The following is the text of a report set out on pages IA-1 to IA-136, received from the Company's joint reporting accountants, SHINEWING (HK) CPA Limited and ShineWing Australia, independent members of ShineWing International Limited, for the purpose of incorporation in this prospectus. It is prepared and addressed to the Directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Report on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

信永中和 ShineWing

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ShineWing Australia
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YANCOAL AUSTRALIA LTD, CMB INTERNATIONAL CAPITAL LIMITED, MORGAN STANLEY ASIA LIMITED AND BOCI ASIA LIMITED

Introduction

We report on the historical financial information of Yancoal Australia Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages IA-4 to IA-136, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-4 to IA-136 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 26 November 2018 (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information of the Group which comprises consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Preformed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquires, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period and contains information about the dividends declared by the Company after the Track Record Period.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong
26 November 2018

ShineWing Australia
Chartered Accountants
Rami Eltchelebi
Sydney
26 November 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period ("Underlying Financial Statements") prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), on which the Historical Financial Information is based, were audited by ShineWing Australia in accordance with Australian Auditing Standards issued by the Auditing and Assurance Standards Board in Australia.

The Historical Financial Information is presented in Australian Dollars ("A$") and all values are rounded to the nearest million (A$M) except when otherwise indicated.

A. HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2015**	**2016**	**2017**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Revenue	*7*	1,319	1,238	2,601	832	2,347
Other income	*8*	34	15	325	8	115
Changes in inventories of finished goods and work in progress		2	(7)	7	10	24
Raw materials and consumables used		(213)	(187)	(349)	(109)	(337)
Employee benefits	*11*	(229)	(188)	(302)	(102)	(254)
Depreciation and amortisation	*11*	(200)	(133)	(256)	(80)	(244)
Transportation		(261)	(267)	(312)	(122)	(274)
Contractual services and plant hire		(218)	(124)	(274)	(90)	(206)
Government royalties		(77)	(71)	(173)	(53)	(161)
Changes in deferred mining costs		(7)	–	–	–	–
Coal purchases		(158)	(211)	(340)	(148)	(182)
Other operating expenses		(147)	(163)	(330)	(76)	(170)
Finance costs	*9*	(162)	(209)	(294)	(105)	(152)
Share of (loss)/profit of equity-accounted investees, net of tax		(37)	(5)	32	17	33
(Loss)/profit before income tax	*11*	(354)	(312)	335	(18)	539
Income tax benefit/(expense)	*10*	63	85	(89)	4	(178)
(Loss)/profit for the year/period		(291)	(227)	246	(14)	361
Other comprehensive (expense)/income (after income tax):						
Items that may be reclassified subsequently to profit or loss:						
Cash flow hedges:						
Fair value (losses)/gains		(475)	(43)	348	290	(246)
Fair value losses transferred to profit and loss		22	133	229	101	45
Deferred taxes		134	(27)	(173)	(117)	60
Other comprehensive (expense)/income for the year/period, net of tax		(319)	63	404	274	(141)
Total comprehensive (expense)/income for the year/period		(610)	(164)	650	260	220
(Loss)/profit for the year/period attributable to:						
Equity holders of the Company		(291)	(227)	246	(14)	361
Non-controlling interests		–	–	–	–	–
		(291)	(227)	246	(14)	361
Total comprehensive (expense)/income for the year/period attributable to:						
Equity holders of the Company		(610)	(164)	650	260	220
Non-controlling interests		–	–	–	–	–
		(610)	(164)	650	260	220
(Loss)/earnings per share	*14*					
Basic (loss)/profit per share (A$)		(9.30)	(7.26)	0.54	(0.44)	0.29
Diluted (loss)/profit per share (A$)		(9.30)	(7.26)	0.31	(0.44)	0.29

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
	NOTES	**2015**	**2016**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M*
Current assets					
Cash and cash equivalents	*15*	154	190	207	485
Trade and other receivables	*16*	225	435	658	561
Royalty receivable	*17*	20	31	24	28
Non-contingent royalty receivable	*29*	–	–	–	18
Inventories	*18*	76	75	150	205
Other current assets		12	7	37	16
		487	738	1,076	1,313
Assets classified as held for sale	*25*	1,637	–	613	57
		2,124	738	1,689	1,370
Non-current assets					
Mining tenements	*19*	2,085	2,128	4,296	4,308
Exploration and evaluation assets	*20*	591	498	565	577
Intangible assets	*21*	72	70	99	98
Property, plant and equipment	*22*	1,250	1,526	2,832	2,938
Investments accounted for using the equity method	*23*	8	5	251	280
Trade and other receivables	*16*	379	407	473	348
Interest bearing loan to an associate	*24*	–	775	712	730
Royalty receivable	*17*	185	168	175	170
Non-contingent royalty receivable	*29*	–	–	–	7
Deferred tax assets	*30*	1,166	1,339	1,219	1,086
Other non-current assets		10	6	2	2
		5,746	6,922	10,624	10,544
Total assets		7,870	7,660	12,313	11,914
Current liabilities					
Trade and other payables	*26*	292	469	758	783
Interest-bearing liabilities	*27*	11	20	17	17
Provision	*28*	12	10	59	42
Non-contingent royalty payable	*29*	–	–	112	64
Derivative financial instruments		1	–	–	–
		316	499	946	906
Liabilities directly associated with assets classified as held for sale	*25*	322	–	67	–
		638	499	1,013	906

		At 31 December			At 30 June
	NOTES	**2015**	**2016**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M*
Non-current liabilities					
Interest-bearing liabilities	*27*	4,721	4,930	4,682	4,267
Deferred tax liabilities	*30*	692	762	1,037	990
Provision	*28*	131	117	488	460
Non-contingent royalty payable	*29*	–	–	48	24
Deferred income		–	–	2	2
		5,544	5,809	6,257	5,743
Total liabilities		6,182	6,308	7,270	6,649
Net assets		1,688	1,352	5,043	5,265
Equity					
Contributed equity	*31*	3,103	3,104	6,217	6,220
Reserves		(880)	(817)	(413)	(554)
Accumulated losses		(535)	(935)	(764)	(403)
Equity attributable to equity holders of the Company		1,688	1,352	5,040	5,263
Non-controlling interests	*36*	–	–	3	2
Total equity		1,688	1,352	5,043	5,265

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			
	Contributed equity	**Hedge reserve**	**Accumulated losses**	**Total**
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*
At 1 January 2015	3,106	(561)	(58)	2,487
Loss for the year	–	–	(291)	(291)
Other comprehensive loss:				
– Cash flow hedge reserve recognised	–	(319)	–	(319)
Total comprehensive loss for the year	–	(319)	(291)	(610)
Transactions with owners				
– Transaction cost of new subordinated capital notes ("SCN")	(3)	–	–	(3)
– Distributions to holders of SCN	–	–	(186)	(186)
Transactions with owners	(3)	–	(186)	(189)
At 31 December 2015	3,103	(880)	(535)	1,688
At 1 January 2016	3,103	(880)	(535)	1,688
Loss for the year	–	–	(227)	(227)
Other comprehensive income:				
– Cash flow hedge reserve recognised	–	63	–	63
Total comprehensive income/(loss) for the year	–	63	(227)	(164)
Transactions with owners				
– Transaction cost of new SCN	1	–	–	1
– Distributions to holders of SCN, net of exchange difference *(note 32)*	–	–	(173)	(173)
Transactions with owners	1	–	(173)	(172)
At 31 December 2016	3,104	(817)	(935)	1,352

	Attributable to equity holders of the Company					
	Contributed equity	**Hedge reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*	*A$M* *(note 36)*	*A$M*
At 1 January 2017	3,104	(817)	(935)	1,352	–	1,352
Profit for the year	–	–	246	246	–	246
Other comprehensive income for the year:						
– Cash flow hedge reserve recognised	–	404	–	404	–	404
Total comprehensive income for the year	–	404	246	650	–	650
Transactions with owners						
– Issuance of ordinary shares	5,296	–	–	5,296	–	5,296
– SCN converted to ordinary shares	(2,183)	–	–	(2,183)	–	(2,183)
– Distribution paid to holders of SCN, net of exchange difference *(note 32)*	–	–	(75)	(75)	–	(75)
– Non-controlling interests on acquisition of subsidiaries *(note 36)*	–	–	–	–	3	3
Total transactions with owners	3,113	–	(75)	3,038	3	3,041
At 31 December 2017	6,217	(413)	(764)	5,040	3	5,043

For the six months ended 30 June 2018

	Attributable to equity holders of the Company							
	Contributed equity	Hedge reserve	Treasury shares reserve	Employee compensation reserve	Accumulated losses	Total	Non-controlling interests	Total
	A$M *(note 31)*	*A$M* *(note 31)*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M* *(note 36)*	*A$M*
At 1 January 2018	6,217	(413)	–	–	(764)	5,040	3	5,043
Profit for the period	–	–	–	–	361	361	–	361
Other comprehensive loss for the period:								
– Cash flow hedge reserve recognised	–	(141)	–	–	–	(141)	–	(141)
Total comprehensive (loss)/income for the period	–	(141)	–	–	361	220	–	220
Transactions with owners								
– Transaction cost, net of tax	3	–	–	–	–	3	–	3
– Acquisition of shares	–	–	(6)	–	–	(6)	–	(6)
– Share-based payment	–	–	–	6	–	6	–	6
– Acquisition of additional interests in a joint operation *(note 36)*	–	–	–	–	–	–	(1)	(1)
Total transactions with owners	3	–	(6)	6	–	3	(1)	2
At 30 June 2018	6,220	(554)	(6)	6	(403)	5,263	2	5,265

For the six months ended 30 June 2017 (unaudited)

	Attributable to equity holders of the Company					
	Contributed equity	Hedge reserve	Accumulated losses	Total	Non-controlling interests	Total
	A\$M *(note 31)*	*A\$M* *(note 31)*	*A\$M*	*A\$M*	*A\$M*	*A\$M*
At 1 January 2017 (audited)	3,104	(817)	(935)	1,352	–	1,352
Loss for the period	–	–	(14)	(14)	–	(14)
Other comprehensive income for the period:						
– Cash flow hedge reserve recognised	–	274	–	274	–	274
Total comprehensive income (loss) for the period	–	274	(14)	260	–	260
Transactions with owners						
– Distributions to holders of SCN, net of exchange difference *(note 32)*	–	–	(78)	(78)	–	(78)
Total transactions with owners	–	–	(78)	(78)	–	(78)
At 30 June 2017 (unaudited)	3,104	(543)	(1,027)	1,534	–	1,534

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
OPERATING ACTIVITIES					
(Loss)/profit before income tax	(354)	(312)	335	(18)	539
Adjustments for:					
Interest expenses	154	200	220	101	137
Interest income	(50)	(125)	(114)	(57)	(58)
Gain on non-substantial loan modification	–	–	(31)	–	–
Depreciation and amortisation	200	133	256	80	244
Release of provisions	(13)	(14)	(87)	(6)	(32)
Other interest charges	–	–	7	–	7
Provision of inventories	12	1	1	–	1
Unwinding of discount on provisions	6	5	50	2	6
Remeasurement on financial assets/liabilities	(2)	6	(8)	(2)	27
Impairment of financial assets	–	–	–	–	21
Net loss on disposal of property, plant and equipment	3	7	4	–	6
Stamp duty accrual	–	(5)	9	–	(9)
Impairment reversal of mining tenements	–	–	(100)	–	–
Fair value losses recycled from hedge reserve	–	133	229	101	45
Foreign exchange (gains)/losses	(5)	1	20	10	(36)
Finance lease interest expenses	2	4	4	2	2
Gain on acquisition/(disposal) of interest in joint operation and subsidiaries	(6)	–	(177)	–	(78)
Release of research and development provision	(4)	–	–	–	–
Gain on forward foreign exchange contracts	(1)	–	–	–	–
Unwind of discount on non-contingent royalty	–	–	13	–	–
Share of loss/(profit) of equity-accounted investees, net of tax	37	5	(32)	(17)	(33)
Operating cash flows before movements in working capital	(21)	39	599	196	789
(Increase)/decrease in inventories	(22)	9	(12)	(15)	(44)
Decrease/(increase) in operating receivables	50	(55)	(184)	100	10
Increase/(decrease) in operating payables	12	73	125	38	47
Decrease/(increase) in prepayments	7	9	(10)	4	8
Decrease in deferred mining assets	7	–	–	–	–
Decrease in provisions	(22)	(4)	–	1	(24)
Cash generated from operations					
Interest paid	(126)	(181)	(169)	(79)	(111)
Interest received	7	86	59	37	37
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(108)	(24)	408	282	712

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(290)	(353)	(299)	(138)	(71)
Payment for capitalised exploration and evaluation activities	(2)	–	(3)	(1)	(2)
Proceeds for disposal of property, plant and equipment	–	1	1	–	–
Reduction in cash balance from loss of control of subsidiaries	–	(11)	–	–	–
Payments for acquisition of interest in subsidiary (net of cash acquired)	(23)	–	(3,247)	–	(276)
Proceeds from disposal of interest in joint venture and subsidiaries (net of cash acquired)	–	–	–	–	524
Payment of non-contingent royalties	–	–	–	–	(78)
Receipts from non-contingent royalties	–	–	–	–	59
Payment for joint operation call option fee	–	–	(13)	–	–
Advances (to)/from joint operation	–	(40)	40	35	–
Repayment of loan from joint venture	–	–	–	–	69
Advances (to)/from related entities	–	(35)	35	5	(4)
Cash transferred from/(to) restricted accounts	1	(28)	31	(34)	–
Dividend received	–	–	6	–	7
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(314)	(466)	(3,449)	(133)	228
FINANCING ACTIVITIES					
Repayment of borrowings from associate	–	623	214	57	253
Advance of borrowings to associate	–	(35)	(151)	(42)	(271)
Proceeds from interest-bearing liabilities – related entities	402	251	188	–	–
Repayment of interest bearing liabilities	–	(198)	(196)	–	(664)
Payment for treasury shares	–	–	–	–	(6)
Payment of transaction costs	(13)	–	(68)	–	–
Payment of SCN distribution	(12)	(100)	(24)	(13)	–
Payment of finance lease liabilities	(11)	(16)	(26)	(16)	(10)
Proceeds from issues of shares and other equity securities	–	–	3,125	–	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	366	525	3,062	(14)	(698)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(56)	35	21	135	242
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	204	159	190	190	207
Effect of foreign exchange rate	11	(4)	(4)	(8)	36
Changes included in assets held for sale	(5)	–	–	–	–
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD, REPRESENTED BY CASH AND CASH EQUIVALENTS	154	190	207	317	485

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		At 31 December			At 30 June
	NOTES	**2015**	**2016**	**2017**	**2018**
		A$M	*A$M*	*A$M*	*A$M*
ASSETS					
Current assets					
Cash and cash equivalents	*15*	127	63	112	283
Trade and other receivables	*16*	1,014	168	240	242
Non-contingent royalty receivable	*29*	–	–	–	18
Other current assets		4	1	9	4
		1,145	232	361	547
Non-current assets					
Intangible assets	*21*	3	2	2	1
Property, plant and equipment	*22*	28	39	46	44
Investments in subsidiaries		613	3,948	7,497	7,497
Trade and other receivables	*16*	4,951	749	737	720
Non-contingent royalty receivable	*29*	–	–	–	7
Interest bearing loan to an associate	*24*	–	775	712	730
Deferred tax assets	*30*	836	1,188	1,014	1,013
Other non-current assets		–	1	12	1
		6,431	6,702	10,020	10,013
Total assets		7,576	6,934	10,381	10,560
Current liabilities					
Trade and other payables	*26*	156	163	1,134	2,137
Derivative financial instruments		1	–	–	–
Non-contingent royalty payable	*29*	–	–	112	64
		157	163	1,246	2,201
Non-current liabilities					
Interest-bearing liabilities	*27*	4,693	5,225	4,644	4,233
Other non-current liabilities		–	–	–	1
Non-contingent royalty payable	*29*	–	–	48	24
		4,693	5,225	4,692	4,258
Total liabilities		4,850	5,388	5,938	6,459
Equity					
Contributed equity		3,115	3,115	6,217	6,220
Reserves		(880)	(817)	(413)	(554)
Retained profits/ (accumulated losses)		491	(752)	(1,361)	(1,565)
		2,726	1,546	4,443	4,101
Total liabilities and equity		7,576	6,934	10,381	10,560

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in Australia in 2004. The Company was listed on the Australian Securities Exchange on 28 June 2012 upon the successful merger with Gloucester Coal Limited. The Company's parent and ultimate holding company is Yanzhou Coal Mining Company Limited (the "Parent Company") and Yankuang Group Corporation Limited, a state-owned enterprise in the People's Republic of China ("PRC"), respectively. The addresses of the registered office and principal place of business of the Company are stated in the "Corporate Information" section of the Prospectus.

The principal activity of the Company is coal mining. The activities of its principal subsidiaries, associates, joint ventures and joint operations (together with the Company referred to as the "Group") are set out in below and notes 23(a), 23(b) and 23(c) respectively.

The consolidated financial statements are presented in Australian Dollars ("A$"), which is also the functional currency of the Company.

Particulars of the Company's subsidiaries at the end of each reporting period and at the date of this report are as follows:

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
Yancoal SCN Ltd	Australia	1	100	100	100	100	100	Issue SCN
Yancoal Australia Sales Pty Ltd(i)	Australia	100	100	100	100	100	100	Coal Sales
Yancoal Resources Limited	Australia	446,409,065	100	100	100	100	100	Coal mining business in Australia
Yancoal Mining Services Pty Ltd	Australia	100	100	100	100	100	100	Provide management services to the underground mine
Moolarben Coal Mines Pty Ltd	Australia	1	100	100	100	100	100	Coal business development
Moolarben Coal Operations Pty Ltd	Australia	2	100	100	100	100	100	Management of coal operations
Moolarben Coal Sales Pty Ltd	Australia	2	100	100	100	100	100	Coal business development
Felix NSW Pty Ltd	Australia	2	100	100	100	100	100	Investment holding
SASE Pty Ltd	Australia	9,650,564	90	90	90	90	90	No business in Australia, to be liquidated
Yarrabee Coal Company Pty. Ltd.	Australia	92,080	100	100	100	100	100	Coal mining and sales
Proserpina Coal Pty Ltd	Australia	1	100	100	100	100	100	Coal mining and sales
Athena Coal Operations Pty Ltd	Australia	1	100	100	100	100	100	Dormant
Athena Coal Sales Pty Ltd	Australia	1	100	100	100	100	100	Dormant
Gloucester Coal Ltd(i)	Australia	719,720,808	100	100	100	100	100	Coal resource exploration development

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
Westralian Prospectors N.L.(i)	Australia	93,001	100	100	100	100	100	No business in Australia
Eucla Mining N.L.(i)	Australia	2	100	100	100	100	100	Coal mining
CIM Duralie Pty Ltd(ii)	Australia	665	100	100	100	100	100	No business in Australia
Duralie Coal Marketing Pty Ltd(ii)	Australia	2	100	100	100	100	100	No business in Australia
Duralie Coal Pty Ltd(i)	Australia	2	100	100	100	100	100	Coal mining
Gloucester (SPV) Pty Ltd	Australia	2	100	100	100	100	100	Holding company
Gloucester (Sub Holdings 2) Pty Ltd(ii)	Australia	2	100	100	100	100	100	Holding company
CIM Mining Pty Ltd(i)	Australia	30,180,720	100	100	100	100	100	Holding Company
Monash Coal Holdings Pty Ltd(ii)	Australia	100	100	100	100	100	100	Holding Company
CIM Stratford Pty Ltd(i)	Australia	21,558,606	100	100	100	100	100	Holding Company
CIM Services Pty Ltd(ii)	Australia	8,400,002	100	100	100	100	100	Holding Company
Monash Coal Pty Ltd(ii)	Australia	100	100	100	100	100	100	Coal exploration
Stratford Coal Pty Ltd(ii)	Australia	10	100	100	100	100	100	Coal mining
Stratford Coal Marketing Pty Ltd(ii)	Australia	10	100	100	100	100	100	Coal sales
Paway Ltd	British Virgin Islands	1	100	100	100	100	100	Dormant
Coal & Allied Industries Ltd ("Coal & Allied")	Australia	86,584,735	–	–	100	100	100	Coal mining and related coal preparation and marketing
Kalamah Pty Ltd	Australia	1	–	–	100	100	100	Holding company
Coal & Allied (NSW) Pty Ltd	Australia	10,000	–	–	100	100	100	Employment company for Mt Thorley mine and Warkworth mine (together, "MTW") operation
Australian Coal Resources Ltd	Australia	5	–	–	100	100	100	Coal mining and related coal preparation and marketing
Coal & Allied Operations Pty Ltd	Australia	17,147,500	–	–	100	100	100	Coal mining and related coal preparation and marketing

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
HV Operations Pty Ltd(iv)	Australia	1	–	–	100	N/A	N/A	Managing entity of Hunter Valley Operations
Lower Hunter Land Holdings Pty Ltd	Australia	1	–	–	100	100	100	Management company of Lower Hunter Land entities
Oaklands Coal Pty Ltd	Australia	5,005	–	–	100	100	100	Coal exploration
Novacoal Australia Pty Ltd	Australia	530,000	–	–	100	100	100	Holding company
CNA Resources Ltd	Australia	14,258,694	–	–	100	100	100	Holding company
CNA Warkworth Pty Ltd	Australia	1	–	–	100	100	100	Holding company
Coal & Allied Mining Services Pty Ltd	Australia	10,000	–	–	100	100	100	Employment company for Mt Thorley Co Venture
RW Miller (Holdings) Ltd	Australia	42,907,017	–	–	100	100	100	Holding company
Mount Thorley Coal Loading Ltd	Australia	3,990,000	–	–	66	66	66	Operation of Mount Thorley Coal Loader in Mount Thorley
Gwandalan Land Pty Ltd	Australia	1	–	–	100	100	100	Holding company
Nords Wharf Land Pty Ltd	Australia	1	–	–	100	100	100	Invest in future land development at Nords Wharf
Catherine Hill Bay Land Pty Ltd	Australia	1	–	–	100	100	100	Hold land for future development
Black Hill Land Pty Ltd	Australia	1	–	–	100	100	100	Hold land for future development
Minmi Land Pty Ltd	Australia	1	–	–	100	100	100	Hold land for future development
Namoi Valley Coal Pty Ltd	Australia	8,400,000 ordinary shares 10,000 B-class 42,800,000 ordinary shares	–	–	100	100	100	Dormant
HVO Coal Sales Pty Ltd(iv)	Australia	1,000	–	–	68	N/A	N/A	Sales company for Hunter Valley Operations mining complex
CNA Warkworth Australasia Pty Ltd	Australia	2	–	–	100	100	100	Coal mining

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
CNA Bengalla Investments Pty Ltd	Australia	12	–	–	100	100	100	Dormant
Mount Thorley Operations Pty Ltd	Australia	24,214	–	–	100	100	100	Partner of Mount Thorley Joint Venture
Northern (Rhondda) Collieries Pty Ltd	Australia	62,082	–	–	100	100	100	Dormant
Miller Pohang Coal Company Pty Ltd	Australia	80 ordinary shares 20 redeemable preference shares	–	–	80	80	80	Coal sales and marketing company
Warkworth Mining Ltd	Australia	100	–	–	56	84	84	Joint venture operator
Warkworth Pastoral Company Pty Ltd	Australia	100	–	–	56	84	84	Pastoral company for the Joint Venture ("JV")
Warkworth Tailings Treatment Pty Ltd	Australia	100	–	–	56	84	84	Tailings company for the Warkworth JV
Warkworth Coal Sales Ltd	Australia	100	–	–	56	84	84	Marketing company for Warkworth JV
Parallax Holdings Pty Ltd	Australia	100	–	–	100	100	100	Dormant
HVO Services Pty Ltd(iv)	Australia	100	–	–	100	N/A	N/A	Dormant
Watagan Mining Company Pty Ltd ("Watagan")(iii)	Australia	100	100	N/A	N/A	N/A	N/A	Holding company
Austar Coal Mine Pty Limited(i)(iii)	Australia	64,000,000	100	N/A	N/A	N/A	N/A	Coal mining and sales
White Mining Limited(iii)	Australia	3,300,200	100	N/A	N/A	N/A	N/A	Holding company and mine management
White Mining Services Pty Limited(iii)	Australia	2	100	N/A	N/A	N/A	N/A	Dormant
White Mining (NSW) Pty Limited(iii)	Australia	10	100	N/A	N/A	N/A	N/A	Coal mining and sales
Ashton Coal Operations Pty Limited(iii)	Australia	5	100	N/A	N/A	N/A	N/A	Mine management
Ashton Coal Mines Ltd(iii)	Australia	5	100	N/A	N/A	N/A	N/A	Coal sales
Gloucester (Sub Holdings 1) Pty Ltd(i)(iii)	Australia	2	100	N/A	N/A	N/A	N/A	Holding company
Donaldson Coal Holdings Ltd(i)(iii)	Australia	204,945,942	100	N/A	N/A	N/A	N/A	Holding company
Donaldson Coal Pty Ltd(i)(iii)	Australia	6,688,782	100	N/A	N/A	N/A	N/A	Coal mining and sales

Name of company	Place of incorporation/ operation	Issued and fully paid share capital*	Percentage of equity interest attributable to the Group as at 31 December 2015	31 December 2016	31 December 2017	30 June 2018	Date of this report	Principal activities
		A$	%	%	%	%	%	
Donaldson Coal Finance Pty Ltd(ii)(iii)	Australia	10	100	N/A	N/A	N/A	N/A	Finance company
Abakk Pty Ltd(ii)(iii)	Australia	6	100	N/A	N/A	N/A	N/A	Dormant
Newcastle Coal Company Pty Ltd(i)(iii)	Australia	2,300,999	100	N/A	N/A	N/A	N/A	Coal mining
Primecoal International Pty Ltd(ii)(iii)	Australia	1	100	N/A	N/A	N/A	N/A	Dormant

Notes:

(i) These subsidiaries have been granted relief from the requirement to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785.

(ii) These subsidiaries are members of the extended closed group for the purposes of ASIC Legislative Instrument 2016/785.

(iii) On 31 March 2016, the Group lost control of Watagan and its subsidiaries.

(iv) On 4 May 2018, the Group lost control of HVO Operations Pty Ltd, HVO Coal Sales Pty Ltd and HVO Services Pty (collectively referred as "HVO"). Details refer to note 23.

* Represents ordinary shares except when otherwise stated.

The following list contains details of the companies in the Historical Financial Information that are subject to audit during the Track Record Periods and the name of the respective auditors:

Name of Company	Financial period	Statutory auditor
The Company		
Yancoal Australia Ltd	31 December 2015-2017	ShineWing Australia
Subsidiaries		
Yancoal SCN Ltd	31 December 2015-2017	ShineWing Australia
Yancoal Resources Limited	31 December 2015-2017	ShineWing Australia
Moolarben Coal Mines Pty Ltd	31 December 2015-2017	ShineWing Australia
Coal & Allied(i)	31 December 2017	ShineWing Australia
Mount Thorley Coal Loading Ltd(i)	31 December 2017	ShineWing Australia
Warkworth Mining Ltd(i)	31 December 2017	ShineWing Australia
Warkworth Coal Sales Ltd(i)	31 December 2017	ShineWing Australia
Watagan(ii)	31 December 2016-2017	ShineWing Australia

(i) These entities were audited by PricewaterhouseCoopers for the years ended 31 December 2015 and 2016 prior to the Group's acquisition of the Coal and Allied Industries Ltd and its subsidiaries from Rio Tinto Limited ("Rio Tinto").

(ii) On 31 March 2016, the Group lost control of Watagan and its subsidiaries.

2. BASIS OF PREPARATION AND PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

These consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all of the new and revised IFRS, International Accounting Standards ("IASs"), IFRSs amendments and the related interpretations ("IFRICs") issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2018 throughout the Track Record Period. In addition, the Group has elected to apply IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and the related Amendments throughout the Track Record Period.

New and revised IFRSs issued but not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRSs	Annual improvements to IFRSs 2015-2017 Cycle[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2021.

[3] Effective date not yet been determined.

The directors of the Company anticipate that all the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of A$177 million as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The directors of the Company expect that the adoption of IFRS 16 will not have material impact on the Group's results but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are stated at fair value. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the Track Record Period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, except that:

– deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

– assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounting for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Interests in other entities

(i) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(ii) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control. Joint control exists only when the strategic, financial and operational policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture. The structure of each joint arrangement is analysed to determine whether the joint arrangement is a joint operation or a joint venture. The classification of a joint arrangement is dependent on the rights and obligations of the parties to the arrangement.

Joint operations

The Group recognises its proportional right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Joint ventures

A joint venture is structured through a separate vehicle and the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method where the assets and liabilities will be on the consolidated statements of financial position, after adjusting for the share of profit or loss after tax, which is shown on the consolidated statements of profit or loss and other comprehensive income, after adjusting for amounts recognised directly in equity.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

Parent entity financial information

(a) Investments in subsidiaries, associates and joint arrangements

Investments in subsidiaries, associates and joint arrangements are accounted for at cost less any impairment in the financial statements of the Company. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(b) Tax consolidation legislation

The Company and its wholly-owned Australian entities have implemented the tax consolidation legislation.

The head entity, the Company, and the entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation as loans between entities. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

Segment information

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

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

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

Revenue

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

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

(a) Sales of coal

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

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

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

(b) Other revenue

(i) Interest

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

(ii) Mining services fees

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

(iii) Sea freight services

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

(iv) Other

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

Other income

Gain on acquisition is recognised in line with the accounting for business combinations.

Taxation

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate enacted or substantially enacted at the end of the reporting period for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying value of the deferred tax asset is reviewed at each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are recognised for taxable temporary differences between the carrying amount and tax bases of investments in controlled entities, except where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Equity-settled share-based payments

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

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly attributable to the acquisition of the items and the estimated restoration costs associated with the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment.

The open pit operations capitalise mine development costs including both direct and indirect costs incurred to remove overburden and other waste materials to enable access to the coal seams during the development of a mine before commercial production commences, and during future development of new open pit mining areas. Amortisation of those capitalised costs over the life of the operation commences at the time that commercial production begins for the mine for the new open pit mining area.

Underground mine development costs include both direct and indirect mining costs relating to underground longwall panel development and mains development (primary access/egress roads for the mine).

Mains development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Assets under construction represent production site development projects under construction for production or for its own use purposes. Assets under construction are carried at cost less any impairment loss. Costs included costs of constructing the production plant and acquisition of mining rights, mining permits and licenses that form an integral part of the overall development projects. Assets under construction are classified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for intended use. Depreciation or amortisation commences when the assets are ready for their intended use.

Open cut

During the commercial production stage of open pit operations, production stripping costs comprises the accumulation of expenses incurred to enable access to the coal seam, and includes direct removal costs (inclusive of an allocation of overhead expenditure) and machinery and plant running costs.

Production stripping costs are capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called "stripping activity asset" included in mine development.

The stripping activity asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied.

Production stripping costs that do not satisfy the asset recognition criteria are expensed.

Depreciation and amortisation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line or units of production basis over the asset's useful life to the Group based on life of mine plans and Joint Ore Reserves Committee ("JORC") estimated reserves, commencing from the time the asset is held ready for use. Leased assets are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

For some assets, the useful life of the asset is linked to the level of production. In such cases, depreciation is charged on a units of production basis based on the recoverable reserves or the remaining useful hours. Alternatively, the straight-line method may be used where this provides a suitable alternative because production is not expected to fluctuate significantly from one year to another.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and any change in estimate is taken into account in the determination of remaining depreciation charges.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining tenements

Mining tenements have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Mining tenements are amortised from the date when commercial production commences, or the date of acquisition. Amortisation is calculated over the life of the mine on a 'units of production' method based on the JORC estimated reserves.

Changes in the annual amortisation rate resulting from changes in the remaining estimated reserves, are applied on a prospective basis from the commencement of the next financial year. Every year the mining tenement's carrying amount is compared to its recoverable amount and assessed for impairment, or for possible reversals of prior year impairment (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at the individual exploration permit or licence level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets acquired in a business combination are recognised at their fair value at the acquisition date and stated at costs less impairment. The carrying amount of exploration and evaluation assets are assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount. A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to each area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining tenements.

Impairment of assets

(i) Long term assets

Mining tenements, indefinite life intangibles and goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Mining tenements and other non-financial assets (excluding goodwill) that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purposes of assessing impairment, assets are grouped into Cash-Generating Units ("CGU"), being the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

The Group assesses impairment by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers.

(ii) Other financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL ("12m ECL"). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Intangibles

(i) Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

(ii) Computer software

Computer software is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of expected benefit, which ranges from 2.5 to 10 years.

(iii) Water rights

Water rights have been recognised at cost and are assessed annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The water rights have been determined to have an indefinite useful life as there is no expiry date on the licences.

(iv) Other

Other intangibles include access rights, other mining licenses and management rights associated with the Group's right to manage Port Waratah Coal Services. These intangibles have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Amortisation of these other intangibles is calculated as the shorter of the life of the mine or agreement and using a units of production basis in tonnes, or on a straight-line basis. The estimated useful lives vary from 10 to 25 years.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents includes:

(i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

(ii) other short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Royalty receivable

The royalty receivable is revalued at each reporting period based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates. Gains or losses arising from changes in the fair value of the royalty receivable is recognised in profit or loss. The cash receipts will be recorded against the royalty receivable which will be decreased over time. Since the contract is long term, unwinding of the discount (to reflect the time value of money) for the asset will be recognised under interest income.

The royalty receivable is measured based on management's expectations of the future cash flows with the re-measurement recorded in the consolidated statement of profit or loss and other comprehensive income at each reporting date.

The amount expected to be received during the next 12 months is disclosed as a current receivable and the discounted expected future cash flow beyond 12 months is disclosed as a non-current receivable.

Inventories

Coal stocks are stated at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overheads on the basis of normal mining capacity. Net realisable value is the estimated selling price in ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of auxiliary materials, spare parts, small tools, and fuel expected to be used in production are stated at weighted average cost after deducting rebates and discounts, less allowance for obsolescence, if necessary.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or loss of control transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed transaction within one year from the date of classification.

When the Group is committed to a sale plan or other transaction involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Leases

Property, plant and equipment held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases.

The leased property, plant and equipment are initially measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently they are accounted for in accordance with the property, plant and equipment accounting policy.

The corresponding minimum lease payments are included in lease liabilities within interest bearing liabilities. Each lease payment is allocated between finance cost and a reduction in the outstanding lease liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The net gains arising on the sale of an asset and the leasing back of the same asset using a finance lease are included as deferred income in the statement of financial position and are released to the profit or loss on a straight-line basis over the term of the lease.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are:

- recognised when: the Group has a legal or constructive obligation as a result of a past event; it is probable that cash will be required to settle the obligation; and the amount has been reliably estimated.

- measured at the present value of the management's best estimate at reporting date of the cash outflow required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability where the time value is material. Any increase in the provision due to the passage of the time is recognised as an interest expense.

Non-contingent royalty

In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under IFRS 3 Business Combinations. The non-contingent royalty was fair valued on initial recognition and payable in US dollars so subject to foreign exchange movements. The amount has a finite life with any discounting and foreign exchange released to profit or loss over the contract term.

Land subsidence, restoration, rehabilitation and environmental costs

One consequence of coal mining is land subsidence caused by the resettlement of the land above the underground mining sites. Depending on the circumstances, the Group may relocate inhabitants from the land above the underground mining sites prior to mining those sites or the Group may compensate the inhabitants for losses or damages from land subsidence after the underground sites have been mined. The Group may also be required to make payments for restoration, rehabilitation or environmental protection of the land after the underground sites have been mined.

An estimate of such costs is recognised in the period in which the obligation is identified and is charged as an expense in proportion to the coal extracted. At each statement of financial position date, the Group adjusts the estimated costs in accordance with the actual land subsidence status. The provision is also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalised cost, except where a reduction in the provision is greater than the undepreciated capitalised cost of any related assets, in which case the capitalised cost is reduced to nil and remaining adjustment is recognised in the income statement. Changes to the capitalised cost result in an adjustment to future depreciation and financial charges.

Foreign currencies

In the individual financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Employee benefits

(i) Employee benefits expenses

Employee benefits are expensed as the related service by the employee is provided and includes equity based transactions. Employee benefits recognised in the profit or loss are net of recoveries.

(ii) Superannuation

Contributions made by the Group to defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

(iii) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be wholly settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at the reporting date including related on costs, such as superannuation, workers compensation, insurance and payroll tax and are included in trade and other payables. Non-accumulating, non-monetary benefits such as housing and cars are expensed by the Group as the benefits are used by the employee.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using corporate bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Additional Long Service Leave payments are made monthly to the Coal Mining Industry (Long Service Leave Funding) Corporation based on the eligible monthly payroll of employees involved in the mining of black coal. Reimbursement is sought from the fund when long service leave is paid to employees involved in the mining of black coal. An asset for the amount recoverable from the Coal Mining Industry (Long Service Leave Funding) Corporation is recognised in trade and other receivables.

These employee benefits are presented as current provisions as the Group has no unconditional right to deferred settlement for at least 12 months after the end of the reporting period.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'investment income' line item.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities

The Group's financial liabilities including trade and other payables, non-contingent royalty payable, interest-bearing liabilities which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method and financial liabilities at fair value through profit or loss.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is recognised in profit or loss includes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 34.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

SCN issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received.

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in note 34. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(ii) Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the profit or loss.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying the accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the Historical Financial Information.

Control over Watagan

There is significant judgment in assessing whether the Group controls Watagan, even though it holds 100% of the nominal share capital. An assessment has been made that in accordance with the accounting standards the Group does not control Watagan as it is not able to direct the relevant activities of Watagan, and therefore accounts for its interest in Watagan as an associate.

Sales of coal

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

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Acquisition accounting

Accounting for acquisition of Coal & Allied requires judgement and estimates in determining the fair value of acquired assets and liabilities. Techniques used to determine the fair value of acquired assets and liabilities include an income and cost approach for mining tenements and depreciated replacement cost for the valuation of property, plant and equipment.

The relevant accounting standard allows the fair value of assets acquired to be refined for a window of one year after the acquisition date, and judgement is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill or gain recognised on acquisition.

Depreciation of property, plant and equipment

The cost of mine development (note 22) is depreciated using the unit of production method based on the estimated production volume for which the structure was designed. The management exercises their judgment in estimating the useful lives of the depreciable assets and the production volume of the mine. The estimated coal production volumes are updated at regular intervals and have taken into account recent production and technical information about each mine. These changes are considered a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation rates. Estimates of the production volume are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information.

Amortisation of assets

Mining tenements (note 19) are amortised on unit of production basis over the shorter of their useful lives and the contractual period. The expensing of overburden removal costs is based on saleable coal production over estimated economically recoverable reserves. The useful lives are estimated on the basis of the total proven and probable reserves of the mine. Proven and probable mining reserve estimates are updated at regular intervals and have taken into account recent production and technical information about each mine.

Provisions

Rehabilitation costs

The rehabilitation provision has been created based on managements' internal estimates and assumptions relating to the current economic environment, which management believes is a reasonable basis upon which to estimate the future liability.

These estimates are reviewed regularly to take into account any material changes to the assumptions, however actual rehabilitation costs will ultimately depend upon the future market prices for the necessary decommissioning works and the timing of when the rehabilitation costs are incurred. Timing is dependent upon when the mines ceases to produce at economically viable rates, which in turn, will depend upon future coal prices, which are inherently uncertain.

Take or pay

The provision is recognised and estimated based on management's assessment of contracted port capacity versus forecast usage. This involves making assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits.

Sales contract

The provision is recognised and estimated based on management's assessment of future market prices.

Investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ("WICET")

The recoverable amount of Wiggins Island Preference Securities ("WIPS") and Gladstone Long Term Securities ("GiLTS"), is estimated based on expected future cashflows. WICET is currently re-negotiating its senior debt facility that could result in a change to those expected future cashflows.

Royalty receivable

The fair value of the royalty receivable is estimated based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates.

Impairment of assets

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, coal prices (considering current and historical prices, price trends and related factors), foreign exchange rates, coal resources and reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstance will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recorded in the statement of profit or loss.

Taxation

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Judgement is also required in respect of the application of existing tax laws.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, coal prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Group to obtain tax deductions in future periods.

Coal reserves and resources

The Group estimates its coal resources and reserves based on information compiled by Competent Persons as defined by the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2012), which is prepared by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as the JORC 2012 Code, and Australian Securities Exchange ("ASX") Listing Rules 2012.

Mineral Resources and Ore Reserves are based on geological information and technical data relating to the size, depth, quality of coal, suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of Recoverable Reserves is based on factors such as estimates of foreign exchange rates, coal price, future capital requirements, rehabilitation obligations and production costs, along with geological assumptions and judgements made in estimating the size and quality of the reserves. Management forms a view of forecast sales prices based on current and long-term historical average price trend.

As the economic assumptions used may change and as additional geological information is produced during the operations of a mine, estimates of reserves may change. Additionally the amount of reserves that may actually be mined in the future and the Group's current reserve estimate may vary. Such changes may impact the Group's reported financial position and results including:

- the carrying value of the exploration and evaluation assets, mine properties, property, plant and equipment and goodwill may be affected due to changes in estimated future cash flows;

- depreciation and amortisation charges in the statement of profit and loss and other comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change; and

- the carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Impairment of loan receivable from Watagan

The book value of Watagan's net assets has declined since inception and at 30 June 2018 the book value of liabilities exceeded the book value of assets by A$311 million. These losses have not been recognised as the accumulated losses exceeds the value of the investment by the Group. Non-current assets of A$1,590 million includes, A$724 million, A$371 million and A$386 million for the Ashton, Austar and Donaldson mines, respectively.

Non-current assets of A$1,590 million includes, A$724 million, A$371 million and A$386 million for the Ashton, Austar and Donaldson mines as at 30 June 2018, respectively.

Austar has recently been subject to prohibition notices issued by the Resource Regulator that restricted current operations, however as announced on 7 August 2018 these notices have now been lifted, and Donaldson remains on care and maintenance.

The value of the non-current assets in the Watagan balance sheet has been prepared on the basis that Austar will return to normal production give the notices lifted on 3 August 2018 and Donaldson will recommence operations at some time in the future which is management's current intention. Based on this estimation, there is no impairment on its loan receivable from Watagan.

However, if it is determined that either or both, Austar or Donaldson, are unable to restart operations or return to previously forecast levels of production or there are materially negative changes to other operating assumptions, impacting all three mines, including coal prices, exchange rates, operating costs, capital expenditure, geological conditions, approvals or changes to existing lease conditions or regulatory outcomes it is likely that the fair value of these mines would be reduced materially. Any impairment of these assets would increase the net asset deficit. In that event, an impairment may be recognised by the Group on its loan receivable from Watagan or on any further reconsolidation of Watagan.

6. SEGMENT INFORMATION

The Group is engaged primarily in the coal mining.

For management purposes, the Group considered the business at a regional level, namely NSW and QLD.

On 31 March 2016, the Company transferred control of Watagan. Watagan holds the ownership interests in the Austar, Ashton and Donaldson mines located in NSW. The amount disclosed for revenue in 2015 and 2016 below includes the operational results of the three mines for 2015 and the period 1 January 2016 to 31 March 2016.

(a) Segment revenues and results

Segment information about these businesses is presented below:

For the year ended 31 December 2015

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	976	290	–	1,266
Add: fair value losses recycled from hedge reserve (derivative instruments)	22	–	–	22
Revenue from external customers	998	290	–	1,288
Operating Earnings before interest and tax ("EBIT")	(39)	(31)	(42)	(112)

For the year ended 31 December 2016

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	873	326	(133)	1,066
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	133	133
Revenue from external customers	873	326	–	1,199
Operating EBIT	71	9	(41)	39

For the year ended 31 December 2017

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	2,163	460	(229)	2,394
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	229	229
Revenue from external customers	2,163	460	–	2,623
Operating EBIT	682	92	(42)	732

For the six months ended 30 June 2017 (unaudited)

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	616	219	(101)	734
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	101	101
Revenue from external customers	616	219	–	835
Operating EBIT	209	33	(45)	197

For the six months ended 30 June 2018

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Total segment revenue*	2,051	199	(45)	2,205
Add: fair value losses recycled from hedge reserve (natural hedge)	–	–	45	45
Revenue from external customers	2,051	199	–	2,250
Operating EBIT	747	16	(27)	736

* Total segment revenue consists of revenue from the sales of coal whereas revenue disclosed in the consolidated statements of profit or loss and other comprehensive income also includes other revenue such as management fees, rents and sub-lease rentals, interest income, dividend income, mining services fee, sea freight and royalty income.

(b) Segment assets and liabilities

31 December 2015	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	5,160	666	870	6,696
Deferred tax assets	21	31	1,114	1,166
Investments in associate and joint venture	–	–	8	8
Total assets	5,181	697	1,992	7,870

31 December 2016	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	3,954	644	1,718	6,316
Deferred tax assets	45	25	1,269	1,339
Investments in associate and joint venture	–	–	5	5
Total assets	3,999	669	2,992	7,660

31 December 2017	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	8,793	714	1,336	10,843
Deferred tax assets	182	24	1,013	1,219
Investments in associate and joint venture	191	–	60	251
Total assets	9,166	738	2,409	12,313

30 June 2018	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Segment assets	9,454	721	373	10,548
Deferred tax assets	82	14	990	1,086
Investments in associates and joint ventures	192	–	88	280
Total assets	9,728	735	1,451	11,914

Segment liabilities

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

(c) Other segment information

Year ended 31 December 2015

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	2	2
Depreciation and amortisation expense	(172)	(21)	(7)	(200)
Gain on acquisition of additional interests in joint operation and subsidiaries	–	–	6	6
Cash items	–	–	–	–
Total capital expenditure	319	15	2	336

Year ended 31 December 2016

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	(6)	(6)
Depreciation and amortisation expense	(94)	(31)	(8)	(133)
Transaction costs	–	–	(3)	(3)
Stamp duty payable	–	–	(12)	(12)
Cash items	–	–	–	–
Total capital expenditure	370	3	10	383

Year ended 31 December 2017

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	8	8
Depreciation and amortisation expense	(215)	(35)	(6)	(256)
Gain on acquisition of subsidiaries	–	–	177	177
Transactions costs	–	–	(16)	(16)
Stamp duty accrued	–	–	(9)	(9)
Impairment reversal of mining tenements	100	–	–	100
Cash items				
Transaction costs	–	–	(17)	(17)
Stamp duty paid	–	–	(148)	(148)
Total capital expenditure	335	4	1	340

Six months ended 30 June 2017 (unaudited)

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	2	2
Stamp duty	–	–	(3)	(3)
Transaction costs	–	–	(21)	(21)
Depreciation and amortisation expense	(61)	(16)	(3)	(80)
Cash items	–	–	–	–
Total capital expenditure	153	3	–	156

Six months ended 30 June 2018

	NSW	QLD	Corporate	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-cash items				
Remeasurement of royalty receivable	–	–	2	2
Depreciation and amortisation expense	(229)	(12)	(3)	(244)
Gain on acquisition of interest in joint operation	–	–	78	78
Remeasurement of financial assets	–	–	(29)	(29)
Impairment of financial assets	–	–	(21)	(21)
Cash items				
Transaction costs	–	–	(10)	(10)
Stamp duty paid	–	–	(16)	(16)
Total capital expenditure	77	9	–	86

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Reconciliation of segment revenue to total revenue					
Total segment revenue	1,266	1,066	2,394	734	2,205
Interest income	50	125	114	57	58
Mining services income	–	38	52	29	26
Sea freight	–	–	12	–	37
Other revenue	3	9	29	12	21
Total revenue	1,319	1,238	2,601	832	2,347

Geographical information

The following table sets out the geographical information. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets and goodwill, and the location of operations.

The geographical information of non-current assets (note) are as follows:

	At 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Australia (place of domicile)	3,998	4,222	7,792	4,297	7,921

Note: Non-current assets excludes interests in other entities, trade and other receivables, interest bearing loan to associate, royalty receivable, other non-current assets, non-contingent royalty receivable and deferred tax assets.

Geographical information presented as the Group's revenue are disclosed in note 7 based on the location of goods delivered and services provided.

Information about major customers

Revenue from customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Customer A[1]	247	162	–*	92	–*
Customer B[1]	201	–*	–*	–*	–*

1 Revenue from NSW segment

* The corresponding revenue did not contribute over 10% of the total revenue of the Group

No revenue from each of the customers was 10% or more of the Group's revenue for the year ended 31 December 2017 and six months ended 30 June 2018.

Operating EBIT and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBIT and EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and significant impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value re-measurements and foreign exchange gains/(losses) on interest-bearing liabilities. Interest income and expense are not allocated to the NSW and QLD segments, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

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

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
(Loss)/profit before income tax	(354)	(312)	335	(18)	539
Adjustment:					
Finance costs	162	209	294	105	152
Bank fees and other charges	116	113	109	49	62
Interest income	(50)	(125)	(114)	(57)	(58)
Fair value losses recycled hedged reserve – US$ loans and derivatives	22	133	229	101	45
Gain on acquisition of subsidiary	–	–	(177)	–	–
Gain on disposal of joint operation and subsidiaries	–	–	–	–	(78)
Receipts from joint venture participant	–	–	(5)	(5)	–
Gain on non-substantial loan modification	–	–	(31)	–	–
Impairment reversal of mining tenements	–	–	(100)	–	–
Stamp duty expensed	–	12	167	3	16
Remeasurement of financial assets	–	–	–	–	29
Impairment of financial assets	–	–	–	–	21
Transaction costs	–	3	33	21	10
Gain on acquisition of additional interest in joint operation and subsidiaries	(6)	–	–	–	–
Remeasurement of royalty receivable	(2)	6	(8)	(2)	(2)
Operating EBIT	(112)	39	732	197	736
Adjustment for depreciation and amortisation	200	133	256	80	244
Operating EBITDA	88	172	988	277	980

7. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Sales revenue					
Sales of coal					
Coal sold in Australia, gross	28	69	322	118	228
Coal sold outside Australia, gross	1,260	1,130	2,301	717	2,022
	1,288	1,199	2,623	835	2,250
Fair value of losses recycled from hedge reserve	(22)	(133)	(229)	(101)	(45)
	1,266	1,066	2,394	734	2,205
Other revenue					
Interest income	50	125	114	57	58
Mining services fees	–	38	52	29	26
Sea freight	–	–	12	–	37
Other	3	9	29	12	21
	53	172	207	98	142
Total revenue	1,319	1,238	2,601	832	2,347

Disaggregation of revenue

Revenue represents the gross amounts received and receivable arising from sales of coal during the Track Record Period.

Year ended 31 December 2015

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	14	14	28
Singapore	300	15	315
South Korea	348	79	427
China	30	77	107
Japan	103	49	152
Taiwan	58	10	68
All other foreign countries	145	46	191
Total	998	290	1,288
Major product			
Thermal coal	724	–	724
Metallurgical coal	274	290	564
Total	998	290	1,288

During the Track Record Period, all revenue are recognised at a point in time upon delivering.

Year ended 31 December 2016

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	10	59	69
Singapore	212	49	261
South Korea	222	74	296
China	163	16	179
Japan	69	74	143
Taiwan	56	37	93
All other foreign countries	141	17	158
Total	873	326	1,199
Major product			
Thermal coal	833	52	885
Metallurgical coal	40	274	314
Total	873	326	1,199

Year ended 31 December 2017

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	307	15	322
Singapore	193	144	337
South Korea	299	116	415
China	593	61	654
Japan	380	109	489
Taiwan	118	13	131
All other foreign countries	273	2	275
Total	2,163	460	2,623
Major product			
Thermal coal	1,442	443	1,885
Metallurgical coal	721	17	738
Total	2,163	460	2,623

Six months ended 30 June 2017 (unaudited)

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Primary geographical markets			
Australia (the Company's country of domicile)	117	1	118
Singapore	110	51	161
South Korea	126	55	181
China	161	35	196
Japan	37	62	99
Taiwan	12	12	24
All other foreign countries	53	3	56
Total	616	219	835

	NSW	QLD	Total
	A$M	*A$M*	*A$M*
Major product			
Thermal coal	534	11	545
Metallurgical coal	82	208	290
Total	616	219	835

Six months ended 30 June 2018

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

8. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Gain on change in fair value of royalty receivable	2	–	8	2	2
Net gain on foreign exchange	15	12	–	–	30
Receipts from joint venture participants	–	–	5	5	–
Gain on non-substantial loan modification *(Note)*	–	–	31	–	–
Gain on bargain purchase *(note 35)*	–	–	177	–	–
Impairment reversal of mining tenements	–	–	100	–	–
Gain on acquisition of additional interests in joint operation and subsidiaries *(note 35)*	6	–	–	–	–
Gain on disposal of interest in joint operation	–	–	–	–	78
Others	11	3	4	1	5
	34	15	325	8	115

Note: On the adoption of IFRS 9 Financial Instruments, the secured bank loans were adjusted as a result of refinancing the secured bank loan at a lower margin during 2017. Such refinancing is considered as a non-substantial modification of the terms of the secured bank loans and resulted in a gain of A$31 million at the time of modification in 2017. This amount will continue to amortise up to the date of maturity, at which time the full face value of the secured bank loans will be recognised. During 2017 and 2018, A$7 million and A$7 million were amortised in finance cost respectively.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
Interest expenses on:					
– Bank borrowings	116	139	138	66	80
– Loan from related parties	44	76	91	41	57
– Finance lease charges	2	4	4	2	2
– Amortisation of loan refinance fair value	–	–	7	–	7
– Unwinding of discount on provisions and deferred payables	6	5	63	2	6
	168	224	303	111	152
Less: interest expenses capitalised into assets under construction	(6)	(15)	(9)	(6)	–
	162	209	294	105	152

Note: The borrowing costs capitalised arose from the general borrowing pool are calculated by applying a capitalisation rate of 7% per annum to expenditure on qualifying assets for the years ended 2015, 2016 and 2017 and for the six months ended 30 June 2017 and 2018.

10. INCOME TAX BENEFIT/(EXPENSE)

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
(i) Net tax benefit/(expense)					
Income tax benefit/(expense)	82	73	(87)	(5)	(177)
Income tax (under)/over provision in respect of prior years	(19)	12	(2)	9	(1)
Net tax benefit/(expense)	63	85	(89)	4	(178)
(ii) Income tax benefit/(expense)					
Deferred tax benefit/(expense) included in income tax benefit comprises:					
Increase/(decrease) in deferred tax assets	214	157	(73)	8	(214)
(Increase)/decrease in deferred tax liabilities	(151)	(70)	(16)	(4)	36
Movements in other assets including assets classified as held for sale	–	(2)	–	–	–
	63	85	(89)	4	(178)

The Company and its subsidiaries are subject to the standard income tax rate of 30% on its taxable income, in accordance with the relevant Australia Income Tax Assessment Act.

The total tax benefit/(expense) for the years/periods can be reconciled to the (loss)/profit per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(Unaudited)**	*A$M*
(Loss)/profit before income tax	(354)	(312)	335	(18)	539
Tax at applicable income tax rate of 30%	106	94	(101)	5	(162)
Tax effect of non-taxable/deductible amounts in calculating income taxes:					
Stamp duty provision expensed	–	(4)	(50)	–	(5)
Share of (loss)/profit of equity-accounted investees not (deductible)/taxable	(11)	(2)	10	(6)	10
Gain on acquisition of subsidiaries	3	–	53	–	–
(Under)/over provision in prior years	(19)	12	2	9	(1)
Denial of debt deductions	(16)	(19)	(1)	–	–
Non-deductible expense	–	–	–	(11)	(18)
Other	–	4	(2)	7	(2)
Income tax benefit/(expense)	63	85	(89)	4	(178)

11. (LOSS)/PROFIT BEFORE INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
(Loss)/profit before income tax has been arrived at after charging:					
Amortisation of mining tenements and intangible assets	67	61	106	39	95
Depreciation of property, plant and equipment					
– Under finance leases	4	6	8	4	3
– Self-owned	129	66	142	37	146
Total depreciation and amortisation	200	133	256	80	244
Auditor's remuneration	1	1	2	–	–
Transaction costs#	–	3	33	21	10
Employee benefit expense (including directors', chief executive, supervisors' and management team's emoluments)*					
Wages, salaries, housing benefits and other allowances	210	174	281	95	230
Share-based payment expense	–	–	–	–	6
Pension scheme contribution	19	14	21	7	18
Total employee benefits	229	188	302	102	254
Cost of inventories recognised as expenses	211	194	342	99	313
Change in fair value of royalty receivable	(2)	6	(8)	(2)	(2)
Impairment of financial assets	–	–	–	–	21
Remeasurement of financial assets	–	–	–	–	29

* During the years ended 31 December 2015, 2016, 2017 and six months ended 30 June 2017 and 2018, A$45 million, A$26 million, A$17 million, A$6 million and A$1 million of employee benefits were capitalised.

\# Included listing expenses of approximately nil, nil, nil, nil and A$10 million for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 respectively.

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

Directors' and chief executive's emoluments

Directors' and chief executive's emoluments are as follows:

	Year ended 31 December 2015			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu	–	–	–	–
Xinghua Ni[1]	–	–	–	–
Fuqi Wang[2]	–	–	–	–
	–	–	–	–
Independent non-executive directors				
William Randall	–	–	–	–
Geoffrey Raby	0.2	–	–	0.2
Vincent O'Rourke	0.2	–	–	0.2
Huaqiao Zhang	0.1	–	–	0.1
Gregory Fletcher	0.2	–	–	0.2
	0.7	–	–	0.7
Executive directors				
Baocai Zhang	–	1.0	–	1.0
Boyun Xu	–	–	–	–
	–	1.0	–	1.0
Chief Executive				
Reinhold Schmidt	–	4.2	–	4.2
	0.7	5.2	–	5.9

1 Resigned on 23 April 2015.

2 Appointed on 23 April 2015.

	Year ended 31 December 2016			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu	–	–	–	–
Fuqi Wang	–	–	–	–
	–	–	–	–
Independent non-executive directors				
William Randall	–	–	–	–
Geoffrey Raby	0.2	–	–	0.2
Vincent O'Rourke	0.2	–	–	0.2
Huaqiao Zhang	0.1	–	–	0.1
Gregory Fletcher	0.2	–	–	0.2
	0.7	–	–	0.7
Executive directors				
Baocai Zhang	–	0.8	–	0.8
Boyun Xu	–	–	–	–
	–	0.8	–	0.8
Chief Executive				
Reinhold Schmidt	–	4.5	–	4.5
	0.7	5.3	–	6.0

	Year ended 31 December 2017			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu[1]	–	–	–	–
Fuqi Wang	–	–	–	–
Qingchun Zhao[2]	–	–	–	–
Xiangqian Wu[2]	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Gregory Fletcher	0.6	–	–	0.6
Geoffrey Raby	0.3	–	–	0.3
Xing Feng[4]	–	–	–	–
Vincent O'Rourke[5]	0.3	–	–	0.3
Huaqiao Zhang[5]	0.1	–	–	0.1
William Randall[3]	–	–	–	–
	1.3	–	–	1.3
Executive directors				
Baocai Zhang	–	1.9	–	1.9
Boyun Xu[1]	–	–	–	–
	–	1.9	–	1.9
Chief Executive				
Reinhold Schmidt	–	6.8	–	6.8
	1.3	8.7	–	10.0

1 Resigned on 28 April 2017.

2 Appointed on 28 April 2017.

3 Resigned on 9 November 2017.

4 Appointed on 15 December 2017.

5 Resigned on 30 January 2018.

	Six months ended 30 June 2017 (unaudited)			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Xiyong Li	–	–	–	–
Cunliang Lai	–	–	–	–
Yuxiang Wu[1]	–	–	–	–
Fuqi Wang	–	–	–	–
Qingchun Zhao[2]	–	–	–	–
Xiangqian Wu[2]	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Gregory Fletcher	0.3	–	–	0.3
Geoffrey Raby	0.2	–	–	0.2
Vincent O'Rourke	0.2	–	–	0.2
Huaqiao Zhang	0.1	–	–	0.1
William Randall[3]	–	–	–	–
	0.8	–	–	0.8
Executive directors				
Baocai Zhang	–	0.2	–	0.2
Boyun Xu[1]	–	–	–	–
	–	0.2	–	0.2
Chief Executive				
Reinhold Schmidt	–	0.6	–	0.6
	0.8	0.8	–	1.6

1 Resigned on 28 April 2017.

2 Appointed on 28 April 2017.

3 Resigned on 9 November 2017.

	Six months ended 30 June 2018			
	Fees	Salaries, allowance and other benefits in kind	Retirement benefit scheme contributions	Total
	A$M	*A$M*	*A$M*	*A$M*
Non-executive directors				
Baocai Zhang[2]	–	–	–	–
Xiyong Li[3]	–	–	–	–
Cunliang Lai	–	–	–	–
Fuqi Wang	–	–	–	–
Qingchun Zhao	–	–	–	–
Xiangqian Wu	–	–	–	–
	–	–	–	–
Independent non-executive directors				
Gregory Fletcher	0.2	–	–	0.2
Helen Gillies	0.1	–	–	0.1
David Moult	0.1	–	–	0.1
Geoffrey Raby	0.1	–	–	0.1
Xing Feng	–	–	–	–
Vincent O'Rourke[4]	–	–	–	–
Huaqiao Zhang[4]	–	–	–	–
	0.5	–	–	0.5
Executive directors				
Fucun Wang[1]	–	–	–	–
Baocai Zhang[2]	–	0.2	–	0.2
	–	0.2	–	0.2
Chief Executive				
Reinhold Schmidt	–	0.8	–	0.8
	0.5	1.0	–	1.5

The executive directors' and the Chief Executive's emoluments show above were for their services to the management of the affairs of the Company and the Group.

The non-executive directors' emoluments show above were for their services as directors of the Company throughout the Track Record Period.

1 Appointed on 8 June 2018.

2 Resigned on 8 June 2018 as an executive director and Chair of Executive Committee and reappointed as a non-executive director and Chairman.

3 Resigned on 8 June 2018.

4 Resigned on 30 January 2018.

Employees' emoluments

The five highest paid individuals in the Group included one director and the Chief Executive for each of the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018, details of whose remuneration are set out above. Details of emoluments of the remaining three highest paid individuals who are neither a director nor chief executive of the Company for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2017 and 2018 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Salaries, allowance and other benefits in kind	1	1	1	1	1
Retirement benefit scheme contributions	–	–	–	–	–
Discretionary bonuses	1	1	3	–	–
	2	2	4	1	1

Their emoluments were within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
				(Unaudited)	
HKD1,000,001 to HKD1,500,000	–	–	–	3	–
HKD1,500,001 to HKD2,000,000	–	–	–	–	3
HKD3,500,001 to HKD4,000,000	2	1	–	–	–
HKD4,000,001 to HKD4,500,000	–	1	–	–	–
HKD4,500,001 to HKD5,000,000	1	1	–	–	–
HKD7,000,001 to HKD7,500,000	–	–	2	–	–
HKD8,000,001 to HKD8,500,000	–	–	1	–	–

None of the directors, chief executive director, supervisors, management team and the five highest and individuals waived any emoluments in the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018. No emoluments were paid by the Group to any of the directors as an inducement to joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend has been distributed by the Company for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018.

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

14. (LOSS)/EARNINGS PER SHARE

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Basic (loss)/profit per share (A$)	(9.30)	(7.26)	0.54	(0.44)	0.29
Diluted (loss)/profit per share (A$)	(9.30)	(7.26)	0.31	(0.44)	0.29
a) Reconciliation of (loss)/profit used in calculating (loss)/earnings per share					
Basic and diluted (loss)/earnings per share					
(Loss)/profit used in calculating the basic and diluted (loss)/earnings per share:	(291)	(227)	246	(14)	361
Weighted average number of shares used in calculating (loss)/earnings per share					
Adjustments to calculation of basic earnings per share					
Bonus factor restatement associated with rights issue dated 31 August 2017	10%	10%	10%	10%	–
Number of shares associated with bonus factor	2,889,295	2,889,295	1,926,313	2,889,469	–
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	31,295,485	31,295,490	458,131,808	31,297,374	1,256,055,998
Adjustments to denominator used in calculating the diluted (loss)/earnings per share	–	–	325,045,691	–	23,333
Weighted average number of shares used as the denominator in calculating the diluted (loss)/earnings per share	31,295,485	31,295,490	783,177,499	31,297,374	1,256,079,331

In 2015 and 2016, the potential conversion of SCN into ordinary shares has an anti-dilutive impact as the Group was loss making and was therefore excluded from the weighted average number of ordinary shares for the purpose of diluted loss per share.

As disclosed in note 32, 18,000,181,943 shares were issued during 2017 for the conversion of SCN's and are included in the basic and diluted weighted average calculation for 2017. At 31 December 2017 there are 4,900 SCN on issue. The SCN's were redeemed on 31 January 2018 already included from the above calculation.

Additionally as required by IAS 33 when there is a rights issue, shares on issue prior to the rights issue need to be increased by a bonus factor equal to the fair value per share immediately before the exercise of rights and the rights issue price. In the calculation above this factor accounts to 10%.

A share consolidation of 35 shares into 1 share of the Company had been completed on 28 September 2018. The weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share has been adjusted for the share consolidation in 28 September 2018.

15. CASH AND CASH EQUIVALENTS

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Cash at bank and in hand	89	190	207	444
Deposits at call	70	–	–	41
	159	190	207	485
Transfer to assets classified as held for sale	(5)	–	–	–
	154	190	207	485

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Cash at bank and in hand	57	63	112	242
Deposits at call	70	–	–	41
	127	63	112	283

16. TRADE AND OTHER RECEIVABLES

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Trade receivables	157	278	540	424
Current promissory note receivable *(i)*	21	21	36	38
Restricted cash	4	32	1	–
Receivables from joint venture *(ii)*	331	347	332	274
Investment in securities *(iii)*	47	60	61	14
Long service leave receivables	–	–	80	62
Others*	44	104	81	97
	447	564	591	485
	604	842	1,131	909
Presented as:				
Current Portion	225	435	658	561
Non-current portion	379	407	473	348
	604	842	1,131	909

* Included impairment provision of nil, nil, nil and A$3 million as at 31 December 2015, 2016 and 2017 and 30 June 2018.

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Trade receivables	–	11	–	–
Current promissory note receivable *(i)*	21	21	36	38
Advances to related entities	5,910	822	880	901
Investment in securities *(iii)*	32	32	32	14
Restricted cash	2	31	–	–
Others	–	–	29	9
	5,965	906	977	962
	5,965	917	977	962
Presented as:				
Current portion	1,014	168	240	242
Non-current portion	4,951	749	737	720
	5,965	917	977	962

(i) Promissory notes to the value of A$674 million were issued to the Group by the Parent Company on 22 June 2012 on the disposal of certain mining assets, including promissory notes of A$21 million with regard to the expected tax on the disposal. During 2017 the promissory notes of A$21 million with the Parent Company was settled against related party loan interest payable by the Company. In addition as part of the equity raising completed on 1 September 2017, US$28 million (approximately A$36 million and A$38 million as at 31 December 2017 and 30 June 2018 respectively)) was deposited to Yankuang Ozstar (Ningbo) Trading Co Limited, a related party, and a promissory note was issued to the Company. Management believe that this will be settled within the next 12 months.

(ii) Receivables from joint venture includes a loan provided to Middlemount Coal Pty Ltd ("Middlemount JV") with a face value of A$350 million as at 31 December 2015, 2016 and 2017 and a face value of A$281 million as at 30 June 2018. On 1 July 2015, the shareholders of Middlemount JV agreed to make the loan interest-free for 18 months.

At 31 December 2016, this loan was further extended on an interest free basis for two months.

On 1 July 2017, the shareholders of Middlemount JV agreed to make the loan interest free for 18 months.

This loan has been revalued using the effective interest rate method to A$331 million, A$347 million, A$332 million and A$274 million at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively with the difference being recognised as a contribution to the joint venture.

(iii) Investments in securities represent the Group's investment in securities issued by WICET. These include E Class WIPS of A$15 million, A$28 million, A$29 million and nil and GiLTS of A$32 million, A$32 million, A$32 million and A$14 million as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively.

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
GiLTS				
Opening balance	32	32	32	32
Impairment	–	–	–	(18)
Closing balance	32	32	32	14

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis, as appropriate. The following is an aged analysis of trade receivables based on the invoice dates at the reporting dates:

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
0-90 days	116	198	531	410
91-180 days	9	19	4	2
181-365 days	9	13	1	5
Over 1 year	23	48	4	7
	157	278	540	424

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
0-90 days	–	9	–	–
91-180 days	–	1	–	–
181-365 days	–	1	–	–
	–	11	–	–

Before accepting any new customer, the Group and the Company assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The ageing analysis of the Group's and the Company's trade receivables, that were past due but not yet impaired as at 31 December 2015, 2016 and 2017 and 30 June 2018, is as follows:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
1-90 days	31	45	23	28
91-180 days	9	19	4	2
181-365 days	9	13	1	5
Over 1 year	23	48	4	7
	72	125	32	42

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
91-180 days	–	1	–	–

The Group and the Company does not hold any collateral over these balances. The management closely monitors the credit quality of trade receivable and consider the balance that are neither past due nor impaired are of good credit quality.

17. ROYALTY RECEIVABLE

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
As at 1 January	200	205	199	199
Cash received	(18)	(21)	(29)	(13)
Unwinding discount	21	21	21	10
Change in fair value	2	(6)	8	2
As at 31 December/30 June	205	199	199	198
Presented as:				
Current portion	20	31	24	28
Non-current portion	185	168	175	170
	205	199	199	198

A right to receive a royalty of 4% of Free on Board Trimmed sales from the Middlemount mine was acquired as part of the merger with Gloucester Coal Ltd ("Gloucester"). This financial asset has been determined to have a finite life being the life of the Middlemount mine and is measured at fair value basis.

18. INVENTORIES

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Work in progress	15	13	19	23
Finished goods	34	34	68	100
	49	47	87	123
Fuel	1	1	4	5
Tyres and spares – at cost	26	27	59	77
	76	75	150	205

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 31 December 2015, 2016 and 2017 and 30 June 2017 and 2018 amounted to A$12 million, A$1 million, A$1 million, A$4 million and A$1 million respectively. The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the consolidated statements of profit or loss and other comprehensive income.

19. MINING TENEMENTS

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Opening net book amount	2,467	2,085	2,128	4,296
Acquisition through business combination and changes interest in joint operations *(note 35)*	25	–	2,456	127
Transfers from exploration and evaluation assets *(note 20)*	–	101	26	2
Impairment reversal	–	–	100	–
Amortisation	(64)	(58)	(103)	(93)
Transfer to assets classified as held for sale *(note 25)*	(343)	–	(311)	(24)
Closing net book amount	2,085	2,128	4,296	4,308

The mining tenements are recognised at cost less accumulated amortisation and impairment based on units of production method.

(i) Impairment of assets

(a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines are considered to be one CGU. In 2015, due to the classification of the three NSW underground mines as assets classified as held for sale, the NSW regional CGU comprises the open cut mines Moolarben and Stratford/Duralie. In 2017, Hunter Valley Operations and Mount Thorley Warkworth have been included in the NSW regional CGU alongside Moolarben and Stratford/Duralie. Yarrabee and Middlemount are considered separate CGU due to location and ownership structure.

(b) Assessment of fair value

Each CGU's fair value less costs of disposal has been determined using a discounted cash flow model over the expected life of mine (10 – 43 years). The expected life of mine is based on the coal reserves and resources (see discussion at note 5) and the expected production that will deplete the reserves and resources, in accordance with the current life of mine plan, to the point where further extraction is either no longer economic or requires further work to attend the life of mine. The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

The key assumptions in the model include:

Key assumptions Description	**Description**
Coal prices	The Group's cash flow forecasts are based on estimates of future coal prices, which assume benchmark prices will revert to the Group's assessment of the long term real coal prices of US$55 – US$109 per tonne, US$66 – US$100 per tonne and US$65 – US$101 per tonne and US$67 – US$102 per tonne for thermal coal and US$91 – US$166 per tonne, US$104 – US$165 per tonne, US$110 – US$190 per tonne and US$112 – US$176 per tonne for metallurgical coal for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 respectively. The Group receives long term forecast coal price data from multiple external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities. For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts.
Foreign exchange rates	The long term A$/US$ forecast exchange rate of US$0.73, US$0.73, US$0.75 and US$0.75 is based on external sources and the year-end A$/US$ exchange rate was US$0.73, US$0.72, US$0.78 and US$0.74 per the Reserve Bank of Australia at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively.
Production and capital costs	Production and capital costs are based on the Group's estimate of forecast geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans, JORC reports, and project evaluations performed by the Group in its ordinary course of business.
Coal reserves and resources	See discussion at note 5 for how the coal reserves and resources are determined.

Key assumptions Description	Description
Discount rate	The Group has applied a post-tax discount rate of 10.5%, 10.5%, 10.5% and 10.5% to discount the forecast future attributable post-tax cash flows for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 respectively. The post-tax discount rate applied to the future cash flow forecasts represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

Based on the above assumptions at 31 December 2015, 2016, 2017 and 30 June 2018 the recoverable amount is determined to be above book value for all CGU resulting in no further impairment.

Impairment provision recorded as at 31 December 2015 and 2016 is A$108 million and A$105 million respectively for Moolarben. At 31 December 2017, the recoverable amount for Moolarben was determined to be approximately A$12,294 million and the remaining impairment provision at Moolarben of A$100 million has been reversed. Management have assessed the following as being reasons for the reversal:

- both the NSW CGU and Moolarben standalone recoverable amounts are above book value;

- completion of open-cut expansions and commencement of underground mining operations during 2017 have derisked future cash flows and increased production from 8 million tones ("Mt") in 2014 to approximately 17Mt of Run of mines ("ROM") coal; and

- current and life of mine operating costs and capital expenditure have decreased.

The impairment reversal has been recognised through the profit and loss.

Impairment provision recorded as at 31 December 2015, 2016, 2017 and 30 June 2018 is A$73 million, A$73 million, A$73 million and A$73 million respectively for Stratford and Duralie. Stratford and Duralie is included in the NSW region CGU. Management may consider reversals of the impairment provision previously recognised if there is either an increase in the average long term real revenue over the life of the mine due to either an increase in US$ coal prices, or a further weakening of the A$/US$ foreign exchange rate or a combination of both, or further reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserves.

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

(c) Key sensitivity

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

For the year ended 31 December 2015, if coal prices were -10% life of mine ("LOM") the NSW CGU recoverable amount would exceed book value however for Yarrabee the book value would exceed the recoverable amount by A$267 million and for Middlemount by A$103 million. If the A$/US$ long-term forecast exchange rate was A$0.80 the NSW CGU recoverable amount would exceed book value however for Yarrabee the book value would exceed the recoverable amount by A$184 million and for Middlemount by A$30 million.

For the year ended 31 December 2016, if coal prices were -10% LOM the recoverable amount would exceed book value for all CGUs. If the AU$/US$ long term forecast exchange rate was A$0.80 the recoverable amount would exceed book value for all CGUs.

For the year ended 31 December 2017, if coal prices were-10% LOM the recoverable amount would exceed book value for all CGUs with the exception of Yarrabee who exceeded the recoverable amount by A$15 million. If the A$/US$ long term forecast exchange rate was A$0.80 the recoverable amount would exceed book value for all CGUs.

For the six months ended 30 June 2018, if coal prices were -10% LOM the recoverable amount would exceed book value for all CGUs with the exception of Yarrabee who exceeded the recoverable amount by A$149 million. If the A$/US$ long term forecast exchange rate was A$0.80 the recoverable amount would exceed book value for all CGUs.

20. EXPLORATION AND EVALUATION ASSETS

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Opening net book amount	896	591	498	565
Acquisition through business combination *(note 35)*	3	–	108	12
Other additions	3	–	3	–
Transfers to mining tenements *(note 19)*	–	(101)	(26)	(2)
Transfers from assets under construction	–	8	–	2
Transfer to assets classified as held for sale *(note 25)*	(311)	–	(18)	–
Closing net book amount	591	498	565	577

21. INTANGIBLE ASSETS

The Group

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
As at 1 January 2015					
Cost	60	21	–	5	86
Accumulated amortisation	–	(7)	–	–	(7)
Closing Net book amount	60	14	–	5	79
Year ended 31 December 2015					
Opening net book amount	60	14	–	5	79
Transfers from assets under construction *(note 22)*	–	2	–	–	2
Amortisation charge	–	(3)	–	–	(3)
Transfer to assets classified as held for sale *(note 25)*	–	(1)	–	(5)	(6)
Closing net book amount	60	12	–	–	72
At 31 December 2015					
Cost	60	22	–	–	82
Accumulated amortisation	–	(10)	–	–	(10)
Net book amount	60	12	–	–	72

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2016					
Opening net book amount	60	12	–	–	72
Transfers from assets under construction *(note 22)*	–	1	–	–	1
Amortisation charge	–	(3)	–	–	(3)
Closing net book amount	60	10	–	–	70
At 31 December 2016					
Cost	60	25	–	–	85
Accumulated amortisation	–	(15)	–	–	(15)
Net book amount	60	10	–	–	70

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2017					
Opening net book amount	60	10	–	–	70
Acquisition through business combination *(note 35)*	–	–	22	13	35
Transfers from assets under construction *(note 22)*	–	–	–	1	1
Transfer to asset classified as held for sale *(note 25)*	–	–	(4)	–	(4)
Amortisation charge	–	(2)	–	(1)	(3)
Closing net book amount	60	8	18	13	99
At 31 December 2017					
Cost	60	25	18	14	117
Accumulated amortisation	–	(17)	–	(1)	(18)
Net book amount	60	8	18	13	99

	Goodwill	Computer software	Water rights	Other	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Six months ended 30 June 2018					
Opening net book amount	60	8	18	13	99
Acquisition through business combination *(note 35)*	–	2	–	–	2
Other addition	–	–	1	–	1
Other disposal	–	–	(2)	–	(2)
Amortisation charge	–	(1)	–	(1)	(2)
Closing net book amount	60	9	17	12	98
At 30 June 2018					
Cost	60	27	17	14	118
Accumulated amortisation	–	(18)	–	(2)	(20)
Net book amount	60	9	17	12	98

The goodwill at 31 December 2015, 2016, 2017 and 30 June 2018 relates to the acquisition of Yancoal Resources Limited (formerly known as Felix Resources Limited) from an independent third party in an arm's length transaction and was allocated to Yarrabee mine.

The Yarrabee goodwill and water rights were not subject to impairment charges as the recoverable amounts were greater than the carrying value for these CGUs. Refer to note 19(i) for the details regarding the fair value less cost to sell calculation performed for goodwill and water rights.

The Company

Computer software

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Opening net book amount	3	3	2	2
Amortisation charge	–	(1)	–	(1)
Closing net book amount	3	2	2	1
At end of the year/period				
Cost	5	5	5	5
Accumulated depreciation	(2)	(3)	(3)	(4)
Net book amount	3	2	2	1

At 1 January 2015, the cost and accumulated amortisation were A$5 million and A$3 million respectively.

22. PROPERTY, PLANT AND EQUIPMENT

The Group

	Assets under construction	Freehold land & buildings	Mine development	Plant and equipment	Leased plant and equipment	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015						
Cost	303	259	624	1,334	56	2,576
Accumulated depreciation	–	(11)	(149)	(499)	(11)	(670)
Net book amount	303	248	475	835	45	1,906
Year ended 31 December 2015						
Opening net book amount	303	248	475	835	45	1,906
Transfer (to)/from assets under construction	(306)	8	186	110	–	(2)
Transfer – reclassification	–	(1)	1	–	–	–
Acquisition through business combination *(note 35)*	1	1	1	4	–	7
Other additions	281	–	47	5	–	333
Other disposals	–	–	–	(3)	–	(3)
Depreciation	–	(3)	(46)	(94)	(4)	(147)
Transfer to assets classified as held for sale *(note 25)*	(44)	(81)	(361)	(355)	(3)	(844)
Closing net book amount	235	172	303	502	38	1,250
At 31 December 2015						
Cost	235	182	374	766	53	1,610
Accumulated depreciation	–	(10)	(71)	(264)	(15)	(360)
Net book amount	235	172	303	502	38	1,250
Year ended 31 December 2016						
Opening net book amount	235	172	303	502	38	1,250
Transfer (to)/from assets under construction	(227)	–	92	126	–	(9)
Other additions	316	–	14	3	50	383
Other disposals	–	–	–	(14)	–	(14)
Depreciation	–	(2)	(28)	(48)	(6)	(84)
Closing net book amount	324	170	381	569	82	1,526
At 31 December 2016						
Cost	324	182	480	869	103	1,958
Accumulated depreciation	–	(12)	(99)	(300)	(21)	(432)
Net book amount	324	170	381	569	82	1,526

	Assets under construction	Freehold land & buildings	Mine development	Plant and equipment	Leased plant and equipment	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2017						
Opening net book amount	324	170	381	569	82	1,526
Transfer (to)/from assets under constructions	(576)	27	308	240	–	(1)
Other additions	303	–	21	12	9	345
Acquisition through business combination *(note 35)*	33	96	353	844	–	1,326
Other disposals	–	–	–	(17)	(7)	(24)
Depreciation	–	(4)	(45)	(98)	(8)	(155)
Transfer to assets classified as held for sale *(note 25)*	(3)	(15)	(51)	(116)	–	(185)
Closing net book amount	81	274	967	1,434	76	2,832
At 31 December 2017						
Cost	81	330	1,310	2,910	105	4,736
Accumulated depreciation	–	(56)	(343)	(1,476)	(29)	(1,904)
Net book amount	81	274	967	1,434	76	2,832
Six months ended 30 June 2018						
Opening net book amount	81	274	967	1,434	76	2,832
Transfer (to)/from assets under construction	(41)	5	138	(102)	–	–
Other additions	69	–	10	–	5	84
Acquisition through business combination *(note 35)*	6	19	39	114	–	178
Other disposals	–	–	(1)	(6)	–	(7)
Depreciation	–	(2)	(57)	(87)	(3)	(149)
Closing net book amount	115	296	1,096	1,353	78	2,938
At 30 June 2018						
Cost	115	356	1,489	2,926	110	4,996
Accumulated depreciation	–	(60)	(393)	(1,573)	(32)	(2,058)
Net book amount	115	296	1,096	1,353	78	2,938

The Company

	Assets under construction	Mine development	Plant and equipment	Total
	A$M	*A$M*	*A$M*	*A$M*
At 1 January 2015				
Cost	–	–	75	75
Accumulated depreciation	–	–	(50)	(50)
Net book amount	–	–	25	25
Year ended 31 December 2015				
Opening net book amount	–	–	25	25
Additions	7	–	–	7
Depreciation	–	–	(4)	(4)
Closing net book amount	7	–	21	28
At 31 December 2015				
Cost	7	–	75	82
Accumulated depreciation	–	–	(54)	(54)
Net book amount	7	–	21	28
Year ended 31 December 2016				
Opening net book amount	7	–	21	28
Transfers	(1)	1	–	–
Additions	–	15	–	15
Depreciation	–	–	(4)	(4)
Closing net book amount	6	16	17	39
At 31 December 2016				
Cost	6	16	75	97
Accumulated depreciation	–	–	(58)	(58)
Net book amount	6	16	17	39
Year ended 31 December 2017				
Opening net book amount	6	16	17	39
Additions	10	1	–	11
Depreciation	–	–	(4)	(4)
Closing net book amount	16	17	13	46
At 31 December 2017				
Cost	16	17	75	108
Accumulated depreciation	–	–	(62)	(62)
Net book amount	16	17	13	46
Six months ended 30 June 2018				
Opening net book amount	16	17	13	46
Depreciation	–	–	(2)	(2)
Closing net book amount	16	17	11	44
At 30 June 2018				
Cost	16	17	75	108
Accumulated depreciation	–	–	(64)	(64)
Net book amount	16	17	11	44

During the years ended 31 December 2015, 2016, 2017 and six months ended 2017 and 30 June 2018, A$14 million, A$12 million, A$5 million, A$2 million and nil of depreciation and amortisation were capitalised respectively and A$6 million, A$15 million, A$9 million, A$6 million and nil of interest were capitalised in property, plant and equipment respectively.

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than freehold land:

– Buildings 10 – 25 years

– Mine development 10 – 40 years

– Plant and equipment 2.5 – 40 years

– Leased plant and equipment 2 – 20 years

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment. Mine development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

At 31 December 2015, 2016 and 2017 and 30 June 2018, mines assets with carrying amount of approximately A$303 million, A$381 million, A$967 million and A$1,096 million respectively have been pledged to secure bank borrowings of the Group.

At 31 December 2015, 2016 and 2017 and 30 June 2018, the carrying amount of property, plant and equipment held under finance leases was A$38 million, A$82 million, A$76 million and A$78 million respectively.

23. INTERESTS IN OTHER ENTITIES

(a) Interests in associates

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Share of net assets of associates	–	–	191	192

Information of major associates is as follows:

Name of associate	Place of establishment and operation	Class of shares held	Principal activities	Interest held at 31 December 2015	2016	2017	Interest held at 30 June 2018
Watagan *(note (i))*	Australia	Ordinary shares	Coal Mining and sales	N/A	100%	100%	100%
Port Waratah Coal Services ("PWCS") *(note (ii))*	Australia	Ordinary shares	Coal terminal	N/A	N/A	36.5%	30%
NCIG *(note (iii))*	Australia	Registered capital	Coal terminal	27%	27%	27%	27%

All of the above associates have been accounted for using equity method in the consolidated financial statements.

(i) During 2015 the Group established a 100% owned subsidiary, Watagan. On 18 February 2016, the Group executed a bond subscription agreement, together with other agreements (the "Watagan Agreements") that, on completion, transferred the Group's interest in three of its 100% owned coal mining operations in Australia, being the Austar, Ashton and Donaldson coal mines (the "Three Mines"), to Watagan. On completion, under the terms of the Watagan Agreements, upon issuance of the bonds, the Group was determined to lose control of Watagan. These powers were transferred to the bondholders under the terms of the Watagan Agreements as the bond holders were given control of Watagan's board of directors' via appointment of the majority of directors. Given the Group maintains one seat on the board of directors of Watagan and had ongoing involvement under the terms of the Watagan Agreements, the Group could exercise significant influence over Watagan.

(ii) The Group through the acquisition of Coal & Allied during 2017, acquired 36.5% equity interest in PWCS of which 6.5% is classified as held for sale as at 31 December 2017 (note 25(b)(i)).

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

(iv) All of the associates are private companies whose quoted market price is not available.

The information below reflects the summarized financial in respect of each of the associates that is material to the Group and are accounted for using equity method. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy:

	PWCS			
	At 31 December			**At 30 June**
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Current assets	N/A	N/A	79	103
Non-current assets	N/A	N/A	1,574	1,527
Current liabilities	N/A	N/A	(351)	(350)
Non-current liabilities	N/A	N/A	(665)	(640)
Revenue	N/A	N/A	101	183
Expenses	N/A	N/A	(101)	(170)
(Loss)/profit for the year/period	N/A	N/A	–	13
Dividend shared by the Group and received from the associate during the year/period	N/A	N/A	20	17

Statement of profit or loss of Watagan

	Watagan				
	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (unaudited)	*A$M*
Revenue	N/A	282	569	255	189
Other income	N/A	1	56	47	1
Changes in inventories of finished goods and work in progress	N/A	8	(13)	8	(6)
Coal purchases	N/A	(61)	(76)	(48)	(38)
Raw materials and consumables used	N/A	(44)	(62)	(30)	(26)
Employee benefits	N/A	(23)	(43)	(20)	(8)
Depreciation and amortisation	N/A	(90)	(136)	(59)	(37)
Transportation	N/A	(17)	(34)	(14)	(18)
Contractual services and plant hire expense	N/A	(26)	(45)	(19)	(24)
Government royalties expense	N/A	(14)	(31)	(13)	(9)
Finance costs	N/A	(134)	(174)	(74)	(71)
Service fee	N/A	(38)	(56)	(32)	(28)
Other operating expenses	N/A	(53)	(23)	(7)	(50)
Total expenses	**N/A**	**(492)**	**(693)**	**(308)**	**(315)**
Loss before income tax	N/A	(209)	(68)	(6)	(125)
Income tax benefit/(expense)	**N/A**	**47**	**10**	**(1)**	**35**
Loss for the year/period	**N/A**	**(162)**	**(58)**	**(7)**	**(90)**
Total comprehensive expense for the year/period	**N/A**	**(162)**	**(58)**	**(7)**	**(90)**

Asset and liabilities of Watagan

	Watagan			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Cash and cash equivalents	N/A	100	103	100
Trade and other receivables	N/A	263	151	66
Inventories	N/A	45	30	23
Other current assets	N/A	3	3	4
Total current assets	**N/A**	**411**	**287**	**193**
Trade and other receivables	N/A	–	43	70
Property, plant and equipment	N/A	884	844	853
Mining tenements	N/A	332	330	324
Deferred tax assets	N/A	31	–	29
Intangible assets	N/A	6	5	5
Exploration and evaluation assets	N/A	311	298	298
Other non-current assets	N/A	3	10	11
Non-current assets	**N/A**	**1,567**	**1,530**	**1,590**
Trade and other payables	N/A	(40)	(97)	(62)
Interest-bearing liabilities	N/A	(1)	(1)	(1)
Provisions	N/A	(2)	(1)	(1)
Current liabilities	**N/A**	**(43)**	**(99)**	**(64)**
Interest-bearing liabilities	N/A	(1,843)	(1,704)	(1,777)
Deferred tax liabilities	N/A	(214)	(183)	(201)
Provisions	N/A	(34)	(47)	(47)
Other non-current liabilities	N/A	(6)	(5)	(5)
Non-current liabilities	**N/A**	**(2,097)**	**(1,939)**	**(2,030)**
Net liabilities	N/A	(162)	(221)	(311)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates in respect of material associates recognised in the consolidated financial statements:

	PWCS			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Net assets of the associate's attributable to owners	N/A	N/A	637	640
Proportion of the Group's ownership interest	N/A	N/A	30%	30%
Carrying amount of the Group's interest in the associate	N/A	N/A	191	192

	Watagan			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Net liabilities of the associate's attributable to owners	N/A	(162)	(221)	(311)
Proportion of the Group's ownership interest	N/A	100%	100%	100%
Carrying amount of the Group's interest in the associate	N/A	–	–	–

The carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Carrying amount of the Group's interests in immaterial associates	–	–	–	–

For the associates not individually material, no profit or loss was recognised during the Track Record Period because the accumulated losses exceeds its interest.

Movements of carrying amounts

The Group's share of NCIG's loss after tax of A$93 million, A$10 million, profit after tax of A$36 million and loss after tax of A$37 million has not been recognised for the years ended 31 December 2015, 2016 and 2017 and 30 June 2018 respectively since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 31 December 2015, 2016 and 2017 and 30 June 2018.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the cumulative unrecognised losses of NCIG are A$301 million, A$311 million and A$275 million and A$313 million respectively.

Apart from the initial A$100 invested, the Group's share of Watagan's loss after tax of A$162 million, A$58 million and A$90 million has not been recognised for the years ended 31 December 2016 and 2017 and six months ended 30 June 2018 as the Group's share of Watagan's accumulated losses exceeds its interest in Watagan at 31 December 2016 and 2017 and six months ended 30 June 2018.

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the cumulative unrecognised losses of Watagan are nil, A$162 million and A$220 million and A$310 million respectively.

(b) Interests in joint ventures

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Share of net assets of joint ventures	8	5	60	88

Name of joint venture	Place of establishment and operation	Class of shares held	Principal activities	At 31 December 2015 Voting power	2015 Interest held	2016 Voting power	2016 Interest held	2017 Voting power	2017 Interest held	At 30 June 2018 Voting power	2018 Interest held
Middlemount JV	Australia	Ordinary shares	Coal mining and sales	50%	50%	50%	50%	50%	50%	50%	50%
HVO Coal Sales Pty Ltd (note (i))	Australia	Ordinary shares	Coal sales	N/A	N/A	N/A	N/A	N/A	N/A	50%	51%
HVO Operations Pty Ltd (note (i))	Australia	Ordinary shares	Coal management	N/A	N/A	N/A	N/A	N/A	N/A	50%	51%
HVO Services Pty Ltd (note (i))	Australia	Ordinary shares	Employment company for HVO	N/A	N/A	N/A	N/A	N/A	N/A	50%	51%

(i) Through the acquisition of Coal & Allied as detailed in note 35(ii), the Company acquired 67.6% of the Hunter Valley Operations ("HVO JV"), and HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd ("HVO entities"). HVO entities are used to manage sales and costs on behalf of the HVO JV. On 27 July 2017, the Group entered into an agreement with Glencore Coal Pty Ltd ("Glencore") to dispose of 16.6% interest in HVO. Upon completion of the transaction on 4 May 2018, the operation of HVO entities by the Group ceased. Even though the Group holds 51% of the shares in HVO entities, those entities are governed by shareholder agreements whereby it is required that decisions are made jointly. Accordingly, the Group has determined that from 4 May 2018 it jointly controls these companies and has accounted for the HVO entities as joint ventures.

The following table provides summarised financial information for Middlemount JV. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Middlemount JV At 31 December 2015	2016	2017	At 30 June 2018
	A$M	*A$M*	*A$M*	*A$M*
Cash and cash equivalents	20	12	4	18
Other current assets	68	118	156	90
Current assets	88	130	160	108
Non-current assets	1,194	1,092	976	922
Current liabilities	(244)	(226)	(126)	(102)
Non-current financial liabilities	(748)	(780)	(680)	(546)
Other non-current liabilities	(274)	(206)	(210)	(206)
Non-current liabilities	(1,022)	(986)	(890)	(752)
Net assets	16	10	120	176
Revenue	426	498	664	352
Depreciation and amortisation	(82)	(42)	(62)	(20)
Other expense	(376)	(410)	(458)	(226)
Interest expense	(50)	(48)	(42)	(22)
Income tax benefit/(expense)	8	(8)	(38)	(28)
(Loss)/profit for the year/period	(74)	(10)	64	56

As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group did not have any share of contingent liabilities or commitment of the joint ventures.

The joint ventures are accounted for using equity method in the consolidated financial statements. All of the joint ventures are private companies whose quoted market price is not available.

	Middlemount JV			
	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Net assets of the joint venture's attributable to owners	16	10	120	176
Proportion of the Group's ownership interest	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	8	5	60	88

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint venture in respect of joint ventures recognised in the consolidated financial statements.

The liabilities of Middlemount JV include an interest bearing liability of A$331 million (face value of A$350 million), A$347 million (face value of A$350 million), A$331 million (face value of A$350 million) and A$274 million (face value of A$281 million) due to the Group at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively. The repayment of the loan due to the Group can only be made by Middlemount JV after the full settlement of all external borrowings (bank loans) and the Priority Loans owed to the other shareholder of Middlemount JV amounting to A$130 million, A$130 million, A$16 million and A$69 million at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively. The liabilities of Middlemount JV also include a royalty payable of A$51 million, A$74 million, A$11 million and A$8 million due to the Group at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively.

During 2018, Middlemount JV settled the priority loan owed to the other shareholder of Middlemount JV amounting to A$42 million and has made A$69 million of loan repayments to the Group. From 1 July 2017, the shareholders of Middlemount JV agreed to make the loan interest free for 18 months revaluing this loan using the effective interest rate method with the difference being recognised as an equity contribution to the joint venture.

The carrying amount, in aggregate, of the Group's interests in HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd joint ventures which are not individually material and are accounted for using the equity method are set out below:

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Carrying amount of the Group's interests in joint venture	–	–	–	–

For the joint ventures not individually material, no profit or loss was recognised during the Track Record Period because the accumulated losses exceeds its interest.

(c) Interests in joint operations

Information on major joint operations is as follows:

Name of joint operation	Place of establishment and operation	Principal activities	At 31 December			At 30 June
			2015	2016	2017	2018
			Interest held	Interest held	Interest held	Interest held
Boonal joint operation *(note (i))*	Australia	Provision of a coal haul road and train load out facilities	50%	50%	50%	50%
Moolarben joint venture *(note (ii))*	Australia	Development and operation of open-cut and underground coal mines	81%	81%	81%	81%
Warkworth joint venture *(note (iii))*	Australia	Development and operation of open-cut mines	N/A	N/A	55.6%	84.5%
Mount Thorley joint venture *(note (iv))*	Australia	Development and operation of open-cut mines	N/A	N/A	80%	80%
HVO joint venture *(note (v))*	Australia	Development and operation of open-cut mines	N/A	N/A	67.6%	51%

The above joint operations are established and operated as unincorporated businesses and are held indirectly by the Company.

Notes:

(i): The Company, through the subsidiary of Yarrabee Coal Company Pty. Limited, has an 50% interest in Boonal Joint Venture.

(ii): The Company, through the subsidiary of Moolarben Coal Mines Pty Limited, has an 81% interest in Moolarben Joint Venture.

(iii): The Company, through the acquisition of Coal & Allied in 2017, through CNA Warkworth Associates Pty Ltd and CNA Resources Ltd, have an combined interest of 55.6% in Warkworth Joint Venture. On 7 March 2018, the Group acquired an additional 28.898% from Mitsubishi Development Pty Ltd ("Mitsubishi") resulting in interest of 84.5%.

(iv): The Company, through the acquisition of Coal & Allied in 2017, through Mount Thorley Pty Ltd, acquired an 80% interest in the Mount Thorley Joint Venture.

(v): The Company, through the acquisition of Coal & Allied in 2017, through Coal & Allied Operations Pty Ltd, acquired 67.6% interest in HVO JV of which 16.6% was classified as held for sale. On 4 May 2018, the 16.6% interest was disposed of.

24. INTEREST BEARING LOAN TO AN ASSOCIATE

The Group and the Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Non-current assets				
– Loan to an associate	–	775	712	730

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

25. ASSETS/DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During 2015, the Group established a 100% owned subsidiary, Watagan Mining Company Pty Ltd ("Watagan"). The management of the Company had been in active discussion with the potential bond subscribers for the proposed transaction before 31 December 2015 and from the discussion held, management noted that it is appropriate to classified as held for sale.

On 18 February 2016, the Group executed a Bond Subscription Agreement, together with other agreements (the "Watagan Agreements") that, on completion, transferred the Group's interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines (the "three mines"), to Watagan for a purchase price of approximately A$1.3 billion (an amount equal to the book value of the three mines at completion). The purchase price was funded by way of an approximate A$1.3 billion loan from Yancoal to Watagan bearing interest at BBSY plus 7.06% with a maturity date of 1 April 2025. The outstanding interest and principal of this loan is guaranteed by Yankuang Group Co., Ltd (Yankuang), the Group's ultimate parent entity. The completion date of the transaction was 31 March 2016.

On completion Watagan issued US$775 million of debt bonds with a term of approximately 9 years to three external financiers ("Bondholders"). The Bondholders received interest on the face value outstanding on the bonds comprising a fixed interest component, as well as a variable interest component that was tied to the EBITDA performance of Watagan. Under the terms of the Watagan Agreements, it was determined that upon issuance of the bonds the Group lost control of Watagan. This loss of control was determined to occur on the issuance date of the bonds on the basis that the power over the key operating and strategic decisions of Watagan no longer resided with the Group. Specifically, these powers were transferred to the Bondholders under the terms of the Watagan Agreements as the Bondholders were given control of Watagan's board of directors via appointment of the majority of directors. This loss of control resulted in the Group de-consolidating the consolidated results of Watagan from the transaction completion date. Due to the Watagan transaction being near completion and the transaction considered to be highly likely at 31 December 2015, the three mines are disclosed as Disposal Group Held for Sale. While Watagan was deconsolidated for accounting purposes, as a result of the Group's ongoing 100% equity ownership in Watagan, Watagan remains within the Group's tax consolidated group.

The following table provides summarised financial information for the Three Mines that are held for sale as at 31 December 2015.

	31 December 2015
	A$M
Cash and cash equivalents	5
Other current assets	95
Current assets	100
Property, plant and equipment	844

	31 December 2015
	A$M
Mining tenements	343
Exploration and evaluation assets	311
Deferred tax assets	21
Intangible assets	6
Other non-current assets	12
Non-current assets	1,537
Assets classified as held for sale	1,637
Current liabilities	75
Deferred tax liability	207
Other non-current liabilities	40
Non-current liabilities	247
Liabilities associated with assets classified as held for sale	322
Net assets classified as held for sale	1,315

(a) As at 31 December 2017 and 30 June 2018, the Group had net assets classified as held for sale for which the relevant sales are expected to be completed in 2018 as follows:

	31 December 2017	30 June 2018
	A$M	*A$M*
Current assets		
Interest in an associate *(note (i))*	25	–
Land held for sale *(note (ii))*	57	57
Interest in a joint operation *(note (iii))*	531	–
Total current assets	613	57
Current liabilities		
Interest in a joint operation *(note (iii))*	67	–
Total current liabilities	67	–

(i) Investment in an associate

The investment in an associate was included in the asset sale agreement with Glencore. An indirect interest in PWCS of 6.5%, held via shares in Newcastle Coal Shippers Pty Ltd, was sold for US$20 million (equivalent to A$25.6 million) and was complete in May 2018.

(ii) Land held for sale

The land held for sale refers to parcels of non-mining land located in the Lower Hunter Valley that is held for development or future sale. These were acquired as part of the acquisition of Coal & Allied at fair value.

(iii) Interest in joint operation

On 27 July 2017, the Group entered into an agreement with Glencore, for the disposal of 16.6% interest in HVO for a cash consideration of US$429 million (equivalent to A$550 million), subject to certain adjustments on completion. This amount is reduced by the net cash flows generated by the 16.6% HVO interest from 1 September 2017 to the date of completion. The consideration will also include a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by the Group and a net debt and working capital adjustment in respect of the Coal & Allied acquisition. The US$429 million includes US$20 million associated with the sale of shares in Newcastle Coal Shippers Pty Ltd held by Coal & Allied to Glencore noted above. The assets and liabilities disclosed below, refers to the share of assets and liabilities associated with the 16.6% interest in HVO. The transaction was completed in May 2018.

	31 December 2017
	A$M
Current assets	13
Property, plant and equipment	185
Mining tenements	311
Exploration and evaluation assets	18
Intangible assets	4
Non-current assets	518
Total assets classified as held for sale	531
Current liabilities	38
Non-current liabilities	29
Total liabilities associated with assets classified as held for sale	67
Net assets classified as held for sale	464

There was no gain/loss arising from classification of the assets/disposal group held for sale during the Track Record Period.

26. TRADE AND OTHER PAYABLES

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Trade payable	200	257	496	371
Accrued staff costs	36	53	112	85
Advances from related entities	–	45	44	70
Others	56	114	106	257
	292	469	758	783

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Trade payable	11	1	–	1
Accrued staff costs	7	7	32	13
Advances from related entities	109	103	989	1,997
Others	29	52	113	126
	156	163	1,134	2,137

The following is an aged analysis of trade payable based on the invoice dates at the reporting date:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
0 – 90 days	200	257	495	370
91 – 180 days	–	–	1	1
	200	257	496	371

The Company

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
0 – 90 days	11	1	–	1
	11	1	–	1

The average credit period for trade payable is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

27. INTEREST-BEARING LIABILITIES

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Current liabilities				
Bank borrowings				
– Secured borrowings *(i)*	7	–	–	–
Finance lease liabilities *(iii)*	4	20	17	17
	11	20	17	17
Non-current liabilities				
Bank borrowings				
– Secured borrowings *(i)*	3,751	3,593	3,117	2,622
Finance lease liabilities *(iii)*	27	47	38	34
Unsecured loans from related parties *(ii) (note)*	943	1,290	1,527	1,611
	4,721	4,930	4,682	4,267
Interest-bearing liabilities	4,732	4,950	4,699	4,284

Note: A$137 million of SCN distributions to related parties was included in the balance at 31 December 2017.

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Non-current liabilities				
Bank borrowings				
– Secured borrowings *(i)*	3,750	3,593	3,117	2,622
Unsecured loans from related parties *(ii)*	943	1,632	1,527	1,611
	4,693	5,225	4,644	4,233
Interest-bearing liabilities	4,693	5,225	4,644	4,233

(i) Secured borrowings

Secured borrowings are repayable as follows:

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Within one year	7	–	–	–
More than one year, but not exceeding two years	62	–	–	406
More than two years, but not more than five years	1,320	2,404	3,117	2,232
More than five years	2,369	1,189	–	–
Total	3,758	3,593	3,117	2,638*

* Excludes fair value adjustment of A$16 million.

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Within one year	–	–	–	–
More than one year, but not exceeding two years	62	–	–	406
More than two years, but not more than five years	1,320	2,404	3,117	2,232
More than five years	2,368	1,189	–	–
Total	3,750	3,593	3,117	2,638*

* Excludes fair value adjustment of A$16 million.

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

		At 31 December 2015		At 31 December 2016		At 31 December 2017		At 30 June 2018	
	Facility	Facility	Utilised	Facility	Utilised	Facility	Utilised	Facility	Utilised
	US$/A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Syndicated Facility	US$2,450	3,559	3,559	3,593	3,593	3,117	3,117	2,638	2,638
Bi-lateral facility	US$140	192	192	–	–	–	–	–	–
Chattel mortgage	US$22	29	7	–	–	–	–	–	–
Working capital facility	A$50	50	–	–	–	–	–	–	–
		3,830	3,758	3,593	3,593	3,117	3,117	2,638	2,638

Syndicated facility and bi-lateral facility

In 2009, a syndicated loan facility ("Syndicated Facility") of US$2,600 million and bi-lateral loan facility ("Bi-lateral Facility") of US$140 million were taken out and fully drawn down to fund the acquisition of the Felix Resources Group. During 2014, the Syndicated Facility was extended with repayments due in 2020, 2021 and 2022. During 2016, the Bi-lateral facility of US$140 million was repaid in full and restructured to a bank guarantee facility with the same limit. During 2017 and 2018 US$150 million and US$500 million was repaid respectively reducing the facility to US$1,950 million.

Security is held over the Syndicated Facility and Bi-lateral Facility in the form of a corporate guarantee issued by the Parent Company, for the full amount of the facility. As part of the acquisition of Coal & Allied the financial covenants were adjusted from 1 September 2017. The Syndicated Facility and Bi-lateral Facility includes the following financial covenants to be tested half-yearly:

(a) The interest cover ratio will not be less than 1.15 for the twelve month period ended 30 June 2017 and 1.40 period from 1 September 2017 to 31 December 2017.

(b) The gearing ratio of the Group will not exceed 0.9, 0.8, 0.75 and 0.75 for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 respectively.

(c) The consolidated net worth of the Group is not less than A$1,600 million for the years ended 31 December 2015 and 2016, A$3,000 million for the year ended 31 December 2017 and six months ended 30 June 2018.

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

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

(a) The Company is to maintain in the Lender Accounts an aggregate daily average balance of not less than A$25 million, this is tested at the end of each month, and;

(b) The Company is to maintain in the Lender Accounts an aggregate end of month balance of not less than A$50 million.

There was no breach of covenants at 31 December 2015, 2016, 2017 and 30 June 2018.

At 31 December 2015, 2016 and 2017 and 30 June 2018, mine assets (mining tenements, exploration and evaluation assets, intangible assets, property, plant and equipment and etc.) with carrying amount of approximately A$3,247 million, A$3,024 million, A$7,482 million and A$6,008 million respectively have been pledged to secure bank borrowings of the Group.

Chattel mortgage facility

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group acquired a chattel mortgage facility of US$22 million. During 2016, the outstanding balance was repaid and the facility was cancelled. Security in the form of a bank guarantee issued by Westpac Banking Corporation and eleven trucks was also released.

Working capital facility

During 2015, a working capital facility was taken out to fund working capital and capital expenditure. The facility was for A$50 million. In March 2016, this facility was repaid in full and the facility was terminated. Security was held in the form of a corporate guarantee issued by the Parent Company for the full amount of the facility.

(ii) Unsecured loans from related parties

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

Facility 1: A$1,400 million – the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both A$ and US$.

During 2015, US$300 million (A$402 million) was drawn down. In total US$500 million (A$684 million) was drawn down as at 31 December 2015.

During 2016, US$191 million (A$251 million) was drawn down. In total US$682 million (A$942 million) was drawn down as at 31 December 2016.

During 2017, US$150 million (A$188 million) had been drawn. In total US$832 million (A$1,066 million) was drawn down as at 31 December 2017.

During 2018, no additional amounts have been drawn down. In total US$832 million (A$1,125 million) was drawn down as at 30 June 2018.

Facility 2: US$807 million – the purpose of the facility is to fund the coupon payable on subordinated capital notes.

During 2015, US$73 million was drawn down. In total US$73 million (A$100 million) was drawn down as at 31 December 2015.

During 2016, US$63 million was drawn down. In total US$136 million (A$188 million) was drawn down as at 31 December 2016.

During 2017, US$107 million was drawn down. In total US$243 million (A$312 million) was drawn down as at 31 December 2017.

During 2018, no amounts have been drawn down. In total US$243 million (A$329 million) was drawn down as at 30 June 2018. On 31 January 2018 all remaining SCN were redeemed limiting the facility to the current drawn amount US$243 million.

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

In August 2012, the Company successfully arranged a long term loan facility from Yancoal International Resources Development Co., Ltd, a wholly-owned subsidiary of the Parent Company. The facility was for US$550 million and was provided on an unsecured basis with no covenants. The purpose of the facility was to fund the acquisition of Gloucester Coal Limited. In December 2014 US$434 million was repaid, leaving an outstanding balance of US$116 million (A$160 million) which remains outstanding as at 31 December 2015, 2016 and 2017 and 30 June 2018 which is repayable on 12 May 2022.

(iii) Finance lease liabilities are repayable as follows:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Minimum lease payments				
Within one year	11	24	19	19
More than one year, but not exceeding two years	15	14	13	10
More than two years, but not more than five years	9	38	29	27
	35	76	61	56
Less: Future finance charges	(4)	(9)	(6)	(5)
Present value of lease payments	31	67	55	51

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Present value of minimum lease payments				
Within one year	4	20	17	17
More than one year, but not exceeding two years	13	12	12	8
More than two years, but not more than five years	14	35	26	26
Present value of lease payments	31	67	55	51
Less: Amounts due within one year and included in current liabilities	(4)	(20)	(17)	(17)
Amounts due after one year and included in non-current liabilities	27	47	38	34

Finance lease liabilities of A$31 million, A$67 million, A$55 million and A$51 million carried interest at an effective interest rate of 5.22%, 5.13%, 5.10% and 5.00% per annum for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 respectively.

(iv) Bank guarantee facilities as follows:

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

For the year ended 31 December 2015

Providers	Facility	Utilised	Security
	A$M	*A$M*	
Syndicate of Australian Financiers	350	299	Yarrabee, Ashton, and Moolarben mine assets with a carrying value of A$3,247 million.
Bank of China	47	37	Letter of comfort from the Parent Company to Bank of China for the full amount of the facility.
Industrial and Commercial Bank of China ("ICBC")	125	122	Cash deposit of A$3 million on A$25 million of the facility, included in restricted cash and a corporate guarantee provided by the Parent Company to ICBC for the remaining A$100 million.
Total	522	458	

For the year ended 31 December 2016

Providers	Facility	Utilised	Security
	A$M	*A$M*	
Syndicate of Australian Financiers	93	92	A$1 million 100% cash deposit provided by Yancoal Resources Limited, and A$91.3 million is secured by Yarrabee and Moolarben mine assets with carrying value of A$3,024 million.
Bank of China	268	228	A$47 million is supported by Letter of Comfort from the Parent Company, US$140 million (A$194 million) is secured by the Parent Company's corporate guarantees, and A$28 million is secured by 100% cash collateral from the Company.
ICBC	125	121	A$3 million is secured by cash (10% of the guaranteed amount, and A$100 million is supported by the Parent Company's Corporate Guarantee.
Total	486	441	

For the year ended 31 December 2017

Providers	US$M	A$M	Utilised A$M	Security
Syndicate of seven domestic and international banks	–	1,000	935	Secured by Yarrabee and Moolarben mine assets with carrying value of A$3,159 million, and Coal & Allied Group assets with carrying value of A$4,323 million. Facility expires on 31 August 2020.
Bank of China*	95	122	106	Parent corporate guarantees from the Parent Company to Bank of China for the full amount of the facility. Expiry dates are as follow: – US$45 million expires on 16 December 2018 – US$50 million expires on 16 December 2019
Total	95	1,122	1,041	

For the six months ended 30 June 2018

Providers	US$M	A$M	Utilised A$M	Security
Syndicate of seven domestic and international banks	–	1,000	793	Secured by the assets of the consolidated group of Yancoal Resources Ltd and Coal & Allied with carrying value of A$6,008 million. Facility expires on 31 August 2020.
Bank of China*	95	129	101	Parent corporate guarantees from the Parent Company to Bank of China for the full amount of the facility. Expiry dates are as follow: – US$45 million expires on 16 December 2018 – US$50 million expires on 16 December 2019
Total	95	1,129	894	

* This facility can be drawn in both A$ and US$. As at 31 December 2017 and 30 June 2018, all bank guarantees outstanding under this facility were denominated in A$.

The syndicated guarantee facility includes the following financial covenants based on consolidated results of Yancoal Resources Ltd Group and Coal & Allied Group to be tested half-yearly. As part of the acquisition of Coal & Allied syndicated guarantee facility was increased to A$1 billion and the financial covenants were adjusted from 1 September 2017:

(a) The interest cover ratio is greater than 5.0 times in 2016 and 2017;

(b) The finance debt to EBITDA ratio is less than 3.0 times in 2016 and 2017; and

(c) The net tangible assets are greater than A$600 million and A$1,500 million in 2016 and 2017 respectively.

There was no breach of covenants at 31 December 2015, 2016 and 2017 and 30 June 2018.

28. PROVISIONS

The Group

	Employee benefits (note (iii))	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
Year ended 31 December 2015					
Opening net book amount	1	73	56	30	160
Charged/(credit) to profit or loss					
– Unwinding of discount	–	2	4	–	6
– Release of the provision	–	–	(14)	(22)	(36)
– Rehabilitation expenditure incurred	–	(1)	–	(2)	(3)
Re-measurement of provisions	–	42	–	–	42
Additions on business combination	–	–	5	–	5
Asset as held for sale	–	(31)	–	–	(31)
Closing net book amount	1	85	51	6	143
Split between:					
Current	1	–	10	1	12
Non-current	–	85	41	5	131
Total	1	85	51	6	143

	Employee benefits (note (iii))	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	A$M	A$M	A$M	A$M
Year ended 31 December 2016					
Opening net book amount	1	85	51	6	143
Charged/(credit) to profit or loss					
– Unwinding of discount	–	2	3	–	5
– Release of the provision	–	–	(13)	(1)	(14)
Re-measurement of provisions	–	(4)	–	–	(4)
Transfer to asset classified as held for sale	–	–	(3)	–	(3)
Closing net book amount	1	83	38	5	127
Split between:					
Current	1	–	8	1	10
Non-current	–	83	30	4	117
Total	1	83	38	5	127

Year ended 31 December 2017

	Employee benefits (note (iii))	Sales contract provision	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	A$M	A$M	A$M	A$M	A$M
Opening net book amount	1	–	83	38	5	127
Charged/(credit) to profit or loss						
– Unwinding of discount	–	41	3	6	–	50
– Release of the provision	–	(62)	–	(24)	(1)	(87)
Acquired through business combination	64	149	129	50	44	436
Re-measurement of provisions	35	–	20	–	–	55
Transfer to asset classified as held for sale	–	(7)	(17)	(8)	(2)	(34)
Closing net book amount	100	121	218	62	46	547
Split between:						
Current	8	34	–	16	1	59
Non-current	92	87	218	46	45	488
Total	100	121	218	62	46	547

Six months ended 30 June 2018

	Employee benefits (note (iii))	Sales contract provision	Rehabilitation (note (iv))	Take or pay (note (i))	Other provisions (note (v))	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Opening net book amount	100	121	218	62	46	547
Charged/(credit) to profit or loss						
– Unwinding of discount	–	1	3	2	–	6
– Release of the provision	–	(19)	–	(12)	(1)	(32)
Acquired through business combination	–	–	16	–	–	16
Disposal of share in HVO	(24)	(15)	(17)	–	–	(56)
Re-measurement of provisions	(3)	–	24	–	–	21
Closing net book amount	73	88	244	52	45	502
Split between:						
Current	5	24	–	12	1	42
Non-current	68	64	244	40	44	460
Total	73	88	244	52	45	502

(i) Take or pay provision, which arose from business combination, is the assessment of forecast excess capacity for port and rail contracts. A provision was recognised for the discounted estimated excess capacity for the contracted rail or port tonnage utilised. The provision has a finite life and will be released to profit or loss over the period in which excess capacity is realised.

(ii) In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under IFRS 3 Business Combinations. The sales contract provision is the assessment of a coal supply and transportation agreement to supply coal to BLCP Power Limited in Thailand at below market prices. A provision was recognised for the discounted estimated variance between contract and market prices. The provision has a finite life and will be released to profit or loss over the contract term.

(iii) The balance mainly included provision for long-term employee entitlements and other employee incentives, which arose mainly from the acquisition of Coal & Allied.

(iv) Mining lease agreements and exploration permits impose obligations on the Group to rehabilitate areas where mining activity has taken place. Rehabilitation of these areas is ongoing and in some cases will continue until 2060. The provision for rehabilitation costs has been calculation based on the present value of the future costs expected to be incurred in restoring affected mining areas, assuming current technologies.

(v) Other provision includes R&D provision, marketing services fee payable to Noble Group Limited deemed above market norms, contingent royalties payable to Rio Tinto assessed as part of the Coal & Allied acquisition in 2017 which will be amortised over the contract term, and reinstatement cost for any hired equipment, in case any major overhaul costs are incurred at the end of the lease period.

The coal price linked contingent royalty is based on US$2.0/tonne of attributable saleable production from Coal & Allied for a period of 10 years commencing on 1 September 2020 which will be payable if the Newcastle benchmark thermal coal price exceeds US$75/tonne.

(vi) The provision for employee benefits represents long service leave and annual leave entitlements and other incentives accrued by employees.

29. NON-CONTINGENT ROYALTY PAYABLE

The Group and the Company

Non-contingent royalty receivable

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Opening balance	–	–	–	–
Initial recognition	–	–	–	87
Payments	–	–	–	(65)
Foreign exchange	–	–	–	3
Non-contingent royalty receivable	–	–	–	25
Analysed for financial reporting purpose:				
Current portion	–	–	–	18
Non-current portion	–	–	–	7
Total	–	–	–	25

Non-contingent royalty receivable represented part of the consideration for the disposal of Hunter Valley Operation, details please refer to note 35.

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

Non-contingent royalty payable

	Year ended 31 December			Six months ended 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Opening balance	–	–	–	160
Initial recognition	–	–	283	–
Payments	–	–	(142)	(78)
Unwind of discount	–	–	13	2
Foreign exchange	–	–	6	4
Non-contingent royalty payable	–	–	160	88
Analysed for financial reporting purpose:				
Current portion	–	–	112	64
Non-current portion	–	–	48	24
Total	–	–	160	88

Non-contingent royalty payable represents part of the consideration for the acquisition of Coal & Allied on 1 September 2017. The amount is payable by the Group by installments from 2017 to 2021.

30. DEFERRED TAXATION

Deferred tax assets and the movements thereon for the Track Record Period are:

The Group

Deferred tax assets movements	Tax losses and offsets	Provisions	Cash flow hedges	Others	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015	511	41	244	41	837
Under/(over) – provision in prior year					
– to profit or loss	171	–	(127)	16	60
– other	–	–	–	(3)	(3)
(Charged)/credited					
– to profit or loss	152	13	–	(11)	154
– directly to equity	–	–	134	–	134
– other	–	–	–	5	5
Transfer to assets classified as held for sale	–	(10)	–	(11)	(21)
At 31 December 2015	834	44	251	37	1,166
At 1 January 2016	834	44	251	37	1,166
(Over)/under – provision in prior year					
– to profit or loss	(14)	–	24	–	10
(Charged)/credited					
– to profit or loss	148	(4)	–	3	147
– directly to equity	(40)	–	13	–	(27)
– tax loss recorded on behalf of Watagan Group	45	–	–	–	45
– Re-recognised from Assets classified as held for sale	–	(2)	–	–	(2)
At 31 December 2016	973	38	288	40	1,339

Deferred tax assets and the movements thereon for the Track Record Period are:

The Group

Deferred tax assets movements	Tax losses and offsets	Provisions	Cash flow hedges	Others	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2017	973	38	288	40	1,339
(Over)/under – provision in prior year	(44)	1	–	–	(43)
(Charged)/credited					
– to profit or loss	(73)	49	–	(6)	(30)
– directly to equity	(20)	–	(153)	20	(153)
– tax loss recorded on behalf of Watagan Group	1	–	–	–	1
Acquisition of subsidiaries	2	89	–	14	105
At 31 December 2017	839	177	135	68	1,219
At 1 January 2018	839	177	135	68	1,219
Over – provision in prior year	(1)	–	–	–	(1)
(Charged)/credited					
– to profit or loss	(152)	(26)	–	(36)	(214)
– directly to equity	–	(7)	60	–	53
– tax loss recorded on behalf of Watagan Group	26	–	–	–	26
Acquisition of subsidiaries	–	7	–	(4)	3
At 30 June 2018	712	151	195	28	1,086

Deferred tax liabilities and the movements thereon for the Track Record Period are:

The Group

Deferred tax liabilities movements	**Property, plant and equipment**	**Mining tenements and exploration and evaluation assets**	**Unrealised foreign exchange gains/(loss)**	**Others**	**Total**
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015	56	481	180	31	748
(Under)/over – provision in prior year	(1)	207	(127)	–	79
Charged/(credited)					
– to profit or loss	49	16	4	3	72
Transfer to liabilities associated with assets classified as held for sale	(42)	(157)	(1)	(7)	(207)
At 31 December 2015	62	547	56	27	692
At 1 January 2016	62	547	56	27	692
Under – provision in prior year	(2)	–	–	–	(2)
Charged/(credited)					
– to profit or loss	20	4	41	7	72
At 31 December 2016	80	551	97	34	762
At 1 January 2017	80	551	97	34	762
Under/over – provision in prior year	(6)	(4)	(31)	–	(41)
Charged/(credited)					
– to profit or loss	78	3	(71)	47	57
– other	–	–	–	(11)	(11)
Acquisition of subsidiaries	(9)	300	2	(23)	270
At 31 December 2017	143	850	(3)	47	1,037
At 1 January 2018	143	850	(3)	47	1,037
Charged/(credited)					
– to profit or loss	82	(134)	3	12	(37)
– other	–	–	–	(6)	(6)
Acquisition of additional interest in joint operation	(11)	6	–	1	(4)
At 30 June 2018	214	722	–	54	990

The Company

Deferred tax assets movements	Tax losses and tax offsets	Unrealised foreign exchange losses	Cash flow hedges	Others	Total
	A$M	*A$M*	*A$M*	*A$M*	*A$M*
At 1 January 2015	692	(149)	244	(107)	680
Under/(over) – provision in prior year					
– to profit or loss	37	(136)	(127)	125	(101)
(Charged)/credited					
– to profit or loss	–	–	–	140	140
– directly to equity	105	–	134	(122)	117
At 31 December 2015	834	(285)	251	36	836
At 1 January 2016	834	(285)	251	36	836
Under/(over) – provision in prior year					
– to profit or loss	(16)	–	24	(11)	(3)
(Charged)/credited					
– to profit or loss	150	196	–	(9)	337
– directly to equity	(40)	–	13	–	(27)
– tax loss recorded on behalf of Watagan Group	45	–	–	–	45
At 31 December 2016	973	(89)	288	16	1,188
At 1 January 2017	973	(89)	288	16	1,188
Under/(over) – provision in prior year					
– to profit or loss	(44)	31	–	3	(10)
(Charged)/credited					
– to profit or loss	(71)	66	–	34	29
– directly to equity	(20)	–	(153)	–	(173)
– directly to equity issue costs	–	–	–	(21)	(21)
– tax loss recorded on behalf of Watagan Group	1	–	–	–	1
At 31 December 2017	839	8	135	32	1,014
At 1 January 2018	839	8	135	32	1,014
Over – provision in prior year					
– to profit or loss	(1)	–	–	–	(1)
(Charged)/credited					
– to profit or loss	(130)	74	–	13	(43)
– directly to equity	(30)	–	60	(13)	17
– tax loss recorded on behalf of Watagan Group	26	–	–	–	26
At 30 June 2018	704	82	195	32	1,013

The following is the analysis of the deferred tax balances for financial reporting purposes:

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Deferred tax assets	1,166	1,339	1,219	1,086
Deferred tax liabilities	(692)	(762)	(1,037)	(990)
	474	577	182	96

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Deferred tax assets	836	1,188	1,014	1,013
	836	1,188	1,014	1,013

At 31 December 2015, 2016 and 2017 and 30 June 2018, the Group and the Company has unused tax losses of A$2,781 million, A$3,243 million, A$2,799 million and A$2,373 million respectively available for offset against future profits. A$834 million, A$973 million, A$834 million and A$712 million deferred tax asset has been recognised for such tax losses for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 respectively.

By reference to financial budgets, management believes that there will be sufficient future profits for the realisation of deferred tax assets which have been recognised in respect of tax losses.

The Group's tax consolidated group includes Watagan and its controlled subsidiaries. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised. The Group has unrecognised capital tax losses (tax effected) of A$2 million, A$2 million, A$2 million and A$13 million as at 31 December 2015, 2016, 2017 and 30 June 2018. There is no expiry date on these tax losses.

31. EQUITY

(a) Equity

	31 December 2015 Number	31 December 2016 Number	31 December 2017 Number	30 June 2018 Number	31 December 2015	31 December 2016	31 December 2017	30 June 2018
					A$M	*A$M*	*A$M*	*A$M*
(i) Share capital (note 1)								
Ordinary shares								
Issued and fully paid up	994,216,659	994,276,659	43,959,446,612	43,962,462,588	657	657	5,953	5,957
(ii) Other equity securities								
SCN	18,005,102	18,005,042	4,900	–	2,183	2,184	1	–
Contingent value right shares ("CVR")					263	263	263	263
					2,446	2,447	264	263
Total contributed equity					3,103	3,104	6,217	6,220

Note 1: Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. During the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018 the Company repurchased none of its own ordinary shares.

(b) Movement of Contributed equity

	Ordinary shares *(note (b)(1))*		SCN *(note (b)(2))*		CVR *(note (b)(3))*	Total
	Number	*A$M*	*Number*	*A$M*	*A$M*	*A$M*
Balance as at 1 January 2015	994,216,659	657	18,005,102	2,186	263	3,106
Transaction costs, net of tax	–	–	–	(3)	–	(3)
Balance as at 31 December 2015 and 1 January 2016	994,216,659	657	18,005,102	2,183	263	3,103
Conversion of ordinary shares	60,000	–	(60)	1	–	1
Balance as at 31 December 2016 and 1 January 2017	994,276,659	657	18,005,042	2,184	263	3,104
Subordinated capital notes converted to ordinary shares	18,000,240,433	2,183	(18,000,142)	(2,183)	–	–
Ordinary shares issued under entitlement offer	23,464,929,520	2,971	–	–	–	2,971
Ordinary shares issued under institutional placement	1,500,000,000	190	–	–	–	190
Transaction costs, net of tax	–	(48)	–	–	–	(48)
Balance as at 31 December 2017 and 1 January 2018	43,959,446,612	5,953	4,900	1	263	6,217
Balance as at 1 January 2018	43,959,446,612	5,953	4,900	1	263	6,217
Subordinated capital note converted to ordinary shares	3,015,976	1	(1,606)	(1)	–	–
Ordinary shares issued under entitlement offer	–	–	–	–	–	–
Ordinary shares issued under institutional placement	–	–	–	–	–	–
Redemption of SCN *(note 2)*	–	–	(3,294)	–	–	–
Transaction costs, net of tax	–	3	–	–	–	3
Balance as at 30 June 2018	43,962,462,588	5,957	–	–	263	6,220

Notes:

1. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares presents at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

   Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

During 2016, 60,000 ordinary shares were issued on conversion of the SCNs.

During 2017, 58,490 ordinary shares were issued on conversion of the SCNs.

During 2018, 3,015,976 ordinary shares were issued on conversion of the SCNs.

On 31 August 2017, the Company issued new shares under the pro-rata renounceable entitlement offer and institutional placement as announced to ASX on 1 August 2017. 23,464,929,520 new shares were issued under pro-rata renounceable entitlement offer and 1,500,000,000 new shares under the institutional placement. In addition, the Company issued 18,000,031,000 new shares to the Parent Company on conversion of all of its SCN and 150,943 new shares on conversion of 80 other SCN by other holders. In total 42,965,111,463 new shares were issued. The total amount raised was US$2,496 million (A$3,161 million) and issue costs of A$68 million have been capitalised. US$28 million (A$36 million) was deposited in Yankuang Ozstar (Ningbo) Trading Co Limited, a related party, and a promissory note was issued to the Company.

2. On 31 December 2014, Yancoal SCN Limited, a wholly-owned subsidiary of the Company issued 18,005,102 SCN at USD100 each. Each SCN is convertible into 1,000 ordinary shares of the Company. The SCN are perpetual, subordinated, convertible, unsecured capital notes of face value US$100 per note.

   Each SCN entitled holders to receive fixed rate distribution payments, payable semi-annually in arrears unless deferred. The distribution rate is set at 7% per annum, the rate is resettable to the 5 year USD mid-swap plus the initial margin per annum every 5 years. The SCN were convertible at the option of the holders to the Company ordinary shares within 30 years.

   During 2016, 60 SCNs were converted into 60,000 ordinary shares of the Company in accordance with the terms of the SCNs. At 31 December 2016 there were 18,005,042 SCNs on issue.

   During 2017, 18,000,240,433 new shares were issued on conversion of 18,000,142 SCNs. At 31 December 2017 there were 4,900 SCN on issue. On 31 January, 1,606 SCNs were converted into 3,015,976 ordinary shares of the Company and 3,294 SCNs were redeemed for their face value of US$100 each.

3. The CVR shares provided a level of downside price protection for certain former Gloucester shareholders. The Company and the Parent Company entered into an agreement whereby the Parent Company was obligated to repurchase (or procure the repurchase of) the CVR shares. The Parent Company directed the Company that the method of satisfaction of the Repurchase Price of the CVRs was to be satisfied in cash. The CVR shares were repurchased on 4 March 2014 for cash of A$262,936,000, representing the market value of A$3.00 cash per CVR share.

(c) Reserves

	Year ended 31 December			30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Hedging reserve	880	817	413	554
Treasury shares reserve	–	–	–	6
Employee compensation reserve	–	–	–	(6)
	880	817	413	554

	Year ended 31 December			June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Movements:				
Hedging reserve – cash flow hedges:				
Opening balance	561	880	817	413
Profit/(loss) recognised on USD interest bearing liabilities	475	43	(348)	246
Transferred to profit or loss	(22)	(133)	(229)	(45)
Deferred income tax (expenses)/benefit	(134)	27	173	(60)
Closing balancing	880	817	413	554

Hedge reserve

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

The closing balance relates to the effective portion of the cumulative net change in the fair value of the derivative instruments as at 31 December 2015 and natural hedge as at 31 December 2016 and 2017 and 30 June 2018 using the US dollar denominated interest-bearing liabilities to hedge against future coal sales.

During the year ended 31 December 2015, losses of A$22 million was transferred from other comprehensive income to profit or loss in respect of the hedge reserve.

During the year ended 31 December 2016, losses of A$133 million were transferred from other comprehensive income to profit or loss in respect of hedging reserve.

During the year ended 31 December 2017, losses of A$229 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve.

During the six months ended 30 June 2018, losses of A$45 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve.

Treasury shares reserve

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

Treasury shares consist of shares held in trust for the Group in relation to equity compensation plans. As at 30 June 2018, 42,574,974 shares were held in trust and classified as treasury shares. Of these shares, 41,482,104 will be distributed to employees as share-based payments as disclosed in note 43. The remaining balance will be held for future schemes.

Employee compensation reserve

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

32. SUBORDINATED CAPITAL NOTE DISTRIBUTIONS

Details of the SCN distributions throughout Track Record Period are as below:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (unaudited)	*A$M*
Interim distribution paid on 31 July 2015, 29 July 2016 and 31 July 2017, and accured at 30 June 2017	100	84	79	82	–
Final distribution for 2015, paid on 29 January 2016, for 2016 paid on 31 January 2017 and for 2017 paid on 31 January 2018	86	87	–	–	–
	186	171	79	82	–

Due to foreign exchange the 29 January 2016 payment increased by A$2 million from the 31 December 2015 accrual, the 31 January 2017 payment decreased by A$4 million from the 31 December 2016 accrual and the 31 July 2017 payment decreased by A$3 million from the 30 June 2017 accrual. No accrual was made as 31 December 2017 for the distribution on 31 January 2018 as Yancoal SCN Ltd Board had not approved the distribution as at 31 December 2017. The Yancoal SCN Ltd Board approved the distribution for payment on 31 January 2018.

On 31 January 2018, all SCNs were either redeemed or converted into shares of the Company.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company assess the annual budget prepared by the accounting and treasury department and consider and evaluate the cost of capital and the risks associated with each class of capital. The Group will balance its capital structure through the payment of dividends, issue of new shares and new debts or the repayment of existing debts.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Financial assets				
Loans and receivables (including cash and cash equivalents)	743	1,779	2,021	2,124
Assets at fair value through profit or loss	220	227	228	223
	963	2,006	2,249	2,347
Financial liabilities				
Amortised cost	4,993	5,352	5,562	5,104
Derivative financial instruments	1	–	–	–
	4,994	5,352	5,562	5,104

The Company

	At 31 December			At 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
Financial assets				
Loans and receivables (including cash and cash equivalents)	6,092	1,755	1,801	1,975
Assets at fair value through profit or loss	–	–	–	25
	6,092	1,755	1,801	2,000
Financial liabilities				
Amortised cost	4,849	5,388	5,938	6,458
Derivative financial instruments (fair value through profit or loss)	1	–	–	–
	4,850	5,388	5,938	6,458

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, royalty receivables, cash and cash equivalents, interest-bearing liabilities, including bank loans and finance leases, derivative financial instruments, trade and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group's and Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantees issued by the Group and the Company as disclosed in note 41.

In order to minimise credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks. Therefore, the directors consider that the credit risk for such is minimal.

In assessing the ECL of trade receivables management assesses historical write offs of trade receivables, aging of debtors and whether sufficient credit enhancement is provided by customers (letters of credit and bank guarantees). If the aging of trade receivables significantly increased then the recognition of ECLs would need to be reassessed.

Receivables will only be written off if there is demonstrable evidence that there is no reasonable expectation of recovery.

The Group

Details of the trade receivable from the five customers with the largest gross receivable balances at 31 December 2015, 2016 and 2017 and 30 June 2018 are as follows:

	Percentage of trade receivable			
	At 31 December			**At 30 June**
	2015	**2016**	**2017**	**2018**
Customer A	31%	–	–	–
Customer B	6%	2%	7%	6%
Customer C	5%	–	–	–
Customer D	5%	–	–	–
Customer E	4%	–	–	–
Customer F	–	2%	–	–
Customer G	–	2%	–	–
Customer H	–	2%	–	–
Customer I	–	3%	–	–
Customer J	–	–	6%	–
Customer K	–	–	6%	–
Customer L	–	–	6%	–
Customer M	–	–	5%	–
Customer N	–	–	–	8%
Customer O	–	–	–	5%
Customer P	–	–	–	4%
Customer Q	–	–	–	4%
Five largest receivable balances	51%	11%	30%	27%

There was no provision for lifetime or 12 month ECL recognised for trade receivables in the Track Record Period as there are no aged debts and sufficient credit enhancement has been provided by customers which supports the recoverability of these balances in full.

Other receivables are primarily with related parties. There has been no indication of credit deterioration with related parties and no impairment provision has been recognised for these amounts.

Investments in securities (GiLTs) has required a provision of A$18 million to be recognised in the six months ended 30 June 2018. This was due to the expectation that the contractual maturity and interest payments receivable for the GiLTs was to be adjusted in the refinancing of WICET. In prior periods the securities were still paying the contractual coupon and the ECL was assessed as not being required.

The movement of the impairment provision is as follows:

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
Opening provision	–	–	–	–
Impairment recognised	–	–	–	(18)
Closing provision	–	–	–	(18)

The Company

Details of the trade receivable from the customer with the largest gross receivable balances at 31 December 2015, 2016 and 2017 and 30 June 2018 are as follows:

	Percentage of trade receivable			
	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
Customer A	–	88%	–	–

The management considers the strong financial background and good creditability of the customer, and there is no significant uncovered credit risk.

Market risk

(i) Currency risk

The Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the Australian dollar. Export coal sales are denominated in US dollars and a strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flow settlement. Liabilities for some plant and equipment purchases and loans are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement.

The hedging policy of the Group aims to protect against the volatility of cash expenditures or reduced collection in the above mentioned transactions as well as to reduce the volatility of profit or loss for retranslation of US dollar denominated loans at each period end.

Hedging through bank issued instruments

Operating foreign exchange risk that arises from firm commitments or highly probable transactions are managed through the use of bank issued forward foreign currency contracts and collar option contracts. The Group hedges a portion of contracted US dollar sales and asset purchases settled in foreign currencies in each currency to mitigate the adverse impact on cash flow due to the future rise or fall in Australian dollars against the relevant currencies.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the profit or loss or recognised as part of the cost of the asset to which it relates. The ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the profit or loss. The loss relating to the ineffective portion was nil for the years ended 31 December 2015, 2016 and 2017 and six months ended 30 June 2018.

Natural cash flow hedge

The Group currently does not use bank issued instruments to hedge foreign exchange risks in respect of US dollar denominated loans, however, the scheduled repayment of the principal on US dollar loans is designated to hedge the cash flow risks on the portion of forecast US dollar sales that are not hedged through bank issued instruments ("natural cash flow hedge"). US dollar loan repayments up to a six-month period are designated to hedge the forecast US dollar sales during the same period after the designation of the hedge relationship based on a dollar for dollar basis until the hedge ratio reaches one.

Hedging effectiveness is determined by comparing the changes in the hedging instruments and hedged sales. Hedge ineffectiveness will occur when cash flows generated by sales transactions are lower than the forecast sales transaction. In cases of hedge ineffectiveness, gains or losses in relation to the excess portion in the foreign exchange movement of the designated US dollar loan repayment will be recycled to profit or loss. The effective portion of changes in the hedging instruments will be recognised in the cash flow hedge reserve in Other Comprehensive Income. When the sales transactions occur, amounts accumulated in equity are recycled through the profit or loss as an increase or decrease to sales revenue.

Royalty receivable

The royalty receivable from the Middlemount JV is estimated based on expected future cash flows that are dependent on sales volumes, US dollar denominated coal prices and the US dollar foreign exchange rate.

Other assets

As at 31 December 2017, other assets include the US$10 million associated with the Warkworth Call Option as details in note 35, and the promissory note receivable. These balances are predominantly held in US dollars and expected to settle within 12 months.

Non-contingent royalty payable

The Company has agreed to make deferred non contingent royalty payments to Rio Tinto in US dollars.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Cash and cash equivalents	30	124	139	204
Trade receivables	87	165	432	421
Other assets	–	–	49	76
Royalty receivable	205	199	199	198
Non-contingent royalty receivable	–	–	–	25
Trade and other payables	(78)	(157)	(249)	(96)
Interest bearing liabilities	(4,701)	(4,883)	(4,668)	(4,249)
Non contingent royalty payable	–	–	(160)	(88)
Net exposure	(4,457)	(4,552)	(4,258)	(3,509)

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonable possible change in the US dollar exchange rate. The Group's exposure to other foreign exchange movements is not material. The Group has used the observed range of actual historical rates for the preceding five year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. A 10% depreciation/appreciation of the Australian dollar against the US dollar would have (decreased)/increased equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

The Group

	US$ Impact 10%			
	Year ended 31 December			**Six months ended 30 June**
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in other comprehensive income				
– if A$ weakens against respective foreign currency	(365)	(380)	(363)	(331)
– if A$ strengthens against respective foreign currency	299	311	297	270
(Decrease)/increase in profit				
– if A$ weakens against respective foreign currency	14	20	32	47
– if A$ strengthens against respective foreign currency	(11)	(15)	(56)	(38)
(Decrease)/increase in shareholders' equity				
– if A$ weakens against respective foreign currency	(351)	(360)	(331)	(284)
– if A$ strengthens against respective foreign currency	288	296	241	232

Equity movements above reflect movements in the hedge reserve due to foreign exchange movements on US$ interest bearing loans.

The Company

	US$ Impact 10%			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in other comprehensive income				
– if A$ weakens against respective foreign currency	(365)	(380)	(363)	(331)
– if A$ strengthens against respective foreign currency	299	311	297	270
(Decrease)/increase in profit				
– if A$ weakens against respective foreign currency	(2)	(5)	(15)	(3)
– if A$ strengthens against respective foreign currency	2	4	12	3
(Decrease)/increase in shareholders' equity				
– if A$ weakens against respective foreign currency	(367)	(385)	(378)	(334)
– if A$ strengthens against respective foreign currency	301	315	309	273

Equity movements above reflect movements in the hedge reserve due to foreign exchange movements on US$ interest bearing loans.

(ii) Interest rate risk

The Group is subject to interest rate risk that arises from borrowings, cash and cash equivalents and restricted cash. Generally, no variable interest is receivable or payable on the Group's trade and other receivables or payables where applicable as they are fixed in nature and therefore they are not exposed to the interest rate risk.

The Group's cash flow interest rate risk for assets primarily arises from cash at bank and deposits subject to market bank rates. Floating rate borrowings bearing LIBOR rates are re-set on a quarterly basis.

Sensitivity Analysis

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to changes in variable interest rates. This sensitivity is based on reasonably possible changes, determined using observed historical interest rate movements for the preceding five year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements. For financial assets, a 25 basis point (decrease)/increase in interest rates would have (decreased)/increased equity and profit or loss after tax by the amounts shown below. For financial liabilities, a 25 basis point (decrease)/increase in interest rates would have increased/(decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

The Group

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in profit or loss				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2
Increase/(decrease) in shareholders' equity				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2

The Company

	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
(Decrease)/increase in profit or loss				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2
(Decrease)/increase in shareholders' equity				
– if increases by 25 basis points	(6)	(4)	(5)	(2)
– if decreases by 25 basis points	6	4	5	2

Other price risk

The price risk of the Group include coal price risk.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sales requirements, such contracts are not settled net. The royalty receivables from Middlemount JV is exposed to fluctuations in coal price. The Group currently does not have any derivative hedges in place against the movement in the spot coal price.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations of the Group and the Company and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

The Group

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	292	–	–	–	292	292
Interest-bearing liabilities	288	343	2,135	3,705	6,471	4,701
Total non-derivatives	580	343	2,135	3,705	6,763	4,993
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(141)	–	–	–	(141)	–
– outflow	143	–	–	–	143	1
Total derivatives	2	–	–	–	2	1

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	469	–	–	–	469	469
Interest-bearing liabilities	317	318	3,263	2,786	6,684	4,883
Total non-derivatives	786	318	3,263	2,786	7,153	5,352
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(93)	–	–	–	(93)	–
– outflow	93	–	–	–	93	–
Total derivatives	–	–	–	–	–	–

At 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Contractual maturities of financial liabilities						
Trade and other payables	758	–	–	–	758	758
Non-contingent royalty payable	115	26	26	–	167	160
Interest-bearing liabilities	350	371	4,087	1,612	6,420	4,644
Total non-derivatives	1,223	397	4,113	1,612	7,345	5,562

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Contractual maturities of financial liabilities						
Trade and other payables	783	–	–	–	783	783
Non-contingent royalty payable	67	14	14	–	95	88
Interest-bearing liabilities	351	771	3,013	1,649	5,784	4,233
Total non-derivatives	1,201	785	3,027	1,649	6,662	5,104

The Company

At 31 December 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	156	–	–	–	156	156
Interest-bearing liabilities	289	343	2,134	3,705	6,471	4,693
Total non-derivatives	445	343	2,134	3,705	6,627	4,849
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(141)	–	–	–	(141)	–
– outflow	143	–	–	–	143	1
Total derivatives	2	–	–	–	2	1

At 31 December 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	163	–	–	–	163	163
Interest-bearing liabilities	317	318	3,262	2,786	6,683	5,225
Total non-derivatives	480	318	3,262	2,786	6,846	5,388
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(93)	–	–	–	(93)	–
– outflow	93	–	–	–	93	–
Total derivatives	–	–	–	–	–	–

At 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Contractual maturities of financial liabilities						
Trade and other payables	1,134	–	–	–	1,134	1,134
Non-contingent royalty payable	115	26	26	–	167	160
Interest-bearing liabilities	349	370	4,088	1,612	6,419	4,644
Total non-derivatives	1,598	396	4,114	1,612	7,720	5,938

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Non-derivatives						
Trade and other payables	2,137	–	–	–	2,137	2,137
Interest-bearing liabilities	370	781	3,040	1,649	5,840	4,233
Non-contingent royalty payable	67	14	14	–	95	88
Total non-derivatives	2,574	795	3,054	1,649	8,072	6,458
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	–	–	–	–	–	–
– outflow	–	–	–	–	–	–
Total derivatives	–	–	–	–	–	–

(c) Fair values

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

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) Inputs for the asset or liability that are not based on observable market date (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2015, 2016 and 2017 and 30 June 2018:

The Group

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	15	15
Royalty receivable	–	–	205	205
Total assets	–	–	220	220
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	–	1	–	1
Total liabilities	–	1	–	1

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	29	29
Royalty receivable	–	–	199	199
Total assets	–	–	228	228

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	29	29
Royalty receivable	–	–	199	199
Total assets	–	–	228	228

30 June 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	A$M	*A$M*	*A$M*	*A$M*
Assets				
WIPS *(note 1)*	–	–	–	–
Royalty receivable	–	–	198	198
Total assets	–	–	198	198

The Company

31 December 2015	Level 1	Level 2	Level 3	Total
	A$M	*A$M*	*A$M*	*A$M*
Liabilities				
Forward foreign exchange contracts *(note 1)*	–	1	–	1
Total liabilities	–	1	–	1

Note 1:

Fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes and fluctuations in foreign exchange rates.

During the years ended 31 December 2015, 2016 and 2017 and 30 June 2018, there are no change in categories between level 1 and level 2 and no movement from or into level 3. For more information about royalty receivable, please refer to note 17.

The fair value of the royalty receivable is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments. The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%. The estimated fair value would increase if the sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The estimated fair value would also increase if the risk adjusted discount rate was lower.

Sensitivity analysis

The following tables summarise the sensitivity analysis of royalty receivable. This analysis assumes that all other variables remain constant.

Coal price	Fair value increase (decrease)			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
+10%	18	17	18	18
-10%	(18)	(17)	(18)	(18)

Exchange rates	Fair value increase (decrease)			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
+10%	(16)	(16)	(17)	(16)
-10%	20	19	19	20

Discount rates	Fair value increase (decrease)			
	Year ended 31 December			Six months ended 30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
+10%	(6)	(5)	(5)	(4)
-10%	6	5	5	4

35. BUSINESS COMBINATION AND CHANGES INTERESTS IN JOINT OPERATIONS

(i) Moolarben Coal Joint Venture 1% acquisition

On 30 March 2015, Moolarben Coal Mine Pty Ltd, a 100% owned subsidiary of the Company acquired an additional 1% interest in the Moolarben Coal Joint Venture ("Moolarben JV") owned by Hanwha Resources (Australia) Pty Ltd ("Hanwha"). The Moolarben JV is accounted for as a joint operation. With the 1% acquisition the Group now holds an 81% interest in the Moolarben JV. The cash consideration paid was A$20 million.

The accounting for the acquisition of the additional 1% interest in Moolarben JV has been determined on a final basis at 31 December 2015.

Details of the purchase consideration, the net assets and liabilities acquired and gain on the additional interest in the Moolarben JV are as follows:

	A$M
Total consideration	20
Gain on acquisition of additional interest in joint operation	7
Fair value of net identifiable assets acquired	27

As the fair value of the assets acquired was greater than the consideration a gain of A$7 million was recognised in the profit and loss.

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

	Fair value
	A$M
Trade receivables	1
Plant and equipment	7
Mining tenements	25
Exploration and evaluation assets	3
Prepayments (non-current)	(5)
Deferred tax liabilities	(4)
Fair value of net identifiable assets acquired	27

The acquired 1% contributed revenue of A$4 million and a net profit of A$1 million to the Group for the period from 1 April 2015 to 31 December 2015. If the acquisition had occurred on 1 January 2015, the contributed revenue and net profit for the year ended 31 December 2015 would have been A$5 million and A$1 million respectively. These amounts have been calculated using the Group's accounting policies.

(ii) Acquisition of Coal & Allied

As announced on 24 January 2017 and as subsequently amended on 26 June 2017, the Company entered into a binding agreement to acquire 100% of the shares in Coal & Allied from wholly owned subsidiaries of Rio Tinto for US$2.69 billion plus an adjustment for net debt and working capital. US$2.45 billion was paid on completion, plus US$240 million in non-contingent royalty payments over five years from completion. The Acquisition completed on 1 September 2017 resulting in the Company acquiring (through its ownership of the shares in Coal & Allied) Rio Tinto's interest in the HVO and MTW mines (an integrated operation of two open-cut mines located adjacent to each other in the Hunter Valley, NSW), a 36.5%interest in PWCS (the owner of a coal export terminal located at the Port of Newcastle), as well as other coal exploration projects and landholdings.

In 24 May 2017, the Company transferred its right to acquire Mitsubishi's 32.4% interest in the HVO JV (the "Tag-along Offer") to Glencore. For details, please refer to note 23(a).

Mitsubishi has also agreed to grant the Company a call option amounted US$10 million to purchase its 28.9% interest in the Warkworth operation for the price of US$230 million.

The Tag-along Offer fulfills the Company's obligation to make a tag-along offer to Mitsubishi under the sale and purchase agreement for the Company's acquisition of 100% of the shares in Coal & Allied from wholly owned subsidiaries of Rio Tinto ("CNA Transaction") and the corresponding requirements of the Hunter Valley Operations Joint Venture Agreement.

Transaction funding and capital structure simplification

On 31 August 2017, funding for the acquisition of Coal & Allied was achieved by the Company successfully completing the issue of new fully paid ordinary shares under the pro-rata renounceable entitlement offer and institutional placement announced to Australian Securities Exchange on 1 August 2017. New shares under the entitlement offer and placement were issued at the offer price of US$0.10. The Company issued:

1. 23,464,929,520 new shares under the entitlement offer, raising gross proceeds of US$2,346,492,952; and

2. 1,500,000,000 new shares under the placement, raising gross proceeds of US$150,000,000.

Details of the purchase consideration, the net assets and liabilities acquired and gain on acquisition of subsidiaries are as follows:

	A$M
Purchase consideration	
Acquisition price	3,102
Non-contingent royalty*	283
Net debt and working capital adjustment*	162
Total consideration	3,547
Gain on acquisition of subsidiaries	177
Fair value of net identifiable assets acquired	3,724

* These amounts are all cash payments either up front or over time which will be paid for the acquisition.

	Fair value
	A$M
Cash	152
Trade receivables	135
Inventories	79
Assets classified as held for sale	82
Other assets	60
Investments in associates	197
Plant and equipment	1,326
Mining tenements	2,456
Exploration and evaluation assets	108
Intangible assets	35
Deferred tax asset	105
Trade and other payables	(303)
Other liabilities	(2)
Provisions	(436)
Deferred tax liabilities	(270)
Fair value of net identifiable assets acquired	3,724

Assets and liabilities acquired

The accounting for the acquisition on a provisional basis at 30 June 2018.

The preliminary assessment of the contingent royalty included in the entitlement offer booklet was that it formed part of the purchase consideration. Having performed a more detailed assessment it has been determined the contingent royalty obligation represents a liability of the acquired group as it is payable by subsidiaries of Coal & Allied and is included in provisions above.

The fair value of net identifiable assets acquired includes A$3 million of non-controlling interests measured at fair value over certain subsidiaries controlled by Coal & Allied.

Acquisition-related costs amounting to approximately A$16 million have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2017, within other operation expenses in the consolidated statements of profit or loss and other comprehensive income

The Group recognised a gain on a bargain purchase of approximately A$177 million in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. In the opinion of the directors of the Company, the bargain purchase is mainly attributable to the improved valuation assumptions on completion date compared to the date the acquisition price was struck.

The fair value and the gross amount of trade receivables, prepayments and other receivables at the date of acquisition amounted to approximately A$195 million. No estimated uncollectible contractual cash flows were expected at the acquisition date.

	A$M
Net cash outflow arising on acquisition	
Cash paid on acquisition	3,264
Non-contingent royalty paid	142
Less: Bank balances and cash acquired	(152)
	3,254

During the period from the acquisition date to 31 December 2017, Coal & Allied has contributed a total revenue of A$749 million and net profit of A$138 million.

If the acquisition had occurred on 1 January 2017, the consolidated revenue and net profit of the Group for the year ended 31 December 2017 would have been A$2,173 million and A$818 million respectively.

The proforma financial information is for illustrative purpose only and does not necessarily reflect the Group's revenue and operating results if the acquisition has been completed on 1 January 2017 and could not serve as a basis for the forecast of future operation result.

(iii) Disposal of interest in HVO to Glencore

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

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

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

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

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

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

(i) Assets and liabilities acquired

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

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

As noted in note 35(iii) the acquisition accounting relating to Coal & Allied is on a provisional basis at 30 June 2018. Any further adjustments to the provisional values of Coal & Allied as a result of completing work on the fair values of assets and liabilities acquired may have an effect on the recognition of disposed assets and liabilities above.

(iv) Acquisition of additional interest in Warkworth Joint Venture

As announced on 7 March 2018 and effective from 1 March 2018 CNA Warkworth Australasia Pty Ltd, a subsidiary of the Company, acquired a 28.898% interest in the Warkworth Joint Venture from Mitsubishi for US$230 million, plus a net debt and working capital adjustment. This transaction was executed pursuant to a call option that the group held in connection with the Acquisition of Coal & Allied. The acquisition also included acquiring additional Mitsubishi's shareholding in the following companies, Warkworth Coal Sales Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Co Pty Ltd and Warkworth Tailings Treatment Pty Ltd.

	A$M
Purchase consideration	
Acquisition price	295
Net debt and working capital adjustment	58
Total consideration	353
Gain on acquisition of additional interest in joint operation	–
Fair value of net identifiable assets acquired (refer to (i) below)	353

(i) Assets and liabilities acquired

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

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

Revenue and profit contribution

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

36. NON-CONTROLLING INTERESTS

The non-controlling interest relates to the Group's investments in Mount Thorley Coal Ltd, HVO Coal Sales Pty Ltd, Miller Pohang Coal Company Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Company Pty Ltd and Warkworth Tailings Treatment Pty Ltd which were acquired as part of the Coal & Allied acquisition.

	31 December 2017
	A$M
Opening non-controlling interests	–
Acquisition of Coal & Allied	3
Profit/loss of non-controlling interest	–
Closing non-controlling interest	3

The movement of non-controlling interest relates to the group's acquisition of additional investments in Warkworth joint operation, details refer to note 35.

The non-controlling interest relates to the Group's investments in Warkworth Joint Venture, Warkworth Coal Sales Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Co Pty Ltd and Warkworth Tailings Treatment Pty Ltd.

	30 June 2018
	A$M
Opening non-controlling interests	3
Acquisition of additional interest	(1)
Profit/loss of non-controlling interest	–
Closing non-controlling interest	2

37. RELATED PARTY BALANCES AND TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed. Saved as disclosed in elsewhere of the Historical Financial Information, the Group had the following related party balances and transactions.

Outstanding balances arising from transactions with related parties

	31 December			30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Current assets				
Trade and other receivables				
Receivable from Yancoal International Group entities in relation to cost reimbursement *(note i)*	24	5	11	6
Receivable from Watagan Group entities in relation to cost reimbursement *(note ii)*	–	1	–	12
Trade receivable from Noble Group Limited in relation to sales of coal	14	41	42	–
Promissory Notes receivable from Yancoal International (Holding) Co., Ltd *(note i)*	21	21	–	–
Royalty receivable from Middlemount JV *(note iii)*	51	74	11	8
Other receivables from Yancoal International Group entities *(note i)*	–	35	–	4
Promissory Notes receivable from Oz Star Ningbo Trading Co Ltd *(note i)*	–	–	36	38
Interest income receivable from Watagan *(note ii)*	–	–	16	16
	110	177	116	84
Non-current assets				
Advances to joint venture				
Other receivable from Middlemount JV being an unsecured, non interest bearing advance *(note iii)*	331	347	332	274
Other receivable from Watagan being an unsecured, interest bearing loan *(note ii)*	–	775	712	730
	331	1,122	1,044	1,004

	31 December			30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Current liabilities				
Trade and other payables				
Other payables to the Parent Company	35	77	81	157
Other payables to Yancoal International Resources Development Co., Ltd *(note i)*	1	1	1	1
Other payables to Yancoal International Trading Co., Ltd HK *(note i)*	8	8	8	8
Other payables to Yancoal International (Holding) Co., Ltd *(note i)*	2	4	4	4
Trade payables to Yancoal International Group entities *(note i)*	3	–	–	–
Trade payables to Noble Group Limited	1	–	–	–
Trade payables to NCIG Holdings Pty Limited *(note ii)*	1	–	–	–
Other payable under tax sharing and funding with Watagan Group *(note ii)*	–	–	43	69
Trade payable to Watagan Group Entities *(note ii)*	–	–	32	–
	51	90	169	239
Non-current liabilities				
Other payables				
Other payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan *(note i)*	159	160	322	340
Other payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan *(note i)*	137	138	128	135
Other payable to Yancoal International Trading Co., Ltd being an unsecured, interest-bearing loan *(note i)*	284	276	276	291
Other payable to the Parent Company being an unsecured, interest-bearing loan	363	715	801	845
	943	1,289	1,527	1,611

Balances outstanding at the reporting date to /from related parties are unsecured, non-interest bearing (except for loans receivable and loans payable) and are repayable on demand.

Transactions with related parties

	31 December			30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Sales of goods and services					
Sales of coal to Noble Group Limited	247	162	195	92	–
Sales of coal to Watagan *(note ii)*	–	61	76	48	16
Sales of coal to Yancoal International (Holding) Co., Ltd *(note i)*	16	41	–	–	–
Provision of marketing and administrative services to other related parties – Watagan Group *(note ii)*	–	7	6	3	3
Provision of marketing and administrative services to other related parties – Yancoal International Group *(note i)*	11	10	8	4	4
	274	281	285	147	23
Purchases of goods and services					
Purchase of coal from Watagan Group *(note ii)*	–	(48)	(161)	(56)	(34)
Purchases of coal from Noble Group Limited	(2)	–	–	–	–
Purchase of coal from Syntech Resources Pty Ltd *(note i)*	(7)	(31)	(39)	(22)	(27)
	(9)	(79)	(200)	(78)	(61)
Advances/loans to and repayment of advances					
Loan to Watagan *(note ii)*	–	(1,363)	–	–	–
Net repayment (advances) of loan to (from) Watagan *(note ii)*	–	588	63	15	(18)
Repayment from a related party – Premier Coal Holdings Pty Ltd *(note i)*	3	–	–	5	–
Repayment from a related party – Yancoal Technology Development Pty Ltd *(note i)*	16	–	–	–	–
Advances to a related party – Yancoal Technology Development Pty Ltd *(note i)*	(16)	–	–	–	–
Repayment/(advances) to a related party – Premier Coal Holdings Pty Ltd *(note i)*	(3)	(35)	35	–	(4)
Repayment of loan – Middlemount JV	–	–	–	–	69
Loans from Parent Company	–	–	–	71	–
	–	(810)	98	91	47

	31 December			30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Equity subscription, debt repayment and debt provision					
Loans from the Parent Company	351	352	330	–	–
Loan from Yancoal International (Holding) Co., Limited *(note i)*	140	–	–	–	–
Loan from Yancoal International Trading Co., Ltd *(note i)*	10	–	–	–	–
	501	352	330	–	–
Finance costs					
Interest paid on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(9)	(8)	(8)	(5)	(4)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(1)	(1)	(1)	–	(11)
Interest paid on loans from the Parent Company	(2)	(18)	(22)	–	(9)
Interest accrued on loans from the Parent Company	(11)	(25)	(34)	(24)	(18)
Interest paid on loans from Yancoal International (Holding) Co., Ltd *(note i)*	–	(5)	(5)	(4)	(4)
Interest accrued on loans from Yancoal International (Holding) Co., Ltd *(note i)*	(2)	(4)	(4)	–	–
Interest accrued on loans from Yancoal International Trading Co., Ltd HK *(note i)*	(11)	(7)	(9)	1	(1)
Interest paid on loans from Yancoal International Trading Co., Ltd HK *(note i)*	(8)	(8)	(8)	(8)	–
	(44)	(76)	(91)	(40)	(47)
Other costs					
Corporate guarantee fee paid to the Parent Company (extended portion)	(75)	(49)	(118)	–	–
Corporate guarantee fee accrued to the Parent Company (extended portion)	(24)	(52)	24	(43)	(47)
Port charges paid to NCIG Holdings Pty Limited *(note ii)*	(64)	(68)	(102)	(44)	(68)
Port charges accrued to NCIG Holdings Pty Limited *(note ii)*	(1)	(2)	(14)	(1)	3
Port charges paid to Noble Group Limited	(2)	–	–	(1)	–
Demurrage paid to Noble Group Limited	(1)	–	–	–	–
Demurrage paid to NCIG Holdings Pty Limited *(note ii)*	(1)	–	–	–	–

	31 December			30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (unaudited)	*A$M*
Arrangement fee paid on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(2)	(2)	(2)	(1)	(1)
Arrangement fee accrued on loans from Yancoal International Resources Development Co., Ltd *(note i)*	(1)	–	–	–	–
	(171)	(173)	(212)	(90)	(113)
Finance income					
Interest income received from Premier Coal Holdings Pty Ltd *(note i)*	–	1	2	–	–
Interest income capitalised into loan receivable from Middlemount JV *(note iii)*	19	19	27	9	11
Interest income received on loan to Watagan *(note ii)*	–	74	50	34	32
Interest income receivable from Watagan *(note ii)*	–	–	16	–	–
Interest income accrued on loan to Watagan *(note ii)*	–	–	–	1	–
	19	94	95	44	43
Other income					
Mining services fees charged to Watagan *(note ii)*	–	38	52	29	26
Royalty income from Middlemount JV *(note iii)*	18	20	28	13	15
Bank guarantee fee charged to Premier Coal Holdings Pty Ltd *(note i)*	–	1	–	–	–
Bank guarantee fee charged to Syntech Resources Pty Ltd *(note i)*	2	1	–	1	1
Longwall hire fee charged to Austar Coal Mine Pty Ltd *(note i)*	–	3	3	2	2
	20	63	83	45	44

Note:

(i) The entities are fellow subsidiaries to the Company.

(ii) The entities are associates to the Company.

(iii) The entities are joint venture to the Company.

Terms and conditions

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

1. Syndicated facility and bi-lateral facility (converted to a bank guarantee facility in 2016) – a fixed rate of 2.5% is charged on the outstanding loan principal and outstanding bank guarantee facility limit as at 31 December 2015, 2016 and 2017 and 30 June 2018 provided by the Parent Company. Refer below for further analysis on the Parent Company corporate guarantee and the market reset effective from 1 April 2018.

2. ICBC bank guarantee facility – a fixed rate of 2.0% is charged on the facility limit of A$100 million as at 31 December 2015 and 2016. This corporate guarantee was cancelled on 30 September 2017.

3. Working capital facility – a fixed rate of 2.5% is charged on the facility limit of A$50 million as at 31 December 2015.

The Parent Company provided corporate guarantees as security for the following facilities:

1. The Company is charged a guarantee fee by the Parent Company for the provision of a corporate guarantee over the Company's syndicated facility and bilateral bank guarantee facility. During the Track Record Period, up to 1 April 2018, the fee was fixed at 2.5% of the outstanding loan principal and bank guarantee facility balance. It was agreed by both parties that effective from 1 April 2018 there would be a market reset of the guarantee fee. The market reset work was completed on 3 October 2018 resulting in the guarantee fee being reduced to 1.5% for the period from 1 April 2018. If this lower rate had been accrued for the period 1 April 2018 to 30 June 2018 the guarantee fee would have been reduced by A$8 million.

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

Compensation of key management personnel

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2015	**2016**	**2017**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M* **(unaudited)**	*A$M*
Short-term employee benefits	5	5	9	1	1
Other long-term benefits	2	2	2	–	–
	7	7	11	1	1

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. COMMITMENTS

Save as disclosed elsewhere is the consolidated financial statements the Group had the following capital commitments.

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Capital expenditure contracted for but not provided in the consolidated financial statements				
Acquisition of property, plant and equipment				
– share of joint operations	6	138	33	32
– others	9	1	–	4
	15	139	33	36

39. RETIREMENT BENEFITS

The Company and Company's subsidiaries are participants in a state-managed retirement scheme pursuant to which the subsidiaries pay a minimum 9.5% superannuation of its qualifying staff's wages as a contribution to the scheme. The subsidiaries' financial obligations under this scheme are limited to the payment by the employer. During the year, contributions paid and payable by the subsidiaries pursuant to this arrangement were insignificant to the Group.

40. OPERATING LEASE COMMITMENTS

Operating lease as lessee:

The Group

	At 31 December			At 30 June
	2015	**2016**	**2017**	**2018**
	A$M	*A$M*	*A$M*	*A$M*
Within one year	5	25	38	26
More than one year, but not more than five years	1	67	149	151
	6	92	187	177

The Group leases mining equipment, office space and small items of office equipment under operating leases. The leases typically run for 1 month to 5 years with an option to renew at the expiry of the lease period. None of the leases include contingent rentals.

41. CONTINGENT LIABILITIES

	31 December			30 June
	2015	2016	2017	2018
	A$M	*A$M*	*A$M*	*A$M*
The Group and the Company				
Guarantees secured over deposits	24	–	–	–
Performance guarantees provided to external parties	162	88	352	203
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	101	77	80	108
	287	165	432	311
Joint ventures				
Guarantees provided in respect of land acquisition	50	20	–	–
Performance guarantees provided to external parties	–	65	195	150
Guarantees provided in respect of the cost of restoration of certain mining leases	–	27	248	266
	50	112	443	416
Guarantees to related parties				
Guarantees secured over deposits	1	–	–	–
Performance guarantees provided to external parties	102	112	109	112
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	18	52	57	55
	121	164	166	167
	458	441	1,041	894

(i) The Company has issued a letter of support dated 4 March 2015 to Middlemount JV, confirming:

– It will not demand the repayment of any loan due from Middlemount JV, except to the extent that Middlemount JV agrees otherwise or as otherwise provided in the loan agreement; and

– It will provide financial support to Middlemount JV to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount JV.

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

(ii) The Company is charged a guarantee fee by the Parent Company for the provision of a corporate guarantee over the Company's syndicated facility and bilateral bank guarantee facility. During the Track Record Period, up to 1 April 2018, the fee was fixed at 2.5% of the outstanding loan principal and bank guarantee facility balance. It was agreed by both parties that effective from 1 April 2018 there would be a market reset of the guarantee fee. The market reset work was completed on 3 October 2018 resulting in the guarantee fee being reduced to 1.5% for the period from 1 April 2018. If this lower rate had been accrued for the period 1 April 2018 to 30 June 2018 the guarantee fee would have been reduced by A$8 million.

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

42. DEED OF CROSS GUARANTEE

The Company and certain subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Legislative Instrument 2016/785 issued by the Australian Securities and Investments Commission.

43. SHARE-BASED PAYMENT TRANSACTIONS

On 28 February 2018, the establishment of an employee incentive share scheme was approved by the Company's Board of Directors. Pursuant to the scheme, the Group has set up a trust for the purpose of administering the incentive share scheme and holding the shares before they vest. The Company shall pay the trustee monies and give directions to the trustee to apply such monies and/or such other net amount of cash derived from shares held as part of the fund of the trusts to acquire shares from the market, and/or to allot and issue shares to the trustee, to satisfy any award made to selected participants. The Company shall select eligible persons from time to time and determine the number of shares to be awarded to such eligible persons. As of 30 June 2018, 42,574,974 shares of the Company (before share consolidation) were held by the Trust for the share award scheme.

During the six months ended 30 June 2018, a total of 41,482,104 shares of the Company based on A$0.141 per share, 1,185,203 shares after the share consolidation on 28 September 2018, have been awarded to certain employees of the Group respectively at no consideration which will be vested on 1 September 2018. With respect to this award of shares to eligible employees, there are no service or performance vesting conditions.

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statements of cash flows as cash flows from financing activities.

For the year ended 31 December 2015

	At 1 January 2015	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 31 December 2015
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,354	–	(5)	–	–	409	3,758
Loan from related parties	385	502	–	–	–	56	943
Finance leases	41	–	–	(11)	22	–	52
Total interest-bearing liabilities	3,780	502	(5)	(11)	22	465	4,753

For the year ended 31 December 2016

	At 1 January 2016	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 31 December 2016
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,758	–	(198)	–	–	33	3,593
Loan from related parties	943	350	–	–	–	(3)	1,290
Finance leases	52	–	–	(16)	32	–	68
Total interest-bearing liabilities	4,753	350	(198)	(16)	32	30	4,951

For the year ended 31 December 2017

	At 1 January 2017	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 31 December 2017
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,593	–	(196)	–	–	(280)	3,117
Loan from related parties	1,290	326	–	–	–	(89)	1,527
Finance leases	68	–	–	(26)	13	–	55
Total interest-bearing liabilities	4,951	326	(196)	(26)	13	(369)	4,699

For the six months ended 30 June 2017 (unaudited)

	At 1 January 2017	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 30 June 2017
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,593	–	–	–	–	(213)	3,380
Loan from related parties	1,290	71	–	–	–	(78)	1,283
Finance leases	68	–	–	(14)	10	–	64
Total interest-bearing liabilities	4,951	71	–	(14)	10	(291)	4,727

For the six months ended 30 June 2018

	At 1 January 2018	Debt drawdown	Debt repayment	Lease repayment	New Leases	Foreign exchange movements	At 30 June 2018
	A$M	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*	*A$M*
Secured bank loan	3,117	–	(664)	–	–	169	2,622
Loan from related parties	1,527	–	–	–	–	84	1,611
Finance leases	55	–	–	(10)	6	–	51
Total interest-bearing liabilities	4,699	–	(664)	(10)	6	253	4,284

45. FINANCIAL INFORMATION FOR PROPOSED ACQUISITION OF MOOLARBEN

Subject to certain approvals, the Company will acquire a 4% interest in Moolarben from Korea Resources Corporation for total consideration of A$84 million, which will be paid in four installments through to 31 December 2019, and adjusted for the economic benefit of the 4% interest from 15 April 2018, that will flow to the Company. The Moolarben Acquisition will raise the interest in the unincorporated Moolarben JV to 85%. The following financial information represents 100% of Moolarben's profit or loss and its financial position.

Statement of profit or loss

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	A$M	*A$M*	*A$M*	*A$M* (Unaudited)	*A$M*
Revenue	521	683	1,254	532	924
Other income	–	–	2	1	–
Changes in inventories of finished goods and work in progress	(3)	10	(2)	15	23
Raw materials and consumables used	(63)	(104)	(144)	(79)	(88)
Employee benefits	(37)	(45)	(69)	(33)	(51)
Depreciation and amortisation	(28)	(30)	(52)	(21)	(63)
Transportation	(134)	(149)	(165)	(81)	(118)
Contractual services and plant hire	(44)	(70)	(111)	(54)	(68)
Government royalties	(33)	(49)	(88)	(39)	(67)
Coal purchases	(81)	(41)	(66)	(11)	(52)
Other operating expenses	(17)	(17)	(26)	(9)	(16)
Finance costs	–	(1)	(1)	–	–
Profit before income tax	81	187	532	221	424
Income tax expense	(24)	(56)	(160)	(66)	(127)
Profit for the year	57	131	372	155	297

Asset and liabilities

	At 30 June
	2018
	A$M
Current assets	
Cash and cash equivalents	44
Trade and other receivables	198
Inventories	56
Other current assets	3
	301
Non-current assets	
Mining tenements	28
Exploration and evaluation assets	8
Intangible assets	1
Property, plant and equipment	1,311
Other non-current assets	2
	1,350
Total assets	1,651
Current liability	
Trade and other payables	295
Non-current liability	
Provision	43
Total liabilities	338
Net assets	1,313

B. SUBSEQUENT EVENTS

No matter or circumstances have occurred subsequent to the end of the financial year which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations or the state of affairs of the Group in subsequent financial periods except for the following matters:

(1) Share consolidation

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

(2) Dividend

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

(3) Debt pre-payments

On 17 September 2018, the Company pre-paid US$150 million in loans to reduce its existing debt liabilities. US$75 million was pre-paid in loans from the Bank of China and China Construction Bank under the Company's Syndicated Facility Agreement, and US$75 million pre-paid to unsecured related-party loans.

On 17 October 2018, the Company pre-paid US$100 million in loans to reduce its existing debt liabilities. US$50 million was pre-paid in loans from the Bank of China and China Construction Bank under the Company's Syndicated Facility Agreement, and US$50 million pre-paid to unsecured related-party loans.