

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.

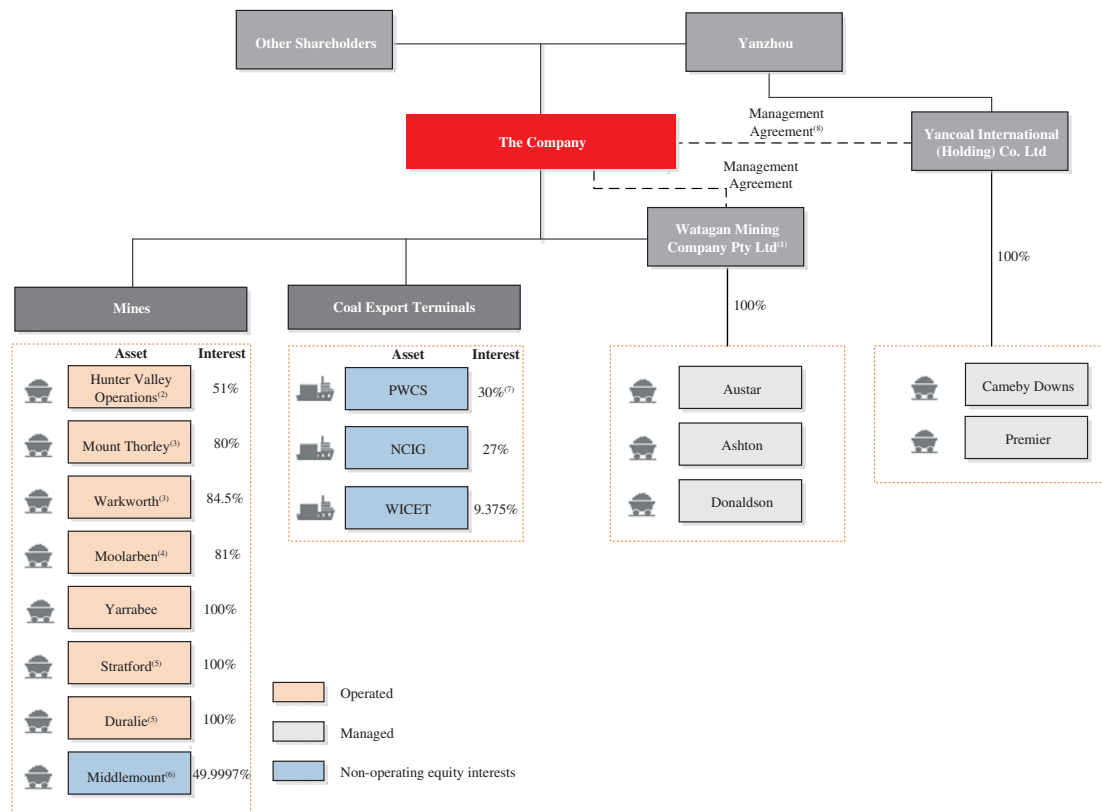
BUSINESS

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:



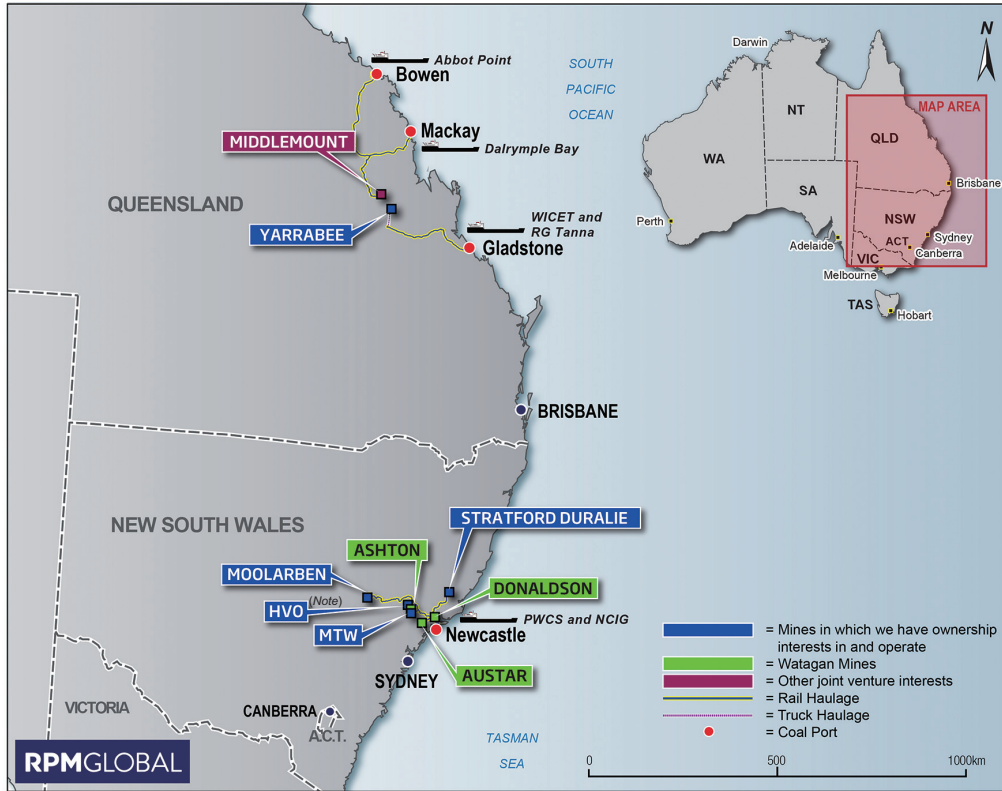
BUSINESS

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:



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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

(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).

BUSINESS

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.

BUSINESS

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			Total ⁽¹¹⁾
	HVO (OC) ⁽¹⁾⁽²⁾⁽¹⁰⁾	MTW (OC) ⁽¹⁾⁽¹⁰⁾	Moolarben (OC/UG) ⁽¹⁾	Duralie (OC) ⁽¹⁾	Yarrabee (OC) ⁽¹⁾	Middlemount (OC) ⁽¹⁾	Ashton ⁽³⁾ (OC/UG) ⁽¹⁾	Austar ⁽³⁾ (UG) ⁽¹⁾	Donaldson ⁽³⁾ (UG) ⁽¹⁾	
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	81	100	100	49.9997	100	100	100	-
		Share of coal production: 82.9								
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	-

BUSINESS

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines				Total ⁽¹¹⁾
	Stratford					Middlemount (OC) ⁽¹⁾	Ashton ⁽³⁾ (OC/UG) ⁽¹⁾	Austar ⁽³⁾ (UG) ⁽¹⁾	Donaldson ⁽³⁾ (UG) ⁽¹⁾		
	HVO (OC) ⁽¹⁾⁽²⁾⁽¹⁰⁾	MTW (OC) ⁽¹⁾⁽¹⁰⁾	Moolarben (OC/UG) ⁽¹⁾	Duralie (OC) ⁽¹⁾	Yarrabee (OC) ⁽¹⁾						
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				Total ⁽¹¹⁾
	Stratford					Middlemount (OC) ⁽¹⁾	Ashton ⁽³⁾ (OC/UG) ⁽¹⁾	Austar ⁽³⁾ (UG) ⁽¹⁾	Donaldson ⁽³⁾ (UG) ⁽¹⁾		
	HVO (OC) ⁽¹⁾⁽²⁾⁽¹⁰⁾	MTW (OC) ⁽¹⁾⁽¹⁰⁾	Moolarben (OC/UG) ⁽¹⁾	Duralie (OC) ⁽¹⁾	Yarrabee (OC) ⁽¹⁾						
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	–	

BUSINESS

	Mines we have ownership interests in and operate					Other joint venture interests	Watagan Mines			Total
	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⁾	
ROM coal production (Mt)⁽⁶⁾										
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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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

BUSINESS

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).

BUSINESS

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

BUSINESS

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 activities 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.

BUSINESS

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 activities 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.

BUSINESS

Approvals, Permits and Licences 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
<i>HVO</i>	
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
<i>MTW</i>	
ML 1412	10 January 2018
<i>Moolarben</i>	
EL 6288	22 August 2017
<i>Stratford Duralie</i>	
Authorisation 311	28 November 2017
Authorisation 315	28 November 2017
EL 6904	9 October 2017
ML1409	6 January 2018
ML1427	5 April 2019
<i>Oaklands</i>	
Assessment Lease 18	25 June 2018
<i>Ashton</i>	
EL4918	17 December 2015
<i>Donaldson</i>	
EL 6964	10 December 2015
<i>Yarrabee</i>	
ML 80050	31 October 2018
<i>Austar</i>	
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.

BUSINESS

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 Astar (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 facilities. Kooragang Terminal has throughput capacity of 120 Mtpa. All coal is received via rail into four offloading facilities. HVO, MTW, Moolarben, Stratford Duralie, Ashton, Astar 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.

BUSINESS

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)
<i>New South Wales</i>					
Port	PWCS, NCIG	Austar, Ashton, Donaldson,	54.56	77%	12.63
Above Rail	Pacific National, Aurizon	Hunter Valley Operations, Moolarben,	42.40	96%	1.50
Below Rail	ARTC	Mt Thorley, Warkworth, Stratford	46.13	95%	2.44
<i>Queensland</i>					
Port	RGTanna, WICET, APCT		6.20	92%	0.47
Above Rail	Aurizon, Pacific National	Yarrabee, Middlemount	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

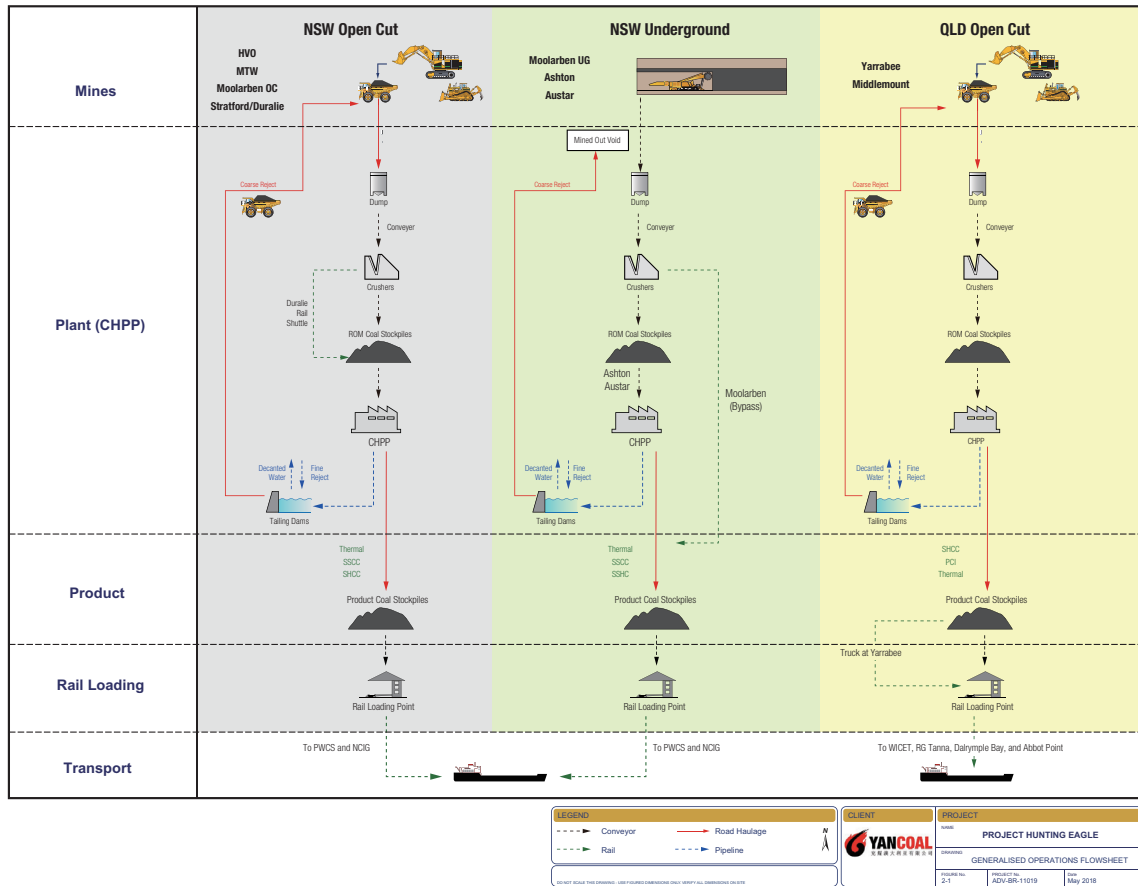
We believe that the supporting regional and local infrastructure for our mines are well established and have capacity to continue supporting our life of mine operation. Our mines are located in close proximity to regional townships and are serviced by national highways and good quality tarred roads. 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:



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.

BUSINESS

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 receipt, (2) beneficiation or washing, (3) reject disposal, and (4) product coal stockpiling and train loading.

ROM coal receipt

ROM coal from the open cut or underground coal faces is trucked or conveyed to the ROM coal receipt 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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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.

BUSINESS

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),

BUSINESS

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

BUSINESS

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.

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

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

BUSINESS

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.

BUSINESS

- (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.

BUSINESS

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*”.