

# Yancoal Australia Ltd

## Appendix 4D

### Preliminary Half-year Report

#### Half-year ended 30 June 2016

#### 1. Results for Announcement to the Market

	30 June 2016 \$M	30 June 2015 \$M	% Change
Revenue from ordinary activities	465.6	634.4	(27)
Loss before income tax (before non-recurring items)	(265.3)	(195.0)	(36)
Loss before income tax (after non-recurring items)	(265.3)	(187.2)	(42)
Loss from ordinary activities after income tax attributable to members (before non-recurring items)	(180.4)	(153.2)	(18)
Net loss for the year attributable to members (after non-recurring items)	(180.4)	(145.4)	(24)

#### 2. Earnings per share

	30 June 2016 \$	30 June 2015 \$	% Change
Loss per share (before non-recurring items)*	(0.18)	(0.15)	(20)
Loss per share (after non-recurring items)*	(0.18)	(0.15)	(20)

\* Loss per share is based on the loss after income tax from continuing operations.

#### 3. Net tangible assets per security

	30 June 2016 \$	31 December 2015 \$	% Change
Net tangible assets per share	(0.74)	(0.57)	(298)

#### 4. Distributions

No dividends have been paid during the financial period. The Directors do not recommend that a dividend be paid in respect of the financial period (30 June 2015: nil).

During the financial period there were the following Subordinated Capital Note's distributions:

	30 June 2016 Amount per SCN US\$	30 June 2015 Amount per SCN US\$
Distribution accrued in the period ended 31 December 2015 paid on 29 January 2016 on Subordinated Capital Notes (30 June 2015: nil)	3.49	-
Distribution declared during the year ended 30 June 2016 payable on 29 July 2016 on Subordinated Capital Notes (30 June 2015: nil)	3.51	-
Total distribution declared and paid during the period	7.00	-

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

### a. Acquisitions

No entities were acquired during the financial period

### b. Loss of control

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

- Watagan Mining Company Pty Ltd ("Watagan") which include the three NSW underground coal mining operations of Ashton, Austar and Donaldson.

Control of Watagan will pass back to Yancoal at the end of the term of the bond subscription agreement in 2025, or earlier if control over Watagan is determined to pass back to the Group (including if the bondholders were to exercise their put options, that allows them to put the bonds to Yankuang at approximately years three, five, seven and nine of the bond term or on an event of default after year three).

### c. Disposals

No entities were disposed during the financial period

## 6. Details of associates and joint venture entities

	30 June 2016		30 June 2015	
	Holdings %	Profit / (loss) after income tax contribution \$M	Holdings %	Profit / (loss) after income tax contribution \$M
<i>Joint venture entities</i>				
Moolarben Joint Venture (unincorporated)	81	5.0	81	33.7
Boonal Joint Venture (unincorporated)	50	Not material	50	Not material
Middlemount Coal Pty Ltd	49.9997	(7.7)	49.9997	(16.6)
<i>Associate entities</i>				
Newcastle Coal Infrastructure Group Pty Ltd	27	Nil	27	Nil
Watagan Mining Company Pty Ltd	100	Nil	N/A	N/A

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

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# **Yancoal Australia Ltd**

ABN 82 111 859 119

## **Half-Year Financial Report For the half-year ended 30 June 2016**

## Directors' Report

The Directors present their report on the Consolidated Entity ("the Group") consisting of Yancoal Australia Ltd ("Yancoal" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2016 ("the period").

### Directors

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

Xiyong Li  
Cunliang Lai  
Baocai Zhang  
Yuxiang Wu  
Fuqi Wang  
Boyun Xu  
William Randall  
Gregory Fletcher  
Geoffrey Raby  
Vincent O'Rourke  
Huaqiao Zhang

### Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2016 and up to the date of this report is as follows:

Laura Ling Zhang

### Review of operations

#### Safety

No significant events were recorded for the reporting period, with safety rates for New South Wales ("NSW") and Queensland ("QLD") regions continuing to improve.

In April 2016 Yancoal and the Austar operation received formal notification from the Department of Industry, Resources and Energy confirming it would not be instituting prosecution proceedings related to the investigation into the Austar underground incident of 15 April 2014.

#### Financial performance

The loss after income tax for the half-year ended 30 June 2016 amounted to \$180.4 million (30 June 2015: \$145.4 million) after adding an income tax benefit of \$84.9 million (30 June 2015: \$41.8 million).

#### Corporate activities

On 17 February, Yancoal announced a new financing arrangement to secure up to US\$950 million in debt-funding via the issuing of nine-year secured debt bonds by a newly established Yancoal subsidiary, Watagan Mining Company Pty Ltd ("Watagan"), to Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited. The subsidiaries of Watagan include the three NSW underground coal mining operations of Ashton, Austar and Donaldson.

On and from financial close of the arrangement, effective 31 March, Yancoal ceased to control Watagan and its subsidiaries, including the NSW underground assets of Austar, Ashton and Donaldson. Yancoal will provide mine management, marketing, infrastructure and other corporate support services for the Watagan mines under 10-year contracts.

Control of Watagan will pass back to Yancoal at the end of the term of the bond subscription agreement in 2025, or earlier if control over Watagan is determined to pass back to the Group (including if the bondholders were to exercise their put options, that allows them to put the bonds to Yankuang at approximately years three, five, seven and nine of the bond term or on an event of default after year three).

## **Review of operations (continued)**

### **Corporate activities (continued)**

On 2 May the Watagan owned Donaldson coal operation moved to 'care and maintenance', following the cessation of mining activities at the Abel underground mine. The move to care and maintenance was made in response to ongoing global market challenges, with the operation having commenced feasibility studies to consider the future development of new underground working areas.

The majority of Donaldson employees were redeployed to the neighbouring Austar and Ashton underground operations to assist with scheduled longwall moves at both operations and the proposed recommencement of full production at Austar in the second half of the year.

Throughout the reporting period, Yancoal continued to institute specific culture and safety training across operations, while reinforcing the 'Yancoal Way' initiative to improve efficiencies, transparency of reporting, and implement cost reduction strategies.

### **Mining operations (all figures reported on a 100% basis)**

In NSW, Yancoal continued to operate the Moolarben and Stratford Duralie open cut mines throughout the reporting period, with control of the underground mines of Austar, Ashton and Donaldson transferring to Watagan from 31 March 2016. Yancoal continued to manage the assets on behalf of Watagan throughout the reporting period.

In Queensland, Yancoal operated the Yarrabee open cut and maintained its' near 50% equity interest in Middlemount Coal Pty Ltd ("Middlemount") throughout the reporting period.

Total Run of Mine ("ROM") and saleable coal produced during the period was 11.9 million tonnes ("Mt") (2015 12.9Mt) and 8.9Mt (2015 9.4Mt) respectively on a 100% basis.

Total equity share of ROM and saleable coal produced was 9.5Mt (2015 10.6Mt) and 7.1Mt (2015 7.7Mt) respectively.

Yancoal's sales split (equity share) for the period was 4.5Mt (2015 5.2Mt) thermal and 3.4Mt (2015 3.3Mt) metallurgical coal.

Yancoal continued to manage the Cameby Downs and Premier coal mining operations in Queensland and Western Australia respectively, on behalf of its majority shareholder Yanzhou Coal Mining Company Limited ("Yanzhou") throughout the reporting period.

### *New South Wales*

NSW operations produced a total 4.8Mt saleable coal (equity share) for the reporting period (Yancoal-controlled 4.5Mt<sup>1</sup>, Watagan-controlled 0.3Mt<sup>2</sup>).

Overall, NSW operations achieved total ROM coal production of 7.9Mt (2015 8.8Mt) (Yancoal-controlled 7.4Mt, Watagan-controlled 0.5Mt) and saleable coal production of 5.6Mt (2015 6.1Mt) (Yancoal-controlled 5.3Mt, Watagan-controlled 0.3Mt) for the period.

Strong production gains at Moolarben's open cut operation were offset by the cessation of production of the Abel underground mine; continued challenges experienced within the geology of the Stratford Duralie pit; and scheduled longwall moves at the Ashton and Austar mines.

The Moolarben complex (Yancoal 81% ownership) achieved consistently strong production results for the reporting period of 5.7Mt ROM (2015 4.5Mt) and saleable coal production of 4.3Mt (2015 3.4Mt). The continued ramp up in Moolarben's open cut production benefiting from the Mod 9 mining area, increased overburden extraction rates, improved fleet controls and new throughput efficiencies.

Construction of the Moolarben Stage Two underground mine continued in accordance with project targets, with extraction of the new underground's first development coal commencing in April.

Moolarben also completed the Stage Two box cut during the reporting period, with first coal scheduled to be extracted in July.

The Moolarben outlook for 2016 remains positive with a full year target of 9.0 - 9.1Mt of saleable coal production.

<sup>1</sup> All "Yancoal-controlled" production includes Ashton, Austar and Donaldson coal prior to 31 March.

<sup>2</sup> All "Watagan-controlled" production includes Ashton, Austar and Donaldson coal following 31 March.

## Review of operations (continued)

### Mining operations (all figures reported on a 100% basis) (continued)

#### New South Wales (continued)

Ongoing geotechnical issues within the current operating area of the Stratford Duralie (Yancoal 100% ownership) open cut continued to negatively affect extraction rates throughout the reporting period.

Stratford Duralie generated ROM coal production of 0.7Mt (2015 1.0Mt) and saleable coal production of 0.5Mt (Stratford/Duralie 2015 0.8Mt) for the reporting period. The full year production outlook for Stratford Duralie is approximately 1.2 Mt of saleable coal.

#### Queensland

Queensland operations produced a total 2.3Mt saleable coal (equity share) for the reporting period.

Queensland operations achieved total ROM coal production of 4.0Mt (2015 4.1Mt) and saleable coal production of 3.3Mt (2015 3.3Mt) for the period.

The Yarrabee (Yancoal 100% ownership) open cut operation recovered from significant wet weather and flooding events throughout January and February to return to steady production rates for the majority of the reporting period, achieving positive production and efficiency gains following a change in shift arrangements.

Yarrabee's improved fleet and extraction performance generated ROM coal production of 1.4Mt (2015 1.4Mt) and saleable coal production of 1.3Mt (2015 1.2Mt) for the reporting period. Yarrabee outlook for full year production is 3.3Mt of saleable coal.

Strong production rates and consistent throughput at the Middlemount joint venture (Yancoal 49.9997% ownership), offset wet weather impacts experienced at the start of the reporting period, with yield improvements and operational efficiencies securing ROM coal production of 2.6Mt (2015 2.7Mt) and saleable coal production of 2.0Mt (2015 2.1Mt).

Middlemount production outlook for the year ahead remains positive, with expectations of 4.1-4.2Mt of saleable coal.

#### Watagan

Two scheduled longwall moves at the Ashton (Yancoal 100% ownership<sup>3</sup>) underground offset production gains achieved at the beginning of the year.

Ashton ROM coal production was 1.1Mt (2015 1.4Mt), with saleable coal production of 0.5Mt (2015 0.6Mt). Ashton full year production outlook for 2016 is 1.2Mt of saleable coal production.

Austar (Yancoal 100% ownership<sup>3</sup>) ROM coal production was 0.1Mt (2015 0.7Mt) for the period, with saleable coal production of 0.1Mt (2015 0.5Mt). Difficult geology encountered in the Austar underground mine's development area negatively impacted cutting rates for the reporting period, as the mine continued to prepare the Bellbird South mining area.

Austar full year production outlook for 2016 remains 1.0Mt of saleable coal production.

Donaldson (Yancoal 100% ownership<sup>3</sup>) commenced a step-down in mining activities at the beginning of the reporting period in preparation for the operation's move to 'care and maintenance' on 2 May.

The resulting cessation in Donaldson's Abel underground production on 2 May resulted in ROM coal production of 0.3Mt (2015 1.2Mt), with saleable coal production of 0.2Mt (2015 0.8Mt). The majority of Abel's underground workforce were redeployed to the Ashton and Austar operations.

### Projects

During the reporting period, Yancoal received New South Wales Planning and Assessment Commission ("NSWPAC") approvals for the Moolarben Mod 12 (Underground 1 optimisation) on 29 April and the Watagan controlled Ashton Mod 5 (integration modification) on 20 June.

<sup>3</sup>The Watagan-controlled Ashton, Austar and Donaldson operations remain 100% Yancoal owned subsidiaries.

**Review of operations (continued)**

**Projects (continued)**

The Moolarben Mod 12 includes: modifications to Underground 1 to extract an additional 3.7 million tonnes of ROM coal, enabling an increase in extraction rates from approximately 4.0 million to 8.0 million tonnes per annum ("Mtpa"); and subsequent and necessary improvements to the supporting surface infrastructure.

Once fully developed, the integrated Moolarben Coal complex, comprising of the existing open cut mine and Stage Two project, will produce up to 17Mtpa of ROM coal per annum for a period of 24 years.

The Ashton Mod 5 approval will: enable an increase in underground production from 3.2 to 5.0 Mtpa ROM coal; contemporise the Ashton coal project consent conditions, consistent with the Department of Planning and Environment's "model conditions" and other modern underground mine approvals; integrate the proposed South East Open Cut project with the Ashton coal complex; and enable an increase in coal handling and processing throughput to accommodate coal from the South East Open Cut, in the event the project proceeds.

As determined by the NSW Land and Environment Court on 27 August 2014, no development work associated with the South East Open Cut project can occur until Ashton Coal Operations Pty Ltd has come to a commercial arrangement with respect to a privately owned property, which forms part of the proposed mining area. The project has the potential to produce up to 3.6 Mtpa of ROM coal.

**Matters subsequent to the end of the half-year**

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

In accordance with the Terms of Issue of the Subordinated Capital Notes ("SCN") issued by Yancoal SCN Limited, a subsidiary of the Company, in December 2014, a distribution was paid on 29 July 2016. The distribution was paid at a rate of 7% per annum or US\$3.51 per SCN. The total amount distributed was US\$63.2 million.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Rounding of amounts**

The Group is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

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



Baocai Zhang  
Director

Sydney  
17 August 2016

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

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2016 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

*ShineWing Australia*

**ShineWing Australia**  
Chartered Accountants

*M J Schofield*

M J Schofield  
Partner

Melbourne, 17 August 2016



Yancoal Australia Ltd  
Half-Year Financial Report

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
For the half-year ended 30 June 2016

	Notes	30 June 2016 \$M	30 June 2015 \$M
<b>Revenue</b>	B2	<b>465.6</b>	634.4
Other income	B3	1.6	27.1
Changes in inventories of finished goods and work in progress		<b>(62.8)</b>	(33.1)
Raw materials and consumables used		<b>(93.9)</b>	(135.2)
Employee benefits expense	B4	<b>(102.4)</b>	(132.9)
Depreciation and amortisation expense	B4	<b>(58.3)</b>	(99.2)
Transportation expense		<b>(126.9)</b>	(123.8)
Contractual services and plant hire expense		<b>(67.2)</b>	(119.5)
Government royalties expense		<b>(26.0)</b>	(34.8)
Changes in deferred mining costs		-	(7.4)
Other operating expenses	B4	<b>(88.7)</b>	(75.6)
Finance costs	B4	<b>(98.6)</b>	(70.6)
Share of loss of equity-accounted investees, net of tax	E1	<b>(7.7)</b>	(16.6)
<b>Loss before income tax</b>		<b>(265.3)</b>	(187.2)
Income tax benefit	B5	<b>84.9</b>	41.8
<b>Loss after income tax</b>		<b>(180.4)</b>	(145.4)
<b>Other comprehensive income/(expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges:			
Fair value gain/(losses) taken to equity		<b>83.7</b>	(265.4)
Fair value losses transferred to profit and loss		<b>50.3</b>	20.0
Deferred income tax (expense)/benefit		<b>(40.2)</b>	71.7
<b>Other comprehensive income/(expense), net of tax</b>		<b>93.8</b>	(173.7)
<b>Total comprehensive expense</b>		<b>(86.6)</b>	(319.1)
Total comprehensive expense for the period is attributable to:			
Owners of Yancoal Australia Ltd		<b>(86.6)</b>	(319.1)
		<b>(86.6)</b>	(319.1)
Total comprehensive expense for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		<b>(86.6)</b>	(319.1)
		<b>(86.6)</b>	(319.1)
		\$	\$
<b>Loss per share for loss attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share		<b>(0.18)</b>	(0.15)
Diluted loss per share		<b>(0.18)</b>	(0.15)

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

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**Yancoal Australia Ltd**  
**Half-Year Financial Report**  
**Consolidated Balance Sheet**  
**As at 30 June 2016**

	Notes	30 June 2016 \$M	31 December 2015 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		100.0	154.4
Trade and other receivables		281.3	225.2
Royalty receivable		16.9	19.7
Inventories	C5	69.4	76.2
Derivative financial instruments	D3	0.2	-
Other current assets		8.8	11.7
Assets classified as held for sale		-	1,637.3
<b>Total current assets</b>		<b>476.6</b>	<b>2,124.5</b>
<b>Non-current assets</b>			
Trade and other receivables		387.3	378.9
Royalty receivable		176.7	185.2
Property, plant and equipment	C1	1,417.8	1,250.2
Mining tenements	C2	2,058.4	2,084.5
Exploration and evaluation assets	C3	599.0	590.5
Deferred tax assets		1,257.7	1,166.2
Intangible assets	C4	71.5	72.5
Interest bearing loan to associate	D1	1,281.0	-
Investments accounted for using the equity method	E1	-	7.7
Other non-current assets		9.7	9.5
<b>Total non-current assets</b>		<b>7,259.1</b>	<b>5,745.2</b>
<b>Total assets</b>		<b>7,735.7</b>	<b>7,869.7</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		338.0	292.3
Interest-bearing liabilities	D2	14.6	10.9
Derivative financial instruments	D3	-	1.0
Provisions		9.5	12.4
Liabilities directly associated with assets classified as held for sale		-	321.7
<b>Total current liabilities</b>		<b>362.1</b>	<b>638.3</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	D2	5,011.6	4,720.6
Deferred tax liabilities		724.3	692.1
Provisions		121.1	130.4
<b>Total non-current liabilities</b>		<b>5,857.0</b>	<b>5,543.1</b>
<b>Total liabilities</b>		<b>6,219.1</b>	<b>6,181.4</b>
<b>Net assets</b>		<b>1,516.6</b>	<b>1,688.3</b>
<b>EQUITY</b>			
Contributed equity		3,103.0	3,103.0
Reserves	D5	(786.1)	(879.9)
Accumulated losses	D5	(800.3)	(534.8)
Capital and reserves attributable to owners of Yancoal Australia Ltd		1,516.6	1,688.3
<b>Total equity</b>		<b>1,516.6</b>	<b>1,688.3</b>

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

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Yancoal Australia Ltd  
Half-Year Financial Report  
Consolidated Statement of Changes in Equity  
For the half-year ended 30 June 2016

	Attributable to owners of Yancoal Australia Ltd			Total equity \$M
	Contributed equity \$M	Hedge reserves \$M	Accumulated losses \$M	
<b>Balance at 1 January 2015</b>	3,105.6	(561.2)	(57.2)	2,487.2
Loss after income tax	-	-	(145.4)	(145.4)
Other comprehensive expense	-	(173.7)	-	(173.7)
<b>Total comprehensive expense</b>	-	<b>(173.7)</b>	<b>(145.4)</b>	<b>(319.1)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Transaction cost of subordinated capital notes	(2.1)	-	-	(2.1)
<b>Balance at 30 June 2015</b>	<b>3,103.5</b>	<b>(734.9)</b>	<b>(202.6)</b>	<b>2,166.0</b>
<b>Balance at 1 January 2016</b>	3,103.0	(879.9)	(534.8)	1,688.3
Loss after income tax	-	-	(180.4)	(180.4)
Other comprehensive income	-	93.8	-	93.8
Distributions to subordinated capital notes' holders	-	-	(85.1)	(85.1)
<b>Total comprehensive income/(expense)</b>	-	<b>93.8</b>	<b>(265.5)</b>	<b>(171.7)</b>
<b>Balance at 30 June 2016</b>	<b>3,103.0</b>	<b>(786.1)</b>	<b>(800.3)</b>	<b>1,516.6</b>

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

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Yancoal Australia Ltd  
Half-Year Financial Report  
Consolidated Statement of Cash Flows  
For the half-year ended 30 June 2016

	30 June 2016 \$M	30 June 2015 \$M
<b>Cash flows from operating activities</b>		
Receipts from customers	411.1	655.1
Payments to suppliers and employees	(495.8)	(706.8)
Interest paid	(85.0)	(63.1)
Interest received	37.6	2.7
<b>Net cash outflow from operating activities</b>	<b>(132.1)</b>	<b>(112.1)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(211.7)	(69.7)
Payments for intangible assets	-	(0.1)
Payments for capitalised exploration and evaluation activities	(0.3)	(1.5)
Proceeds from sale of property, plant and equipment	0.1	-
Payments for acquisition of interest in joint operation and subsidiaries (net of cash acquired)	-	(18.6)
Proceeds of loans from related entities	82.8	-
Payment of stamp duty	(7.2)	-
Loans to related entities	(26.2)	(0.2)
Reduction of cash balance from transfer of control	(10.6)	-
Cash transferred from restricted accounts	0.8	2.3
<b>Net cash outflow from investing activities</b>	<b>(172.3)</b>	<b>(87.8)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	63.6
Repayment of borrowings	(3.3)	-
Payment of finance lease liabilities	(7.5)	(5.3)
Proceeds from interest-bearing liabilities - related entities	273.2	125.0
Payment of transaction cost of subordinated capital notes	-	(13.0)
Payment of subordinated capital notes distribution	(13.3)	-
<b>Net cash inflow from financing activities</b>	<b>249.1</b>	<b>170.3</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(55.3)</b>	<b>(29.6)</b>
Cash and cash equivalents at the beginning of the financial year	159.0	203.6
Effects of exchange rate changes on cash and cash equivalents	(3.7)	13.6
<b>Cash and cash equivalents at the end of the period</b>	<b>100.0</b>	<b>187.6</b>

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

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## A Basis of preparation of half-year report

This financial report for the half-year ended 30 June 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This Half-Year report is for the Consolidated Entity ("the Group") consisting of Yancoal Australia Ltd ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2016 ("the period"). This Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 31 December 2015 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

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

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 17 August 2016.

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

### (a) New and amended standards adopted by the Group

In the prior year, the company elected to early adopt the AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11)*, and AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative*.

Other new and revised Standards and amendments thereof and interpretations effective for the current reporting period that are relevant to the Group include:

- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2014-9 *Equity Accounting in Separate Financial Statements*
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from Withdrawal of AASB 1031 Materiality*
- AASB 2015-4 *Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent*

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

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

Australian Accounting Standards and Interpretations issued but not yet applicable for the half-year ended 30 June 2016 have not been early adopted by the Group. The Group has not yet determined the potential impacts of other amendments on the Group's financial statements.

### (c) Going concern

For the half-year ended 30 June 2016, the Group had a loss before income tax of \$265.3 million (30 June 2015: \$187.2 million). The net cash outflow from operating activities was \$132.1 million (30 June 2015: \$112.1 million).

The financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. The Directors have considered and noted the following with regards to the ability of the Group to continue as a going concern:

- (i) At 30 June 2016, the Group has a cash balance of \$100.0 million;
- (ii) At 30 June 2016, the Group has surplus net current assets of \$114.5 million;

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

### (c) Going concern (continued)

- (iii) The Directors of Yanzhou Coal Mining Company Limited ("Yanzhou") have provided financial support in the form of a A\$1.4 billion facility to support the on-going operations and the expansion of the Group to enable it to pay its debts as and when they fall due of which US\$681.5 million was drawn as at 30 June 2016, and a US\$807 million facility for the 7% coupon distribution of the Subordinated Capital Notes in the first 5 years of which US\$136.0 million was drawn as at 30 June 2016; and
- (iv) The Directors of Yanzhou have provided a letter of support whereby unless revoked by giving not less than 24 months notice, for so long as Yanzhou owns at least 51% of the shares of Yancoal, Yanzhou will ensure that Yancoal continues to operate so that it remains solvent.

On the basis of these factors, the Directors believe that the going concern basis of preparation is appropriate and the Group will be able to repay their debts as and when they fall due. In the event that the Group cannot continue as a going concern, it may not realise its assets and settle its liabilities in the normal course of operations and at the amounts stated in the financial statements.

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## B Performance

### B1 Segment information

#### (a) Accounting Policies

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

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

On 31 March 2016 Yancoal Australia Ltd transferred control of Watagan Mining Company Pty Ltd ("Watagan") (refer to Note E1 for further details). Watagan holds the ownership interests in the Astar, Ashton and Donaldson mines located in NSW. The amount disclosed for revenue in 2016 below includes the operational results of the three mines for the period 1 January 2016 to 31 March 2016. 2015 includes a full 12 months of operational results for the three mines.

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

#### (b) Segment information

The segment information for the reportable segments for the half-year ended 30 June 2016 is as follows:

30 June 2016	Coal mining		Corporate \$M	Total \$M
	NSW \$M	QLD \$M		
Total segment revenue*	326.8	117.5	(50.3)	394.0
Add: fair value losses recycled from hedge reserve	-	-	50.3	50.3
<b>Revenue from external customers</b>	<b>326.8</b>	<b>117.5</b>	<b>-</b>	<b>444.3</b>
<b>Operating EBIT</b>	<b>(41.3)</b>	<b>(34.2)</b>	<b>(26.4)</b>	<b>(101.9)</b>
<b>Material income or expense items</b>				
Non-cash items				
Remeasurement of royalty receivable	-	-	(14.5)	(14.5)
Depreciation and amortisation expense	(42.0)	(12.8)	(3.5)	(58.3)
	<b>(42.0)</b>	<b>(12.8)</b>	<b>(18.0)</b>	<b>(72.8)</b>
<b>Total capital expenditure</b>	<b>277.5</b>	<b>4.5</b>	<b>0.3</b>	<b>282.3</b>
<b>30 June 2016</b>				
Segment assets	3,733.4	641.3	2,103.1	6,477.8
Deferred tax assets	40.8	26.4	1,190.5	1,257.7
Derivative financial instruments	-	-	0.2	0.2
<b>Total assets</b>	<b>3,774.2</b>	<b>667.7</b>	<b>3,293.8</b>	<b>7,735.7</b>

The segment information for the reportable segments for the half-year ended 30 June 2015 and segment assets for 31 December 2015 is as follows:

## B Performance (continued)

### B1 Segment information (continued)

#### (b) Segment information (continued)

30 June 2015	Coal mining			\$M
	NSW \$M	QLD \$M	Corporate \$M	
Total segment revenue*	489.1	117.2	-	606.3
Add: fair value losses recycled from hedge reserve	20.0	-	-	20.0
<b>Revenue from external customers</b>	<b>509.1</b>	<b>117.2</b>	<b>-</b>	<b>626.3</b>
<b>Operating EBIT</b>	<b>(27.3)</b>	<b>(19.5)</b>	<b>(80.0)</b>	<b>(126.8)</b>
<b>Material income or expense items</b>				
Non-cash items				
Remeasurement of royalty receivable	-	-	2.4	2.4
Depreciation and amortisation expense	(81.9)	(14.3)	(3.0)	(99.2)
Gain on acquisition of interest in joint operation and subsidiaries	-	-	7.8	7.8
	<b>(81.9)</b>	<b>(14.3)</b>	<b>7.2</b>	<b>(89.0)</b>
<b>Total capital expenditure</b>	<b>105.4</b>	<b>7.3</b>	<b>1.0</b>	<b>113.7</b>
<b>31 December 2015</b>				
Segment assets	5,159.9	665.5	870.4	6,695.8
Deferred tax assets	21.5	30.5	1,114.2	1,166.2
Investment in joint venture	-	-	7.7	7.7
<b>Total assets</b>	<b>5,181.4</b>	<b>696.0</b>	<b>1,992.3</b>	<b>7,869.7</b>

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

Apart from the items included as non-cash items, and the fair value losses there was no impairment charge or other significant non-cash items recognised during the half-years ended 30 June 2016 and 30 June 2015.

#### (c) Other segment information

##### (i) Segment revenue

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

Revenue from external customers are derived from the sale of coal from operating mines. Segment revenues are allocated based on the country in which the customer is located. Revenue from external customers can be attributed to the following geographical regions:

	30 June 2016 \$M	30 June 2015 \$M
Australia (Yancoal's country of domicile)	29.9	8.1
Singapore	89.1	149.2
South Korea	120.7	217.2
China	24.6	60.8
Japan	61.3	72.2
Taiwan	59.6	29.2
All other foreign countries	59.1	89.6
<b>Total revenue from external customers</b>	<b>444.3</b>	<b>626.3</b>



## B Performance (continued)

### B1 Segment information (continued)

#### (c) Other segment information (continued)

Revenues from the top five external customers were \$207.1 million (2015: \$311.8 million) which in aggregate represent approximately 47% (2015: 50%) of the Group's revenues from the sale of coal. These revenues are attributable to the NSW and QLD coal mining segments.

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

	30 June 2016 \$M	30 June 2015 \$M
<b>Total segment revenue</b>	<b>394.0</b>	606.3
Interest income	55.9	26.0
Mining services fees	12.8	-
Other revenue	2.9	2.1
<b>Total revenue from continuing operations (note B2)</b>	<b>465.6</b>	634.4

#### (ii) Operating EBIT

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBIT. 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 remeasurements and unrealised 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 to loss before income tax from continuing operations is provided as follows:

	30 June 2016 \$M	30 June 2015 \$M
<b>Operating EBIT</b>	<b>(101.9)</b>	(126.8)
Finance costs	(98.6)	(70.6)
Fair value losses recycled from hedge reserve - USD loans	(50.3)	-
Remeasurement of royalty receivable	(14.5)	2.4
Gain on acquisition of interest in joint operation and subsidiaries	-	7.8
<b>Loss before income tax from continuing operations</b>	<b>(265.3)</b>	(187.2)

#### (iii) Segment capitalised expenditure

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

All segment assets are located in Australia.

#### (iv) Segment liabilities

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

## B Performance (continued)

### B2 Revenue

	30 June 2016 \$M	30 June 2015 \$M
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of coal	444.3	626.3
Fair value losses recycled from hedge reserve*	(50.3)	(20.0)
	<u>394.0</u>	<u>606.3</u>
<i>Other revenue</i>		
Interest income	55.9	26.0
Mining services fees	12.8	-
Other	2.9	2.1
	<u>71.6</u>	<u>28.1</u>
	<u>465.6</u>	<u>634.4</u>

\* In 2016, there were fair value losses amounting to \$50.3 million on US dollar denominated interest-bearing liabilities recycled from the hedge reserve. In 2015 the loss of \$20.0 million was incurred on foreign exchange rate contracts recycled from the hedge reserve. There was no fair value gains / losses on US dollar denominated interest-bearing liabilities recycled from the natural hedge reserve.

### B3 Other income

	30 June 2016 \$M	30 June 2015 \$M
Gain on remeasurement of royalty receivable	-	2.4
Net gain on foreign exchange	-	14.9
Sundry income	1.6	2.0
Gain on acquisition of interest in joint operation and subsidiaries	-	7.8
	<u>1.6</u>	<u>27.1</u>

### B4 Expenses

	30 June 2016 \$M	30 June 2015 \$M
<b>Loss before income tax includes the following specific expenses:</b>		
<b>(a) Employee benefits expense</b>		
Defined contribution superannuation expense	8.2	9.7
Other employee benefits expenses	94.2	123.2
Total employee benefits expense	<u>102.4</u>	<u>132.9</u>

## B Performance (continued)

### B4 Expenses (continued)

#### (b) Depreciation and amortisation

<i>Depreciation</i>		
Buildings	1.1	1.6
Plant and equipment	21.6	46.4
Mine development	13.9	21.5
Leased plant & equipment	2.7	1.9
Total depreciation	<u>39.3</u>	<u>71.4</u>
<i>Amortisation</i>		
Mining tenements	25.9	31.1
Computer software	1.4	1.3
Total amortisation	<u>27.3</u>	<u>32.4</u>
Total depreciation and amortisation	<u>66.6</u>	103.8
<i>Other depreciation and amortisation</i>		
Depreciation and amortisation capitalised	(8.3)	(4.6)
Total other depreciation and amortisation	<u>(8.3)</u>	<u>(4.6)</u>
Total depreciation and amortisation	<u>58.3</u>	99.2

#### (c) Finance costs

Finance lease charges	1.6	1.3
Unwinding of discount on provisions and deferred payables	3.0	3.2
Other interest expenses	102.2	68.7
Interest expenses capitalised	(8.2)	(2.6)
Total finance costs	<u>98.6</u>	<u>70.6</u>

#### (d) Other operating expenses

	30 June 2016 \$M	30 June 2015 \$M
Loss on remeasurement of royalty receivable	14.5	-
Rental expense relating to operating leases	1.1	1.3
Net loss on foreign exchange	6.4	-
Insurance	1.8	2.6
Bank fees and other charges	56.4	58.6
Net loss on disposal of property, plant and equipment	-	2.4
Duties and other levies	3.2	4.2
Travel and accommodation	4.2	5.0
Other operating expenses	1.1	1.5
Total other operating expenses	<u>88.7</u>	<u>75.6</u>

### B5 Income tax benefit

The income tax benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the financial period. The estimated average tax rate used for the half-year ended 30 June 2016 is 32.00% (2015: 22.11%). The estimated average tax rate does not take into account any permanent differences that may arise from thin capitalisation, transfer pricing and the equity accounting of Middlemount.

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

## C Operating assets and liabilities

### C1 Property, plant and equipment

	Assets under construction \$M	Freehold land & buildings \$M	Mine development \$M	Plant and equipment \$M	Leased plant and equipment \$M	Leasehold land \$M	Total \$M
<b>At 31 December 2015</b>							
Cost	234.9	182.0	374.7	760.6	53.0	0.1	1,605.3
Accumulated depreciation	-	(10.5)	(71.5)	(258.5)	(14.6)	-	(355.1)
Net book amount	234.9	171.5	303.2	502.1	38.4	0.1	1,250.2
<b>Half-year ended 30 June 2016</b>							
Opening net book amount	234.9	171.5	303.2	502.1	38.4	0.1	1,250.2
Transfer - assets under construction	(25.4)	0.6	5.4	10.8	-	-	(8.6)
Additions	166.6	-	(1.4)	0.6	50.1	-	215.9
Other disposals	-	(0.3)	-	(0.1)	-	-	(0.4)
Depreciation charge	-	(1.1)	(13.9)	(21.6)	(2.7)	-	(39.3)
Closing net book amount	376.1	170.7	293.3	491.8	85.8	0.1	1,417.8
<b>At 30 June 2016</b>							
Cost	376.1	181.9	378.7	771.7	103.1	0.1	1,811.6
Accumulated depreciation	-	(11.2)	(85.4)	(279.9)	(17.3)	-	(393.8)
Net book amount	376.1	170.7	293.3	491.8	85.8	0.1	1,417.8

### C2 Mining tenements

	30 June 2016 \$M	31 December 2015 \$M
Opening net book amount	2,084.5	2,466.2
Acquisition through business combination	-	25.1
Amortisation for the period	(25.9)	(64.3)
Transfer to assets classified as held for sale	-	(342.5)
Closing net book amount	2,058.6	2,084.5

#### (a) Impairment assessment

The Group operates on a regional basis within NSW and as such the NSW mines of Stratford Duralie and Moolarben are considered to be one Cash Generating Unit ("CGU"). Yarrabee and Middlemount are considered separate CGU's due to location and ownership structure.

#### (b) Assessment of fair value

Each CGU's fair value less costs of disposal has been determined using a discounted cash flow model over the expected life on mine (10 - 25 years). The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

## C Operating assets and liabilities (continued)

### C2 Mining tenements (continued)

#### (b) Assessment of fair value (continued)

The key assumptions in the model include:

Key assumptions	Description
Coal prices	<p>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\$62 – US\$94 per tonne (2015: US\$55 – US\$109 per tonne) for thermal and US\$89 – US\$152 per tonne (2015: US\$91 – US\$166 per tonne) for metallurgical coal.</p> <p>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.</p> <p>For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts.</p>
Foreign exchange rates	<p>The long term AUD/USD forecast exchange rate of \$0.73 (2015: \$0.73) is based on external sources. The 30 June 2016 AUD/USD exchange rate was \$0.74 per the Reserve Bank of Australia.</p>
Production and capital costs	<p>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.</p> <p>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.</p>
Coal reserves and resources	<p>The Group estimates its coal reserves and resources based on information compiled in accordance with the JORC 2012 Code and ASX Listing Rules 2012.</p> <p>Further discussion is included in Note C2 of the Group's Annual Financial Report for the year ended 31 December 2015.</p>
Discount rate	<p>The Group has applied a post-tax discount rate of 10.5% (2015: 10.5%) to discount the forecast future attributable post-tax cash flows.</p> <p>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.</p> <p>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.</p>

Based on the above assumptions at 30 June 2016 the recoverable amount is determined to be above book value for all CGU's resulting in no further impairment.

Impairment provisions recorded as at 30 June 2016 are \$106.1 million for Moolarben and \$74.3 million for Stratford and Duralie. Moolarben and Stratford and Duralie are both 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 USD coal prices, or a further weakening of the AUD/USD 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.

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## C Operating assets and liabilities (continued)

### C2 Mining tenements (continued)

#### (b) Assessment of fair value (continued)

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 AUD/USD forecast exchange rate.

If coal prices were -10% over life of mine the NSW CGU recoverable amount would exceed book value however for Yarrabee the book value would exceed the recoverable amount by \$263 million and for Middlemount by \$175 million. If the AUD/USD long term forecast exchange rate was \$0.80 the NSW CGU recoverable amount would exceed book value however for Yarrabee the book value would exceed the recoverable amount by \$203 million and for Middlemount by \$124 million.

### C3 Exploration and evaluation assets

	30 June 2016 \$M	31 December 2015 \$M
Opening net book amount	590.5	896.0
Remeasurement through business combination	-	3.4
Other additions	0.3	2.2
Transfers - assets under construction	8.2	-
Transfer to assets classified as held for sale	-	(311.1)
Closing net book amount	<u>599.0</u>	<u>590.5</u>

### C4 Intangible assets

	Goodwill \$M	Computer software \$M	Total \$M
<b>At 31 December 2015</b>			
Cost	60.3	24.0	84.3
Accumulated amortisation	-	(11.8)	(11.8)
Net book amount	<u>60.3</u>	<u>12.2</u>	<u>72.5</u>
<b>Half-year ended 30 June 2016</b>			
Opening net book amount	60.3	12.2	72.5
Transfers - assets under construction	-	0.4	0.4
Amortisation charge	-	(1.4)	(1.4)
Closing net book amount	<u>60.3</u>	<u>11.2</u>	<u>71.5</u>
<b>At 30 June 2016</b>			
Cost	60.3	24.3	84.6
Accumulated amortisation	-	(13.1)	(13.1)
Net book amount	<u>60.3</u>	<u>11.2</u>	<u>71.5</u>

#### (a) Impairment tests for goodwill

The Goodwill relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arms length transaction and was allocated to the Yarrabee mine. Refer to Note C2 for the details regarding the fair value less costs to sell calculation performed at 30 June 2016. The CGU for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value of the CGU.

## C Operating assets and liabilities (continued)

### C5 Inventories

	30 June 2016 \$M	31 December 2015 \$M
Coal - at lower of cost or net realisable value	44.5	49.2
Tyres and spares - at cost	23.9	26.0
Fuel - at cost	1.0	1.0
	<b>69.4</b>	<b>76.2</b>

#### (a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2016 amounted to \$5.9 million (31 December 2015: \$12.1 million). The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

## D Capital structure and financing

### D1 Interest-bearing loan to associate

	30 June 2016 \$M
Opening balance	-
Loan recognised on deconsolidation	1,363.4
Repayments	(82.4)
Closing balance	<b>1,281.0</b>

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

### D2 Interest-bearing liabilities

	30 June 2016 \$M	31 December 2015 \$M
<b>Current</b>		
Secured bank loans	4.1	7.2
Secured lease liabilities	10.5	3.7
	<b>14.6</b>	<b>10.9</b>
<b>Non-current</b>		
Secured bank loans	3,689.7	3,750.8
Secured lease liabilities	64.7	27.1
Unsecured loans from related parties	1,257.2	942.7
	<b>5,011.6</b>	<b>4,720.6</b>
Total interest-bearing liabilities	<b>5,026.2</b>	<b>4,731.5</b>

## D Capital structure and financing (continued)

### D2 Interest-bearing liabilities (continued)

#### (a) Secured bank loans

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

	Facility \$M	30 June 2016		31 December 2015	
		Facility \$M	Utilised \$M	Facility \$M	Utilised \$M
<b>Secured bank loans</b>					
Syndicated facility (i)	US\$ 2,600	3,501.2	3,501.2	3,558.7	3,558.7
Bi-lateral facility (i)	US\$ 140.0	188.5	188.5	191.6	191.6
Chattel mortgage (ii)	US\$ 21.7	29.2	4.1	29.7	7.7
		3,718.9	3,693.8	3,780.0	3,758.0

#### (i) Syndicated Facility and Bi-lateral Facility

In 2009 a Syndicated Facility of US\$2,600 million and 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.

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

The Syndicated Facility and Bilateral 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 ending on 30 June 2017, and thereafter
- (b) The gearing ratio of the Group will not exceed 0.80; and
- (c) The consolidated net worth of the Group is not less than AU\$1,600 million.

The calculation of the above covenants include certain exclusions with regard to unrealised gains and losses including foreign exchange gains and losses. The interest cover ratio financial covenant for the twelve month period ended on 30 June 2016 has not been tested as the latest amendment to the facility deferred testing until 30 June 2017.

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

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

There was no breach of covenants at 30 June 2016.

#### (ii) Chattel Mortgage Facility

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group inherited a chattel mortgage facility of US\$21.7 million. The balance of the facility at 30 June 2016 was US\$3.0 million. The outstanding balance of the loan is secured by a bank guarantee of US\$4.3 million issued by Westpac Banking Corporation. Security is also held in the form of eleven trucks with a carrying value of AU\$12.2 million.

#### (b) Bank guarantee facilities

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



## D Capital structure and financing (continued)

### D2 Interest-bearing liabilities (continued)

#### (b) Bank guarantee facilities (continued)

Provider	Facility \$M	Utilised \$M	Security
CBA, Westpac	350.0	284.8	Yarrabee and Moolarben mine assets with a carrying value of \$2,733 million. Expires 30 September 2016.
Bank of China	47.0	45.5	Letter of comfort from Yanzhou to Bank of China for the full amount of the facility. Expires 30 June 2017.
ICBC	125.0	119.8	Cash deposit of \$2.5 million on \$25 million of the facility, included in restricted cash and a corporate guarantee provided by Yanzhou to ICBC for the remaining \$100 million. Expires 30 June 2017.
Total	522.0	450.1	

The CBA and Westpac Guarantee Facility includes the following financial covenants based on consolidated results of Yancoal Resources Ltd to be tested half-yearly:

- (a) The interest cover ratio will not be less than 5.3,
- (b) The finance debt to EBITDA ratio is not less than 3.0; and
- (c) The net tangible assets is not less than AU\$600 million.

There was no breach of covenants at 30 June 2016. For Bank of China and ICBC there are no covenants.

#### (c) Unsecured loans from related parties

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

- Facility 1: AU\$1,400 million - the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. During the period US\$190.6 million was drawn down. In total US\$681.5 million (AU\$917.8 million) was drawn down as at 30 June 2016 (31 December 2015: US\$499.5 million (AU\$683.7 million)).
- Facility 2: US\$807 million - the purpose of the facility is to fund the coupon payable on subordinated capital notes. During the period US\$62.8 million was drawn down. In total US\$136.0 million (AU\$183.2 million) was drawn down as at 30 June 2016 (31 December 2015: US\$73.2 million (AU\$100.2 million)).

In August 2012, the Company also successfully arranged a long term loan facility from Yancoal International Resources Development Co., Ltd, a wholly owned subsidiary of Yanzhou. The facility was for US\$550.0 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\$434.0 million was repaid, leaving an outstanding balance of US\$116.0 million which remains outstanding as at 30 June 2016.

These 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.

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

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

## D Capital structure and financing (continued)

### D2 Interest-bearing liabilities (continued)

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

	Less than 1 year \$M	Between 1 and 2 years \$M	Between 2 and 5 years \$M	Greater than 5 years \$M	Total contractual cash flows \$M
<b>At 30 June 2016</b>					
Bank loans	279.7	273.6	2,989.0	1,284.3	4,826.6
Lease liabilities	19.1	23.5	31.1	12.4	86.1
Loans from related parties	84.4	84.4	253.4	1,484.0	1,906.2
<b>Total</b>	<b>383.2</b>	<b>381.5</b>	<b>3,273.5</b>	<b>2,780.7</b>	<b>6,818.9</b>
<b>At 31 December 2015</b>					
Bank loans	226.3	280.4	1,946.9	2,570.3	5,023.9
Lease liabilities	10.3	14.8	9.6	-	34.7
Loans from related parties	62.6	62.4	187.1	1,134.4	1,446.5
<b>Total</b>	<b>299.2</b>	<b>357.6</b>	<b>2,143.6</b>	<b>3,704.7</b>	<b>6,505.1</b>

### D3 Derivative financial instruments

	30 June 2016 \$M	31 December 2015 \$M
<b>Current assets</b>		
Forward foreign exchange contracts - cash flow hedges	0.2	-
<b>Total current derivative financial instrument assets</b>	<b>0.2</b>	<b>-</b>
<b>Current liabilities</b>		
Forward foreign exchange contracts - cash flow hedges	-	(1.0)
<b>Total current derivative financial instrument liabilities</b>	<b>-</b>	<b>(1.0)</b>
	<b>0.2</b>	<b>(1.0)</b>

#### (a) Instruments used by the group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

##### *Forward exchange contracts - fair value through profit or loss*

The Group classifies derivative financial instruments at fair value through profit or loss if they are acquired principally for the purpose of settling in the short term.

The Group enters into forward foreign exchange contracts to sell or purchase specified amounts of foreign currencies in the future at stipulated exchange rates. The objective of entering into the forward foreign exchange contracts is to reduce the foreign exchange rate related volatility of the Group's revenue stream, and capital expenditure, and thereby assist in risk management for the Group. Foreign currency speculation is specifically excluded. Forward foreign exchange contracts are entered for contracted future sales undertaken in foreign currencies and contracted future capital expenditure undertaken in foreign currencies.

As at 30 June 2016, the outstanding sell USD contracts are hedging contracted sales of coal and the outstanding buy EUR contracts relate to settlement of capital expenditure.

Changes in the fair value of the forward foreign exchange contracts are recorded as other income or other expense in profit and loss.

## D Capital structure and financing (continued)

### D4 Distribution paid and payable

	2016		2015			
	Cents per SCN	Total US\$'M	Total AU\$'M	Cents per SCN	Total US\$'M	Total AU\$'M
<b>Distribution paid:</b>						
Distribution accrued in the period ended 31 December 2015 paid on 29 January 2016 on Subordinated Capital Note's ("SCNs")	3.49	62.5	86.0	-	-	-
<b>Distribution payable:</b>						
Distribution accrued in the period ended 30 June 2016 payable on 29 July 2016 (2015: In respect of period ended 30 June 2015, no accrual) on SCNs	3.51	63.2	85.1	-	-	-
		<u>125.7</u>	<u>171.1</u>		<u>-</u>	<u>-</u>

### D5 Reserves and accumulated losses

#### (a) Reserves

	30 June 2016 \$M	31 December 2015 \$M
Hedging reserve	<u>(786.1)</u>	<u>(879.9)</u>
	<b>(786.1)</b>	<b>(879.9)</b>
	<b>30 June 2016 \$M</b>	<b>31 December 2015 \$M</b>
<b>Movements:</b>		
<i>Hedging reserve</i>		
Opening balance	<b>(879.9)</b>	(561.2)
Gain/(loss) recognised on USD interest bearing liabilities	<b>83.7</b>	(474.9)
Transferred to profit or loss	<b>50.3</b>	22.3
Deferred income tax expense	<b>(40.2)</b>	133.9
Closing balance	<u><b>(786.1)</b></u>	<u>(879.9)</u>

#### *Hedging reserve*

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

The closing balance includes \$786.1 million (net of tax) (31 December 2015: \$879.9 million) which relates to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the United States dollar denominated interest-bearing liabilities against future coal sales.

During the period ended 30 June 2016, gains of \$50.3 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve. During the year ended 31 December 2015 a loss of \$22.3 million on foreign exchange contracts were transferred from other comprehensive income to profit or loss.

## D Capital structure and financing (continued)

### D5 Reserves and accumulated losses (continued)

#### (b) Accumulated losses

	30 June 2016 \$M	31 December 2015 \$M
Opening balance	(534.8)	(57.2)
Loss after income tax	(180.4)	(291.2)
Distributions to subordinated capital notes' holders	(85.1)	(186.4)
<b>Closing balance</b>	<b>(800.3)</b>	<b>(534.8)</b>

### D6 Contingencies

#### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2016 in respect of:

##### (i) Bank guarantees

	30 June 2016 \$M	31 December 2015 \$M
<b>Parent entity and consolidated entity</b>		
Guarantees secured over deposits	20.0	11.3
Performance guarantees provided to external parties	77.1	154.6
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	107.6	100.9
Guarantees provided in respect of land acquisition	-	50.0
	<b>204.7</b>	<b>316.8</b>
<b>Joint ventures (equity share)</b>		
Guarantees secured over deposits	12.9	12.8
Performance guarantees provided to external parties	45.2	7.2
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	24.3	-
	<b>82.4</b>	<b>20.0</b>
<b>Guarantees held on behalf of related parties</b>		
Guarantees secured over deposits	1.1	1.1
Performance guarantees provided to external parties	90.4	101.8
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	71.5	18.4
	<b>163.0</b>	<b>121.3</b>
	<b>450.1</b>	<b>458.1</b>

##### (ii) Tax audit

The Australian Taxation Office ("ATO") is undertaking an audit of certain matters in the Company's tax filings for the year ended 31 December 2012. These matters remain in progress and steps are being taken to finalise them.

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

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

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

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## D Capital structure and financing (continued)

### D6 Contingencies (continued)

#### (a) Contingent liabilities (continued)

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

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

#### (iv) Other contingencies

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

### D7 Fair value measurement of assets and liabilities

#### (a) Fair value hierarchy

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

At 30 June 2016	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
<b>Assets</b>				
Derivatives used for hedging				
Forward foreign exchange contracts	-	0.2	-	0.2
Royalty receivable	-	-	193.6	193.6
<b>Total assets</b>	-	0.2	193.6	193.8
<b>At 31 December 2015</b>				
	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
<b>Assets</b>				
Royalty receivable	-	-	204.9	204.9
<b>Total assets</b>	-	-	204.9	204.9
<b>Liabilities</b>				
Derivatives used for hedging				
Forward foreign exchange contracts	-	1.0	-	1.0
<b>Total liabilities</b>	-	1.0	-	1.0

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2016.

#### (b) Valuation techniques

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

Forward foreign exchange contracts included in level 2 above are valued by an income approach using a discounted cash flow methodology based on current forward exchange rates applicable to the remaining life of the contracts.

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## D Capital structure and financing (continued)

### D7 Fair value measurement of assets and liabilities (continued)

#### (b) Valuation techniques (continued)

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

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2016:

	<b>Royalty receivable \$M</b>
<b>Opening balance 1 January 2015</b>	199.2
Cash received / receivable	(18.0)
Unwinding of the discount	21.2
Remeasurement of the royalty receivable	2.4
<b>Closing balance 31 December 2015</b>	204.8
Cash received / receivable	(7.5)
Unwinding of the discount	10.8
Remeasurement of the royalty receivable	(14.5)
<b>Closing balance 30 June 2016</b>	193.6

#### (i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2016 has been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has been determined to have a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and foreign exchange rates are based on the same external data used for impairment assessments (refer to Note C2). The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.0%.

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

#### (d) Fair values of other financial instruments

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

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

## E Group structure

### E1 Interests in other entities

#### (a) Joint operations

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

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

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

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

Set out below are the associates and joint ventures of the Group as at 30 June 2016. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount of investment	
		2016	2015			2016	2015
Newcastle Coal Infrastructure Group Pty Ltd	Australia	27	27	Associate	Equity method	-	-
Watagan Mining Company Pty Ltd	Australia	100	-	Associate	Equity method	-	-
Middlemount Coal Pty Ltd	Australia	49.9997	49.9997	Joint Venture	Equity method	-	7.7

#### (i) Investment in associates

##### *Newcastle Coal Infrastructure Group Pty Ltd*

The Group holds 27% (2015: 27%) of the ordinary shares of Newcastle Coal Infrastructure Group Pty Ltd ("NCIG"). Under the shareholder agreement between the Group and other shareholders, the Group has 27% of the voting power of NCIG. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes.

##### *Watagan Mining Company Pty Limited*

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

## E Group structure (continued)

### E1 Interests in other entities (continued)

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

On completion Watagan issued US\$775 million of debt bonds with a term of approximately 9 years to three external financiers ("Bondholders"). Watagan will issue up to a further US\$175 million of debt bonds to two of the Bondholders prior to 30 September 2016. The Bondholders will receive interest on the face value outstanding on the bonds comprising a fixed interest component, as well as a variable interest component that is tied to the EBITDA performance of Watagan. Under the terms of the Watagan Agreements, it was determined that upon issuance of the bonds the Group lost control of Watagan. This loss of control was determined to occur on the issuance date of the bonds on the basis that the power over the key operating and strategic decisions of Watagan no longer reside with the Group. Specifically, those powers were transferred to the Bondholders under the terms of the Watagan Agreements as the Bondholders were given control of Watagan's board of directors via appointment of the majority of directors. This loss of control resulted in the Group de-consolidating the consolidated results of Watagan from the transaction completion date and the Group began to equity account for its 100% equity interest in Watagan as an associate. At 31 December 2015 due to the Watagan transaction being near completion, and that the transaction was considered to be highly likely, the three mines were disclosed as Assets Classified as Held for Sale.

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

*The Group's ongoing involvement with Watagan*

Together with the Bond Subscription Agreement, the Watagan Agreements include a:

- 10 year Management and Mine Services Agreement appointing (i) Yancoal as the exclusive provider of management services (being back office support functions) to the Watagan group; and (ii) a 100% owned Yancoal subsidiary as the exclusive provider of all mining management services (being all work directly concerned with the management of the operations of the three mines) to the Watagan group; and
- 10 year Marketing & Logistics Representation and Logistics Agreement appointing Yancoal as (i) the sole and exclusive marketing and logistics representative of the Watagan group for the promotion, marketing, sale, transportation and handling of all saleable coal produced from the three mines and the purchase of any coal for the Watagan group from third parties; and (ii) the sole and exclusive provider of infrastructure services and representative of the Watagan group in relation to management of the port and rail access and rail haulage contracts in relation to the three mines.

These agreements can be terminated without cause by either party subject to certain termination payments.

Given the Group maintains one seat on the Watagan board and has ongoing involvement under the terms of the Watagan Agreements, the Group was determined to have significant influence over Watagan. As a result, the Group equity accounts its 100% equity interest from 31 March 2016. The Group will account for the \$1,363 million loan from Watagan consistent with its accounting policy for financial assets. Accordingly this loan will be subject to impairment testing when there is objective evidence that the loan is impaired. A guarantee has been provided by Yankuang Group Company Limited, the ultimate parent entity of Yancoal, to indemnify Yancoal for any amounts due and payable under the loan which are not paid by Watagan.

The assessment of control is performed at a point in time. Accordingly, at the end of the term of the Bond Subscription Agreement in 2025, or earlier if power over Watagan is determined to pass back to the Group, the Group would reconsolidate Watagan's results and financial position from the point control is regained, and this re-acquisition would be treated as a business combination. Additionally, the Bondholders have a put option that allows them to put the issued debt bonds to Yankuang at approximately years three, five, seven, and nine of the bond term, or on an event of default after year three. Exercise of this put option would also result in the Group regaining control of Watagan. The assessment of control is considered a significant judgement.

*Summarised financial information of associates*

The information disclosed below reflects the Group's share of the results of its principal associates and the aggregated assets and liabilities. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy. The 31 December 2015 balances for Watagan are the consolidated book value of the three mines disclosed as Assets Classified as Held for Sale.



## E Group structure (continued)

### E1 Interests in other entities (continued)

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

	NCIG		Watagan	
	30 June 2016 \$M	31 December 2015 \$M	30 June 2016 \$M	31 December 2015 \$M
Cash and cash equivalents	31.1	12.3	687.2	4.6
Other current assets	7.2	9.2	287.7	95.2
<b>Current assets</b>	<b>38.3</b>	<b>21.5</b>	<b>974.9</b>	<b>99.8</b>
Property, plant and equipment	648.3	660.9	922.5	844.3
Mining tenements	-	-	340.0	342.5
Exploration and evaluation assets	-	-	311.1	311.1
Other non current assets	135.7	140.6	32.2	39.6
<b>Non-current assets</b>	<b>784.0</b>	<b>801.5</b>	<b>1,605.8</b>	<b>1,537.5</b>
<b>Total assets</b>	<b>822.3</b>	<b>823.0</b>	<b>2,580.7</b>	<b>1,637.3</b>
<b>Current liabilities</b>	<b>28.4</b>	<b>12.2</b>	<b>88.5</b>	<b>75.1</b>
Deferred tax liability	29.5	29.5	202.8	207.7
Other non-current liabilities	1,062.2	1,082.6	2,361.6	38.9
<b>Non-current liabilities</b>	<b>1,091.7</b>	<b>1,112.1</b>	<b>2,564.4</b>	<b>246.6</b>
<b>Total liabilities</b>	<b>1,120.1</b>	<b>1,124.3</b>	<b>2,652.9</b>	<b>321.7</b>
<b>Net (liabilities) / assets</b>	<b>(297.8)</b>	<b>(301.3)</b>	<b>(72.2)</b>	<b>1,315.6</b>
Revenue	49.2	96.6	49.4	-
Management fees (Yancoal Australia Ltd)	-	-	(12.8)	-
Interest paid / payable (Bondholders)	-	-	(17.3)	-
Interest paid / payable (Yancoal Australia Ltd)	-	-	(31.5)	-
Other interest expenses	(27.9)	(57.6)	(1.2)	-
Depreciation & amortisation expenses	(14.2)	(28.8)	(18.3)	-
Other expenses	(11.3)	(27.4)	(56.6)	-
Income tax benefit	(4.1)	35.0	16.7	-
Net gain / (loss) on foreign exchange	11.8	(111.0)	(0.6)	-
<b>Profit / (loss) from continuing operations after tax</b>	<b>3.5</b>	<b>(93.2)</b>	<b>(72.2)</b>	<b>-</b>
Other comprehensive (expense) / income	-	-	-	-
<b>Total comprehensive income / (expense)</b>	<b>3.5</b>	<b>(93.2)</b>	<b>(72.2)</b>	<b>-</b>

#### *Movements in carrying amounts*

The Group's share of NCIG's profit/(loss) after tax has not been recognised for the half year ended 30 June 2016 and year ended 31 December 2015 since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 30 June 2016 and year ended 31 December 2015.

Apart from the initial \$100 investment the Group's share of Watagan's loss after tax has not been recognised for the half year ended 30 June 2016 as the Group's share of Watagan's accumulated losses exceeds its interest in Watagan at 30 June 2016.

#### *(ii) Interest in joint venture*

Middlemount Coal Pty Ltd

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

## E Group structure (continued)

### E1 Interests in other entities (continued)

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

##### (i) Summarised financial information of joint venture

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

	30 June 2016 \$M	31 December 2015 \$M
<b>Share of joint venture's assets and liabilities</b>		
Cash and cash equivalents	5.6	9.8
Other current assets	36.0	33.6
Current assets	<u>41.6</u>	<u>43.4</u>
Total non-current assets	660.8	668.6
Total assets	<u>702.4</u>	<u>712.0</u>
Other current liabilities	(120.0)	(121.9)
Other non-current liabilities	-	(208.7)
Non-current financial liabilities	(592.4)	(373.7)
Total non-current liabilities	<u>(592.4)</u>	<u>(582.4)</u>
Total liabilities	<u>(712.4)</u>	<u>(704.3)</u>
Net assets	<u>(10.0)</u>	<u>7.7</u>
	<b>30 June 2016 \$M</b>	<b>30 June 2015 \$M</b>
<b>Share of joint venture's revenue, expenses and results</b>		
Revenue	90.6	105.0
Depreciation and amortisation	(31.4)	(21.7)
Interest expense	(12.1)	(41.2)
Other expenses	(88.5)	(59.5)
Income tax benefit	3.1	0.7
Loss after income tax	<u>(38.3)</u>	<u>(16.7)</u>

The liabilities of Middlemount include an interest bearing liability of \$340.3 million (face value of \$349.9 million) due to the Group at 30 June 2016 (31 December 2015: \$331.1 million). The repayment of the loan due to the Group can only be made by Middlemount after the full settlement of all external borrowings (bank loans) and the Priority Loan owed to the other shareholder of Middlemount amounting to \$129.3 million (31 December 2015: \$130.0 million). From 1 July 2015 the shareholders of Middlemount agreed to make the loan interest free for 18 months revaluing this loan using the effective interest rate method with the difference being recognised as an equity contribution to the joint venture. The liabilities of Middlemount also include a royalty payable of \$59.6 million due to the Group at 30 June 2016 (31 December 2015: \$51.3 million).

## E Group structure (continued)

### E1 Interests in other entities (continued)

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

##### (i) Movements in carrying amounts

	30 June 2016 \$M	31 December 2015 \$M
Opening net book amount	7.7	25.4
Share of loss of equity-accounted investees, net of tax	(7.7)	(37.2)
Movements in reserves, net of tax	-	19.5
Closing net book amount	<u>-</u>	<u>7.7</u>

During the current period the Group's equity investment was reduced to nil and the Group ceased to record the Middlemount operating loss from that point.

##### (ii) Commitments and contingent liabilities relating to associates and joint venture

There were no commitments and contingent liabilities in respect of the Group's associates as at the period ended 30 June 2016.

There were no commitments in respect of the Group's interest in Middlemount at 30 June 2016. Contingent liabilities in respect of the Group's interest in Middlemount are set out in Note D6.

### E2 Related party transactions

#### (a) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2016 \$	30 June 2015 \$
<i>Sales of goods and services</i>		
Sales of coal to Watagan Mining Company Pty Ltd	8,703,240	-
Sales of coal to Noble Group Limited	36,001,703	123,746,008
Sales of coal to Yanzhou Coal Mining Company Ltd	-	7,161,865
Sales of coal to Yancoal International (Holding) Co., Ltd	-	9,213,627
Provision of marketing and administrative services to other related parties - Watagan Group entities	1,413,250	-
Provision of marketing and administrative services to other related parties - Yancoal International Group	4,845,158	5,308,060
	<u>50,963,351</u>	<u>145,429,560</u>
<i>Purchases of goods</i>		
Purchases of coal from Syntech Resources Pty Ltd	(4,922,181)	(6,456,335)
Purchase of coal from Watagan Group entities	(5,893,993)	-
<i>Advances / loans to / recognised on deconsolidation</i>		
Advances to a related party - Premier Coal Holdings	(11,120,000)	(1,735)
Advances to a related party - Yancoal Technology Development Pty Ltd	-	(236,814)
Loan recognised on deconsolidation to Watagan Mining Company Pty Ltd	(1,363,372,059)	-
Receipt from repayment of loans to Watagan Mining Company Pty Ltd	82,347,116	-
<i>Advances of debt</i>		
Loans from Yanzhou Coal Mining Company Limited	348,458,822	124,984,377

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## E Group structure (continued)

### E2 Related party transactions (continued)

#### (a) Transactions with other related parties (continued)

	30 June 2016 \$	30 June 2015 \$
<i>Finance costs</i>		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	(4,400,968)	(2,985,488)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	(1,201,571)	(1,138,120)
Interest paid on loans from Yancoal International (Holding) Co., Ltd	(2,313,310)	-
Interest accrued on loans from Yancoal International (Holding) Co., Ltd	(3,925,489)	-
Interest paid on loans from Yanzhou Coal Mining Company Limited	(28,250,902)	-
Interest accrued on loans from Yanzhou Coal Mining Company Limited	-	(10,434,929)
Interest accrued on loans from Yancoal International Trading Co., Ltd HK	(16,192,644)	-
<i>Other costs</i>		
Corporate guarantee fee paid to Yanzhou Coal Mining Company Limited (extended portion)	(75,679,994)	(45,263,561)
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Limited (extended portion)	(2,360,881)	(3,079,940)
Arrangement fee paid to Yancoal International Technology Development Co., Ltd	(266,317)	(661,816)
Arrangement fee accrued to Yancoal International Technology Development Co., Ltd	(997,640)	(252,254)
Marketing commission accrued to Noble Group Limited	-	(51,405)
Port charges paid to NCIG Holdings Pty Limited	(28,623,664)	(20,487,834)
Port charges accrued to NCIG Holdings Pty Limited	(710,373)	(2,616,745)
Port charges paid to Noble Group Limited	(607,398)	(703,594)
Port charges accrued to Noble Group Limited	(127,234)	(67,695)
Demurrage paid to Noble Group Limited	(223,846)	(705,636)
Demurrage accrued to Noble Group Limited	(398,883)	(241,456)
<i>Finance income</i>		
Interest income received on loan to Watagan Mining Company Pty Ltd	31,484,786	-
Interest income capitalised into loan receivable from Middlemount Coal Pty Ltd	-	9,904,611
Interest income receivable from Premier Coal Holdings Pty	23,205	-
<i>Other income</i>		
Management and mining service fee charged to Watagan Mining Company Pty Ltd	12,763,073	-
Royalty income receivable from Middlemount Coal Pty Ltd	7,543,618	8,742,818
Despatch received from Noble Group Limited	-	90,898
Despatch receivable from Noble Group Limited	-	150,973
Bank guarantee fee charged to Syntech Resources Pty Ltd	1,139,261	673,674
Bank guarantee fee charged to Premier Coal Holdings Pty Ltd	258,192	153,726
Longwall hire fee charged to Austar Coal Mine Pty Ltd	750,000	-

## E Group structure (continued)

### E2 Related party transactions (continued)

#### (b) Outstanding balances

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

	30 June 2016 \$	31 December 2015 \$
<i>Current assets</i>		
<i>Trade and other receivables</i>		
Receivable from Yancoal International Group entities in relation to cost reimbursement	21,794,811	20,890,454
Trade receivable from Noble Group Limited in relation to sales of coal	2,700,798	14,136,826
Receivable from Watagan Group entities in relation to cost reimbursement	4,940,169	-
Promissory Notes receivable from Yancoal International (Holding) Co., Ltd	21,174,124	21,174,124
Royalty receivable from Middlemount Coal Pty Ltd	59,573,628	51,270,354
Bank guarantee reimbursement receivable from Syntech Resources Pty Ltd	1,139,261	462,769
Bank guarantee reimbursement receivable from Premier Coal	258,192	103,316
<i>Loans receivable</i>		
Receivable from Yancoal International Group entities	11,120,000	2,709,054
	<u>122,700,983</u>	<u>110,746,897</u>
<i>Non-current assets</i>		
<i>Advances to associated entities</i>		
Loan receivable from Watagan Mining Company Pty Ltd	1,281,024,943	-
<i>Advances to joint venture</i>		
Receivable from Middlemount Coal Pty Ltd being an unsecured, interest-bearing advance	340,344,580	331,075,808
	<u>1,621,369,523</u>	<u>331,075,808</u>
<i>Current liabilities</i>		
<i>Other payables</i>		
Trade payable to Syntech Resources Pty Ltd in relation to purchase of coal	4,751,063	-
Payables to Premier Coal Holdings Pty Ltd	2,702,080	-
Payables to Yanzhou Coal Mining Company Limited	12,169,440	35,110,176
Payables to Yancoal International Resources Development Co., Ltd	1,467,887	1,491,997
Payables to Yancoal International (Holding) Co., Ltd	3,925,489	1,574,986
Payables to Yancoal International Group entities	-	2,803,657
Payables to Noble Group Limited	526,117	554,047
Payables to NCIG Holdings Pty Ltd	710,373	1,084,488
Payables to Yancoal International Trading Co., Ltd HK	16,192,644	8,379,376
Payable to Watagan Group entities - tax sharing agreement	13,646,295	-
	<u>56,091,388</u>	<u>50,998,727</u>
<i>Non-current liabilities</i>		
<i>Other payables</i>		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	156,203,744	158,769,368
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	134,661,998	136,873,802
Payable to Yancoal International Trading Co., Ltd HK being an unsecured, interest-bearing loan	269,323,997	283,717,268
Payable to Yanzhou Coal Mining Company Limited being an unsecured, interest-bearing loan	696,981,336	363,334,548
Payable to Watagan Group entities - tax sharing agreement	13,646,295	-
	<u>1,270,817,370</u>	<u>942,694,986</u>

## E Group structure (continued)

### E2 Related party transactions (continued)

#### (b) Outstanding balances (continued)

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

#### (c) Guarantees

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

	30 June 2016 \$	31 December 2015 \$
Syntech Resources Pty Ltd	58,840,000	59,365,000
Syntech Holdings Pty Ltd	31,274,948	32,907,000
AMH (Chinchilla Coal) Pty Ltd	29,000	29,000
Premier Coal Limited	29,000,000	29,000,000
Tonford Holdings Pty Ltd	12,500	12,500
Athena Joint Venture	2,500	2,500
Wilpeena Holdings Pty Ltd	7,500	7,500
Ashton Coal Mines Ltd	8,815,000	-
Austar Coal Mine Pty Ltd	27,045,000	-
Donaldson Coal Pty Ltd	7,922,000	-
Yankuang Resources Ltd	62,481	-
	<b>163,010,929</b>	<b>121,323,500</b>

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

#### (d) Terms and conditions

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

The US\$116.0 million loan from Yancoal International Resources Development Co., Ltd was charged at a fixed interest rate of 7.00% p.a (inclusive of arrangement fees).

On 31st December 2014 an AU\$1,400 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2016 an additional US\$190.6 million was drawn. As at 30 June 2016 a total of US\$681.5 million has been drawn.

A total of US\$136.0 million has been drawn from the US\$807.0 million loan facility provided by Yanzhou. A fixed interest rate of 7% is charged on the drawdown.

Yanzhou provided corporate guarantees as security for the following facilities:

- Syndicated facility and bi-lateral facility - a fixed rate of 2.5% is charged on the outstanding loan principal of US\$2,740.0 million.
- Working capital facility - a fixed rate of 2.5% is charged on the facility limit of AU\$50.0 million.
- ICBC bank guarantee facility - a fixed rate of 2.0% is charged on the facility limit of AU\$100.0 million.

## F Other information

### F1 Commitments

#### (a) Capital commitments

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

	30 June 2016 \$M	31 December 2015 \$M
<i>Property, plant and equipment</i>		
Not later than one year		
Share of joint operations	104.0	5.8
Other	0.2	8.9
<i>Exploration and evaluation</i>		
Not later than one year		
Share of joint operations	2.7	0.3
	<b>106.9</b>	<b>15.0</b>

#### (b) Lease expenditure commitments

##### (i) Non-cancellable operating leases

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

	30 June 2016 \$M	31 December 2015 \$M
Not later than one year	17.9	4.9
Later than one year but not later than five years	37.9	0.7
	<b>55.8</b>	<b>5.6</b>

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.

##### (ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	30 June 2016 \$M	31 December 2015 \$M
Not later than one year	18.5	10.9
Later than one year but not later than five years	65.9	25.9
Minimum lease payments	<b>84.4</b>	<b>36.8</b>
Less: future finance charges	(9.2)	(4.0)
Less: Transfer to assets classified as held for sale	-	(2.0)
Total lease liabilities	<b>75.2</b>	<b>30.8</b>
Finance leases are included in the financial statements as:		
Current	10.5	3.7
Non-current	64.7	27.1
	<b>75.2</b>	<b>30.8</b>

## **F Other information (continued)**

### **F2 Events occurring after the reporting period**

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

- (a) In accordance with the Terms of Issue of the Subordinated Capital Notes issued by Yancoal SCN Limited, a subsidiary of the Company, in December 2014, a distribution was paid on 29 July 2016. The distribution was paid at a rate of 7% per annum or US\$3.51 per SCN. The total amount distributed was US\$63.2 million.

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Yancoal Australia Ltd  
Half-Year Financial Report  
Directors' Declaration  
For the half-year ended 30 June 2016

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 37 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Baocai Zhang  
Director

Sydney  
17 August 2016

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yancoal Australia Ltd and controlled entities ("consolidated entity") which comprises the consolidated balance sheet as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Yancoal Australia Ltd's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yancoal Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

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

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

ShineWing Australia

**ShineWing Australia**  
Chartered Accountants

M. J. Schofield

M J Schofield  
Partner

Melbourne, 17 August 2016