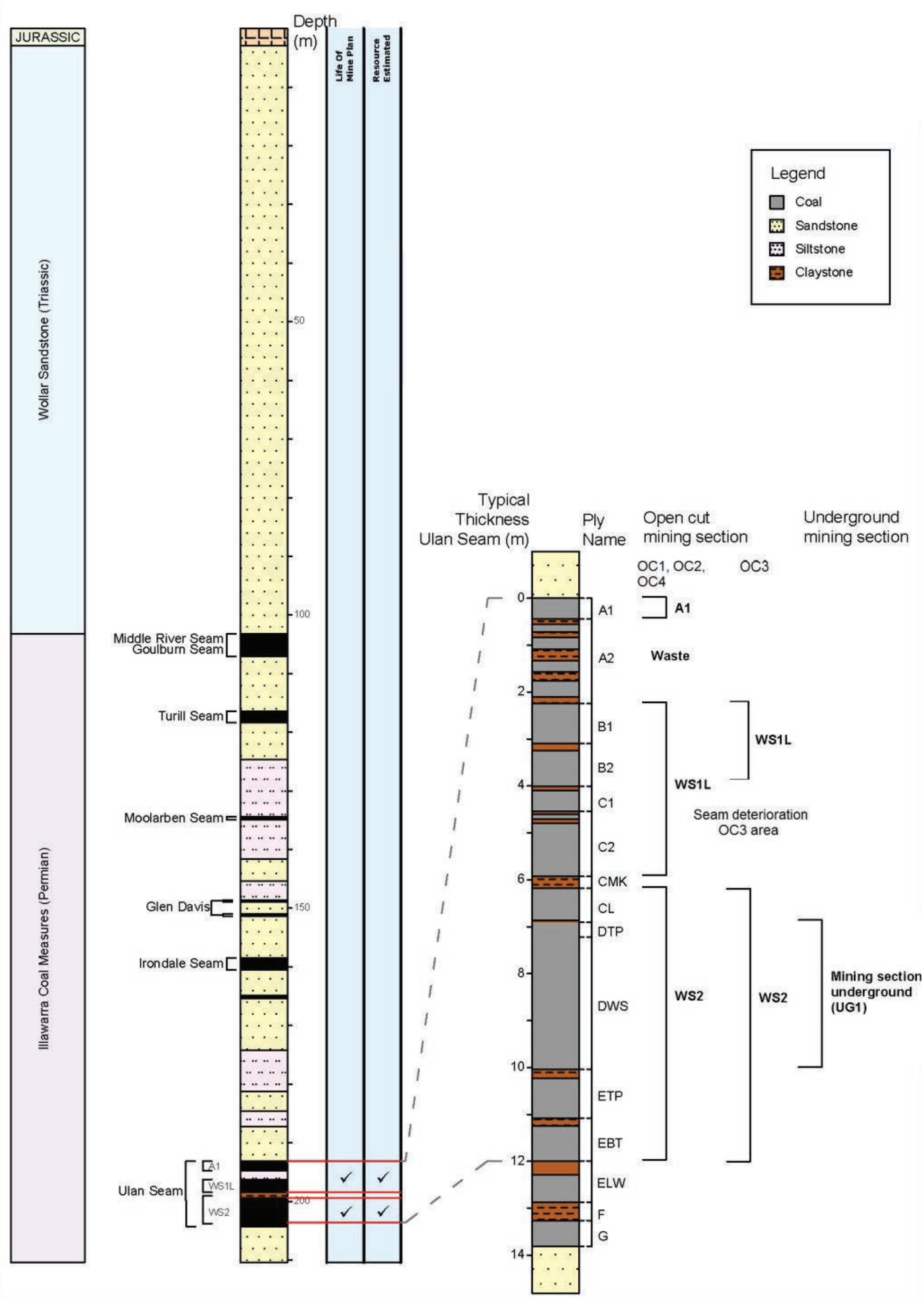
Regional Stratigraphy

The Illawarra Coal Measures are typically 80 to 100m thick within the Moolarben resource area and comprise a sequence of interbedded siltstone, sandstone, minor claystone with up to eight coal intervals, of which the Ulan Seam is the only seam mined (***Figure 5-5)***. Regionally, the Wollar Sandstone which is a 120m thick sandstone sequence within the Narrabeen Group, overlies the coal measures forming cliffs and escarpments. The Pilliga Sandstone and Purlawaugh Siltstone, both of Jurassic age, overlie the Narrabeen Group to the north and east of Moolarben, with a combined thickness of up to 120 m. The Pilliga Sandstone is an aquifer of regional significance.

The Ulan Seam includes several partings and on a regional basis is up to 12m thick. A tuffaceous parting (C Marker – CMK) approximately 0.3m thick occurs in the middle of the seam and separates the upper (WS1L) and lower (WS2) open cut working sections. East of Moolarben the CMK interval increases to 15m thick. The Lithgow Seam, which is up to 15m below the Ulan Seam is the basal seam within the Illawarra Coal Measures throughout the Western Coalfield.

The seam depth increases towards the northeast due to regional dip (***Figure 5-6***). Overburden thickness north of the railway in the north of EL6288 reaches 300m and in the south of EL6288 severe topographic relief caused by remnant Triassic escarpments, limit the extent of open cut development even though overburden thickness tends to be less than 150 m.

The Ulan Seam is typically 11m thick throughout much of tenure although in the south of EL6288 and within EL7073, deterioration of some upper coal plies in the WS1 results in a decrease in overall seam thickness to less than 6 m.


JURASSIC
Wollar Sandstone (Triassic)
Illawarra Coal Measures (Permian)
Depth (m)
50
100
150
200
Life Of Mine Plan
Resource Estimated
Middle River Seam
Goulburn Seam
Turill Seam
Moolarben Seam
Glen Davis
Irondale Seam
Ulan Seam
A1
WS1L
WS2
✓
✓
✓
✓
Legend
Coal
Sandstone
Siltstone
Claystone
Typical Thickness Ulan Seam (m)
Ply Name
Open cut mining section
OC1, OC2, OC4
OC3
Underground mining section
0
2
4
6
8
10
12
14
A1
A2
B1
B2
C1
C2
CMK
CL
DTP
DWS
ETP
EBT
ELW
F
G
A1
Waste
WS1L
WS1L
Seam deterioration OC3 area
WS2
WS2
Mining section underground (UG1)

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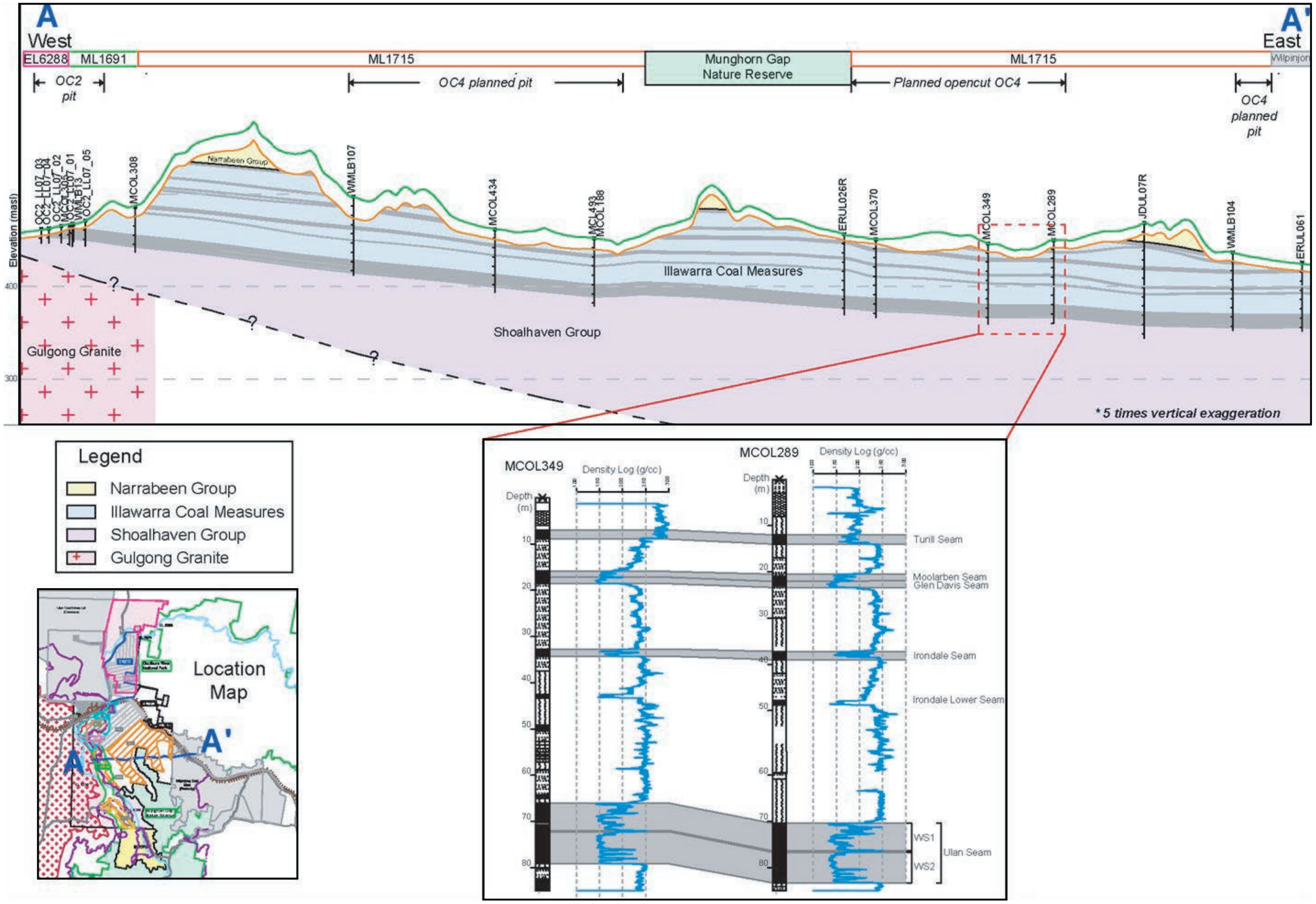
DRAWING
MOOLARBEN STRATIGRAPHIC COLUMN

Figure No.	PROJECT No.	Date
5-5	ADV-BR-11019	November 2018


A
West
EL6288
ML1691
ML1715
Munghorn Gap
Nature Reserve
ML1715
A'
East
Wilpinjong
OC2
pit
OC4 planned pit
Planned opencut OC4
OC4
planned
pit
Elevation (masl)
400
300
OC2_LL07_03
OC2_LL07_04
OC2_LL07_02
MCOL305
OC2_LL07_01
WMLB13
OC2_LL07_05
MCOL308
Narrabeen Group
WMLB107
MCOL434
MCL493
MCOL188
ERUL026R
MCOL370
MCOL349
MCOL289
JDUL07R
WMLB104
ERUL061
Illawarra Coal Measures
Shoalhaven Group
Gulgong Granite
?
?
?
* 5 times vertical exaggeration
Legend
Narrabeen Group
Illawarra Coal Measures
Shoalhaven Group
Gulgong Granite
Location
Map
A
A'
MCOL349
Density Log (g/cc)
Depth
(m)
10
20
30
40
50
60
70
80
MCOL289
Density Log (g/cc)
Depth
(m)
10
20
30
40
50
60
70
80
Turill Seam
Moolarben Seam
Glen Davis Seam
Irondale Seam
Irondale Lower Seam
WS1
WS2
Ulan Seam

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NAME
COMPETENT PERSON REPORT

DRAWING
MOOLARBEN CROSS SECTION

Figure No.	PROJECT No.	Date
5-6	ADV-BR-11019	November 2018

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5.3 Yarrabee

Regional Geology

The Yarrabee deposit is situated in the eastern portion of the Central Bowen Basin in central Queensland adjacent to the Dawson Tectonic zone. The stratigraphic sequence is made up of thin Quaternary soils, Tertiary sands and gravels, the Triassic Rewan Formation and the Upper Permian Rangal Coal Measures. The coal measures consist of interbedded siltstones and sandstones with some mudstones and shales. The Rangal Coal Measures are separated from the lower Burngrove Formation by the Yarrabee Tuff, which, when present, can be used for correlation purposes.

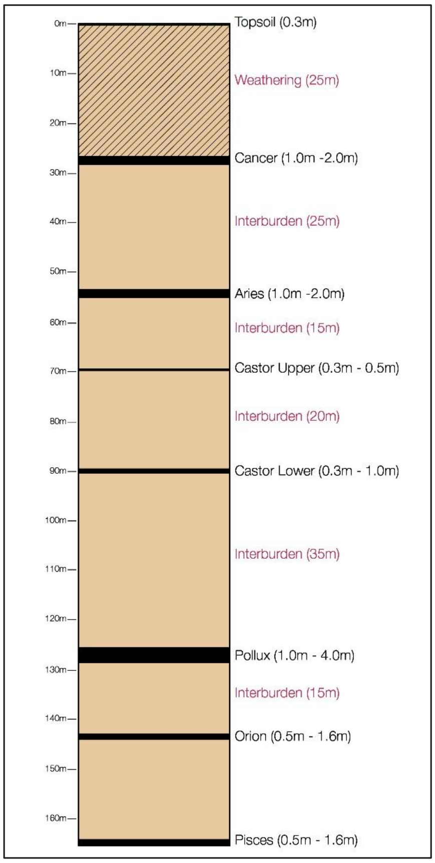
The Tertiary material is dominated by sand and gravel, the thickness of which increases with proximity to the Mackenzie River. Thicknesses of the Tertiary range from 40 meters depth in the north to zero meters in the south. The base of weathering is typically between 5 and 15 meters below the Base of Tertiary surface.

The seams at Yarrabee in stratigraphic order (as shown in ***Figure 5-7***) are: Cancer, Aries, Castor Upper, Castor Lower, Pollux, Orion and Pisces Lower) have been modelled and resourced where supported by adequate data. The lower Orion and Pisces seams are generally thin and of poor quality and thus are not resourced, with the exception of the Yarrabee East South (YES) and Domain 2 South pit areas. In these zones the seams thicken and improve in quality sufficiently to be resourced. ***Figure 5-7*** shows a schematic of the Yarrabee seams.

Deposit Geology

The Yarrabee deposit is located within a fault slice of the Rangal Coal Measures of the Blackwater Group, between the Yarrabee fault on the east and another fault on the west, both faults being thrusts and upthrown to the east, ***Figure 5-8***.

Figure 5-7 Yarrabee Resource Stratigraphic/Seam Sequence


0m
10m
20m
30m
40m
50m
60m
70m
80m
90m
100m
110m
120m
130m
140m
150m
160m
Topsoil (0.3m)
Weathering (25m)
Cancer (1.0m -2.0m)
Interburden (25m)
Aries (1.0m -2.0m)
Interburden (15m)
Castor Upper (0.3m - 0.5m)
Interburden (20m)
Castor Lower (0.3m - 1.0m)
Interburden (35m)
Pollux (1.0m - 4.0m)
Interburden (15m)
Orion (0.5m - 1.6m)
Pisces (0.5m - 1.6m)

The overarching structure of the Yarrabee area is an asymmetric south easterly plunging syncline, the Yarrabee Syncline, with the greatest amount of compressional deformation located on the western limb and the northern nodal part of the syncline. The Yarrabee Syncline is shown by the dark blue line in ***Figure 5-8***. The Yarrabee Mine is located between two significant fault structures (most likely faulted zones, rather than single faults) on the east and to the west. Faults strike in a NNE-SSE direction and are upthrown to the east.

The Yarrabee Syncline is itself folded and faulted by smaller fold structures and faults, shown in ***Figures 5-8***. The anticline structures are typically faulted in the more compressed parts of the Yarrabee area and coal is only present in the synclines. ***Figure 5-9*** shows two cross sections which are located in the vicinity of the Yarrabee East North (YEN) pit. Six thrust faults have been interpreted with the lowest angle faults being located in the east and subsequent faults located to the west steepening to the west. In addition fault plane angles are lowest in the north and steepen to the south, which can be observed by comparison between cross section 1 and cross section 2 in ***Figure 5-9***.

Figure 5-8 Yarrabee East Mine Area and Location of Cross Sections

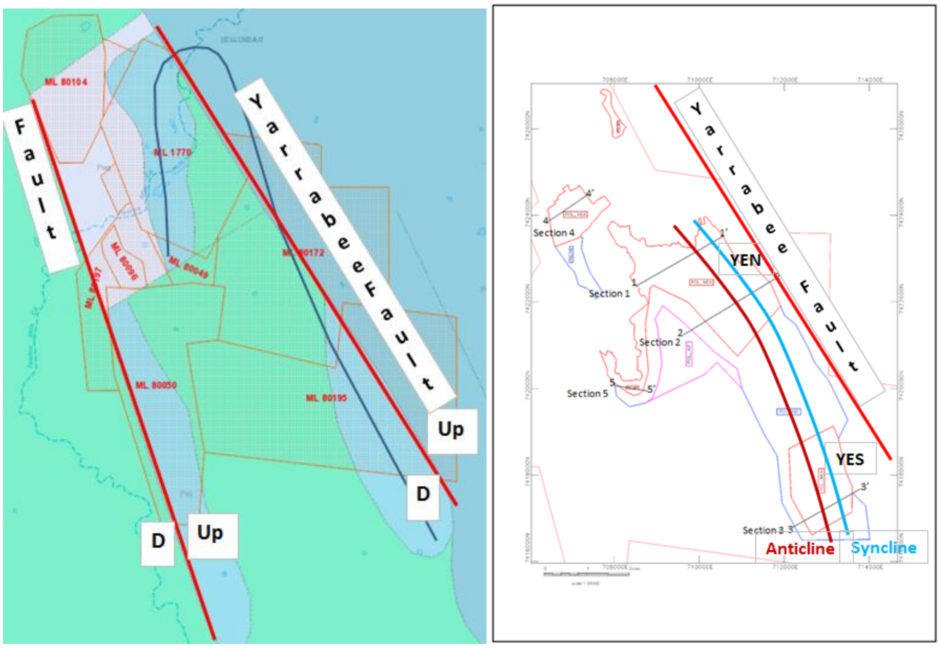
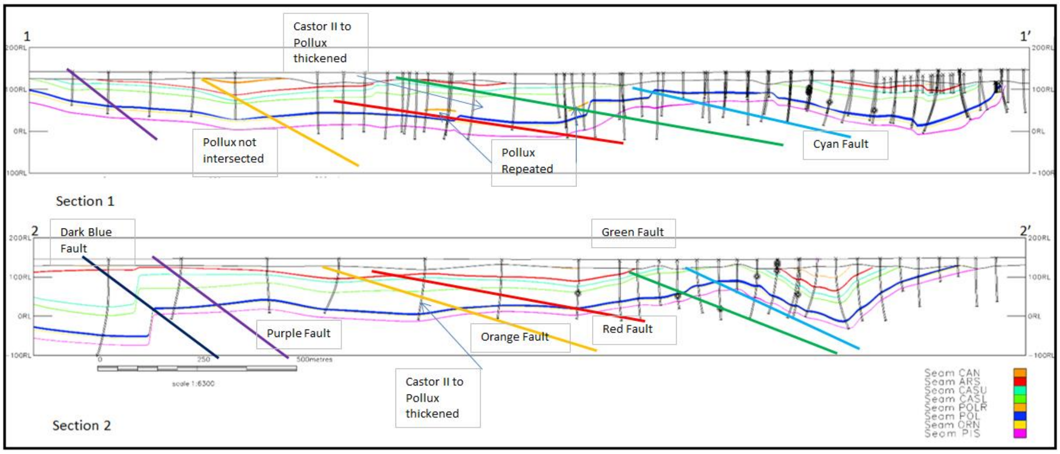

Fault
ML 80104
ML 1770
ML 80096
ML 80049
ML 80172
ML 80050
ML 80195
Yarrabee Fault
Up
D
D
Up
Yarrabee Fault
Section 4
Section 1
Section 2
Section 5
Section 3
YEN
YES
Anticline
Syncline

Figure 5-9 Yarrabee Typical Cross Section


1
1'
Castor II to Pollux thickened
200RL
100RL
0RL
-100RL
Pollux not intersected
Pollux Repeated
Cyan Fault
Section 1
2
2'
Dark Blue Fault
Green Fault
Purple Fault
Orange Fault
Red Fault
0
250
500metres
scale 1:6300
Castor II to Pollux thickened
Section 2
Seam CAN
Seam ARS
Seam CASU
Seam CASL
Seam POLR
Seam POL
Seam ORN
Seam PIS

The Pollux seam is the only seam that is subsampled with multiple ply samples taken. The other seams are typically sampled as a single sample unless the geologist determines that the seam intersection has been structurally thickened by faulting and in those cases additional samples are taken to ensure correct representation of the seams coal quality attributes.

The Pollux seam is stratigraphically equivalent to the Leichardt or Elphinstone of the Northern Bowen Basin and the DU and D seam of the south-eastern Bowen Basin at Moura. The RPM Competent Person is familiar with the characteristics of the Pollux seam throughout the Bowen Basin.

The Pollux seam is subdivided into four coal intervals which are listed below. The upper and lower sections of the Pollux seam are subdivided at the medial stone band which is a Bowen Basin wide marker in the Leichardt / Elphinstone seam. Typical sampling for each of the four intervals is described below and shown in ***Figure 5-10***:

1) Wash Top - The Wash top ply is sampled as a single interval, because it is typically less than 30cm thick,

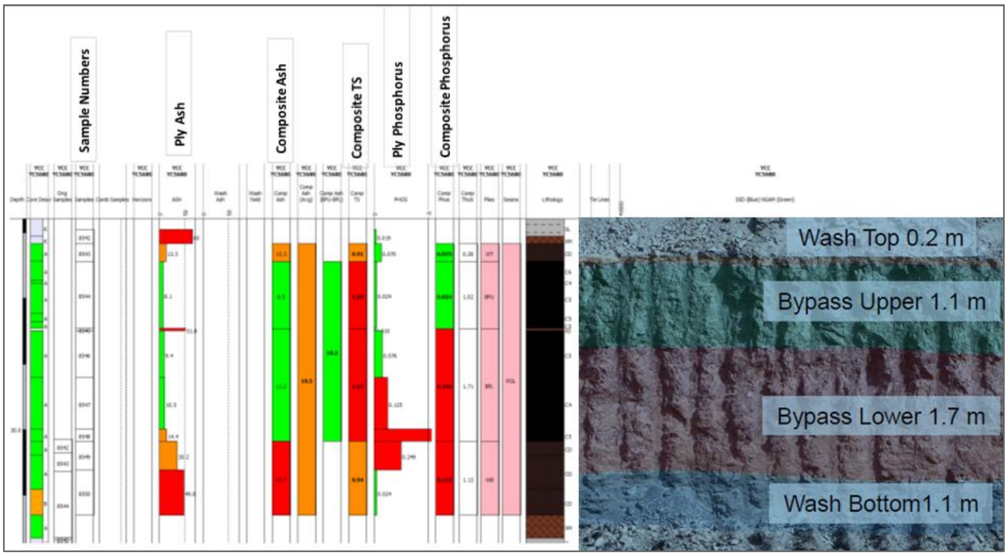
2) Bypass Upper - The Bypass Upper is typically sampled as a single interval because it has uniformly consistent coal quality,

   Medial Stone Band

3) Bypass Lower - The Bypass Lower is sampled as a number of intervals to characterise the raw coal ash and phosphorus. In general a minimum of three samples is required.

4) Wash Bottom - The wash Bottoms is also sampled as a number of intervals to characterise the raw coal ash and phosphorus and a minimum of three samples is required.

Figure 5-10 Pollux Seam Sample and Mining Sections



5.4 Stratford and Duralie

Regional Geology

The Stratford and Duralie Operations comprises the Stratford mine in the north and the Duralie Mine in the south. The Operations are located in the Gloucester Basin in NSW and is approximately 55km long and 15km at it's widest. The coal bearing strata package is over 1km thick and contains 10-15 significant seams. The stratigraphic sequence of the Gloucester Basin is shown in ***Figure 5-11***

The Basin primarily contains in stratigraphically descending order the Late Permian strata of the Gloucester Coal Measures and Dewrang Group. The Stratford and Duralie Basin is a relatively small Permian basin which has undergone significant east-west tectonic compression that has resulted in a tight north trending synclinal structure that is disrupted by considerable normal faulting that strikes east-west and reverse faulting that strikes north-south.

The, Roseville, Marker 3, Marker 8, Marker 1, Bowens Road, Glen View, Marker operation is located on the eastern limb of the Stroud Gloucester syncline, where the strata dip to the west, ranging from 10 to 50°, however is steeper in localised areas resulting in a relatively complex deposit compared to its regional peers in the Hunter Valley. The deposit comprises multiple seams with extensive splitting and coalescing both down dip and along strike. The coal seams that are exposed on the eastern side of the Stroud Gloucester Syncline include: Linden, Marker 7, Marker 6, Bindaboo, Deards, Cloverdale2, Avon, Triple, Weismantel, Cheerup and Clareval Seams. It is expected that all coal mined at Stratford and Duralie will be washed and if required blended with other seams to produce both coking and thermal coal products as is currently site practice.

The Gloucester Coal Measures are considered to be equivalent to the Late Permian Wittingham Coal Measures of the Hunter Coalfield, northern Sydney Basin. The coals in the Gloucester Coal Measures are generally vitrain rich and intensely cleated

Stratford Deposit Geology

The western portion of the operation strata from the Woods Road, Bucketts Way and Wenham Formations dip to the west at 10-50° and contain ten coal seam packages (Marker 7 to Bowens Road) over a stratigraphic thickness of approximately 600m***.*** A stratigraphic column of the seam sequence at Stratford West is shown in ***Figure 5-11***.

East-west/northeast-southwest normal faulting is present with the most prominent feature a growth fault at the boundary of the BRN Pit (***Figure 5-12***), with displacement up to 40m are present in the Stratford West area and can be traced for a distance of up to 3km. A number of smaller displacement reverse faults have been interpreted from borehole data to have vertical displacements of up to several metres.

Further complexity occurs with sedimentary changes prevalent in these seams resulting in seam splitting and thinning of plies to the northern areas of the tenement holdings. Changes in interburden and ply thickness can occur over reasonably short distances making correlation of borehole data difficult. Rare igneous intrusions have been intersected in boreholes, due to the location of these intersections a possible dyke has been interpreted trending parallel to the east-west faults. Coal seams in Stratford West from Marker 7 to Marker 1 are generally reasonably coalesced in the south and start to split apart northwards.

The majority of seams in the Gloucester Coal Measures have raw ash content of 25-35% and total sulphur values average 0.5-0.8%. Washability data shows coal seams are able to produce coking and thermal coal products with low to moderate sulphur content after beneficiation.

Avon North is an area northeast of the Stratford Main Pit and the strata present are from the Avon Sub- group. Seams dip steeply toward the west at 35-50° and sub-crop to the east (***Figure 5-12***). North-south trending reverse faults have been identified from borehole intersections, two of which are steeply dipping (in the order of 70° to the west). Additional reverse faults have been identified however there is insufficient data to refine the interpretation.

The Avon seam is the main economic target in this area. It contains up to 13 coal plies, and is disrupted by 5 or 7 thrust faults. The upper part of the Avon seam has an overall product yield of 80% with coking coal yield of 65% (ash 10% and CSN 8-9) and thermal middlings yield 10-15% (ash 25-30%). Raw coal analyses show the Avon Seam contains low sulphur (generally <0.5%).

The Stratford East area is a narrow elongated resource area located east of Stratford. Strata dip steeply to the west and contain the Weismantel, Cheerup and Clareval Seams. These coal seams are from the stratigraphically lower Dewrang Group which is approximately 500m deeper (stratigraphically) than the Avon Seam at Avon North. The Weismantel seam is located some 150m stratigraphically above the Clareval.

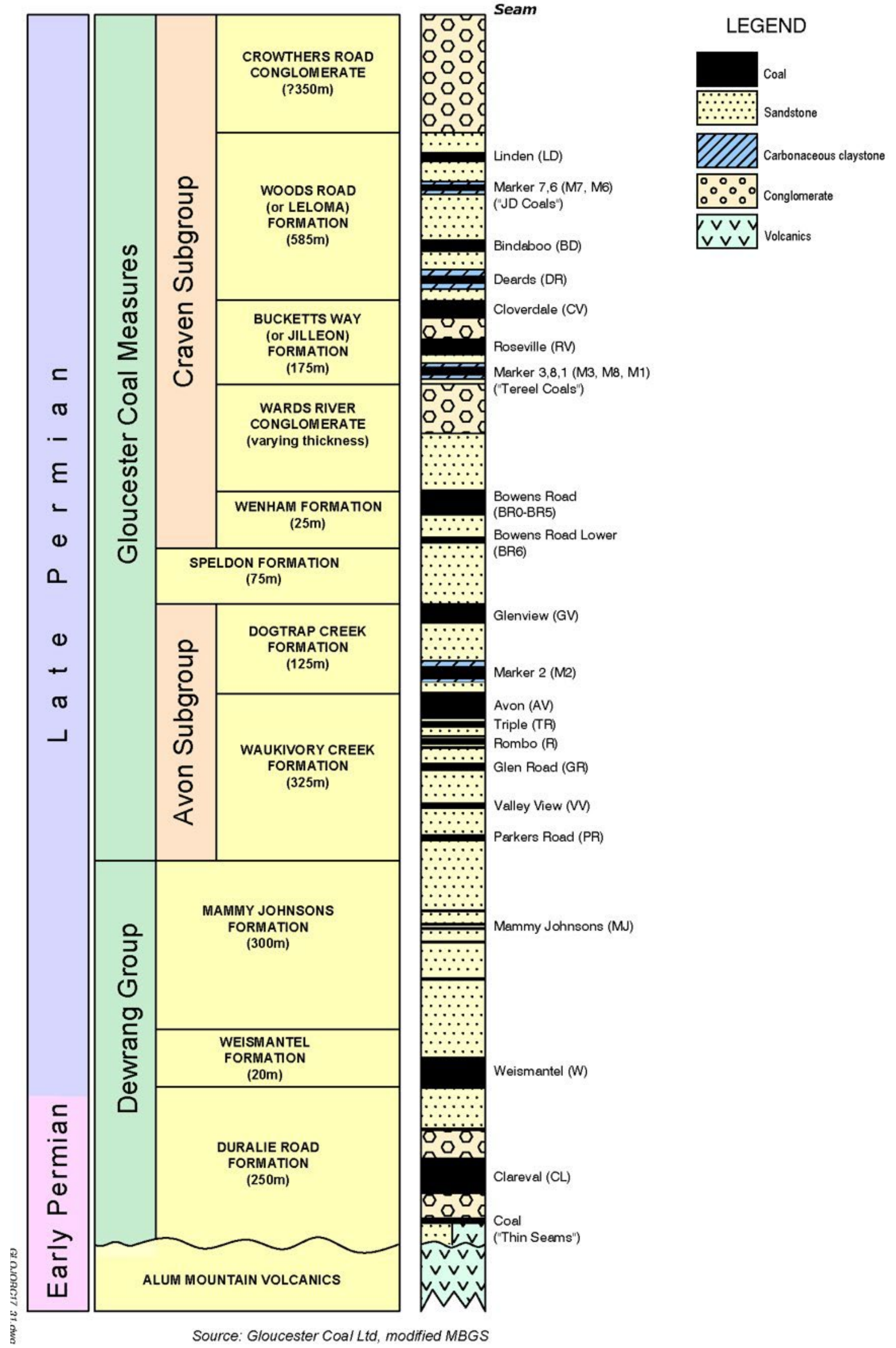
The Weismantel seam at Stratford is considerably deteriorated compared to the Weismantel Seam at Duralie (See below). There is very limited quality data for this seam however the data available indicates a high ash (40-50%), moderate sulphur (1.5-1.6%) thermal coal. Limited raw data on the Cheerup Seam indicates a variable sulphur (0.5-9%), high ash (30-45%) coal. Raw quality on the Clareval Main Seam plies indicates low to moderate sulphur (0.5-1.6%) and medium to high ash (24-45% including thin stone partings). The Clareval Seam at Stratford East would provide product coal with similar quality to the Duralie Northwest area, however with reduced overall yield due to thin stone partings within the seam.

Duralie Deposit Geology

Mining at Duralie focuses on two seams, the Weismantel and Clareval Seams. The Weismantel Seam comprises four plies (W1-W4) and has raw ash content of 20-35% (ad). Total Sulphur in the upper portion of the seam is high (4-5%) while the remainder of the seam reports 1-3% Total Sulphur. Multiple ROM coal types are beneficiated at the Stratford CHPP to produce high sulphur and moderate sulphur thermal coal and moderate sulphur coking coal.

Open cut extraction of the thick (4-20m) Clareval Seam which underlies the Weismantel Seam (by approximately 200m), commenced in the Clareval Pits. These Pits are also located on the western limb of the syncline (up to 3km north from the original Duralie Pit). The Bowl area Pit is a highly structured area with numerous reverse faults and tight folds (including the Holmes Syncline and Cheerup Anticline). This seam has been divided into Clareval Upper, Clareval Middle and Clareval Lower Seams. Raw ash content is in the order of 15-30% and Total Sulphur is similar to Weismantel Seam with high sulphur of 4-5% (ad) in the Clareval Upper and 1-2% (ad) in Clareval Middle and Lower Seams. Clareval Seam is washed to produce both thermal and coking coal products.

Structural complexity has been identified from drilling and is observed in the open cut operation. Thrust faulting can generate seam repeats and thicken seams considerably. In current mining areas seam dips are steep (generally 30-60^{o}, however locally can be steeper) and typically dip to the east (except in zones of structural complexity).


Seam
LEGEND
Coal
Sandstone
Carbonaceous claystone
Conglomerate
Volcanics
Late Permian
Early Permian
Gloucester Coal Measures
Dewrang Group
Craven Subgroup
Avon Subgroup
CROWTHERS ROAD CONGLOMERATE (?350m)
WOODS ROAD (or LELOMA) FORMATION (585m)
BUCKETTS WAY (or JILLEON) FORMATION (175m)
WARDS RIVER CONGLOMERATE (varying thickness)
WENHAM FORMATION (25m)
SPELDON FORMATION (75m)
DOGTRAP CREEK FORMATION (125m)
WAUKIVORY CREEK FORMATION (325m)
MAMMY JOHNSONS FORMATION (300m)
WEISMANTEL FORMATION (20m)
DURALIE ROAD FORMATION (250m)
ALUM MOUNTAIN VOLCANICS
Linden (LD)
Marker 7,6 (M7, M6) ("JD Coals")
Bindaboo (BD)
Deards (DR)
Cloverdale (CV)
Roseville (RV)
Marker 3,8,1 (M3, M8, M1) ("Tereel Coals")
Bowens Road (BR0-BR5)
Bowens Road Lower (BR6)
Glenview (GV)
Marker 2 (M2)
Avon (AV)
Triple (TR)
Rombo (R)
Glen Road (GR)
Valley View (VV)
Parkers Road (PR)
Mammy Johnsons (MJ)
Weismantel (W)
Clareval (CL)
Coal ("Thin Seams")
GLOJORC17 31.dwg

Source: Gloucester Coal Ltd, modified MBGS

RPMGLOBAL

DO NOT SCALE THIS DRAWING - USE FIGURED DIMENSIONS ONLY. VERIFY ALL DIMENSIONS ON SITE

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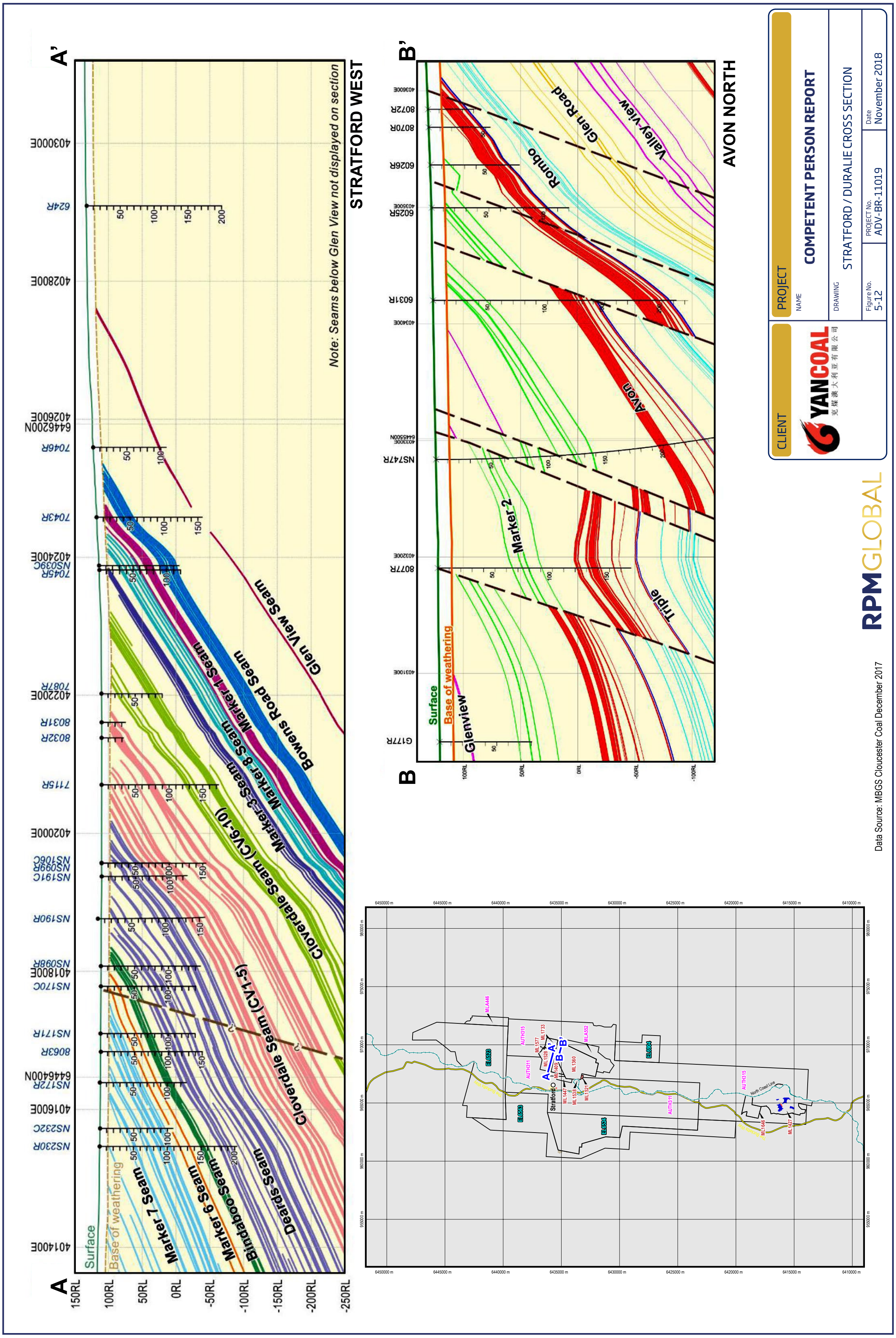
PROJECT

NAME
COMPETENT PERSON REPORT

DRAWING
STRATFORD DURALIE STRATIGRAPHIC COLUMN

Figure No.	PROJECT No.	Date
5-11	ADV-BR-11019	November 2018


A
A'
B
B'
STRATFORD WEST
AVON NORTH
Surface
Base of weathering
Marker 7 Seam
Marker 6 Seam
Bindaboo Seam
Deards Seam
Cloverdale Seam (CV1-5)
Cloverdale Seam (CV6-10)
Marker 3 Seam
Marker 8 Seam
Marker 1 Seam
Bowens Road Seam
Glen View Seam
Glenview
Marker 2
Triple
Avon
Rombo
Glen Road
Valley View
150RL
100RL
50RL
0RL
-50RL
-100RL
-150RL
-200RL
-250RL
401400E
401600E
401800E
402000E
402200E
402400E
402600E
402800E
403000E
6446400N
6446200N
NS230R
NS232C
NS172R
806 3R
NS171R
NS170C
NS098R
NS190R
NS191C
NS099R
NS106C
711 5R
803 2R
803 1R
708 7R
704 5R
NS039C
704 3R
704 6R
624R
G177R
8077R
NS747R
6031R
6025R
6026R
8070R
8072R
Stratford
North Coast Line
EL6904
EL6563
EL6904
AUTH311
AUTH315
ML1577
ML1733
ML1528
ML1360
ML1538
ML1521
ML1447
MLA552
MLA446
ML1427
ML1646

Note: Seams below Glen View not displayed on section

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PROJECT

NAME COMPETENT PERSON REPORT

DRAWING STRATFORD / DURALIE CROSS SECTION

Figure No.	PROJECT No.	Date
5-12	ADV-BR-11019	November 2018

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Data Source: MBGS Cloucester Coal December 2017

5.5 Austar

Regional Geology

The Austar Operation exploits the Greta Coal Measures in the South Maitland Coalfield, on the western side of the Newcastle Coalfield. As shown in the stratigraphic Column in ***Figure 5-13***. The Greta Coal Measures overlie volcanic sediments of the Dalwood Group at the base of the Permian succession. The thick (up to 2,000m) barren Maitland Group sediments (Branxton Formation, Muree Sandstone, Mulbring Siltstone) overlie the Greta Coal Measures and separate the Greta Coal Measures from the next coal measure sequence – the Tomago Coal Measures. These Coal Measures are the distal equivalent to the Whittingham Coal Measures located further to the northwest (approximately 50km) in the Hunter Coalfield. Overlying Tomago Coal Measures are the Newcastle Coal Measures which are in turn overlain by Early Triassic Narrabeen Group quartz rich sediments.

Greta Coal Measures are of Early Permian age (approximately 270 Ma) and in the Cessnock area comprise the following Formations:

- Paxton Formation (youngest)
- Kitchener Formation – Greta Seam
- Kurri Kurri Conglomerate – Homeville Seam
- Neath Sandstone (oldest)

Igneous dykes are present in the South Maitland Coalfield and although infrequent, were intersected at Ellalong and in old workings to the north. Dykes usually occur as a pair of dykes rather than a single dyke. The south trending Central Dyke (1-2 dykes) defined the eastern limit to longwall mining in the Stage 2 mining area. Recent exploration drilling, a review of mapping from past workings to the north (at Kitchener) and two ground magnetometer surveys has confirmed another southeast trending narrow zone of intrusive activity comprising two dykes (Kitchener Dyke) extending south into the Stage 3 mine area. From historical mapping and Austar's experience when intersecting dykes, there has been no evidence of intrusive sill bodies migrating horizontally from the dyke into the seam.

Deposit Geology

The major regional Lochinvar Anticline has a significant impact on the Greta Seam dip and strike, as well as the style of faulting which is observed within the South Maitland Coalfield. The deposit is located on the eastern flank of the south westerly plunging Lochinvar Anticline, with seam dip of approximately 4^{o} and strike ranging from east to northeast. Knowledge of the local geology from surface and subsurface mapping and an extensive array of 2D seismic and borehole data has defined a number of significant faults that will impact on, or limit mining:

- The Quorrobolong Fault Zone (Stage 3 area);
- The Abernethy Fault Zone (Stage 3 area);
- The Swamp Fault Zone (Bellbird area),and
- The Barraba Fault Zone (Bellbird area).

These zones are well mapped and defined and have been included in the structure model. Two cross sections of the Austar resource are shown as **Figure 5-14**.

The Greta Seam

The Greta seam has a well-defined trend in thickness and quality from west to east within the tenement holdings. In the western portion, past mining extracted the Greta Seam where it was typically 3m-3.5m thick.

The Greta Seam thickness increases from 6 to7m in the central areas (Bellbird and eastern part of Stage 3) and comprises dull and bright to bright banded coal. The basal 4m of coal is generally devoid of claystone bands, while the upper 2m - 2.5m contains several thin claystone bands. When seam thickness is 6 to 7m Austar attempts to use LTCC methods to mine the coal.

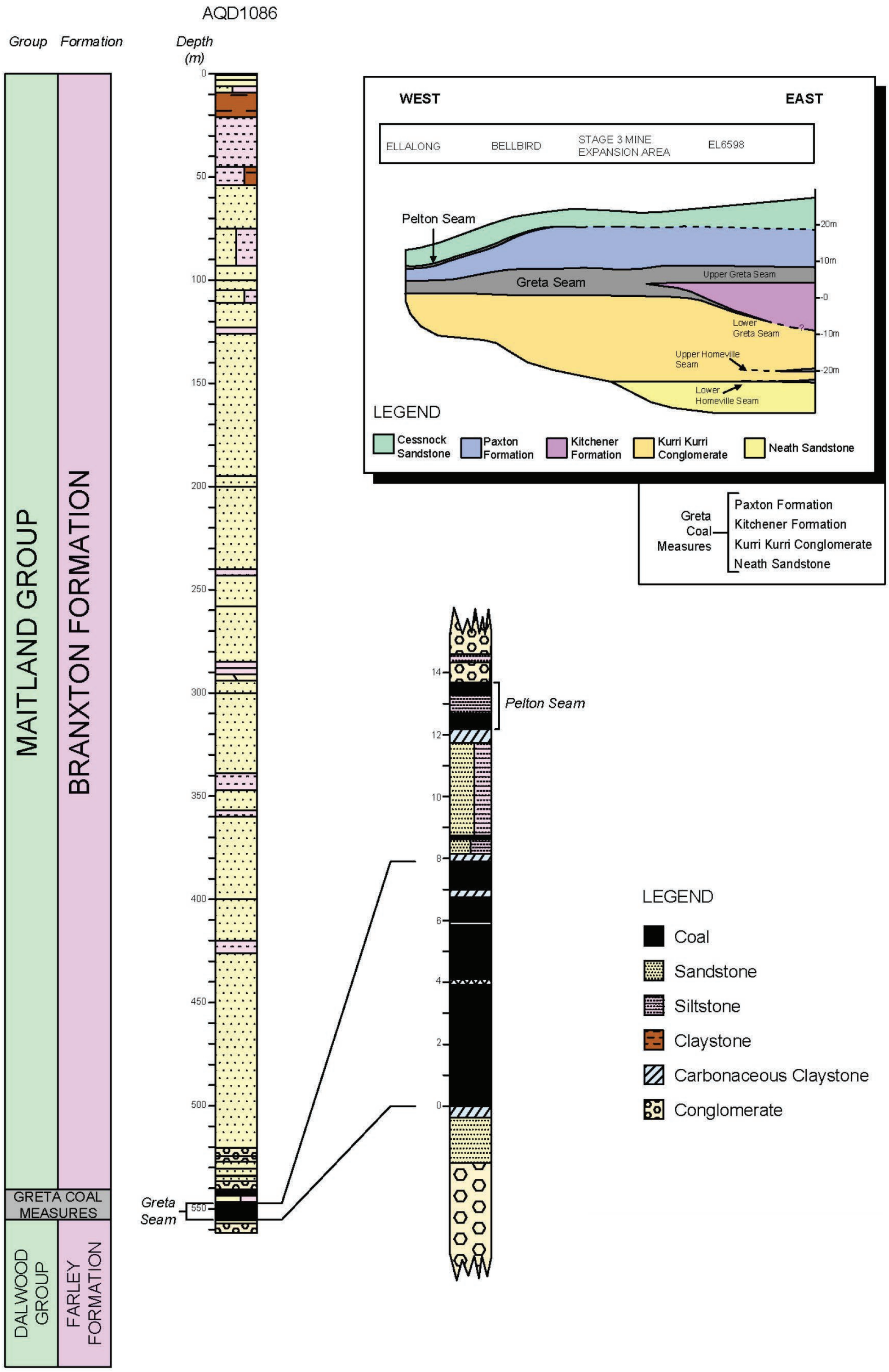
Towards the east additional thin claystone bands gradually emerge in the basal half of the seam and eventually the seam splits into an upper 4m thick section and lower 1.5m thick section, along a broadly north south trending split line. The Upper Greta Seam has been intersected in old boreholes further to the east, in the eastern portion where it gradually thins over several kilometre distance to a minimal thickness of 2m. The Lower Greta Seam thins and deteriorates to the east and east of the split line is not considered a resource.

Coal Qualities

The Greta Seam is a low ash bituminous coal with high specific energy and importantly very good coking properties (Crucible Swell Number "CSN") – 6.5, Maximum fluidity – 20,000, Maximum dilatation – 450). The seam, however also has high sulphur content which is interpreted to be influenced by environmental conditions at the time of deposition. High sulphur concentration towards the top of the seam is thought to be related to increasing marine influence during peat deposition.

Total Sulphur content in the basal half to two thirds of the seam typically ranges from 0.8%-1.2%. This Total Sulphur content increases to greater than 3% in the upper portion, close to the top of the seam. Analytical tests indicate Organic Sulphur is the major component of the Total Sulphur content, as such by the marine influence on deposition. Organic sulphur is more difficult to remove by beneficiation by a CHPP.

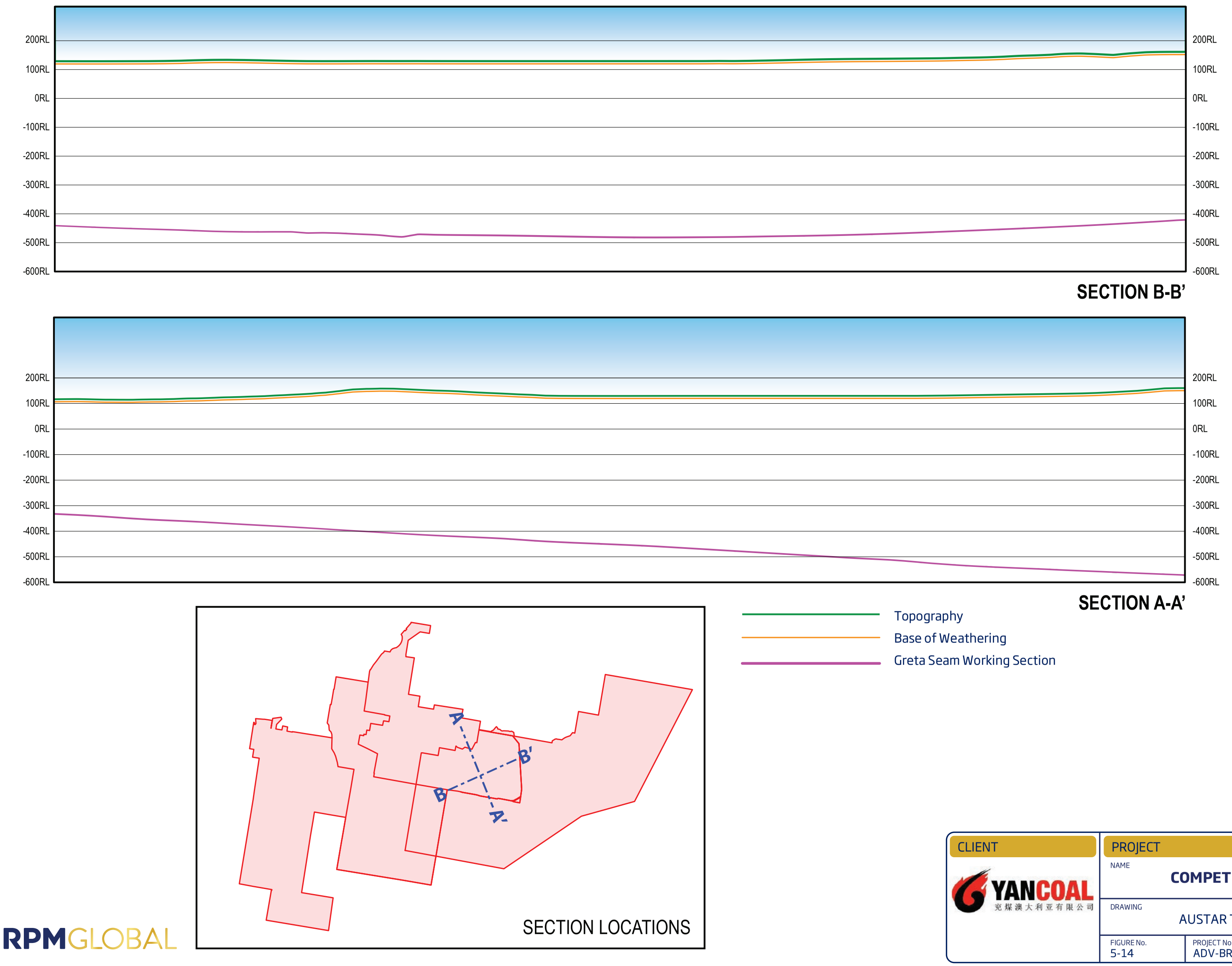
Raw ash for full Greta Seam is generally less than 12%, however in the eastern portion, ash increases to greater than 20% with the gradual increase in claystone bands, as noted above. RPM notes that in general coal seams at the proposed depths of mining at Austar normally contain significant quantities of methane or carbon dioxide seam gas, however the Greta Seam at Austar surprisingly has very low seam gas content.


AQD1086
Group
Formation
Depth (m)
0
50
100
150
200
250
300
350
400
450
500
550
MAITLAND GROUP
BRANXTON FORMATION
GRETA COAL MEASURES
DALWOOD GROUP
FARLEY FORMATION
Greta Seam
WEST
EAST
ELLALONG
BELLBIRD
STAGE 3 MINE EXPANSION AREA
EL6598
Pelton Seam
Greta Seam
Upper Greta Seam
Lower Greta Seam
Upper Homeville Seam
Lower Homeville Seam
20m
10m
0
-10m
-20m
LEGEND
Cessnock Sandstone
Paxton Formation
Kitchener Formation
Kurri Kurri Conglomerate
Neath Sandstone
Greta Coal Measures
Paxton Formation
Kitchener Formation
Kurri Kurri Conglomerate
Neath Sandstone
14
12
10
8
6
4
2
0
Pelton Seam
LEGEND
Coal
Sandstone
Siltstone
Claystone
Carbonaceous Claystone
Conglomerate

Data Source: MBGS Competent Persons Report Austar Mine Coal December 2017

CLIENT	PROJECT		
YANCOAL	NAME COMPETENT PERSON REPORT		
	DRAWING AUSTAR STRATIGRAPHIC COLUMN		
	Figure No. 5-13	PROJECT No. ADV-BR-11019	Date November 2018

RPMGLOBAL


200RL
100RL
0RL
-100RL
-200RL
-300RL
-400RL
-500RL
-600RL
SECTION B-B'
200RL
100RL
0RL
-100RL
-200RL
-300RL
-400RL
-500RL
-600RL
SECTION A-A'
Topography
Base of Weathering
Greta Seam Working Section
A
B'
B
A'
SECTION LOCATIONS
RPMGLOBAL

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PROJECT

NAME
COMPETENT PERSON REPORT

DRAWING
AUSTAR TYPICAL CROSS SECTIONS

FIGURE No.	PROJECT No.	Date
5-14	ADV-BR-11019	November 2018

5.6 Donaldson

Regional Geology

The Donaldson Mine is located in the northern-central portion of the Newcastle Coalfield, which forms the northern portion of the Permian/Triassic Sydney Basin. The stratigraphy comprises Late Permian Tomago Coal Measures overlain by the Newcastle Coal Measures (***Figure 5-15***). These Coal Measures overlie the Greta Coal Measures which host the Austar deposit as discussed in ***Section 5.5***. The non-coal bearing Triassic Narrabeen Group overlies the Newcastle Coal Measures and forms steep topographic relief which includes Mt Sugarloaf and Mt Vincent.

The north east trending Lochinvar Anticline fold axis is located west of the Donaldson leases, while the Macquarie Syncline fold axis trends in a north of north westerly direction through the central portion of the Donaldson leases. The overall structural fabric of the Donaldson area is north of north westerly The seams dip gently both to the east and west due to the Macquarie Syncline, which plunges to the south.

A zone of steeply dipping strata, known as the Buchanan Monocline, is located between these regional features, along the western boundary of Donaldson leases with stratigraphy dips steeply (up to 50°) toward the east. Immediately north of Donaldson are two north trending parasitic folds associated with the Macquarie Syncline, namely the East Maitland Syncline and the Four Mile Anticline. These two structures affect the Tomago Coal Measures however not in the tenement holding of the Company.

Local Geology

The long production history at Donaldson has highlighted the presence of faults and dykes which have impacted mining. Information provided to RPM indicates that the northwest trending dykes are generally 1 to 5m wide and produce limited cindered zones within surrounding coal. No sills have been identified, however drilling has identified minor intrusions within coal seams and associated cindered coal closely associated with the dyke activity. Small scale faulting with displacement less than 1m has been observed in Abel, Tasman and Stockrington No 2 mine workings, however a number of faults have been observed with throws between 2.5 and 6m. Faults and dykes in general have north of north westerly orientations that conform to the local geologic structural fabric.

Stratigraphy

The Tomago Coal Measures comprising up to 12 coal seams occur only on the eastern side of the Lochinvar Anticline and sub-crop toward the west between Hexham and Maitland. Beyond Hexham, the Coal Measures are covered by large deposits of unconsolidated Quaternary sediments. Near Maitland the Tomago Coal Measures stratigraphic pile is approximately 600m thick, which increase to over 1,000m toward the east. These Coal Measures exhibit variable characteristics such as splitting, coalescing and deterioration.

The Newcastle Coal Measures also occur on the eastern side of the Lochinvar Anticline. These Coal Measures occur over a large area from south of Maitland, to the middle reaches of Lake Macquarie and east to the coastal fringes. On the eastern flank of the Macquarie Syncline the Coal Measures are approximately 350m in thickness and contain up to 16 individual coal seams. (***Figures 5-15 and 5-16***) On the western flank of the Macquarie Syncline the Coal Measures decrease in thickness to approximately 250m and contain no more than 12 individual coal seams. The Coal Measures exhibit variable characteristics such as splitting, coalescing and seam deterioration.