Yancoal Australia Ltd

ABN 82 111 859 119

Half-Year Financial Report
for the half-year ended 30 June 2017

1. Results for Announcement to the Market

	30 June 2017 $M	30 June 2016 $M	% Change
Revenue from ordinary activities	**832.3**	465.6	78.8
Profit / (loss) before income tax (before non-recurring items)	**6.5**	(265.3)	102.5
Loss before income tax (after non-recurring items)	**(18.1)**	(265.3)	93.2
Loss from ordinary activities after income tax attributable to members (before non-recurring items)	**(7.4)**	(180.4)	95.9
Net loss for the half-year attributable to members (after non-recurring items)	**(13.9)**	(180.4)	92.3

2. Earnings per share

	30 June 2017 $M	30 June 2016 $M	% Change
Loss per share (before non-recurring items)*	**(0.01)**	(0.18)	94.4
Loss per share (after non-recurring items)*	**(0.01)**	(0.18)	94.4

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

3. Net tangible assets per security

	30 June 2017 $	31 December 2016 $	% Change
Net tangible assets per share	**(0.72)**	(0.91)	20.1

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 (2016: nil).

Subordinated Capital Notes distributions

	30 June 2017 US$ per SCN	30 June 2016 US$ per SCN
Distribution paid on 31 January 2017 accrued as at 31 December 2016 (31 December 2015 paid on 29 January 2016)	**3.50**	3.49
Distribution paid on 31 July 2017 (2016 paid on 29 July 2016)	**3.50**	3.51
	7.00	7.00

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

a. Acquisitions

No entities were incorporated or acquired during the financial period.

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

b. Disposals

No entities were disposed during the financial period

6. Details of associates and joint venture entities

	30 June 2017		30 June 2016	
	Holdings %	**Profit / (loss) after income tax contribution $M**	Holdings %	Profit / (loss) after income tax contribution $M
Joint venture entities				
Moolarben Joint Venture (unincorporated)	**81**	**107.9**	81	5.0
Boonal Joint Venture (unincorporated)	**50**	**Not material**	50	Not material
Middlemount Coal Pty Ltd	**49.9997**	**16.7**	49.9997	(7.7)
Associate entities				
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	27	Nil
Watagan Mining Company Pty Ltd	**100**	**Nil**	100	Nil

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

Directors' Report

The Directors present their report on the consolidated entity ("the Group") consisting of Yancoal Australia Ltd ("Yancoal" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2017 ("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
Fuqi Wang
William Randall
Gregory Fletcher
Geoffrey Raby
Vincent O'Rourke
Huaqiao Zhang
Xiangqian Wu (appointed on 28 April 2017)
Qingchun Zhao (appointed on 28 April 2017)
Yuxiang Wu (resigned on 28 April 2017)
Boyun Xu (resigned on 28 April 2017)

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2017 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 the Company continuing to improve its Total Recordable Injury Frequency Rates ("TRIFR") and Lost Time Injury Frequency Rates ("LTIFR") over the past five years.

Financial performance

The loss after income tax for the half-year ended 30 June 2017 amounted to $13.9 million (30 June 2016: $180.5 million).

Corporate activities

As announced 26 June 2017, Yancoal entered into an amended binding agreement to acquire 100% of the shares of Coal & Allied Industries Limited ("Coal & Allied") from wholly-owned subsidiaries of Rio Tinto for US$2.69 billion in value, comprising US$2.45 billion cash payable on completion, US$240 million in future non-contingent royalty payments over five years following completion and a coal price linked contingent royalty (the "Coal & Allied Acquisition").

On completion of the Coal & Allied Acquisition, the Company will own further interests in two additional operating, large-scale, long-life and low-cost coal mining operations in the Hunter Valley region of New South Wales, as well as required export infrastructure. These interests are:

- a 67.6% interest in the Hunter Valley Operations mining complex ("HVO")[1];
- an 80.0% interest in the Mt Thorley mine and a 55.6% interest in the Warkworth mine (together, "MTW"); and

[1] Yancoal's interest in HVO will reduce to 51% on completion of the Glencore Transaction. Completion of the Glencore Transaction is subject to a number of conditions precedent that have not been satisfied as at the date of this announcement.

- a 36.5% interest in Port Waratah Coal Services ("PWCS"), a coal export terminal located at the Port of Newcastle.

As announced on 13 June 2017, Mitsubishi Development Pty Limited ("Mitsubishi") accepted Yancoal's binding offer to acquire Mitsubishi's 32.4% interest in the Hunter Valley Operations Joint Venture for US$710 million (the Tag-along Offer). The Tag-along Offer is conditional upon completion of the Coal & Allied acquisition. Mitsubishi has also agreed to grant Yancoal a call option to purchase its 28.9% interest in in the Warkworth operation for US$230 million.

Mining operations

In New South Wales, Yancoal continued to operate the Moolarben and Stratford Duralie open cut mines and managed the underground mines of Austar, Ashton and Donaldson on behalf of Watagan Mining Company Pty Ltd ("Watagan").

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

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.

Total Run of Mine ("ROM") and saleable coal produced during the period was 13.8 million tonnes ("Mt") (Yancoal-controlled 11.8Mt, Watagan-controlled 2.0Mt) (2016 11.9Mt) and 10.7Mt (Yancoal-controlled 9.4Mt, Watagan-controlled 1.3Mt) (2016 8.9Mt) respectively on a 100% ownership basis.

Total equity share of ROM and saleable coal produced was 11.1Mt (Yancoal-controlled 9.1Mt, Watagan-controlled 2.0Mt) (2016 9.5Mt) and 8.8Mt (Yancoal-controlled 7.5Mt, Watagan-controlled 1.3Mt) (2016 7.1Mt) respectively.

Yancoal's sales split (equity share) for the period was 6.4Mt (Yancoal-controlled 6.0Mt, Watagan-controlled 0.4Mt) (2016 4.5Mt) thermal and 3.7Mt (Yancoal-controlled 2.6Mt, Watagan-controlled 1.1Mt) (2016 3.4Mt) metallurgical coal.

New South Wales

NSW operations produced a total 6.6Mt saleable coal (equity share) for the reporting period (Yancoal-controlled 5.3Mt, Watagan-controlled 1.3Mt).

Overall, NSW operations achieved total ROM coal production of 9.9Mt (2016 7.9Mt) (Yancoal-controlled 7.9Mt, Watagan-controlled 2.0Mt) and saleable coal production of 7.7Mt (2016 5.6Mt) (Yancoal-controlled 6.4Mt, Watagan-controlled 1.3Mt) for the period.

Excellent mining conditions drove significant production gains at the Moolarben complex, with adjustments to the Stratford Duralie open cut mine plan overcoming previously challenging geological conditions to facilitate improved extraction rates in the latter part of the reporting period.

Improved production rates at the Watagan underground assets were offset by a series of scheduled longwall moves and difficult geology at the beginning of the year.

Yancoal – controlled

New South Wales

The Moolarben complex (Yancoal 81% ownership) produced 6.1Mt ROM (2016 5.7Mt) and saleable coal production of 5.0Mt (2016 4.3Mt), continuing to benefit from excellent mining conditions, fleet efficiencies, and increased feed rates at the Coal Handling and Preparation Plant.

Moolarben commenced installation of the new longwall for the Stage Two underground mine in June, with full underground production scheduled to commence in October 2017. The ongoing expansion of the Moolarben complex continues to be supported by the Coal Handling and Preparation Plant's approved increased feed rates for 2017, up from 13.0Mt to 13.5Mt.

The Moolarben outlook for 2017 remains positive with a full year target of 12.0Mt of saleable coal production

Stratford Duralie (Yancoal 100% ownership) production rates continued to improve throughout the reporting period, following the redesign of the Duralie open cut mine plan at the end of 2016, overcoming recent challenging geological conditions.
The redesign subsequently facilitated improved strip ratios at the base of the Clarevale open cut pit and higher extraction rates to achieve production of 0.4Mt ROM (2016 0.7Mt) and saleable coal production of 0.3Mt (2016 0.5Mt). The full year production outlook for Stratford Duralie is approximately 0.7Mt of saleable coal.

Queensland

Queensland operations achieved total ROM coal production of 3.9Mt (2016 4.0Mt), saleable coal production of 3.0Mt (2016 3.3Mt) and 2.2Mt saleable coal (equity share) for the reporting period.

Yarrabee (Yancoal 100% ownership) maintained strong production rates throughout the reporting period, overcoming rail and production delays experienced during March and April attributable to the impacts of the Central Queensland cyclone event.

Yarrabee adjusted the sequencing of its product split to prioritise PCI coal over thermal coal to maximise increased PCI market demand opportunities in the latter part of the reporting period, subsequently reducing yields.

Yarrabee generated ROM coal production of 1.4Mt (2016 1.4Mt) and saleable coal production of 1.3Mt (2016 1.3Mt) for the reporting period. Yarrabee outlook for full year production is 3.2Mt of saleable coal.

Production at the Middlemount joint venture (Yancoal 49.9997% ownership) was similarly affected by the Central Queensland cyclone event, with Middlemount production and Coal Handling and Processing Plant throughput subsequently reduced as access to trains for loading remained restricted during March and April.

Excepting wet weather interruptions, overall production was strong securing ROM coal production of 2.5Mt (2016 2.6Mt) and saleable coal production of 1.7Mt (2016 2.0Mt). Middlemount production outlook for the year ahead remains positive at 3.9Mt of saleable coal.

Watagan-controlled

Austar (Yancoal 100% ownership) achieved 1.0Mt of ROM coal (2016 0.1Mt) for the period, with saleable coal production of 0.9Mt (2016 0.1Mt).

Improved geological conditions in newly accessed working areas enabled improved longwall and development production coal rates for the reporting period, offset by scheduled longwall moves and an interruption to mining activity, following a roof fall in one of the belt roads in March.

Austar full year production outlook for 2016 is 1.8Mt of saleable coal production.

Ashton (Yancoal 100% ownership) production was 1.0Mt (2016 1.1Mt), with saleable coal production of 0.4Mt (2016 0.5Mt), with gains achieved near the end of the reporting period following completion of a scheduled longwall move in May.

Ashton full year production outlook for 2016 is 1.2Mt of saleable coal production.

Production Outlook

The 2017 outlook for Yancoal-controlled mining operations remains positive with a full year target of 12.75Mt - 13.2Mt (equity basis) of saleable coal production.

Coal price outlook

Initial price gains achieved across the metallurgical coal market resulting from the impacts of the Queensland cyclone in the first half of the year had subsequently diminished by the end of the reporting period, returning to pre-cyclone levels and remain steady.

Thermal coal demand continued to be affected by China oversupply and the return of Indonesian supply, with Thermal coal market relativities starting to return to typical levels by the end of the reporting period.

Matters subsequent to the end of the half-year

On 27 July, Yancoal announced it had entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore Coal Pty Ltd ("Glencore") in relation to Hunter Valley operations ('HVO JV"), following completion of Yancoal's acquisition of Coal & Allied.

Glencore will pay cash consideration of US$1,139 million for 49% of HVO, of which US$710 million will be paid to Mitsubishi Development Pty Ltd ("MDP")[2] and US$429 million paid to Yancoal, plus a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by Yancoal in respect of the Coal & Allied acquisition.

Glencore will acquire MDP's 32.4% HVO interest directly from MDP in place of Yancoal's tag-along offer, subject to MDP consent.[3]

In addition, Glencore has agreed to support Yancoal's proposed Entitlement Offer (defined below) for the Coal & Allied acquisition and will subscribe for any shortfall shares up to US$300 million.

On 1 August, Yancoal announced the launch of a 23.6 for 1 pro-rata renounceable entitlement offer with rights trading for new fully paid ordinary Yancoal shares ("New Shares") to eligible shareholders at an offer price of US$0.10 per New Share ("Offer Price") to raise up to approximately US$2.35 billion ("Entitlement Offer"), and a placement to raise US$150 million, to be used to fund the Coal & Allied acquisition.

The Entitlement Offer is underwritten or committed to US$2.3 billion, including Yanzhou committing to take up US$1.0 billion of its entitlements under the Entitlement Offer, and the balance of the Entitlement Offer being underwritten to the value of US$1.3 billion by a number of underwriters, severally in their respective proportions, including by Cinda for US$750 million, Glencore for US$300 million and Lucion Group for US$250 million, as set out in the Entitlement Offer Booklet for the Entitlement Offer (a copy of which was released to the ASX on 2 August 2017).

If the proceeds raised from the Entitlement Offer and placement are less than US$2.45 billion (being the cash purchase price for the Coal & Allied acquisition), the shortfall up to a maximum amount of US$1.0 billion, will be able to be drawn from a new loan facility to be provided by Yankuang to Yancoal, the existence and terms of which were negotiated and approved by Yancoal's independent board committee. Please refer to the Entitlement Offer Booklet for further details.

In connection with the Entitlement Offer, Yanzhou has committed to convert as many of its Subordinated Capital Notes ("SCNs") as is permitted, having regard to the Australian Takeovers Panel order (which restricts Yanzhou from converting SCNs where such conversion would result in it having voting power of more than 78%), and this is expected to result in the conversion of all of Yanzhou's SCNs concurrently with the settlement of New Shares under the Entitlement Offer. Yanzhou will convert its SCNs at a conversion price of US$0.10 per SCN, being the same as the Offer Price. Yanzhou has agreed that this conversion price will apply even if the SCN terms would otherwise have resulted in a lower adjusted conversion price as a result of the Entitlement Offer.

On 7 August, Yancoal announced information relevant to the likely adjustment to the conversion price of remaining SCNs arising from the Entitlement Offer.

In accordance with the terms of issue of the SCNs, the SCN conversion price is required to be adjusted if Yancoal conducts a right issue such as the Entitlement Offer, based on the number of Yancoal shares on issue prior to the rights issue, the number of Yancoal shares issued in the rights issue, the rights issue subscription price and the VWAP of Yancoal shares during the period of "cum rights" trading. The period of "cum rights" trading in Yancoal shares in respect of the rights issue has ended and the VWAP of Yancoal shares during that period was determined

[2] US$710 million represents the consideration that would have been payable by Yancoal under its tag-along offer with MDP.
[3] Otherwise Yancoal and Glencore will seek to implement other arrangements for an equivalent 49% outcome.

to be A$0.246, or US$0.195[4], per share.

The adjusted SCN conversion price will be determined once the final number of shares issued under the Entitlement Offer is known. However, if the Entitlement Offer is fully subscribed, based on the above VWAP of Yancoal shares, the conversion price for SCNs would be adjusted from US$0.10 per Yancoal share to US$0.053 per Yancoal Share. The final adjustment will be announced when shares are issued in the Entitlement Offer. The adjustment will only affect the remaining 5,011 SCNs on issue.

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 9.

Rounding of amounts

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

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

Mr Baocai Zhang

Director
Sydney

18 August 2017

[4] Based on the daily US$/A$ exchange rate published by the Reserve Bank of Australia of 0.7962 and 0.7923 on 2 August 2017 and 3 August 2017 respectively.

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

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2017 there has been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 18 August 2017

	Notes	**30 June 2017 $M**	30 June 2016 $M
Revenue	B2	**832.3**	465.6
Other income	B3	**8.4**	1.6
Changes in inventories of finished goods and work in progress		**10.2**	(9.0)
Coal purchases		**(147.7)**	(58.6)
Raw materials and consumables used		**(109.4)**	(89.1)
Employee benefits	B4	**(102.1)**	(102.4)
Depreciation and amortisation	B4	**(79.9)**	(58.3)
Transportation		**(121.7)**	(126.9)
Contractual services and plant hire		**(90.3)**	(67.2)
Government royalties		**(53.2)**	(26.0)
Other operating expenses	B4	**(76.1)**	(88.8)
Finance costs	B4	**(105.3)**	(98.6)
Share of profit / (loss) of equity-accounted investees, net of tax	E1	**16.7**	(7.7)
Loss before income tax		**(18.1)**	(265.4)
Income tax benefit	B5	**4.2**	84.9
Loss after income tax		**(13.9)**	(180.5)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value gains taken to equity		**290.7**	83.7
Fair value losses transferred to profit and loss		**100.6**	50.3
Deferred income tax expense		**(117.4)**	(40.2)
Other comprehensive income, net of tax		**273.9**	93.8
Total comprehensive income / (expense)		**260.0**	(86.7)
Total comprehensive income / (expense) for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**260.0**	(86.7)
		260.0	(86.7)
		$	$
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic and diluted loss per share		**(0.01)**	(0.18)

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

	Notes	**30 June 2017 $M**	31 December 2016 $M
ASSETS			
Current assets			
Cash and cash equivalents		**316.7**	190.3
Trade and other receivables		**309.3**	435.7
Royalty receivable		**28.5**	31.2
Inventories	C6	**86.2**	74.6
Other current assets		**6.6**	7.0
Total current assets		**747.3**	738.8
Non-current assets			
Trade and other receivables		**383.1**	406.9
Royalty receivable		**170.0**	167.7
Property, plant and equipment	C1	**1,637.9**	1,525.6
Mining tenements	C2	**2,090.8**	2,127.6
Exploration and evaluation assets	C4	**499.5**	498.2
Intangible assets	C5	**69.0**	70.4
Interest bearing loan to associate	D1	**760.0**	775.0
Deferred tax assets		**1,242.9**	1,339.1
Investments accounted for using the equity method	E1	**44.6**	4.7
Other non-current assets		**5.5**	5.8
Total non-current assets		**6,903.3**	6,921.0
Total assets		**7,650.6**	7,659.8
LIABILITIES			
Current liabilities			
Trade and other payables		**503.9**	467.1
Interest-bearing liabilities	D2	**21.0**	20.2
Derivative financial instruments	D3	**0.1**	0.6
Provisions		**8.5**	10.0
Total current liabilities		**533.5**	497.9
Non-current liabilities			
Interest-bearing liabilities	D2	**4,705.5**	4,930.7
Deferred tax liabilities		**757.8**	762.2
Provisions		**120.4**	117.2
Total non-current liabilities		**5,583.7**	5,810.1
Total liabilities		**6,117.2**	6,308.0
Net assets		**1,533.4**	1,351.8
EQUITY			
Contributed equity		**3,103.8**	3,103.8
Reserves	D5	**(542.7)**	(816.6)
Accumulated losses		**(1,027.7)**	(935.4)
Capital and reserves attributable to the owners of Yancoal Australia Ltd		**1,533.4**	1,351.8
Total equity		**1,533.4**	1,351.8

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

	Attributable to owners of Yancoal Australia Ltd			
	Contributed equity $M	**Hedge reserves $M**	**Accumulated losses $M**	**Total equity $M**
Balance at 1 January 2016	3,103.0	(879.9)	(534.9)	1,688.2
Loss after income tax	-	-	(180.5)	(180.5)
Other comprehensive income	-	93.8	-	93.8
Total comprehensive income / (expense)	**-**	**93.8**	**(180.5)**	**(86.7)**
Transactions with owners in their capacity as owners:				
Distribution to subordinated capital note holders	-	-	(85.1)	(85.1)
Balance at 30 June 2016	**3,103.0**	**(786.1)**	**(800.5)**	**1,516.4**
Balance at 1 January 2017	3,103.8	(816.6)	(935.4)	1,351.8
Loss after income tax	-	-	(13.9)	(13.9)
Other comprehensive income	-	273.9	-	273.9
Total comprehensive income / (expense)	**-**	**273.9**	**(13.9)**	**260.0**
Transactions with owners in their capacity as owners:				
Distribution to subordinated capital note holders	-	-	(78.4)	(78.4)
Balance at 30 June 2017	**3,103.8**	**(542.7)**	**(1,027.7)**	**1,533.4**

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

	30 June 2017 $M	30 June 2016 $M
Cash flows from operating activities		
Receipts from customers	**1,031.3**	411.1
Payments to suppliers and employees	**(709.7)**	(495.8)
Interest paid	**(79.3)**	(85.0)
Interest received	**37.0**	37.6
Transaction costs paid	**(3.0)**	-
Net cash inflow / (outflow) from operating activities	**276.3**	(132.1)
Cash flows from investing activities		
Payments for property, plant and equipment	**(138.3)**	(211.7)
Payments for capitalised exploration and evaluation activities	**(1.4)**	(0.3)
Proceeds from sale of property, plant and equipment	**0.3**	0.1
Refund / (payment) of stamp duty	**6.0**	(7.2)
Advances from / (to) joint operation	**34.9**	(26.2)
Advances from related entities	**5.5**	-
Reduction of cash balance from loss of control of subsidiaries	**-**	(10.6)
Cash transferred (to) / from restricted accounts	**(34.2)**	0.8
Net cash outflow from investing activities	**(127.2)**	(255.1)
Cash flows from financing activities		
Repayment of borrowings from associate	**56.5**	82.8
Repayment of borrowings	**-**	(3.3)
Advance of borrowing to associate	**(41.5)**	-
Proceeds from interest-bearing liabilities - related entities	**-**	273.2
Payment of subordinated capital notes distribution	**(12.5)**	(13.3)
Payment of finance lease liabilities	**(15.8)**	(7.5)
Transactions costs paid	**(1.5)**	-
Net cash (outflow) / inflow from financing activities	**(14.8)**	331.9
Net increase / (decrease) in cash and cash equivalents	**134.3**	(55.3)
Cash and cash equivalents at the beginning of the financial year	**190.3**	159.0
Effects of exchange rate changes on cash and cash equivalents	**(7.9)**	(3.7)
Cash and cash equivalents at the end of the period	**316.7**	100.0

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

A Basis of preparation of half-year report

This financial report for the half-year ended 30 June 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This Half-Year Financial 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 2017 ("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 2016 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

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

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 18 August 2017.

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

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

- AASB 2016-1 - Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses;
- AASB 2016-2 - Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107; and
- AASB 2017-2 - Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle.

The adoption of the 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 2017 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 2017, the Group had a loss before income tax of $18.1 million (30 June 2016: $265.4 million). The net cash inflow from operating activities was $276.3 million (30 June 2016: outflow $132.1 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 2017, the Group has a cash balance of $316.7 million;
(ii) At 30 June 2017, the Group has net current assets of $213.8 million;
(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 2017, and a US$807 million facility for the 7% coupon distribution of the Subordinated Capital Notes in the first 5 years of which US$189.6 million was drawn as at 30 June 2017; 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.

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

(c) Going concern (continued)

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.

B Performance

B1 Segment information

(a) Accounting Policies

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

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

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

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 Austar, 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, the period prior to deconsolidation.

(b) Segment information

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

	Coal mining			
30 June 2017	**NSW**	**QLD**	**Corporate**	**Total**
	$M	$M	$M	$M
Total segment revenue*	615.9	218.9	(100.6)	734.2
Add: fair value losses recycled from hedge reserve	-	-	100.6	100.6
Revenue from external customers	**615.9**	**218.9**	**-**	**834.8**
Operating EBIT	**208.8**	**33.4**	**(43.9)**	**198.3**
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	-	-	1.9	1.9
Depreciation and amortisation expense	(61.3)	(15.5)	(3.1)	(79.9)
	(61.3)	**(15.5)**	**(1.2)**	**(78.0)**
Total capital expenditure	**153.0**	**3.0**	**0.3**	**156.3**
30 June 2017				
Segment assets	3,933.4	624.3	1,805.4	6,363.1
Deferred tax assets	46.4	24.1	1,172.4	1,242.9
Investment in joint venture	-	-	44.6	44.6
Total assets	**3,979.8**	**648.4**	**3,022.4**	**7,650.6**

The segment information for the reportable segments for the half-year ended 30 June 2016 and segment assets for 31 December 2016 is as follows:

B Performance (continued)

B1 Segment information (continued)

(b) Segment information (continued)

30 June 2016	Coal mining NSW $M	QLD $M	Corporate $M	$M
Total segment revenue*	326.8	117.5	(50.3)	394.0
Add: fair value losses recycled from hedge reserve	-	-	50.3	50.3
Revenue from external customers	**326.8**	**117.5**	**-**	**444.3**
Operating EBIT	**(41.3)**	**(34.2)**	**(26.0)**	**(101.5)**
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	-	-	(14.5)	(14.5)
Depreciation and amortisation expense	(42.0)	(12.8)	(3.5)	(58.3)
	(42.0)	**(12.8)**	**(18.0)**	**(72.8)**
Total capital expenditure	**277.5**	**4.5**	**0.3**	**282.3**
31 December 2016				
Segment assets	3,954.2	644.1	1,717.7	6,316.0
Deferred tax assets	45.2	24.8	1,269.1	1,339.1
Investment in joint venture	-	-	4.7	4.7
Total assets	3,999.4	668.9	2,991.5	7,659.8

* 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 2017 and 30 June 2016.

(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 2017 $M	30 June 2016 $M
Australia (Yancoal's country of domicile)	**118.3**	29.9
Singapore	**160.6**	89.1
South Korea	**181.8**	120.7
China	**195.5**	24.6
Japan	**99.2**	61.3
Taiwan	**23.8**	59.6
All other foreign countries	**55.6**	59.1
Total revenue from external customers	**834.8**	444.3

B Performance (continued)

B1 Segment information (continued)

(c) Other segment information (continued)

Revenues from the top five external customers were $318.8 million (2016: $207.1 million) which in aggregate represent approximately 38% (2016: 47%) 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 2017 $M	30 June 2016 $M
Total segment revenue	**734.2**	394.0
Interest income	**56.6**	55.9
Mining services fees	**29.3**	12.8
Other revenue	**12.2**	2.9
Total revenue from continuing operations (note B2)	**832.3**	465.6

(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 impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value remeasurements and unrealised gains/(losses) on interest-bearing liabilities.

A reconciliation of Operating EBIT to loss before income tax from continuing operations is provided as follows:

	30 June 2017 $M	30 June 2016 $M
Operating EBIT	**198.3**	(101.5)
Interest income	**56.6**	55.9
Finance costs	**(105.3)**	(98.6)
Bank fees and other charges	**(49.4)**	(56.4)
Stamp duty expensed	**(3.2)**	-
Transaction costs	**(21.4)**	-
Fair value losses recycled from hedge reserve - USD loans	**(100.6)**	(50.3)
Remeasurement of royalty receivable	**1.9**	(14.5)
Receipts from joint venture participant	**5.0**	-
Loss before income tax from continuing operations	**(18.1)**	(265.4)

(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 2017 $M	30 June 2016 $M
From continuing operations		
Sales revenue		
Sale of coal	**834.8**	444.3
Fair value losses recycled from hedge reserve*	**(100.6)**	(50.3)
	734.2	394.0
Other revenue		
Interest income	**56.6**	55.9
Mining services fees	**29.3**	12.8
Other	**12.2**	2.9
	98.1	71.6
	832.3	465.6

* In the period to 30 June 2017, there were fair value losses amounting to $100.6 million (2016: $50.3 million) on US dollar denominated interest-bearing liabilities recycled from the hedge reserve.

B3 Other income

	30 June 2017 $M	30 June 2016 $M
Gain on remeasurement of royalty receivable	**1.9**	-
Sundry income	**6.5**	1.6
	8.4	1.6

There is no impact on the conversion of US dollar denominated interest-bearing liabilities (2016: nil)

B4 Expenses

	30 June 2017 $M	30 June 2016 $M
Loss before income tax includes the following specific expenses:		
(a) Employee benefits expense		
Other employee benefits expenses	**94.7**	94.2
Defined contribution superannuation expense	**7.4**	8.2
Total employee benefits expense	**102.1**	102.4

During the period to 30 June 2017 $6.0 million of employee benefit were capitalised (2016: $19.4 million)

B Performance (continued)

B4 Expenses (continued)

(b) Depreciation and amortisation

Depreciation		
Buildings	**1.5**	1.1
Mine development	**14.1**	13.9
Plant and equipment	**24.3**	21.6
Leased plant & equipment	**4.1**	2.7
Total depreciation	**44.0**	39.3
Amortisation		
Mining tenements	**36.8**	25.9
Computer software	**1.5**	1.4
Total amortisation	**38.3**	27.3
Total depreciation and amortisation	**82.3**	66.6
Other depreciation and amortisation		
Depreciation and amortisation capitalised	**(2.4)**	(8.3)
Total other depreciation and amortisation	**(2.4)**	(8.3)
Total depreciation and amortisation	**79.9**	58.3

(c) Finance costs

Finance lease charges	**1.8**	1.6
Unwinding of discount on provisions and deferred payables	**2.3**	3.0
Other interest expenses	**107.2**	102.2
Interest expenses capitalised	**(6.0)**	(8.2)
Total finance costs	**105.3**	98.6

(d) Other operating expenses

	30 June 2017 $M	30 June 2016 $M
Bank fees and other charges	**49.4**	56.4
Duties and other levies	**2.9**	3.2
Insurance	**1.7**	1.8
Loss on remeasurement of royalty receivable	**-**	14.5
Rental expense relating to operating leases	**1.1**	1.1
Stamp duty	**3.2**	-
Travel and accommodation	**4.0**	4.2
Net loss on foreign exchange	**11.0**	6.4
Other operating expenses	**2.8**	1.2
Total other operating expenses	**76.1**	88.8

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 2017 is 23.2% (2016: 32.0%). The estimated average tax rate takes into account 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
At 31 December 2016							
Cost or fair value	324.3	182.1	479.9	868.8	103.1	0.1	1,958.3
Accumulated depreciation	-	(12.4)	(98.9)	(300.1)	(21.3)	-	(432.7)
Net book amount	324.3	169.7	381.0	568.7	81.8	0.1	1,525.6
Half-year ended 30 June 2017							
Opening net book amount	324.3	169.7	381.0	568.7	81.8	0.1	1,525.6
Transfers - asset under construction	(141.8)	11.4	163.6	(26.1)	(7.2)	-	(0.1)
Additions	138.7	0.4	7.5	-	9.8	-	156.4
Depreciation	-	(1.5)	(14.1)	(24.3)	(4.1)	-	(44.0)
Closing net book amount	321.2	180.0	538.0	518.3	80.3	0.1	1,637.9
At 30 June 2017							
Cost	321.2	194.1	651.1	842.6	105.3	0.1	2,114.4
Accumulated depreciation	-	(14.1)	(113.1)	(324.3)	(25.0)	-	(476.5)
Net book amount	321.2	180.0	538.0	518.3	80.3	0.1	1,637.9

C2 Mining tenements

	30 June 2017 $M	31 December 2016 $M
Opening net book amount	**2,127.6**	2,084.5
Transfers from exploration and evaluation assets	**-**	100.9
Amortisation for the period	**(36.8)**	(57.8)
Closing net book amount	**2,090.8**	2,127.6

C3 Impairment of assets

(a) CGU 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 of mine (10 - 36 years). The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(b) Assessment of fair value (continued)

The key assumptions in the model include:

Key assumptions	Description
Coal prices	The Group's cash flow forecasts are based on estimates of future coal prices, which assume benchmark prices will revert to the group's assessment of the long term real coal prices of US$64 – US$100 per tonne (2016: US$66 – US$100 per tonne) for thermal and US$107 – US$177 per tonne (2016: US$104 – US$165 per tonne) for metallurgical coal. The Group receives long term forecast coal price data from multiple external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities. For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts.
Foreign exchange rates	The long term AUD/USD forecast exchange rate of $0.75 (2016: $0.73) is based on external sources. The 30 June 2017 AUD/USD exchange rate was $0.77 per the Reserve Bank of Australia.
Production and capital costs	Production and capital costs are based on the Group's estimate of forecast geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans, JORC reports, and project evaluations performed by the Group in its ordinary course of business.
Coal reserves and resources	The Group estimates its coal reserves and resources based on information compiled in accordance with the JORC 2012 Code and ASX Listing Rules 2012. Further discussion is included in Note C2 of the Group's Annual Financial Report for the year ended 31 December 2016.
Discount rate	The Group has applied a post-tax nominal discount rate of 10.5% (2016: 10.5%) to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

Based on the above assumptions at 30 June 2017 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 2017 are $102.7 million for Moolarben and $73.5 million for Stratford and Duralie. Moolarben and Stratford and Duralie are both included in the NSW CGU. Management may consider reversals of the impairment provision previously recognised if there is either an increase in the average long term real revenue over the life of the mine due to either an increase in USD coal prices, or a weakening of the AUD/USD foreign exchange rate or a combination of both, or further reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserves.

C Operating assets and liabilities (continued)

C3 Impairment of assets (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% lower over life of mine the NSW and Middlemount CGU recoverable amounts would exceed book value however for Yarrabee the book value would exceed the recoverable amount by $125 million. If the AUD/USD long term forecast exchange rate was $0.80 the recoverable amount would exceed book value for all CGU's.

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

C4 Exploration and evaluation assets

	30 June 2017 $M	31 December 2016 $M
Opening net book amount	**498.2**	590.5
Transfers to mining tenements	**-**	(100.9)
Transfers - assets under construction	**-**	8.2
Other additions	**1.3**	0.4
Closing net book amount	**499.5**	498.2

C5 Intangible assets

	Goodwill $M	**Computer software $M**	**Total $M**
At 31 December 2016			
Cost	60.3	24.6	84.9
Accumulated amortisation	-	(14.5)	(14.5)
Net book amount	60.3	10.1	70.4
Half-year ended 30 June 2017			
Opening net book amount	60.3	10.1	70.4
Transfers - assets under construction	-	0.1	0.1
Amortisation charge	-	(1.5)	(1.5)
Closing net book amount	60.3	8.7	69.0
At 30 June 2017			
Cost	60.3	24.6	84.9
Accumulated amortisation	-	(15.9)	(15.9)
Net book amount	60.3	8.7	69.0

(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 C3 for the details regarding the fair value less costs on disposal calculation performed at 30 June 2017. 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)

C6 Inventories

	30 June 2017 $M	31 December 2016 $M
Coal - at lower of cost or net realisable value	**57.5**	46.6
Tyres and spares - at cost	**27.4**	26.7
Fuel - at cost	**1.3**	1.3
	86.2	74.6

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2017 amounted to $3.7 million (31 December 2016: $0.6 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 2017 $M	31 December 2016 $M
Opening balance	**775.0**	**-**
Loan recognised on deconsolidation	**-**	**1,363.4**
Repayments	**(56.5)**	**(623.4)**
Drawdowns	**41.5**	**35.0**
Closing balance	**760.0**	**775.0**

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

D2 Interest-bearing liabilities

	30 June 2017 $M	31 December 2016 $M
Current		
Secured lease liabilities	**21.0**	20.2
Non-current		
Secured bank loans	**3,380.1**	3,593.1
Secured lease liabilities	**42.1**	47.4
Unsecured loans from related parties	**1,283.3**	1,290.2
	4,705.5	4,930.7
Total interest-bearing liabilities	**4,726.5**	4,950.9

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

Reconciliation of liabilities arising from financing activities:

AUD 'M Facilities	Balance 31 Dec 2016	Debt drawdown	Lease repayment	New Leases	Foreign exchange movements	Balance 30 Jun 2017
Secured bank loan	3,593.1	-	-	-	(213.0)	3,380.1
Loans from related parties	1,290.2	70.8	-	-	(77.7)	1,283.3
Finance leases	67.6	-	(14.0)	9.5	-	63.1
Total interest- bearing liabilities	**4,950.9**	**70.8**	**(14.0)**	**9.5**	**(290.7)**	**4,726.5**

Interest costs incurred on finance leases, amounted to $1.8 million to 30 June 2017.

(a) Secured bank loans

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

			30 June 2017		31 December 2016	
	Facility $M		**Facility $M**	**Utilised $M**	Facility $M	Utilised $M
Secured bank loans						
Syndicated facility (i)	US	2,600	**3,380.1**	**3,380.1**	3,593.1	3,593.1

(i) Syndicated Facility

In 2009 a Syndicated Facility of US$2,600 million was taken out and fully drawn down to fund the acquisition of the Felix Resources Group. During 2014, the Syndicated Facility was extended with repayments due in 2020, 2021 and 2022.

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

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

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

There was no breach of covenants at 30 June 2017.

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

(b) Bank guarantee facilities

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

Provider	US $M	AU $M	Utilised AU $M	Security
CBA	-	151.2	143.8	$1.2 million supported by cash deposit, and $150.0 million is secured by Yarrabee and Moolarben mine assets with carrying value of $2,366 million, expires on 31 March 2018.
Bank of China	-	75.1	73.6	$47.0 million is supported by Letter of Comfort from Yanzhou expiring 27 Sept 2017, $28.1 million supported by cash deposit expiring 17 Feb 2018.
Bank of China*	140.0	182.0	167.9	Parent corporate guarantees from Yanzhou to Bank of China for the full amount of the facility. Expiry dates are as follow: - US$45.0 million expires on 16 December 2017 - US$45.0 million expires on 16 December 2018 - US$50.0 million expires on 16 December 2019
ICBC	-	59.2	59.2	$34.2 million is 100% supported by cash deposit, expires on 30 June 2018. $25.0 million supported by cash deposit of $2.5 million, expires on 27 December 2017.
Total	140.0	467.5	444.5	

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

A AU$100.0 million ICBC Bank Guarantee Facility expired on 30 June 2017 and it was not renewed.

The CBA 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 5.0;
(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 2017. For Bank of China (apart from the US$140 million which is the same as the Syndicated Facility) 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 repayable on 31 December 2024.

- Facility 1: AU$1,400 million - the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. During the period no amount has been drawn down. In total US$681.5 million (AU$886.0 million) was drawn down as at 30 June 2017 (31 December 2016: US$681.0 million (AU$941.9 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$53.6 million was drawn down. In total US$189.6 million (AU$246.5 million) was drawn down as at 30 June 2017 (31 December 2016: US$136.0 million (AU$188.0 million)).

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

(c) Unsecured loans from related parties (continued)

In August 2012, the Company successfully arranged a long term loan facility from Yancoal International Resources Development Co., Ltd, a wholly owned subsidiary of Yanzhou. The facility was for US$550.0 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 2017 and is repayable on 12 May 2022.

These facilities 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.

	Less than 1 year $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Greater than 5 years $M	Total contractual cash flows $M	Carrying Amount $M
At 30 June 2017						
Trade payables	503.9	-	-	-	503.9	503.9
Interest- bearing liabilities	354.2	378.8	3,766.6	2,125.2	6,624.8	6,624.8
Total	858.1	378.8	3,766.6	2,125.2	7,128.7	7,128.7
Derivatives Gross settled (Derivative financial instruments)						
- (inflow)	6.4	-	-	-	6.4	6.4
- outflow	(6.5)	-	-	-	(6.5)	(6.5)
	(0.1)	-	-	-	(0.1)	(0.1)
At 31 December 2016						
Trade payables	467.1	-	-	-	467.1	467.1
Interest- bearing liabilities	340.8	332.2	3,300.8	2,785.7	6,759.5	4,951.0
Total	807.9	332.2	3,300.8	2,785.7	7,226.6	5,418.1
Derivatives Gross settled (Derivative financial instruments)						
- (inflow)	(92.8)	-	-	-	(92.8)	-
- outflow	93.4	-	-	-	93.4	0.6
Total	0.6	-	-	-	0.6	0.6

D Capital structure and financing (continued)

D3 Derivative financial instruments

	30 June 2017 $M	31 December 2016 $M
Current liabilities		
Forward foreign exchange contracts - fair value through profit or loss	**0.1**	0.6
Total current derivative financial instrument liabilities	**0.1**	0.6

(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 2017, the outstanding buy EUR and GBP 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.

D4 Distribution paid and payable

(a) SCN distributions	**2017**			**2016**		
	% per SCN	**Total US$'M**	**Total AU$'M**	**% per SCN**	**Total US$'M**	**Total AU$'M**
Distribution paid:						
Distribution paid on 31 January 2017 accrued as at 31 December 2016 (31 December 2015 paid on 29 January 2016)	7%	63.0	83.3	7%	62.5	86.0
Distribution payable:						
Distribution paid on 31 July 2017 (2016 paid on 29 July 2016)	7%	63.0	81.9	7%	63.2	85.1
		126.0	165.2		125.7	171.1

Due to foreign exchange the 31 January 2017 payment decreased by AU$3.8 million from the 31 December 2016 accrual (29 January 2016 payment increased by AU$2.4 million from the 31 December 2015 accrual).

D Capital structure and financing (continued)

D5 Hedge reserve

	30 June 2017 $M	31 December 2016 $M
Hedging reserve	**(542.7)**	(816.6)
	(542.7)	(816.6)

	30 June 2017 $M	31 December 2016 $M
Movements:		
Hedging reserve		
Opening balance	**(816.6)**	(879.9)
Profit / (loss) recognised on USD interest bearing liabilities	**290.7**	(42.9)
Transferred to profit or loss	**100.6**	133.3
Deferred income tax benefit	**(117.4)**	(27.1)
Closing balance	**(542.7)**	(816.6)

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 $542.7 million (net of tax) (31 December 2016: $816.6 million) 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 2017, losses of $100.6 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve. During the year ended 31 December 2016 a loss of $133.3 million on foreign exchange contracts were transferred from other comprehensive income to profit or loss.

D6 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2017 in respect of:

(i) Bank guarantees

	30 June 2017 $M	31 December 2016 $M
Parent entity and consolidated entity		
Performance guarantees provided to external parties	**91.3**	88.2
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**77.2**	77.2
	168.5	165.4
Joint ventures (equity share)		
Guarantees provided in respect of land acquisition	**20.0**	20.0
Performance guarantees provided to external parties	**65.4**	64.5
Guarantees provided in respect of the cost of restoration of certain mining leases	**32.7**	27.4
	118.1	111.9

D Capital structure and financing (continued)

D6 Contingencies (continued)

(a) Contingent liabilities (continued)

	30 June 2017 $M	31 December 2016 $M
Guarantees held on behalf of related parties		
Performance guarantees provided to external parties	**105.6**	111.8
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**52.3**	52.2
	157.9	164.0
	444.5	441.3

(ii) Tax audit

The Australian Taxation Office ("ATO") has completed the audit of certain matters in the Company's tax filings for the year ended 31 December 2012. The outcome of the audit resulted in no material adjustments and required no cash payments.

(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
- 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 largely been assumed by the insurers of the Group under the Group's insurance policies. The Directors do not believe that the outcome of the personal injury or day to day operations claims will have a material impact on the Group's financial position.

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:

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

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities (continued)

(a) Fair value hierarchy (continued)

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

At 30 June 2017	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Royalty receivable	**-**	**-**	**198.5**	**198.5**
Total assets	**-**	**-**	**198.5**	**198.5**
Derivatives used for hedging				
Forward foreign exchange contracts	**-**	**0.1**	**-**	**0.1**
Total liabilities	**-**	**0.1**	**-**	**0.1**

At 31 December 2016	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
Royalty receivable	-	-	198.9	198.9
Total assets	-	-	198.9	198.9
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	-	0.6	-	0.6
Total liabilities	-	0.6	-	0.6

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2017.

(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.

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.

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities (continued)

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2017:

	Royalty receivable $M
Opening balance 1 January 2016	204.9
Cash received / receivable	(20.5)
Unwinding of the discount	20.9
Remeasurement of the royalty receivable	(6.4)
Closing balance 31 December 2016	198.9
Cash received / receivable	(12.8)
Unwinding of the discount	10.5
Remeasurement of the royalty receivable	1.9
Closing balance 30 June 2017	198.5

(i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2017 has been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has been determined to have a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

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

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

(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 2017. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount of investment	
		2017	2016			2017 $M	2016 $M
Newcastle Coal Infrastructure Group Pty Ltd (i)	Australia	27	27	Associate	Equity method	-	-
Watagan Mining Company Pty Ltd (i)	Australia	100	100	Associate	Equity method	-	-
Middlemount Coal Pty Ltd (ii)	Australia	49.9997	49.9997	Joint Venture	Equity method	44.6	4.7

(i) Investment in associates

Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2016: 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.

On completion Watagan issued US$775 million of debt bonds with a term of approximately nine 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 2017. 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.

E Group structure (continued)

E1 Interests in other entities (continued)

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

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

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

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.

	NCIG		**Watagan**	
	30 June 2017 $M	31 December 2016 $M	**30 June 2017 $M**	31 December 2016 $M
Cash and cash equivalents	**25.9**	14.0	**218.8**	100.2
Other current assets	**8.2**	8.8	**140.4**	310.5
Current assets	**34.1**	22.8	**359.2**	410.7
Property, plant and equipment	**622.9**	636.2	**872.8**	883.9
Mining tenements	**-**	-	**326.5**	332.3
Exploration and evaluation assets	**-**	-	**311.1**	311.1
Other non current assets	**112.6**	137.8	**27.2**	40.2
Non-current assets	**735.5**	774.0	**1,537.6**	1,567.5
Total assets	**769.6**	796.8	**1,896.8**	1,978.2
Current liabilities	**12.3**	12.2	**46.2**	42.5
Deferred tax liability	**29.0**	29.0	**213.8**	213.9
Other non-current liabilities	**1,001.0**	1,067.7	**1,805.7**	1,883.5
Non-current liabilities	**1,030.0**	1,096.7	**2,019.5**	2,097.4
Total liabilities	**1,042.3**	1,108.9	**2,065.7**	2,139.9
Net liabilities	**(272.7)**	(312.1)	**(168.9)**	(161.7)

	30 June 2017 $M	30 June 2016 $M	**30 June 2017 $M**	30 June 2016 $M
Revenue	**61.3**	49.2	**302.3**	49.4
Management fees (Yancoal Australia Ltd)	**-**	-	**(31.7)**	(12.8)
Interest paid / payable (Bondholders)	**-**	-	**(37.8)**	(17.3)
Interest paid / payable (Yancoal Australia Ltd)	**-**	-	**(33.6)**	(31.5)
Other interest expenses	**(27.2)**	(27.9)	**(2.3)**	(1.2)
Depreciation & amortisation expenses	**(16.0)**	(14.2)	**(59.0)**	(18.3)
Net gain / (loss) on foreign exchange	**57.8**	11.8	**46.7**	(0.6)
Other expenses	**(17.1)**	(11.3)	**(190.9)**	(56.6)
Income tax expense	**(19.4)**	(4.1)	**(0.9)**	16.7
Profit / (loss) from continuing operations after tax	**39.4**	3.5	**(7.2)**	(72.2)
Other comprehensive (expense) / income	**-**	-	**-**	-
Total comprehensive income / (expense)	**39.4**	3.5	**(7.2)**	(72.2)

E Group structure (continued)

E1 Interests in other entities (continued)

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

Movements in carrying amounts

The Group's share of the associates (NCIG and Watagan) profit/(loss) after tax has not been recognised for the half-year ended 30 June 2017 and year ended 31 December 2016 since the Group's share of the associates (NCIG and Watagan) accumulated losses exceeds its interest in the associates (NCIG and Watagan) at 30 June 2017 and year ended 31 December 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.

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 2017 $M	31 December 2016 $M
Share of joint venture's assets and liabilities		
Cash and cash equivalents	**3.1**	6.4
Other current assets	**42.4**	58.8
Current assets	**45.5**	65.2
Total non-current assets	**520.9**	545.6
Total assets	**566.4**	610.8
Other current liabilities	**(65.7)**	(112.7)
Non- current financial liabilities	**(343.7)**	(389.7)
Other non-current liabilities	**(112.4)**	(103.7)
Total non- current liabilities	**(456.1)**	(493.4)
Total liabilities	**(521.8)**	(606.1)
Net assets	**44.6**	4.7

	30 June 2017 $M	30 June 2016 $M
Share of joint venture's revenue, expenses and results		
Revenue	**154.1**	90.6
Depreciation and amortisation	**(14.4)**	(31.4)
Interest expense	**(10.8)**	(12.1)
Other expenses	**(102.5)**	(88.5)
Income tax (benefit) / expense	**(9.7)**	3.1
Profit / (loss) after income tax	**16.7**	(38.3)

E Group structure (continued)

E1 Interests in other entities (continued)

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

	30 June 2017 $M	31 December 2016 $M
Movement in carrying values		
Opening net book amount	**4.7**	7.7
Share of profit / (loss) of equity-accounted investees, net of tax	**16.7**	(5.1)
Movements in reserves, net of tax	**23.2**	2.1
Closing net book amount	**44.6**	4.7

The liabilities of Middlemount include an interest bearing liability of $322.3 million (face value of $349.9 million) due to the Group at 30 June 2017 (31 December 2016: $346.8 million). The repayment of the loan due to the Group can only be made by Middlemount after the full settlement of the Priority Loan owed to the other shareholder of Middlemount amounting to $41.5 million (31 December 2016: $85.6 million). From 1 July 2017 the shareholders of Middlemount agreed to make the loan interest free for 18 months revaluing this loan using the effective interest rate method with the difference being recognised as an equity contribution to the joint venture. The liabilities of Middlemount also include a royalty payable of $23.2 million due to the Group at 30 June 2017 (31 December 2016: $73.7 million).

E2 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2017 $	30 June 2016 $
Sales of goods and services		
Sales of coal to Watagan Mining Company Pty Ltd	**47,504,487**	8,703,240
Sales of coal to Noble Group Limited	**92,037,595**	36,001,703
Provision of marketing and administrative services to other related parties - Watagan Group	**2,826,500**	1,413,250
Provision of marketing and administrative services to other related parties - Yancoal International Group	**4,119,330**	4,845,158
	146,487,912	50,963,351
Purchases of goods and services		
Purchases of coal from Syntech Resources Pty Ltd	**(21,987,717)**	(4,922,181)
Purchase of coal from Watagan Group	**(56,339,439)**	(5,893,993)
Advances / loans to and repayment of advances		
Repayment / (advances) to a related party - Premier Coal Holdings Pty Ltd	**5,483,615**	(11,120,000)
Loan advanced to Watagan Mining Company Ltd	**-**	(1,363,372,059)
Repayment of loans to Watagan Mining Company Pty Ltd	**56,455,026**	82,347,116
Advances of loans to Watagan Mining Company Pty Ltd	**(41,455,026)**	-
Loans from Yanzhou Coal Mining Company Limited	**70,767,930**	348,458,822
Finance costs		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	**(4,463,096)**	(4,400,968)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	**71,610**	(1,201,571)
Interest paid on loans from Yancoal International (Holding) Co., Ltd	**(4,423,372)**	(2,313,310)
Interest accrued on loans from Yancoal International (Holding) Co., Ltd	**340,124**	(3,925,489)
Interest paid on loans from Yanzhou Coal Mining Company Ltd	**-**	(28,250,902)
Interest accrued on loans from Yanzhou Coal Mining Company Ltd	**(23,833,763)**	-
Interest paid on loans from Yancoal International Trading Co., Ltd HK	**(8,384,082)**	-
Interest accrued on loans from Yancoal International Trading Co., Ltd HK	**680,248**	(16,192,644)

E Group structure (continued)

E2 Related party transactions (continued)

(a) Transactions with other related parties (continued)

	30 June 2017 $	30 June 2016 $
Other costs		
Corporate guarantee fee paid to Yanzhou Coal Mining Company Limited (extended portion)	**-**	(75,679,994)
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Limited (extended portion)	**(42,757,278)**	(2,360,881)
Arrangement fee paid on loans from Yancoal International Resources Development Co., Ltd	**(989,203)**	(266,317)
Arrangement fee accrued on loans from Yancoal International Resources Development Co., Ltd	**15,872**	(997,640)
Port charges paid to NCIG Holdings Pty Limited	**(43,602,125)**	(28,623,664)
Port charges accrued to NCIG Holdings Pty Limited	**(1,323,390)**	(710,373)
Port charges paid to Noble Group Limited	**(664,533)**	(607,398)
Port charges accrued to Noble Group Limited	**-**	(127,234)
Demurrage paid to Noble Group Limited	**(539,046)**	(223,846)
Demurrage accrued to Noble Group Limited	**(128,902)**	(398,883)
Finance income		
Interest income received on loan to Watagan Mining Company Pty Ltd	**33,546,604**	31,484,786
Effective interest rate unwind on loan receivable from Middlemount Coal Pty Ltd	**9,302,529**	9,268,772
Interest income on loan to Premier Coal Holdings Pty Ltd	**819,758**	23,205
Other income		
Mining services fees charged to Watagan Mining Company Pty Ltd	**29,269,492**	12,763,073
Royalty income from Middlemount Coal Pty Ltd	**12,811,541**	7,543,618
Bank guarantee fee charged to Yancoal International (Holding) Co; Ltd	**138,748**	1,397,453
Longwall hire fee charged to Austar Coal Mine Pty Ltd	**1,500,000**	750,000
Bank guarantee fee charged to Watagan Group	**631,305**	-

(b) Outstanding balances

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

	30 June 2017 $	31 December 2016 $
Current assets		
Trade and other receivables		
Receivable from Yancoal International Group in relation to cost reimbursement	**19,201,590**	5,245,415
Trade receivable from Noble Group Limited in relation to sales of coal	**352,880**	40,602,900
Receivable from Watagan Group entities in relation to cost reimbursement	**6,883,774**	823,277
Promissory Notes receivable from Yancoal International (Holding) Co., Ltd	**21,174,124**	21,174,124
Royalty receivable from Middlemount Coal Pty Ltd	**20,708,658**	73,690,232
Loans receivable		
Loan receivable from Premier Coal Holdings Pty Ltd	**29,516,385**	35,000,000
	97,837,411	176,535,948
Non-current assets		
Advances to joint venture		
Receivable from Middlemount Coal Pty Ltd being an unsecured, interest-bearing advance	**322,950,363**	346,845,834
Receivable from Watagan being an unsecured, interest - bearing loan	**760,000,000**	775,000,000
	1,082,950,363	1,121,845,834

E Group structure (continued)

E2 Related party transactions (continued)

(b) Outstanding balances (continued)

	30 June 2017 $	31 December 2016 $
Current liabilities		
Other payables		
Payables to Yanzhou Coal Mining Company Limited	**143,609,903**	77,018,865
Payables to Yancoal International Resources Development Co., Ltd	**1,388,205**	1,475,687
Payables to Yancoal International (Holding) Co., Ltd	**3,714,943**	4,055,067
Payables to Noble Group Limited	**128,902**	234,317
Payables to Yancoal International Trading Co., Ltd HK	**7,429,886**	8,110,134
Other payable to Watagan Group Entities	**1,100,000**	-
	157,371,839	90,894,070
Non-current liabilities		
Other payables		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	**150,802,002**	160,305,279
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	**130,005,200**	138,197,899
Payable to Yancoal International Trading Co., Ltd HK being an unsecured, interest-bearing loan	**260,010,400**	276,395,799
Payable to Yanzhou Coal Mining Company Limited being an unsecured, interest-bearing loan	**742,496,665**	715,282,394
	1,283,314,267	1,290,181,371

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 2017 $	31 December 2016 $
Syntech Resources Pty Ltd	**86,973,829**	88,213,921
AMH (Chinchilla Coal) Pty Ltd	**49,000**	29,000
Premier Coal Limited	**29,000,000**	29,000,000
Tonford Holdings Pty Ltd	**10,000**	10,000
Athena Joint Venture	**2,500**	2,500
Ashton Coal Mines Ltd	**12,287,795**	12,287,795
Austar Coal Mine Pty Ltd	**22,135,000**	27,035,000
Donaldson Coal Pty Ltd	**7,372,000**	7,322,000
Yankuang Resources Pty Ltd	**107,805**	107,805
	157,937,929	164,008,021

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

E Group structure (continued)

E2 Related party transactions (continued)

(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 2017 no additional amounts were drawn. As at 30 June 2017 a total of US$681.5 million has been drawn.

A total of US$189.6 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 a fixed rate of 2.5% is charged on the outstanding loan principal of US$2,740.0 million.
- ICBC bank guarantee facility - a fixed rate of 2.0% is charged on the facility limit of AU$100.0 million.
- Bi-lateral bank guarantee facility a fixed rate of 2.5% is charged on the utilised principal of US$140.0 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 2017 $M	31 December 2016 $M
Property, plant and equipment		
Not later than one year		
Share of joint operations	**29.1**	138.3
Other	**0.1**	1.4
Exploration and evaluation		
	29.2	139.7

(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 2017 $M	31 December 2016 $M
Not later than one year	**9.7**	25.2
Later than one year but not later than five years	**75.5**	66.8
	85.2	92.0

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.

F Other information (continued)

F1 Commitments (continued)

(b) Lease expenditure commitments (continued)

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	30 June 2017 $M	31 December 2016 $M
Not later than one year	**23.9**	23.6
Later than one year but not later than five years	**46.9**	52.9
Minimum lease payments	**70.8**	76.5
Less: future finance charges	**(7.7)**	(8.8)
Total lease liabilities	**63.1**	67.7
Finance leases are included in the financial statements as:		
Current	**21.0**	20.2
Non-current	**42.1**	47.4
	63.1	67.6

(c) Acquisition from Rio Tinto Limited

As announced on 26 June 2017, Yancoal agreed to amend its binding agreement to acquire 100% of the shares of Coal & Allied Industries Limited ("Coal & Allied") from wholly owned subsidiaries of Rio Tinto such that the price payable for the acquisition became US$2.69 billion, comprising US$2.45 billion cash payable on completion, US$240 million in future non-contingent royalty payments over five years following completion and a coal linked contingent royalty (the Acquisition). As announced on 13 June 2017, Mitsubishi Development Pty Limited ("MDP") accepted Yancoal's binding offer to acquire MDP's 32.4% interest in the Hunter Valley Operations Joint Venture for US$710 million conditional upon completion of the Acquisition.

As at 30 June 2017, Yancoal had not secured funding for the Acquisition and it was not certain that the Acquisition would proceed. The MDP Tag-along Offer is conditional upon completion of the Acquisition such that it was also not certain that the Tag-along Offer would proceed. Refer to Note F2 for details of events occurring after 30 June 2017 in relation to funding these transactions.

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:

On 27 July, Yancoal announced it had entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore Coal Pty Ltd ("Glencore") in relation to Hunter Valley operations ('HVO JV"), following completion of Yancoal's acquisition of Coal & Allied.

Glencore will pay cash consideration of US$1,139 million for 49% of HVO JV, of which US$710 million will be paid to Mitsubishi Development Pty Ltd ("MDP")[1] and US$429 million paid to Yancoal, plus a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by Yancoal in respect of the Coal & Allied acquisition.

Glencore will acquire MDP's 32.4% HVO interest directly from MDP in place of Yancoal's tag-along offer, subject to MDP consent[2].

In addition, Glencore has agreed to support Yancoal's proposed Entitlement Offer (defined below) for the Coal & Allied acquisition and will subscribe for any shortfall shares up to US$300 million.

F Other information (continued)

F2 Events occurring after the reporting period (continued)

On 1 August, Yancoal announced the launch of a 23.6 for 1 pro-rata renounceable entitlement offer with rights trading for new fully paid ordinary Yancoal shares ("New Shares") to eligible shareholders at an offer price of US$0.10 per New Share ("Offer Price") to raise up to approximately US$2.35 billion ("Entitlement Offer"), and a placement to raise US$150 million, to be used to fund the Coal & Allied acquisition.

The Entitlement Offer is underwritten or committed to US$2.3 billion, including Yanzhou committing to take up US$1.0 billion of its entitlements under the Entitlement Offer, and the balance of the Entitlement Offer being underwritten to the value of US$1.3 billion by a number of underwriters, severally in their respective proportions, including by Cinda for US$750 million, Glencore for US$300 million and Lucion Group for US$250 million, as set out in the Entitlement Offer Booklet for the Entitlement Offer (a copy of which was released to the ASX on 2 August 2017).

If the proceeds raised from the Entitlement Offer and placement are less than US$2.45 billion (being the cash purchase price for the Coal & Allied acquisition), the shortfall up to a maximum amount of US$1.0 billion, will be able to be drawn from a new loan facility to be provided by Yankuang to Yancoal, the existence and terms of which were negotiated and approved by Yancoal's independent board committee. Please refer to the Entitlement Offer Booklet for further details.

In connection with the Entitlement Offer, Yanzhou has committed to convert as many of its Subordinated Capital Notes ("SCNs") as is permitted, having regard to the Australian Takeovers Panel order (which restricts Yanzhou from converting SCNs where such conversion would result in it having voting power of more than 78%), and this is expected to result in the conversion of all of Yanzhou's SCNs concurrently with the settlement of New Shares under the Entitlement Offer. Yanzhou will convert its SCNs at a conversion price of US$0.10 per SCN, being the same as the Offer Price. Yanzhou has agreed that this conversion price will apply even if the SCN terms would otherwise have resulted in a lower adjusted conversion price as a result of the Entitlement Offer.

On 7 August, Yancoal announced information relevant to the likely adjustment to the conversion price of remaining SCNs arising from the Entitlement Offer.

In accordance with the terms of issue of the SCNs, the SCN conversion price is required to be adjusted if Yancoal conducts a right issue such as the Entitlement Offer, based on the number of Yancoal shares on issue prior to the rights issue, the number of Yancoal shares issued in the rights issue, the rights issue subscription price and the VWAP of Yancoal shares during the period of "cum rights" trading. The period of "cum rights" trading in Yancoal shares in respect of the rights issue has ended and the VWAP of Yancoal shares during that period was determined to be A$0.246, or US$0.195[3], per share.

The adjusted SCN conversion price will be determined once the final number of shares issued under the Entitlement Offer is known. However, if the Entitlement Offer is fully subscribed, based on the above VWAP of Yancoal shares, the conversion price for SCNs would be adjusted from US$0.10 per Yancoal share to US$0.053 per Yancoal Share. The final adjustment will be announced when shares are issued in the Entitlement Offer. The adjustment will only affect the remaining 5,011 SCNs on issue.

[1] US$710 million represents the consideration that would have been payable by Yancoal under its tag-along offer with MDP.

[2] Otherwise Yancoal and Glencore will seek to implement other arrangements for an equivalent 49% outcome.

[3] Based on the daily US$/A$ exchange rate published by the Reserve Bank of Australia of 0.7962 and 0.7923 on 2 August 2017 and 3 August 2017 respectively.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 10 to 40 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 2017 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
18 August 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF YANCOAL AUSTRALIA LTD AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying interim financial report of Yancoal Australia Ltd ("the Company") and controlled entities ("the Group") which comprises the consolidated balance sheet as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 the company's financial position as at 30 June 2017 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*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of the auditor's report.

Conclusion

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

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

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Sydney, 18 August 2017