Yancoal Australia Ltd

ABN 82 111 859 119

Half-Year Financial Report
for the half-year ended 30 June 2019

This Half-Year Financial Report contains information required by Appendix 4D of the Australian Securities Exchange (ASX) Listing Rules. It should be read in conjunction with Yancoal Australia Ltd's Annual Financial Report for the year ended 31 December 2018 and is lodged with the ASX under listing rule 4.2A.

1. Results for Announcement to the Market

	30 June 2019 $M	30 June 2018 $M	% Change
Revenue from ordinary activities	**2,350**	2,347	0
Profit before income tax (before non-recurring items)	**492**	539	(9)
Profit before income tax (after non-recurring items)	**492**	537	(8)
Net profit after income tax attributable to members (before non-recurring items)	**345**	369	(7)
Net profit after income tax attributable to members (after non-recurring items)	**564**	361	56

2. Earnings per share [a]

	30 June 2019 cents	30 June 2018 cents	% Change
Profit per share (before non-recurring items)			
- Basic	**26.1**	28.7	(9)
- Diluted	**26.1**	28.7	(9)
Profit per share (after non-recurring items)			
- Basic	**42.7**	28.7	49
- Diluted	**42.6**	28.7	48

3. Net tangible assets per security [1]

	30 June 2019 $	31 December 2018 $	% Change
Net tangible assets per share	**4.52**	4.35	4

4. Distributions

Ordinary share distributions

	30 June 2019		30 June 2018 [a]	
	cents per share	**$M**	cents per share	$M
Final dividend for 2018 paid on 30 April 2019	**28.55**	**377**	-	-
Interim dividend for 2018 paid on 21 September 2018	**-**	**-**	10.35	130

On 21 August 2019 the Directors announced an unfranked dividend of $137 million (10.35 cents per share), with a record date of 6 September 2019 and payment date of 20 September 2019, which represents 24% of profit after tax consistent within the guidelines as approved at the annual general meeting.

[a] 2018 figures have been adjusted for the 35 to 1 ordinary share consolidation that occurred on 28 September 2018.

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

No entities were incorporated, disposed of or acquired during the period.

6. Details of associates and joint venture entities

	30 June 2019		30 June 2018	
	Holdings %	**Profit after income tax contribution $M**	Holdings %	Profit after income tax contribution $M
Joint venture entities				
Moolarben Joint Venture (unincorporated)	**85**	**179**	81	243
Hunter Valley Operations Joint Venture (unincorporated)	**51**	**268**	51	172
Warkworth Joint Venture (unincorporated)	**84.472**	**147**	84.472	172
Mount Thorley Joint Venture (unincorporated)	**80**	**43**	80	49
Middlemount Joint Venture	**49.9997**	**9**	49.9997	28
Boonal Joint Venture (unincorporated)	**50**	**Immaterial**	50	Immaterial
HVO Entities [b]	**51**	**Immaterial**	51	Immaterial
Associate entities				
Watagan Coal Mining Company Pty Ltd	**100**	**Nil**	100	Nil
Port Waratah Coal Services Pty Ltd	**30**	**2**	30	Immaterial
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	27	Nil

[b] HVO Entities consists of the following entities:

HV Operations Pty Ltd

HVO Coal Sales Pty Ltd

HVO Services Pty Ltd

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Yancoal operates a diversified portfolio of world class assets consisting of both large scale open cut and underground mines comprising five coal mine complexes in Australia.

As a leading low cost coal producer in the global seaborne market, Yancoal's coal mining operations produce a mix of premium thermal, semi-soft coking, and pulverised coal injection (PCI) coals, together with mid-to–high ash thermal coals.

The Group's financial results are largely dependent on the demand for thermal and metallurgical coal, which in turn depends on macroeconomic trends, including regional and global economic activity, and the price and availability of alternative forms of energy production.

Our customers are located throughout the Asia-Pacific region with Japan, Singapore, China, South Korea and Taiwan accounting for approximately 72% of our revenue from coal sales in the half-year ended 30 June 2019.

Thermal coal is primarily used in electricity generation and its ends users are typically power and utilities companies. Metallurgical coal is primarily used to produce coke for blast furnace steel production and its end users are typically steel plants. We also sell coal to customers in the commodities trading business, who purchase the Group's coal for trading purposes or to on-sell to their end customers. Commodity traders are similarly exposed to regional and global demand trends in the coal market.

The Group's export thermal coal is generally priced on either an index price, an annual fixed price or on a spot price basis. Generally, lower ash products are priced relative to the GlobalCOAL Newcastle index and higher ash products are priced relative to the Argus/McCloskey API5 index. Annual fixed price contracts are mostly priced against the Japanese Power Utility (JPU) Reference Price, which is the contract price agreed between major Australian Suppliers and Japanese Power Utilities. The balance of our sales are priced on a fixed spot price negotiated at the time of settlement that also reflect the term of the arrangement.

The Group's export metallurgical coal is either priced on a benchmark or spot price basis. Most term contracts are priced against a benchmark pricing mechanism which is negotiated on a quarterly price basis between major Australian suppliers and Japanese steel mills. Spot sales are priced relative to the market at the time and are mostly done on a fixed price basis. The large majority of the Group's semi-soft coking coal out of Newcastle and low volatile PCI out of Queensland is priced relative to the quarterly benchmark.

During the Period, the demand profile for thermal coal in the Asia-Pacific region softened as a result of several factors. As a consequence of evolving market conditions, index coal prices moved lower and the premium for high-grade thermal coal relative to lower grade indices narrowed. In contrast, the metallurgical coal market has remained stable, with minimal changes in price.

Yancoal actively considers the effect that its supply level can have on specific coal markets and responds appropriately to prevailing market conditions. To counter the anticipated short term volatility in thermal coal price indices, we continue to optimise the product quality and volume we place into the market.

Australia is expected to retain a market share of around 26% of the growing world seaborne thermal coal requirement and to play a critical role as a primary source of premium grade coals. Ongoing challenges associated with obtaining development approvals for greenfield projects has the potential to support premium coal prices and domestic exporters with brownfield expansion opportunities, such as Yancoal, should benefit from such conditions.

The Group's coal sales revenue is typically recognised on a Free on Board (FOB) basis when coal is loaded at the load port in Australia.

The Group's overall average ex-mine selling price of coal decreased by 3% from A$128 per tonne in 1H 2018 to A$124 per tonne in 1H 2019, mainly as a result of (i) a decrease in global US$ coal prices and (ii) a higher proportion of thermal coal sales being Moolarben's higher ash product partially offset by (i) the Australian dollar weakening against the US dollar from an average of 0.7716 in 1H 2018 to 0.7061 in 1H 2019 and (ii) an increase in the proportion of metallurgical coal sales from

15% in 1H 2018 to 17% in 1H 2019. The Group's average selling price of thermal coal decreased from A$117 per tonne to A$112 per tonne and the average selling price of metallurgical coal decreased from A$191 per tonne to A$184 per tonne.

The Group's overall average cash operating costs excluding government royalties remained flat at A$62 per tonne.

The table below sets out the Run of Mine (ROM) and saleable production for each Yancoal owned mine on a 100% basis during the Group's period of ownership.

		Half-year ended 30 June		
	Ownership % (1)	**2019 Mt**	**2018 Mt**	**Change %**
ROM production				
Moolarben	85	10.9	9.8	11%
MTW	82.9	9.1	8.5	7%
HVO	51	8.8	9.1	(3%)
Stratford Duralie	100	0.3	0.3	-
Yarrabee	100	1.1	1.4	(21%)
Middlemount	~50	2.2	2.5	(12%)
Watagan	100	2.0	1.3	54%
Total – 100% basis		**34.4**	**32.9**	**5%**
Saleable production				
Moolarben	85	9.5	8.8	8%
MTW	82.9	6.1	6.0	2%
HVO	51	6.6	6.4	3%
Stratford Duralie	100	0.2	0.2	-
Yarrabee	100	1.2	1.2	-
Middlemount	~50	1.7	2.1	(19%)
Watagan	100	1.1	0.7	57%
Total – 100% basis		**26.4**	**25.4**	**4%**

(1) Ownership percentage stated as at 30 June 2019

ROM coal production was up 5% from 32.9Mt in 1H 2018 to 34.4Mt in 1H 2019. This included an increase in the three tier-one assets of Moolarben, Mount Thorley Warkworth (MTW) and Hunter Valley Operations (HVO) of 5% from 27.4Mt in 2018 to 28.8Mt in 1H 2019.

Saleable coal production was up 4% from 25.4Mt in 1H 2018 to 26.4Mt in 1H 2019. This included an increase in the three tier-one assets of Moolarben, MTW and HVO of 5% from 21.2Mt in 1H 2018 to 22.2Mt in 1H 2018.

Moolarben's ROM production increased by 1.1Mt (11%) and its saleable production increased by 0.7Mt (8%) with 0.8Mt of the increase in ROM attributable to the open cut and 0.3Mt attributable to the underground. The smaller increase in saleable production was attributable to a 2% lower yield on open cut coal and a marginally lower proportion of underground coal which is 100% bypass.

MTW's ROM production increased by 0.6Mt (7%) and its saleable production increased by 0.1Mt (2%) with the increase in ROM attributable to increased equipment utilisation and productivity. The smaller increase in saleable production was attributable to a lower yield.

HVO's ROM production decreased by 0.3Mt (3%) whilst its saleable production increased by 0.2Mt (3%) with the decrease in ROM attributable to a shortfall in operator labour in the first quarter. The increase in saleable production on lower ROM production was attributable to increased bypass.

The below table sets out the Group's ongoing economic interest in the saleable production for each Yancoal owned mine that contributes to the financial results of the Group. i.e. excludes Watagan.

		Half-year ended 30 June		
	Ownership % (1)	**2019 Mt** (2)	**2018 Mt** (2)	**Change %**
Saleable production				
Moolarben	85	8.1	7.1	14%
MTW	82.9	5.0	4.7	6%
HVO	51	3.3	3.2	3%
Stratford Duralie	100	0.2	0.2	-
Yarrabee	100	1.2	1.2	-
		17.8	**16.4**	**9%**
Middlemount (equity-accounted)	~50	0.8	1.0	(19%)
Total – equity basis		**18.6**	**17.4**	**7%**
Thermal		14.8	13.8	7%
Metallurgical		3.8	3.6	6%
		18.6	**17.4**	**7%**

(1) Ownership percentage stated as at 30 June 2019

(2) includes saleable production of (i) 81% of the Moolarben unincorporated joint venture up to and including 30 November 2018 and 85% thereafter (ii) 51% of the unincorporated HVO joint venture representing the Group's ongoing economic interest (iii) 64.1% of the unincorporated MTW joint venture up to and including 28 February 2018 and 82.9% thereafter (iv) 100% of Yarrabee and Stratford Duralie (v) ~50% of Middlemount although equity accounted.

The Group's saleable coal production, excluding Middlemount, was up 9% from 16.4Mt in 1H 2018 to 17.8Mt in 1H 2019 and including Middlemount was up 7% from 17.4Mt in 1H 2018 to 18.6Mt in 1H 2019. This included an increase in the three tier-one assets of Moolarben, MTW and HVO of 9% from 15.0Mt in 1H 2018 to 16.4Mt in 1H 2019.

The saleable production contribution of the Group's tier-one assets increased from 86% in 1H 2018 to 88% in 1H 2019.

Thermal coal saleable production increased by 7% from 13.8Mt in 1H 2018 to 14.8Mt in 1H 2019 and metallurgical coal saleable production increased by 5% from 3.6Mt in 1H 2018 to 3.8Mt in 1H 2019. Thermal coal represented 80% of total saleable coal production in 1H 2019 a small increase from 79% in 1H 2018.

FINANCIAL RESULTS REVIEW

RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2019

For the management discussion and analysis, the Group's operating results for the half-year ended 30 June 2019 are compared with the operating results for the half-year ended 30 June 2018.

All financial numbers included below are stated in Australian dollars (A$ or $) unless otherwise stated.

	Half-year ended 30 June						
	2019			2018			
	IFRS Reported $m	Non-operating $m	Operating $m	IFRS Reported $m	Non-operating $m	Operating $m	Change %
Revenue	**2,350**	**13**	**2,363**	**2,347**	**(13)**	**2,334**	**1%**
Other income	16	(10)	6	115	(80)	35	(83%)
Changes in inventories of finished goods and work in progress	38		38	24		24	58%
Raw materials and consumables	(352)		(352)	(337)		(337)	4%
Employee benefits	(260)		(260)	(254)		(254)	2%
Transportation	(293)		(293)	(274)		(274)	7%
Contractual services and plant hire	(189)		(189)	(206)	10	(196)	(4%)
Government royalties	(164)		(164)	(161)		(161)	2%
Coal purchases	(177)		(177)	(182)		(182)	(3%)
Other operating expenses	(69)	26	(43)	(170)	128	(42)	2%
Share of profit of equity-accounted investees, net of tax	11		11	33		33	(67%)
EBITDA	**911**	**29**	**940**	**935**	**45**	**980**	**(4%)**
EBITDA %	***39%***		***40%***	***40%***		***42%***	
Depreciation and amortisation	(294)	-	(294)	(244)	-	(244)	20%
EBIT	**617**	**29**	**646**	**691**	**45**	**736**	**(12%)**
EBIT %	***26%***		***27%***	***29%***		***32%***	
Net finance costs	(125)	36 [1]	(89)	(152)	(4) [1]	(156)	(43%)
Non-operating items	-	(65)	(65)	-	(41)	(41)	59%
Profit before income tax	**492**	**-**	**492**	**539**	**-**	**539**	**(9%)**
Profit before income tax %	***21%***		***21%***	***23%***		***23%***	
Income tax expense	72	(219)	(147)	(178)	-	(178)	(17%)
Profit after income tax	**564**	**(219)**	**345**	**361**	**-**	**361**	**(4%)**
Profit after income tax %	***24%***		***15%***	***15%***		***15%***	
Attributable to:							
- Owners of Yancoal	**564**	**(219)**	**345**	**361**	**-**	**361**	**(4%)**
- Non-controlling interests	**-**		**-**	**-**	**-**	**-**	**-**

[1] Includes the reclassification of interest income of $62 million (1H 2018: $58 million) from Other income to Net finance costs and Bank fees and other charges of $26 million (1H 2018: $62 million) from Other operating expenses to Net finance

costs as these amounts are excluded from Operating EBITDA.

To supplement the Group's consolidated financial statements, which are presented in accordance with International Financial Reporting Standards (IFRSs) the Group also uses adjusted Operating EBITDA and Operating EBIT as additional financial measures, as set out in the table above, which are unaudited and not required by or presented in accordance with, IFRSs. These financial measures are presented because they are used by management to evaluate the Group's financial performance. These non-IFRSs measures provide additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as they help management compare the financial results across accounting periods with those of our peer companies, by removing one-off or non-operating items.

As presented by the management, Operating EBITDA represents profit or loss before income tax for the half-year as adjusted for net finance costs, depreciation and amortisation and any significant non-operating items, while Operating EBIT represents profit or loss before income tax as adjusted for net finance costs and any significant non-operating items.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit after income tax increased by 56% from $361 million in 1H 2018 to $564 million in 1H 2019 and was fully attributable to the owners of Yancoal with no non-controlling interests.

Profit attributable to the owners of Yancoal of $564 million was impacted by a number of non-operating items during 1H 2019. These totaled a net loss before tax impact of $65 million (1H 2018: net loss $41 million) comprising a $75m fair value loss recycled from the hedge reserve, a $4m contingent royalty revaluation gain and a $6 million royalty revaluation gain. In addition, a $219 million tax benefit was recognised on the finalisation of the tax base on the Coal & Allied acquisition. These are discussed in more detail separately below, refer "Overview of non-operating items", and have been excluded from the operating commentary.

OVERVIEW OF OPERATING RESULTS

The below comparison of the financial results for the half-years ended 30 June 2019 and 30 June 2018 is impacted by changes in our portfolio of assets, most significantly the acquisition of a further 28.9% interest in the Warkworth joint venture effective from 1 March 2018; the disposal of a 16.6% interest in the HVO joint venture from 4 May 2018 and the acquisition of a further 4% interest in the Moolarben joint venture from 1 December 2018.

The analysis in this section includes ex-mine sales tonnes and ex-mine revenue comprising (i) 81% of the Moolarben unincorporated joint venture up to and including 30 November 2018 and 85% thereafter (ii) 67.6% of the unincorporated HVO joint venture up to and including 3 May 2018 and 51% thereafter (iii) 64.1% of the unincorporated MTW joint venture up to and including 28 February 2018 and 82.9% thereafter (iv) 100% of Yarrabee and Stratford Duralie.

The result of HVO includes the 16.6% interest subsequently sold to Glencore Coal Pty Ltd (Glencore) on 4 May 2018 as during the first four months of 2018 the Group included the operating results of the 16.6% in its income statement and balance sheet. The economic interest of the said 16.6% interest was effectively transferred to Glencore on 1 September 2017 however this was compensated through an agreed reduced settlement price mechanism.

The results of Middlemount and Watagan are excluded from the line by line commentary below because their results, as incorporated equity-accounted investments, are included in share of profits of equity-accounted investees, net of tax in the statement of profit and loss and is discussed separately below.

REVENUE

	Half-year ended 30 June		
	2019 $m	**2018 $m**	**Change %**
Ex-mine coal sales [1]	2,064	2,075	(1%)
Sale of purchased coal	200	155	29%
Other	8	20	(60%)
Sale of coal	**2,272**	**2,250**	**1%**
Mining service fees	25	26	(4%)
Sea freight	50	37	35%
Other	16	21	(24%)
Revenue	**2,363**	**2,334**	**1%**

[1] Ex-mine coal sales include only coal that has been produced at one of the Group's mines. They exclude the sale of coal that has been purchased from third parties.

Total revenue increased by 1% from $2,334 million in 1H 2018 to $2,363 million in 1H 2019, primarily due to a 1% increase in coal sales revenue from $2,250 million in 1H 2018 to $2,272 million in 1H 2019. With respect to coal sales revenue, the key factors were:

	Half-year ended 30 June		
	2019	**2018**	**Change %**
Thermal coal			
Average selling price (A$ per tonne)	112	117	(4%)
Sales volume (Mt)	13.7	13.8	(1%)
% of total ex-mine sales volume	83%	85%	(2%)
Total ex-mine thermal coal revenue (A$ million)	1,540	1,607	(4%)
Metallurgical coal			
Average selling price (A$ per tonne)	184	191	(4%)
Sales volume (Mt)	2.8	2.4	17%
% of total ex-mine sales volume	17%	15%	2%
Total ex-mine metallurgical coal revenue (A$ million)	524	468	12%
Total coal			
Average selling price (A$ per tonne)	124	128	(3%)
Total ex-mine sales volume (Mt)	16.5	16.2	2%
Total ex-mine coal revenue (A$ million)	**2,064**	**2,075**	**(1%)**

A decrease in the Group's overall average ex-mine selling price of coal of 3% from A$128 per tonne in 1H 2018 to A$124 per tonne in 1H 2019 resulting from (i) a decrease in global US$ coal prices with the weekly average GlobalCOAL Newcastle thermal coal index price falling by US$16/t (15%) during the same period and the semi-soft coking coal benchmark price falling by US$11/t (7%) during the same period and (ii) a higher proportion of thermal coal sales being Moolarben's higher ash product partially offset by (i) the Australian dollar weakening against the US dollar from an average of 0.7716 in 1H 2018 to 0.7061 in 1H 2019 and (ii) an increase in the proportion of metallurgical coal sales from 15% in 1H 2018 to 17% in 1H 2019. Global US$ thermal coal prices have fallen during the period due to solid production levels, less wet weather delays, low LNG prices and delays in custom clearances in China while global US$ metallurgical coal prices during the period have also fallen. The Group's average selling price of thermal coal decreased from A$117 per tonne to A$112 per tonne. The Group's average selling price of metallurgical coal decreased from A$191 per tonne to A$184 per tonne; and

An increase in our ex-mine sales volume of coal of 2% from 16.2 Mt in 1H 2018 to 16.5 Mt in 1H 2019, mainly due to a 0.7Mt increase in sales at Moolarben.

	Half-year ended 30 June			
	2019		2018	
	Amount	% of revenue	Amount	% of revenue
	$'m	%	$'m	%
Japan	554	24%	440	20%
Australia	316	14%	63	3%
Singapore	311	14%	451	20%
China	304	13%	479	21%
South Korea	238	11%	333	15%
Taiwan	234	10%	210	9%
Thailand	193	9%	165	7%
Others (1)	122	5%	109	5%
Total revenue from external customers	**2,272**	**100%**	**2,250**	**100%**

(1) Others includes Germany, Hong Kong, India, Malaysia, Switzerland, United Arab Emirates and Vietnam

The increase in Japan and Taiwan was primarily due to targeted end user business in these typically premium priced markets increasing the volume of direct sales.

The decrease in Singapore was primarily due to a continued focus on developing end user business and reducing coal sales to traders, some of whom are located in Singapore.

The decrease in the PRC was primarily due to import and quota restrictions being placed on Australian coals reducing the price and therefore the revenue achieved. Sales volumes have been maintained at approximate equivalent levels.

The decrease in South Korea is due to the product mix and reduction in thermal coal prices. Lower hard-coking coal volumes have been a result of less availability from Middlemount, whilst the substantial arbitrage opportunities between low ash and high ash thermal coal has resulted in larger discounts on thermal coal sales.

The increase in Australia was primarily on higher sales to other local coal producers for their blending purposes, rather than local coal traders.

Other income

	Half-year ended 30 June		
	2019 $m	2018 $m	Change %
Net gain on foreign exchange	-	30	(100%)
Sundry income	6	5	20%
Other income	**6**	**35**	**(83%)**

Other income decreased from $35 million in 1H 2018 to $6 million in 1H 2019, due to a net gain on foreign exchange of $30 million primarily recognised on holding US$ cash balances as the Australian dollar weakened during 1H 2018. In 1H 2019 this is a net loss on foreign exchange of $4 million and is included in Other operating expenses.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress increased from $24 million in 1H 2018 to $38 million in 1H 2019.

PRODUCTION COSTS

All-in total production costs, which include cash and non-cash operating costs, represent costs directly attributable to the production, transportation and selling of coal as well as indirect corporate costs, in particular, corporate employee costs, but excluding transaction costs. Cash operating costs comprise the cost of raw materials and consumables used, employee benefits, contractual services and plant hire and transportation. Non-cash operating costs include depreciation and amortisation.

Per ex-mine sales tonne (1)	**Half-year ended 30 June**		**Year ended 31 Dec**
	2019	**2018**	**2018**
	$/t	**$/t**	**$/t**
Cash operating costs			
Raw materials and consumables used	21	21	20
Employee benefits	16	16	16
Transportation	18	17	16
Contractual services and plant hire (2)	11	11	11
Cash operating costs (excluding royalties)	**66**	**65**	**63**
Royalties	10	10	10
Cash operating costs	**76**	**75**	**73**
Non-cash operating costs			
Depreciation and amortisation (2)	18	16	16
Total production costs	**94**	**91**	**89**
Total production costs (excluding royalties)	84	81	79

(1) Ex-mine sales tonnes includes (i) 81% of the Moolarben unincorporated joint venture up to and including 30 November 2018 and 85% thereafter (ii) 67.6% of the unincorporated HVO joint venture up to and including 3 May 2018 and 51% thereafter (iii) 64.1% of the unincorporated MTW joint venture up to and including 28 February 2018 and 82.9% thereafter (iv) 100% of Yarrabee and Stratford Duralie.

(2) Effective from 1 January 2019 the Group has adopted the new accounting standard AASB 16 Leases. Under the new standard all lease arrangements are treated as "on balance sheet" replacing the previous operating and finance lease distinctions. The result of the change is that an operating lease expense is no longer included in the profit and loss as a contractual services and plant hire expense in the period incurred rather a "value in use" asset and lease liability is recognised on the balance sheet similar to the previous finance lease accounting treatment. The result of this change is a decrease in the Group's cash operating costs with a largely offsetting increase in depreciation and interest. The 1H 2018 and full year 2018 numbers included above have been restated to enhance the comparability.

The table above is prepared on a cost per sales tonne basis. Over a financial year ex-mine sales tonnes and saleable production are generally consistent with the Group maintaining level coal stocks (2018: sales 33,505kt, production 33,599kt; 2017: sales 19,266kt, production 19,308kt). However, when considering the first half-year results ex-mine sales tonnes have been significantly below saleable production (1H 2019: sales 16,586kt, production 17,849kt; 1H 2018: sales 16,196kt; production 16,984kt) primarily due to building coal stocks to allow blending flexibility across the Group.

The table above does not adjust for the increase in inventory at 30 June 2018 and 30 June 2019 and as such does not accurately represent the cost of production per tonne. The table below has been restated on a per saleable production tonne basis to remove the impact of inventory movements. Royalties have been removed as these are based on sales revenue and are driven by ex-mine sale tonnes.

Per saleable production tonne	**Half-year ended 30 June**		**Year ended 31 Dec**
	2019	**2018**	**2018**
	$/t	**$/t**	**$/t**
Cash operating costs			
Raw materials and consumables used	20	20	20
Employee benefits	15	15	15
Transportation	16	16	16
Contractual services and plant hire	11	11	11
Cash operating costs (excluding royalties)	**62**	**62**	**62**
Non-cash operating costs			
Depreciation and amortisation	16	15	16
Total production costs (excluding royalties)	**78**	**77**	**78**

Raw materials and consumables used

Raw materials and consumables used increased by 4% from $337 million in 1H 2018 to $352 million in 1H 2019, primarily due to increased production. Per saleable production tonne raw materials and consumables remained flat at $20 over the same period.

Employee benefits

Employee benefits expenses increased by 2% from $254 million in 1H 2018 to $260 million in 1H 2019, primarily due increased production. Per saleable production tonne employee benefits expenses remained flat at $15 over the same period with efficiency improvements offsetting wage and salary increases.

Transportation

Transportation costs increased by 7% from $274 million in 1H 2018 to $294 million in 1H 2019, primarily due to increased sales volume of coal requiring additional payments for rail and freight services. Per saleable production tonne transportation costs remained flat at $16 over the same period.

Contractual services and plant hire

Contractual services and plant hire expenses decreased by 4% from $196 million in 1H 2018 to $189 million in 1H 2019, primarily due to the impact of the new lease accounting standard. The 1H 2018 number included $7 million of operating lease expenses no longer recognised in 1H 2019. After adjusting for this amount contractual services and plant hire expenses would have been flat over the same period. Per saleable production tonne contractual services and plant hire costs, adjusted for the new lease accounting standard, remained flat at $11 over the same period.

Government royalties

Government royalty expenses increased by 2% from $161 million in 1H 2018 to $164 million in 1H 2019, primarily due to flat coal sales revenue. Royalties are determined on an ad valorem basis by reference to the value of coal sold, the type of mine and the State the mine is located in and are payable to the appropriate State government. Per ex-mine sales tonne government royalties remained flat at $10 over the same period.

Coal purchases

Coal purchases decreased by 3% from $182 million in 1H 2018 to $177 million in 1H 2019 reflecting a consistent level of coal purchases.

Other operating expenses

Other operating expenses increased by 2% from $42 million in 1H 2018 to $43 million in 1H 2019, reflecting a stable level of costs.

Share of profit of equity-accounted investees, net of tax

Share of profit of equity-accounted investees, net of tax decreased by 67% from $33 million in 1H 2018 to $11 million in 1H 2019 primarily due to the declining profit after tax performance of the incorporated Middlemount joint venture negatively impacted by an increase in strip ratio, a 19% decrease in saleable production due to challenging geotechnical conditions and a 9% decrease in realised A$ coal price. The Group's equity-accounted investment in Watagan is held on the balance sheet at nil value such that the loss after tax of the Watagan group of $149 million for the half-year ended 30 June 2019, including a $70 million impairment provision, after tax, is not reflected in the Group's statement of profit and loss for the same period.

Operating EBITDA and operating EBITDA margin

Operating EBITDA decreased by 4% from $980 million in 1H 2018 to $940 million in 1H 2019. The $40 million decrease was due to (i) flat revenue and other income (ii) a $25 million (2%) increase in costs due primarily to increased production (iii) a decrease in share of profit from Middlemount of $22 million partially offset by a $7 million reduction in contractual services and plant hire due to the new lease accounting standard. Operating EBITDA margin as a percentage of operating revenue decreased from 42% in 1H 2018 to 40% in 1H 2019.

Depreciation and amortisation

Depreciation and amortisation expenses increased by 20% from $244 million in 1H 2018 to $294 million in 1H 2019 including the impact of the new lease accounting standard. The 1H 2019 number includes $14 million of additional depreciation on leases that was not recognised in 1H 2018. After adjusting for this amount depreciation and amortisation would have increased by 15% over the same period primarily due to increased production, particularly on the Moolarben underground which carries a higher per tonne depreciation charge and the impact of some accelerated depreciation recognised at HVO and Stratford Duralie. Per saleable production tonne depreciation and amortisation costs, adjusted for the new lease accounting standard, increased from $15 to $16 over the same period.

Operating EBIT and operating EBIT margin

Operating EBIT decreased by 12% from $736 million in 1H 2018 to $646 million in 1H 2019 primarily due to 4% decrease in Operating EBITDA and a 20% increase in depreciation and amortisation as noted above. Operating EBIT margin as a percentage of operating revenue increased from 32% in 1H 2018 to 27% in 1H 2019.

Net finance costs

Net finance costs decreased by 43% from $156 million in 1H 2018 to $89 million in 1H 2019, primarily due to (i) an overall reduction in interest-bearing liabilities during 1H 2019 compared to 1H 2018 following several voluntary loan repayments and (ii) a reduction in the Yanzhou guarantee fee provided on the Group's syndicated facility being partially offset by (i) an increase in LIBOR during the period from an average of 2.13% in 1H 2018 to an average of 2.59% in 1H 2019 and (ii) a decrease in the A$:US$ exchange rate resulting in an increase in the Australian dollar value finance charge, where our loans are denominated in US dollars.

Profit before income tax and profit before income tax margin

As a result of the aforementioned reasons, profit before income tax decreased by 9% from $539 million in 1H 2018 to $492 million in 1H 2019. Profit before income tax margin as a percentage of operating revenue decreased from 23% to 21% over the same period.

Income tax expense

Income tax expense decreased by 17% from $178 million in 1H 2018 to $147 million in 1H 2019. The effective tax rate was 33.0% and 29.9% in the same periods, respectively, compared to the Australian corporate income tax rate of 30%. In 1H 2018 the higher effective tax rate primarily resulted from certain non-deductible items including the re-measurement and impairment of financial assets relating to WICET and stamp duty partially offset by certain non-assessable income items including part of the gain on the partial disposal of HVO.

Profit after income tax and profit after income tax margin

As a result of the aforementioned reasons, profit after income tax decreased by 4% from $361 million in 1H 2018 to $345 million in 1H 2019. Profit after income tax margin as a percentage of operating revenue remained flat at 15% over the same period.

OVERVIEW OF NON-OPERATING ITEMS

Non-operating items in the half-year ended 30 June 2019 and 2018 included the following:

	Half-year ended 30 June	
	2019	**2018**
	$m	**$m**
Non-operating items		
Fair value losses recycled from hedge reserve	(75)	(45)
Re-measurement of royalty receivable	6	2
Re-measurement of contingent royalty	4	-
Gain on disposal of interest in joint venture	-	78
Re-measurement of financial assets	-	(29)
Impairment of financial assets	-	(21)
Stamp duty expensed	-	(16)
Transaction costs	-	(10)
Profit before tax impact	**(65)**	**(41)**
Tax base finalisation	**219**	**-**
Profit after tax impact	**154**	**(41)**

Fair value losses recycled from the hedge reserve of $75 million (1H 2018: $45 million) represent retranslation losses on the Group's US dollar-denominated loans which are attributable to changes in US$:A$ foreign exchange rates. Under the Group's natural hedge policy, such losses are recycled to the statement of profit and loss based on the scheduled loan maturity dates. The amount of any fair value loss or gain recycled from the hedge reserve in a period is a function of the amount of the hedged US dollar loan scheduled to mature in that period and the respective US$:A$ exchange rates at the time the hedge was put in place and at the time the loan matured.

Re-measurement of the royalty receivable of $6 million (1H 2018: $2 million) relates to the change in the estimated fair value of the Group's Middlemount royalty receivable recognised on its right to receive a royalty of 4% of Free on Board Trimmed Sales on 100% of the Middlemount mine coal sales.

Re-measurement of contingent royalty of $4 million (1H 2018: nil) represents a decrease in the provision recognised on the C&A Acquisition with respect to the contingent coal price-linked royalty potentially payable to Rio Tinto from 1 September 2020.

Tax base finalisation of $219 million (1H 2018: nil) relates to the finalisation of the tax base attributable to the Group on its acquisition of Coal & Allied in 2017.

In 1H 2018 non-operating items also included a $78 million gain on the disposal of a 16.6% interest in HVO, a $29 million re-measurement of financial assets, a $21 million impairment of financial assets related to the decrease in the carrying value of the Group's investments in the Wiggins Island Coal Export Terminal (WICET) issued E Class Wiggins Island preference Securities and WICET issued Gladstone Long Term Securities, $16 million of stamp duty on the acquisition of a further 28.9% interest in the Warkworth joint venture and the final true up on the C&A acquisition and transaction costs of $10 million also relating to the finalisation of the Warkworth and C&A acquisitions.

CASH FLOW ANALYSIS

	Half-year ended 30 June		
	2019 $m	2018 $m	Change $m
Net operating cash flows	783	712	71
Net investing cash flows	(165)	210	(375)
Net financing cash flows	(1,054)	(680)	(374)
Net increase in cash	**(436)**	**242**	**(678)**

Net operating cash flows

Net operating cash inflows increased by $71 million (10%) to $783 million reflecting an increase in net receipts from customers over payments to suppliers despite a lower Operating EBITDA.

Net investing cash flows

Net investing cash outflows increased by $375 million (179%) to $165 million mainly reflecting the acquisitions and disposals undertaken by the Group. In 1H 2019 investing cash outflows included (i) a $21 million instalment payment for a further 4% in the Moolarben joint venture (ii) $96 million of capital expenditure and (iii) a net $64 million provided to Watagan under the Watagan loan facility. In 1H 2018 the net investing cash inflows included outflows of (i) $276 million paid for a further 28.9% interest in the Warkworth joint venture net of cash acquired and (ii) $71 million of capital expenditure partially offset by inflows including (i) $524 million received on the disposal of a 16.6% interest in the HVO joint venture net of cash disposed and (ii) $69 million received as a loan repayment from the Middlemount joint venture.

Net financing cash flows

Net financing cash outflows increased by $374 million (55%) to an outflow of $1,054 million. In 1H 2019 the net financing cash outflow included (i) $698 million (US$500 million) of voluntary debt repayments and (ii) $377 million final dividend. In 1H 2018 the net cash outflow included $664 million (US$500million) of voluntary debt repayment and no dividend payment.

FINANCIAL RESOURCES AND LIQUIDITY

	30 June 2019 $m	31 December 2018 $m	Change $m
Current assets	1,394	1,922	(528)
Current liabilities	(1,241)	(913)	(328)
Net current assets	**153**	**1,009**	**(856)**
Total assets	10,884	11,379	(495)
Total liabilities	(4,814)	(5,541)	727
Total equity	**6,070**	**5,838**	**232**

Current assets decreased by $528 million to $1,394 million as at 30 June 2019 mainly reflecting the strong operating cash flows generated during the half-year offset by the voluntary debt repayments of $698 million and 2018 final dividend of $377 million reducing the Group's cash balance by $441 million.

Current liabilities increased by $328 million to $1,241 million as at 30 June 2019 mainly reflecting the reclassification of A$425 million (US$300 million) of interest-bearing liabilities from non-current to current due to the debt tranche maturing in

June 2020.

Total assets decreased by $495 million to $10,884 million mainly reflecting the decrease in current assets noted above.

Total liabilities decreased by $727 million to $4,814 million mainly reflecting the voluntary debt repayments of $698 million noted above.

Total equity increased by $232 million to $6,070 million at 30 June 2019 mainly reflecting the $564 million profit after income tax for the half-year partially offset by the final dividend payment of $377 million.

The Group's primary source of liquidity was operating cash flows that contributed $1,747 million in the year ended 31 December 2018 and $783 million during the half-year ended 30 June 2019. This enabled the payment of a final 2018 dividend of $377 million and the further repayment of interest-bearing liabilities of $698 million during the half-year ended 30 June 2019.

For the year ended 31 December 2019 the primary source of liquidity is expected to continue to be operating cash flows. Historically, the Group's primary sources of liquidity have consisted of operating cash flows, interest-bearing liabilities, including shareholder loans, and new equity.

The Group's capital structure and gearing ratio is set out in the table below.

	30 June 2019 $m	**31 December 2018 $m**	**Change $m**
Interest-bearing liabilities	3,507	4,124	(617)
Less: cash and cash equivalents	(590)	(1,031)	441
Net debt	**2,917**	**3,093**	**(176)**
Total equity	6,070	5,838	232
Net debt + total equity	**8,987**	**8,931**	**56**
Gearing ratio [(1)]	0.32	0.35	(0.03)

[(1)] The Group's gearing ratio is defined as net debt (being interest-bearing liabilities less cash and cash equivalents) divided by net debt + total equity.

The Group's objective when managing its capital structure is to provide sustainable dividends to equity holders, pay down interest-bearing liabilities to a supportable level whilst providing capital towards sustaining capital expenditure and organic and inorganic expansion opportunities.

The gearing ratio reduced from 35% to 32% during the period.

The Group's Interest-bearing liabilities include secured bank loans of A$2,236 million (31 Dec 2018: A$2,572 million) and unsecured loans from related parties of A$1,163 million (31 Dec 2018: A$1,510 million) both denominated in US dollars and secured lease liabilities of A$108 million (31 Dec 2018: A$42 million) denominated in Australian dollars.

Secured bank loans carry a floating interest rate calculated with reference to the 3 month LIBOR rate for which the average all-in rate for the half-year ended 30 June 2019 was 7.0475% (1H 2018: 7.6032%). Unsecured loans from related parties carry a fixed interest rate for which the rate for the half-year ended 30 June 2019 was 7.00% (31 Dec 2018: 7.00%).

The Group's cash and cash equivalents includes A$365 million (31 Dec 2018: A$282 million), US$107 million (31 Dec 2018: US$395 million) and HK$392 million (31 Dec 2018: HK$1,046 million).

While the Company operates entirely in Australia and its costs are primarily denominated in its functional currency, the A$, foreign currency exposure arises particularly in relation to coal supply contracts, which generally are priced and payable in US$, procurement of diesel and imported plant and equipment, which can be priced in US$ or other foreign currencies, and debt denominated in US$.

The impact of exchange rate movements will vary depending on factors such as the nature, magnitude and duration of the movements, the extent to which currency risk is hedged under forward exchange contracts or other hedging instruments and the terms of these contracts.

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

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

More details on interest-bearing liabilities including types of instrument used, security provided and maturity profile are included in note D2 to the financial statements in this report.

More details on interest-bearing liabilities, cash and cash equivalents and equity including types of instrument used, security provided, maturity profile of interest-bearing liabilities, interest rates and hedging strategies are included in notes D2, D4 and D9 of the Group's Annual Report for the year ended 31 December 2018.

Available debt facilities

As at 30 June 2019 the Group has $622 million of undrawn debt under its A$1,400 million unsecured facility from related parties.

As at 30 June 2019 the Group has $172 million of undrawn bank guarantee facilities that are provided for operational purposes in favour of port, rail, government departments and other operational functions in the normal course of business.

CAPITAL EXPENDITURE AND COMMITMENTS

During the half-year ended 30 June 2019 capital expenditure of the Group amounted to $98 million comprising $96m of property, plant and equipment and $2 million of exploration.

As at 30 June 2019 commitments of the Group comprised capital commitments of $44 million and lease commitments of $124 million.

More detail on commitments is included in note F1 to the financial statements in this report.

SIGNIFICANT INVESTMENTS

The Company continues to look for high quality acquisition opportunities however there are currently no significant inorganic investments planned, as the Group focuses on organic growth opportunities and business as usual capital expenditure.

The Group continues to pursue its long-term strategy for organic growth, with a commitment to progressing its brownfield expansion and extension projects.

In the year ahead, the Group will continue to focus on exploration and expansion works across the tier-one assets of MTW, HVO and Moolarben, to be funded from operating cash flows.

Key projects include the Pre-feasibility Study for an underground development at MTW with an estimated capacity 6 million ROM tonnes per annum, which will be completed in April 2020.

Moolarben Mod 14 was approved by the New South Wales state government Independent Planning Commission on 19 June, where this Mod allows: increased production from open cut operations, up from 13Mtpa to 16Mtpa, and construction of a water treatment plant, with approval to discharge of treated water from the new discharge location. Final federal approval of additional production volumes is expected shortly. Maximising extraction rates in both the open cut and underground mines is a priority for the Company.

A revised HVO Life of Mine plan is being developed targeting further synergy opportunities.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Group made no material acquisitions or disposals.

EMPLOYEES

As at 30 June 2019, the Group had approximately 3,000 employees (including contract labour who are full time equivalents), all located in Australia, in addition to other contractors and service providers who support the Group's operations by delivering fixed scopes of work. For the half-year ended 30 June 2019, the total employee costs (including director's emoluments, HVO employees who are not included in the employee number above and excluding contract labour, contractors and service providers whose costs are included in Contractual services and plant hire) amounted to $260 million (1H 2018: $254 million).

Remuneration packages and benefits are determined in accordance with market terms, industry practice as well as the nature of duties, performance, qualifications and experience of employees and are reviewed an on annual basis. Remuneration packages include base wages or salaries, short-term site production bonuses, short and long-term staff incentives, non-monetary benefits, superannuation and long service leave contributions and insurance.

The Group's remuneration policies ensure remuneration is equitable, aligns with the long-term interests of the Group and Shareholders, comply with the diversity policy, provide market competitive remuneration to attract and retain skilled and motivated employees and structure incentives to link rewards with performance.

Details of the Group's incentive plans are included in the Remuneration Report in the Groups' Annual Report for the year ended 31 December 2018.

The Company believes that capable and competent employees contribute to the success of the Group. The Group invests in competence development and assurance programs to ensure statutory compliance and zero harm to its employees. The Group also contributes to the ongoing professional development of its employees. This investment contributes to a pipeline of employees who are ready to transition into new roles as well as creating a value proposition for new employees looking to join the Group.

EVENTS OCCURRING AFTER THE REPORTING DATE

Other than as disclosed above, no matters or circumstances have occurred subsequent to the end of the Period which 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.

FINANCIAL AND OTHER RISK MANAGEMENT

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies and procedures for management of these risks.

Currency Risk

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

The hedging policy of the Group aims to protect against the volatility of cash expenditures or reduced collections in the above-mentioned transactions as well as to reduce the volatility of profit or loss for retranslation of US dollar denominated loans at each period end. The latter is achieved through the use of a natural cash flow hedge whereby unrealised foreign exchange gains or losses arising on US dollar denominated loans are deferred on the balance sheet in a hedge reserve included in equity. Such deferred gains or losses are recycled to the profit or loss during the six-month period in which the loan is scheduled to be repaid. There is no guarantee that that this natural cash flow hedge will be sufficient to offset any foreign exchange losses, and material foreign exchange losses could negatively impact our financial condition.

Price risk

The price risk of the Group includes coal price risk.

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

See note D7 to the financial statements for the royalty receivable coal price sensitivity analysis.

Coal sales are predominately provisionally priced initially. Provisionally priced sales are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables. The final sales price is determined normally 7 to 90 days after delivery to the customer. At 30 June 2019, there are $802 million of provisionally priced sales still to be finalised, of which $364 million is yet to be received. If prices were to increase by 10% provisionally priced sales would increase by $80 million.

Interest Rate Risk

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

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

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 30 June 2019 the Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the Consolidated Balance Sheet and the amount of contingent liabilities in relation to financial guarantees issued by the Group.

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

Liquidity Risk

Liquidity risk includes the risk that the Group will not be able to meet its financial obligations as they fall due. The Group will be impacted in the following ways:

(i) will not have sufficient funds to settle transactions on the due date;

(ii) will be forced to sell financial assets at a value which is less than what they are worth; or

(iii) may be unable to settle or recover a financial asset at all.

Liquidity risk is managed by maintaining sufficient cash and liquid deposit balances and [having readily accessible standby facilities in place] in accordance with the Board's risk management policy.

CONTINGENCIES

The contingent liabilities of the Group as at 30 June 2019 comprise (i) $899 million (31 Dec 18: $675 million) of bank guarantees comprising $439 million (31 Dec 18: $471 million) of performance guarantees provided to third parties and $460 million (31 Dec 18: $404 million) of guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute with respect to the Group's owned and managed mines (ii) a letter of support provided to the Middlemount Coal Pty Limited joint venture and (iii) a number of claims that 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.

After the balance date, the Group was awarded US$32 million in respect of a commercial dispute, with interest and costs still to be determined. At 30 June 2019 the outcome was uncertain such that no asset was recognised in relation to this dispute.

See note D6 to the financial statements in this report for further details on the Group's contingencies.

CHARGES ON ASSETS

The Group has a Syndicated Bank Guarantee Facility provided by a syndicate of seven Australian and International banks totaling A$1 billion. As at 30 June 2019 the facility was drawn to A$828 million.

The Group has a Syndicated Term Loan facility provided by a syndicate of five Australian and International banks totaling US$300 million. As at 30 June 2019 the facility was fully drawn.

The Syndicated Bank Guarantee and Term Loan facilities are both secured by the assets of the consolidated group of Yancoal Resources Ltd and Coal & Allied Industries Ltd (both wholly owned subsidiaries of Yancoal Australia) with a carrying value of $5,384 million as at 30 June 2019.

FUTURE PROSPECTS

Yancoal will maintain strong cost discipline, with 2019 cash costs (excluding government royalties) expected to remain flat at around A$62.5/t (2018: A$63/t).

For 2019 Yancoal is targeting a dividend payout of 50% of net profit after income tax (adjusted for the impact of foreign exchange hedge reserve movements and any other non-operating items).

2019 guidance for saleable coal production is approximately 35 million tonnes (attributable). Expected 2019 capital expenditure is around A$285 million (attributable).

Yancoal has a long-term strategic commitment to organic growth, through brownfield expansion and extension projects. The current focus remains on exploration and expansion works across MTW and Moolarben, with proposed modifications for the Moolarben open-cut pits to maximize extraction rates awaiting approval.

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 2019 (the "Period").

Directors

The following persons were Directors of the Company (the "Directors") at any time during the Period and as at the date of this report:

Baocai Zhang
Fucun Wang
Cunliang Lai
Xiangqian Wu
Fuqi Wang
Qingchun Zhao
Xing Feng
Gregory James Fletcher
Geoffrey William Raby
Helen Jane Gillies
David James Moult

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2019 and up to the date of this report is as follows:

Laura Ling Zhang

Review of operations

Safety

The Group's Total Recordable Injury Frequency Rates ("TRIFR") remained steady for the Period. Implementation of core hazards continues with critical control verification a key focus.

As at 30 June 2019, the Yancoal 12-month moving average TRIFR was steady at 7.17[1]. Watagan Mining Company Pty Ltd ("Watagan") had a 12-month moving average TRIFR of 16.14 as at 30 June 2019, an improvement in performance since the end of 2018 when the 12-month moving average TRIFR was 23.85.

Financial performance

Yancoal's profit after income tax for the half-year ended 30 June 2019 was $564 million (1H18: $361 million) from revenue of $2,350 million (1H18: $2,347 million).

The unfranked Yancoal dividend of $136.7 million, with a record date on 6th September 2019 and payment date of 20th September 2019, represents a payout ratio of 24% of profit after tax consistent with the guidelines as approved at the Annual General Meeting.

Yancoal's financial performance continued to be underpinned by sustained high production rates at its low-cost Tier One assets, maximising throughput to meet increasing global demand and new marketing opportunities.

Yancoal achieved a half-year operating Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") of $940 million ($980 million in the first-half 2018 ("1H18")). Operating EBITDA for the period included contributions from Moolarben (Yancoal 85%[2]), Mount Thorley Warkworth (Yancoal 82.9% ownership), and the Hunter Valley Operations Joint Venture (Yancoal 51% ownership) totalling $919 million.

Yancoal will continue the early reduction of its existing debt liabilities as deemed appropriate. As at 30 June 2019, Yancoal had pre-paid a total US$1,400 million in loans under its Syndicated Facility Agreement since completion of Yancoal's acquisition of Coal & Allied Industries Ltd ("Coal & Allied") on 1 September 2017.

1 Yancoal TRIFR includes the owned and operated assets: Moolarben, Mount Thorley Warkworth, Stratford-Duralie and Yarrabee. The statistics do not include the joint ventures: Hunter Valley Operations (from May 2018 onwards) and Middlemount Coal, which are not operated by Yancoal.

2 Moolarben; 81% up to and including 30 November 2018 and 85% thereafter – reflecting Yancoal's increased ownership in the Moolarben Joint Venture as announced on 30 November 2018.

Mining operations

In New South Wales, Yancoal operated the Moolarben (85% ownership), Mount Thorley Warkworth (82.9% ownership) and Stratford Duralie (100% ownership) mines. A Joint Venture Management Committee controls The Hunter Valley Operations Joint Venture (51% ownership).

In Queensland, Yancoal operated the Yarrabee (100% ownership) open cut mine and maintained its near 50% equity interest in Middlemount Coal Pty Ltd ("Middlemount").

Yancoal also manages the underground mines of Austar (100% ownership), Ashton (100% ownership) and Donaldson3 (100% ownership) on behalf of Watagan4.

Total Run of Mine coal ("ROM") produced during the Period was 34.4 million tonnes ("Mt") 100% basis, an increase of 5% from 32.9Mt in 1H18.

Total attributable ROM coal was 22.7Mt to Yancoal, this was a 10% uplift over 1H18. Watagan and Middlemount respectively provided a 2.0Mt and 1.1Mt equity-accounted contribution.

There were production gains for the Period at two of Yancoal's three tier-one assets. The contribution of the Moolarben complex's underground and open-cut mines and Mount Thorley Warkworth was positive compared to the previous corresponding period – this included the benefit of an increased stake in Moolarben, where the ownership stake was 81% in the prior period but was 85% in the first half of 2019 ("1H19") following the increase in ownership announced on 30 November 2018.

Total saleable coal produced during the Period was 26.4Mt (100% basis), a 4% increase from 25.4Mt in 1H18.

Total attributable saleable coal produced was 17.8Mt, this was a 9% uplift over 1H18. Watagan and Middlemount respectively provided a 1.1Mt and 0.85Mt equity-accounted contribution.

The improved year-on-year performance was driven mostly by the Group's three Tier One assets, where:

- the Moolarben complex[5] (Yancoal 85% ownership) produced 10.9Mt ROM (1H18 9.8Mt) and saleable coal production of 9.5Mt (1H18 8.8Mt), with consistently strong output from the open cut and improved performance from the underground mine following the installation of software on the longwall shearer;
- Mount Thorley Warkworth (Yancoal 82.9% ownership) produced 9.1Mt ROM (1H18 8.5Mt) and saleable coal production of 6.1Mt (1H18 6.0Mt), early in the period mining schedule has allowed greater utilisation and equipment productivity, which benefitted both the ROM coal and saleable coal production; and
- the Hunter Valley Operations Joint Venture (Yancoal 51% ownership) produced 8.8Mt ROM (1H18 9.1Mt) and saleable coal production of 6.6Mt (1H18 6.4Mt), the production schedule is back-ended to the latter half of 2019.

Corporate Activity in the Period

During the Period, Yancoal announced the election of Mr Fucun Wang as a Director of the Company, and the re-election of Mr Cunliang Lai and Mr Fuqi Wang as Directors of the Company.

During the Period, Yancoal sought, and received, approval to amend the Company Constitution. The amendment revised rule 4.1(a)(1), so that the rule reads:

(a) "Subject in each case to applicable laws, the ongoing cash needs of the business, the statutory and common law duties of the directors and the shareholders' rights under rule 7.10, the directors may pay interim and/or final dividends, and must:

(1) subject to rule 4.1(a)(2), pay as interim and/or final dividends not less than (A) 50% of net profit after tax (pre-Abnormal Items); or (B) 50% of the free cash flow (pre-Abnormal Items), whichever is higher in each financial year; and

(2) if the directors determine that it is necessary in order to prudently manage the company's financial position, pay as interim and/or final dividends not less than 25% of net profit after tax (pre-Abnormal Items) in any given financial year.

"Free cash flow" for the purpose of rule 4.1(a)(1) is the net cash inflow from operating activities less payments made for capital expenditure and exploration activities."

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[3] Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance'.
[4] Watagan Mining Company Pty Ltd is a wholly-owned subsidiary of Yancoal Australia Ltd, controlled by a consortium of financiers consisting of Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited.
[5] Moolarben 81% owned up to and including 30 November 2018 and 85% thereafter – reflecting the increased ownership in the Moorlaben Joint Venture announced on 30 November 2018.

Coal sales and coal market outlook

Throughout 1H19, Yancoal continued to optimise its split of thermal coal and metallurgical coal sales to meet market demand and maximise price. The average price realised across the total attributable coal sales in the Period was A$124/t[6], compared to A$136/t in 2H18 and $128/t in 1H18.

The Company sells high-grade thermal coal priced off the GlobalCOAL 6,000kCal NAR index price and lower grade volumes at lower energy level benchmarks. Yancoal sells to a variety of industrial customers, predominantly within Asia. The majority of Yancoal sales are to Japan, Korea and China - no single country represents more than a quarter of attributable sales.

The sales volume typically exceeds the saleable coal production in any given period, as Yancoal purchases additional tonnages for blending purposes. Purchased tonnage enhances the overall sales mix and pricing.

Yancoal's sales split (equity share) for the Period was 13.7Mt thermal coal (1H18 13.2Mt) and 2.8Mt metallurgical coal (1H18 2.5Mt). These volumes are the sales of produced coal, the volumes exclude purchased coal volumes used to optimise overall product quality and realised price.

During 1H19, the demand profile for thermal coal in the Asia-Pacific region softened as a result of several factors. As a consequence of evolving market conditions, index coal prices moved lower and the premium for high-grade thermal coal relative to lower grade indices narrowed. In contrast, the metallurgical coal market has remained stable, with minimal changes in price.

The combination of the supply and demand factors influences the realised price Yancoal achieves across its product mix. Yancoal's mix of contract types with differing durations and reference prices help to mitigate against declining spot prices in the international coal markets. The declining Australian dollar also benefited the Australian dollar per tonne price the company received. Yancoal also actively considers the effect that its supply level can have on specific coal markets and responds appropriately to prevailing market conditions. To counter the anticipated short term volatility in thermal coal price indices, we continue to optimise the product quality and volume we place into the market. Despite the current regional supply and demand factors, it is our view that market fundamentals remain positive in the longer-term.

Purchase, sale or redemption of the Company's listed securities

During the Period, the Company did not redeem any of its listed securities nor did the Company or any of its subsidiaries purchase or sell any of such securities.

Compliance with the Hong Kong Corporate Governance Code

The Company has adopted the provisions of the Corporate Governance Code in Appendix 14 (the "HK Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules") as part of its corporate governance policy effective upon its listing on The Stock Exchange of Hong Kong Limited ("HKEx") on 6 December 2018 (the "HK Listing").

In the opinion of the board of Directors (the "Board"), the Company has complied with the code provisions of the HK Code (in addition to the relevant principles of the 3rd edition of the ASX Corporate Governance Council's Principles and Recommendations) during the Period.

Dealings in Company securities and Director confirmations

By law, and under the Company's Insider Trading Policy, dealing in Company securities is subject to the overriding prohibition on trading while in possession of inside information.

In addition, the Company's Share Trading Policy prohibits dealing in Company securities or Yanzhou securities by directors, senior executives and other relevant employees, as well as their closely related parties, during specified blackout periods each year. General employees are permitted to deal in Company securities outside these blackout periods, however additional approval requirements apply to directors, the CEO and the CFO. The Share Trading Policy precludes relevant employees from entering into any hedge or derivative transactions relating to unvested options or share rights granted to them under incentive plans and securities that are subject to holding locks or restrictions on dealing under such plans. There are also restrictions that apply to relevant employees from entering into margin lending arrangements and short-term trading of the Company's securities. Breaches of the policy are treated seriously and may lead to disciplinary

[6] Realised price for Attributable Ex-Mine Sales (excluding purchased coal sales)

action, including dismissal.

The Board approved revisions to its share trading policy in February 2019 with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the HK Listing Rules to regulate the Directors' securities transactions, which is also applicable to its employees who are likely to be in possession of unpublished inside information.

Specific enquiry has been made of all the Directors and they have each confirmed that they have complied with the Company's share trading policy and insider trading policy (which is more stringent than the Model Code) throughout the Period.

Copies of the Company's Share Trading Policy and Insider Trading Policy are available on the Corporate Governance section of the Company's website.

Interests and positions in shares of the Company

1. Interests of the Directors and Chief Executive of the Company

As at 30 June 2019, the interests and/or short positions (as applicable) of the Directors and the chief executive of the Company in the shares and debentures of the Company and any interests and/or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (1) were notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) were required, pursuant to the Model Code, to be notified to the Company and the HKEx, are as follows:

Name of Director or Chief Executive	Number of Shares	Interest in Underlying Shares (Note)	Total Interest in Shares and Underlying Shares	Nature of Interest	Approximate Percentage
Baocai Zhang	274,404	-	274,404	Beneficial owner	0.02078%
Gregory James Fletcher	2,100	-	2,100	Beneficial owner	0.00016%
Geoffrey William Raby	22,858	-	22,858	Beneficial owner	0.00173%
Fucun Wang	-	558,213	558,213	Beneficial owner	0.04227%
Reinhold Schmidt	312,278	1,862,167	2,174,445	Beneficial owner	0.16468%

Note: These represent the number of shares underlying the performance share rights which were granted pursuant to the Company's Equity Incentive Plan approved by the Board on 18 April 2018. The terms of the Equity Incentive Plan governing the grant of performance share rights are not subject to the provisions of Chapter 17 of the HK Listing Rules as it does not involve the grant of options by the Company to subscribe for new shares of the Company.

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executive of the Company or their respective associates had any interests and/or short positions (as applicable) in the shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) were required, pursuant to the Model Code, to be notified to the Company and the HKEx.

2. Interests of persons other than Directors and Chief Executive of the Company

As at 30 June 2019, the interests and/or short positions (as applicable) of persons or entities (other than a Director or chief executive of the Company) in the shares or underlying shares which were recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate Percentage (%)
Yanzhou	Beneficial interest	822,157,715	62.26
Yankuang[7]	Interest in controlled entity	822,157,715	62.26
Cinda International HGB Investment (UK) Limited	Beneficial interest	209,800,010	15.89
China Agriculture Investment Limited	Interest in controlled entity	209,800,010	15.89
International High Grade Fund B, L.P.	Interest in controlled entity	209,800,010	15.89
Cinda International GP Management Limited	Interest in controlled entity	209,800,010	15.89
China Cinda (HK) Asset Management Co., Ltd	Interest in controlled entity	209,800,010	15.89
Cinda Strategic (BVI) Limited	Interest in controlled entity	209,800,010	15.89
Cinda International Holdings Limited	Interest in controlled entity	209,800,010	15.89
China Cinda (HK) Holdings Company Limited	Interest in controlled entity	209,800,010	15.89
China Cinda Asset Management Co., Ltd[8]	Interest in controlled entity	209,800,010	15.89
Glencore Coal Pty Ltd	Beneficial interest	84,497,858	6.40
Glencore Holdings Pty Limited	Interest in controlled entity	84,497,858	6.40

[7] Yankuang is deemed to be interested in the 822,157,715 shares which Yanzhou is interested in as beneficial owner as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Yanzhou.

[8] Cinda International HGB Investment (UK) limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd, is interested in 209,800,010 Shares which are held by J P Morgan Nominees Australia Limited as nominee. China Cinda Asset Management Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Strategic (BVI) Limited, China Cinda (HK) Asset Management Co., Ltd, Cinda International GP Management Limited, International High Grade Fund B, L.P. and China Agriculture Investment Limited are each deemed to be interested in the 209,800,010 shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

Name of Shareholder	Capacity	Number of Shares Held or Interested	Approximate Percentage (%)
Glencore plc[9]	Interest in controlled entity	84,497,858	6.40
CSIL[10]	Beneficial interest	71,428,572	5.41
Shandong Lucion Investment Holdings Group Co., Ltd	Interest in controlled entity	71,428,572	5.41

Save as disclosed above, as at June 30, 2019, no other person (other than the Directors and chief executive of the Company) had any interest or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Share Option Scheme

As at 30 June 2019, the Group has no share option scheme.

Disclosure of Directors' information pursuant to Rule 13.51B(1) of the HK Listing Rules

There are no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the HK Listing Rules subsequent to the publication of the 2018 annual report of the Company.

Share purchase, sale or redemption

There were no shares purchased, sold or redeemed during the Period.

Public Float

Based on the information available to the Company as at 30 June 2019, approximately 15.37% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with the waiver granted by The Stock Exchange of Hong Kong Limited under Rule 8.08(1) of The Rules Governing the Listing of Securities as part of the Company's listing in Hong Kong. Rule 8.08(1)(a) of the HK Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public.

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at 30 June 2019, the Company has maintained the minimum public float of approximately 15.37% under the HK Listing Rules.

Use of proceeds

In connection with the global offering in Hong Kong, which was completed on 3 January 2019 (the "Global Offering"), the Company allotted and issued 59,441,900 new shares on 6 December 2018, 563,881 new shares on 28 December 2018 and 4,361,900 new shares on 3 January 2019 at a price of HK$23.48 per share and raised HK$1,511 million (A$268 million) in total gross proceeds. The net proceeds from the Global Offering amounted to approximately HK$1,305 million after deduction of related expenses of approximately HK$206 million (the "Net Proceeds").

The following table sets out the breakdown of the use of proceeds from the HK Listing as at the date of this Interim Report:

	Purpose of Net Proceeds	Amount Allocated HK$'000	Amount Utilised HK$'000	Balance HK$'000
1	Debt Repayment (48%)	626,507	626,507	-
2	Future M&A (30%)	391,567	-	391,567
3	Moolarben JV Acquisition (12%)	156,627	156,627	-
4	General Working Capital (10%)	130,522	130,522	-
	Total (Net Proceeds)	**1,305,223**	**913,656**	**391,567**

[9] Glencore plc and Glencore Holdings Pty Limited are deemed to be interested in the 84,497,858 Shares which Glencore Coal Pty Ltd is interested in as beneficial owner. Glencore plc wholly owns Glencore Holdings Pty Ltd which in turn wholly owns Glencore Coal Pty Ltd.
[10] CSIL, a wholly owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd, is interested in 71,428,572 shares which are held by HSBC Custody Nominees (Australia) Limited – A/C 2 as nominee.

The above utilisations are in accordance with the intended use of the net proceeds and percentage allocated, as stated in the Company's prospectus for the Global Offering dated 26 November 2018. The Company expects to utilise the balance net proceeds of approximately HK$392 million in the next 24 months.

Matters subsequent to the end of the half-year

No matters or circumstances have occurred subsequent to the end of the Period which 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.

Review by the audit and risk management committee

The interim financial statements of the Company and its subsidiaries for the half-year ended 30 June 2019 have not been audited, but have been reviewed by the audit and risk management committee of the Company and the Company's auditor, ShineWing, in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity.

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 27.

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 million dollars in accordance with that legislative instrument.

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

Fucun Wang

Director
Hong Kong

21 August 2019

ShineWing AUSTRALIA
Advisors & Accountants

Take the lead

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 2019 there has been:

1. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
2. 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

Hong Kong, 21 August 2019

	Notes	**30 June 2019 $M**	30 June 2018 $M
Revenue	B2	**2,350**	2,347
Other income	B3	**16**	115
Changes in inventories of finished goods and work in progress		**38**	24
Coal purchases		**(177)**	(182)
Raw materials and consumables used		**(352)**	(337)
Employee benefits	B4	**(260)**	(254)
Depreciation and amortisation		**(294)**	(244)
Transportation		**(293)**	(274)
Contractual services and plant hire		**(189)**	(206)
Government royalties		**(164)**	(161)
Other operating expenses	B4	**(69)**	(170)
Finance costs	B4	**(125)**	(152)
Share of profit of equity-accounted investees, net of tax	E2	**11**	33
Profit before income tax		**492**	539
Income tax benefit / (expense)	B5	**72**	(178)
Profit after income tax		**564**	361
Profit is attributable to:			
Owners of Yancoal Australia Ltd		**564**	361
Non-controlling interests		**-**	-
		564	361
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value losses		**(11)**	(246)
Fair value losses transferred to profit and loss		**75**	45
Deferred income tax (expense) / benefit		**(19)**	60
Other comprehensive income / (expense), net of tax		**45**	(141)
Total comprehensive income		**609**	220
Total comprehensive income for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**609**	220
		609	220
			Restated
Profit per share attributable to the ordinary equity holders of the Company:			
Basic profit per share (cents)	B6	**42.7**	28.7
Diluted profit per share (cents)	B6	**42.6**	28.7

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

	Notes	**30 June 2019 $M**	31 December 2018 $M restated
ASSETS			
Current assets			
Cash and cash equivalents		**590**	1,031
Trade and other receivables	C7	**452**	552
Inventories	C8	**258**	226
Royalty receivable		**26**	28
Non-contingent royalty receivable		**3**	7
Derivative financial instruments		**1**	-
Assets classified as held for sale		**45**	57
Other current assets		**19**	21
Total current assets		**1,394**	1,922
Non-current assets			
Trade and other receivables	C7	**270**	292
Property, plant and equipment	C1	**2,899**	2,939
Mining tenements	C2	**4,152**	4,218
Exploration and evaluation assets	C4	**565**	563
Intangible assets	C5	**96**	97
Interest bearing loan to associate	D1	**899**	835
Deferred tax assets		**106**	33
Royalty receivable		**169**	165
Non-contingent royalty receivable		**4**	8
Investments accounted for using the equity method	E2	**313**	307
Other non-current assets		**17**	-
Total non-current assets		**9,490**	9,457
Total assets		**10,884**	11,379
LIABILITIES			
Current liabilities			
Trade and other payables	C9	**738**	840
Interest-bearing liabilities	D2	**456**	13
Provisions		**35**	34
Non-contingent royalty payable		**12**	25
Current tax liabilities		**-**	1
Total current liabilities		**1,241**	913
Non-current liabilities			
Interest-bearing liabilities	D2	**3,051**	4,111
Provisions		**506**	488
Non-contingent royalty payable		**14**	27
Other non-current liabilities		**2**	2
Total non-current liabilities		**3,573**	4,628
Total liabilities		**4,814**	5,541
Net assets		**6,070**	5,838
EQUITY			
Contributed equity		**6,482**	6,482
Reserves	D5	**(559)**	(604)
Retained earnings / (accumulated losses)		**145**	(42)
Capital and reserves attributable to the owners of Yancoal Australia Ltd		**6,068**	5,836
Non-controlling interests		**2**	2
Total equity		**6,070**	5,838

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

	Notes	Attributable to owners of Yancoal Australia Ltd					
		Contributed equity $M	**Reserves $M**	**Retained earnings / (accumulated losses) $M**	**Total $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 January 2018		6,217	(413)	(781)	5,023	3	5,026
Opening balance adjustment on adoption of AASB 9		-	-	17	17	-	17
Balance at 1 January 2018 (restated)		**6,217**	**(413)**	**(764)**	**5,040**	**3**	**5,043**
Profit after income tax		-	-	361	361	-	361
Other comprehensive expense		-	(141)	-	(141)	-	(141)
Total comprehensive (expense) / income		**-**	**(141)**	**361**	**220**	**-**	**220**
Transactions with owners in their capacity as owners:							
Acquisition of minority interest		-	-	-	-	(1)	(1)
Transaction costs of ordinary shares		3	-	-	3	-	3
		3	-	-	3	(1)	2
Balance at 30 June 2018		**6,220**	**(554)**	**(403)**	**5,263**	**2**	**5,265**
Balance at 1 January 2019		**6,482**	**(604)**	**(42)**	**5,836**	**2**	**5,838**
Profit after income tax		-	-	564	564	-	564
Other comprehensive income		-	45	-	45	-	45
Total comprehensive income		**-**	**45**	**564**	**609**	**-**	**609**
Transactions with owners in their capacity as owners:							
Dividends paid	D3	-	-	(377)	(377)	-	(377)
		-	-	(377)	(377)	-	(377)
Balance at 30 June 2019		**6,482**	**(559)**	**145**	**6,068**	**2**	**6,070**

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

	Notes	**30 June 2019 $M**	30 June 2018 $M
Cash flows from operating activities			
Receipts from customers		**2,415**	2,391
Payments to suppliers and employees		**(1,515)**	(1,573)
Interest paid		**(131)**	(111)
Interest received		**27**	37
Transaction costs paid		**(9)**	(18)
Stamp duty paid		**(4)**	(14)
Net cash inflow from operating activities		**783**	712
Cash flows from investing activities			
Payments for property, plant and equipment		**(96)**	(71)
Payments for capitalised exploration and evaluation activities		**(2)**	(2)
Proceeds from sale of property, plant and equipment		**12**	-
Payment of non-contingent royalties		**(28)**	(78)
Receipts of non-contingent royalties		**8**	59
Payments for acquisition of interest in joint ventures and subsidiaries (net of cash acquired)		**(21)**	(276)
Proceeds from disposal of interest in joint venture and subsidiaries (net of cash disposed)		**-**	524
Repayment of loan from joint venture		**21**	69
Advances to related entities		**-**	(4)
Repayment of borrowings from associates		**26**	253
Advance of borrowings to associates		**(90)**	(271)
Dividends received		**5**	7
Net cash (outflow) / inflow from investing activities		**(165)**	210
Cash flows from financing activities			
Repayment of interest bearing liabilities		**(349)**	(664)
Repayment of interest bearing liabilities - related entities		**(349)**	-
Dividends paid	D3	**(377)**	-
Receipts from promissory note		**40**	-
Payment for treasury shares		**-**	(6)
Payment of lease liabilities		**(19)**	(10)
Net cash outflow from financing activities		**(1,054)**	(680)
Net (decrease) / increase in cash and cash equivalents		**(436)**	242
Cash and cash equivalents at the beginning of the financial year		**1,031**	207
Effects of exchange rate changes on cash and cash equivalents		**(5)**	36
Cash and cash equivalents at the end of the period		**590**	485

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

A Basis of preparation of half-year report

These financial statements for the half-year ended 30 June 2019 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These Half-Year Financial Statements are 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 2019 ("the period"). These Half-Year Financial Statements do 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 2018 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2019 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*, Australian Securities Exchange and the Stock Exchange of Hong Kong.

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 million dollars unless otherwise stated.

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 21 August 2019.

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.

Compliance with IFRS

The Half-Year Financial Statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Restated deferred tax comparative figures

As required by the accounting standards deferred tax assets and liabilities shall be offset when an entity has a legally enforceable right to offset tax liabilities and assets. The Group has offset deferred tax asset and liabilities as at 30 June 2019 and restated the comparative balances as at 31 December 2018. The restatement at 31 December 2018 has resulted in deferred tax liabilities of $1,029 million being offset against deferred tax assets of $1,069 million resulting in a net deferred tax asset balance of $33 million. This has reduced both the non-current asset and non-current liability balances by $1,029 million. There has been no adjustment to the Group’s net asset position as at 31 December 2018 or to the profit or loss for the period ending 30 June 2018.

Auditor sign-off

The independent auditor’s report of these consolidated financial statements is unqualified and unmodified.

In addition:

- the Half-Year Financial Report have been reviewed by external auditors per Appendix 16 paragraph 46(6) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”); and
- the accounting information given in the Half-Year Financial Report has not been audited per Appendix 16 paragraph 43 of the Listing Rules.

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

The Group has applied AASB 16 *Leases* with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

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

(a) New and amended accounting standards adopted by the Group (continued)

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 *Leases*. The details of accounting policies under AASB 117 are disclosed separately if they are different from those under AASB 16 and the impact of changes is also disclosed.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  (i) the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  (ii) the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  (iii) facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  (i) the Group has the right to operate the asset; or
  (ii) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, where applicable, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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

(a) New and amended accounting standards adopted by the Group (continued)

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line or other appropriate method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the balance sheet.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under AASB 117

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's balance sheet. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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

(a) New and amended accounting standards adopted by the Group (continued)

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is a finance lease, if not, it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, it classifies the sub-lease as an operating lease.

The Group recognises lease payments received under operating leases as revenue on a straight-line basis over the lease term as part of 'other revenue'.

The accounting policies applicable to the Group as a lessor in the comparative period are the same as AASB 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset. For the leases that are now recognised as a finance lease due to this change the amounts due from lessees under the finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Impact on financial statements

On transition to AASB 16, the Group recognised an additional $51 million of right-of-use assets and $70 million of lease liabilities and $19 million of finance lease receivables.

When measuring lease liabilities, the Group discounted lease payments using the contract rates and its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 7%.

Lessee impact:

	1 January 2019 $M
New lease liabilities recognised	70
Uplift for discount rates applied	11
	81
Recognition exemption for:	
- short-term leases	9
- reassessment of lease terms	(14)
- non-capital leases	12
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	88

Lessor impact:

Sub-leases to joint ventures have been reassessed under AASB 16 and have been converted to finance leases. As the lease term and payments under the sub-lease reflect the lease term and payments under the head lease, this is a 'back to back' arrangement and is accounted for as a finance lease. The lease is calculated as the present value of the lease payments for the right to use the underlying asset during the lease term that are not yet received plus any residual value accruing to the lessor. The discount rate used the present value the lease payments is the rate implicit in the lease.

This has resulted in derecognition of $19 million in leased plant and equipment and recognition of $19 million of finance lease receivables as at 1 January 2019.

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

(a) New and amended accounting standards adopted by the Group (continued)

Other amending accounting standards and interpretations

Other relevant accounting standards and amendments and interpretations effective for the current reporting period include:

- AASB 2017-7 *Amendments to Australian Accounting Standards - Long-term Interests in Associates and Joint Ventures;* and
- AASB 2018-1 *Interpretation 23 Uncertainty over income tax treatments.*

The adoption of the amendment and interpretation have 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 2019 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) Terms of office

During the period there were no changes to the terms of office for key management personnel and directors.

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.

(b) Segment information

The segment information for the reportable segments for the half-year ended 30 June 2019 is as follows:

	Coal mining			
30 June 2019	**NSW** $M	**QLD** $M	**Corporate** $M	**Total** $M
Total segment revenue*	2,008	264	(75)	2197
Add: Fair value losses recycled from hedge reserve	-	-	75	75
Revenue from external customers	2,008	264	-	2272
Operating EBIT	696	8	(58)	646
Operating EBITDA	969	25	(54)	940
Material income or expense items				
Non-cash items				
Depreciation and amortisation expense	(273)	(17)	(4)	(294)
Remeasurement of royalty receivable	-	-	6	6
Remeasurement of contingent royalty	4	-	-	4
	(269)	(17)	2	(284)
Total capital expenditure	**123**	**3**	**2**	**128**

B Performance (continued)

B1 Segment information (continued)

(b) Segment information (continued)

30 June 2019				
Segment assets	7,710	579	2,282	10,571
Investment in joint venture and associate	188	-	125	313
Total assets	**7,898**	**579**	**2,407**	**10,884**

The segment information for the reportable segments for the half-year ended 30 June 2018 and segment assets for 31 December 2018 is as follows:

30 June 2018	**Coal mining NSW** $M	**QLD** $M	**Corporate** $M	$M
Total segment revenue*	2,051	199	(45)	2,205
Add: Fair value losses recycled from hedge reserve	-	-	45	45
Revenue from external customers	2,051	199	-	2,250
Operating EBIT	747	16	(27)	736
Operating EBITDA	976	28	(24)	980
Material income or expense items				
Non-cash items				
Depreciation and amortisation	(229)	(12)	(3)	(244)
Remeasurement of royalty receivable	-	-	2	2
Gain on disposal of joint operation and subsidiaries	-	-	78	78
Remeasurement of financial assets	-	-	(29)	(29)
Impairment of financial assets	-	-	(21)	(21)
	(229)	**(12)**	**27**	**(214)**
Cash items				
Stamp duty paid	-	-	(16)	(16)
Transaction costs	-	-	(10)	(10)
			(26)	(26)
Total capital expenditure	**77**	**9**	**-**	**86**
31 December 2018				
Segment assets (restated)	8,921	727	1,424	11,072
Investment in joint venture and associate	191	-	116	307
Total assets	**9,112**	**727**	**1,540**	**11,379**

* Total segment revenue consists of revenue from the sale of coal whereas revenue disclosed in the profit or loss also includes other revenue such as management fees, sea freight, 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 2018 and 30 June 2019.

(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 profit or loss.

Revenue from external customers are derived from the sale of coal from operating mines and coal purchases. Segment revenues are allocated based on the country in which the customer is located refer to Note B2 for revenue from external customers split by geographical regions.

B Performance (continued)

B1 Segment information (continued)

(c) Other segment information (continued)

Revenues from the top five external customers were $866 million (2018: $752 million) which in aggregate represent approximately 38% (2018: 33%) 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 as follows:

	30 June 2019 $M	30 June 2018 $M
Total segment revenue	**2,197**	2,205
Interest income	**62**	58
Mining services fees	**25**	26
Sea freight	**50**	37
Other revenue	**16**	21
Total revenue (note B2)	**2,350**	2,347

(ii) Operating EBITDA

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBITDA. This measure excludes the effects of non-recurring expenditure or income 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 EBITDA to profit before income tax is provided as follows:

	30 June 2019 $M	30 June 2018 $M
Operating EBITDA	**940**	980
Depreciation and amortisation	**(294)**	(244)
Operating EBIT	**646**	736
Gain on disposal of interest in joint operation and subsidiaries	**-**	78
Interest income	**62**	58
Finance costs	**(125)**	(152)
Bank fees and other charges	**(26)**	(62)
Fair value losses recycled from hedge reserve - USD loans	**(75)**	(45)
Remeasurement of royalty receivable	**6**	2
Remeasurement of financial assets	**-**	(29)
Impairment of financial assets	**-**	(21)
Remeasurement of contingent royalty	**4**	-
Stamp duty	**-**	(16)
Transaction costs	**-**	(10)
Profit before income tax	**492**	539

(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

Contracts with customers

The Group has recognised the following amounts relating to revenue in the profit or loss:

	30 June 2019 $M	30 June 2018 $M
From continuing operations		
Sales revenue		
Sale of coal	**2,272**	2,250
Fair value losses recycled from hedge reserve	**(75)**	(45)
	2,197	2,205
Other revenue		
Interest income	**62**	58
Mining services fees	**25**	26
Sea freight	**50**	37
Other	**16**	21
	153	142
	2,350	2,347

At 30 June 2019 there are $802 million of provisionally priced sales, still to be finalised, of which $364 million is yet to be collected (30 June 2018 $634 million).

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and major products/service lines of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's three reportable segments (see Note B1):

30 June 2019	NSW $M	QLD $M	Corporate $M	Total $M
Primary geographical markets				
Japan	480	74	-	554
Australia (Yancoal's country of domicile)	281	35	-	316
Singapore	264	47	-	311
China	295	9	-	304
South Korea	159	79	-	238
Taiwan	227	7	-	234
Thailand	193	-	-	193
All other foreign countries	108	14	-	122
Total	**2,007**	**265**	**-**	**2,272**
Major product/service lines				
Thermal coal	1,681	13	-	1,694
Metallurgical coal	326	252	-	578
Total	**2,007**	**265**	-	**2,272**

B Performance (continued)

B2 Revenue (continued)

30 June 2018	NSW $M	QLD $M	Corporate $M	Total $M
Primary geographical markets				
China	447	32	-	479
Singapore	421	30	-	451
Japan	374	66	-	440
South Korea	289	44	-	333
Taiwan	200	10	-	210
Thailand	165	-	-	165
Australia (Yancoal's country of domicile)	55	8	-	63
All other foreign countries	100	9	-	109
Total	**2,051**	**199**	**-**	**2,250**
Major product/service lines				
Thermal coal	1,690	8	-	1,698
Metallurgical coal	361	191	-	552
Total	**2,051**	**199**	-	**2,250**

In 2019 12.4% of coal sales were attributable to the largest customer and 38.1% to the top five customers (2018: 10% and 33.4% respectively).

Contract balances

The group has recognised the following revenue-related receivables, contract assets and liabilities:

	30 June 2019 $M	30 December 2018 $M
Receivables	**364**	442

There are no contract assets or liabilities or costs as at 30 June 2019 or 31 December 2018.

B3 Other income

	30 June 2019 $M	30 June 2018 $M
Gain on disposal of interest in joint operation and subsidiaries	**-**	78
Net gain on foreign exchange	**-**	30
Gain on remeasurement of royalty receivable	**6**	2
Gain on remeasurement of contingent royalty	**4**	-
Sundry income	**6**	5
	16	115

There is no impact on the conversion of US dollar denominated interest-bearing liabilities (2018: nil).

B Performance (continued)

B4 Expenses

	30 June 2019 $M	30 June 2018 $M
Profit before income tax includes the following specific expenses:		
(a) Employee benefits		
Employee benefits	**239**	230
Share-based payments	**-**	6
Superannuation contributions	**21**	18
Total employee benefits	**260**	254

During the period to 30 June 2019 $3 million of employee benefits were capitalised (2018: $1 million)

	30 June 2019 $M	30 June 2018 $M
(b) Finance costs		
Finance lease charges	**4**	2
Unwinding of discount on provisions and deferred payables	**7**	6
Amortisation of non-substantial loan refinance	**4**	7
Other interest expenses	**110**	137
Total finance costs	**125**	152

(c) Other operating expenses

	30 June 2019 $M	30 June 2018 $M
Bank fees and other charges	**26**	62
Duties and other levies	**9**	9
Information technology	**7**	7
Insurance	**6**	5
Stamp duty	**-**	16
Travel and accommodation	**5**	4
Net loss on foreign exchange	**4**	-
Loss on sale of assets	**2**	6
Rental expense	**1**	2
Remeasurement of financial assets	**-**	29
Impairment of financial assets	**-**	21
Other operating expenses	**9**	9
Total other operating expenses	**69**	170

(e) Largest suppliers

In 2019 5.8% of total operating expenses related to one supplier and 21.9% to the top five suppliers (2018 5.4% and 19.8% respectively).

B Performance (continued)

B5 Income tax benefit / (expense)

(a) Income tax benefit / (expense)

	30 June 2019 $M	30 June 2018 $M
Income tax benefit / (expense) breakdown	**72**	(178)
Income tax benefit / (expense) is attributable to:		
Continuing operations	**72**	(178)

(b) Numerical reconciliation of income tax benefit / (expense) to prima facie tax payable

	30 June 2019 $M	30 June 2018 $M
Profit from continuing operations before tax	**492**	539
Tax at the Australian tax rate of 30% (2018 - 30%)	**(148)**	(162)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Movements in tax base of assets	**219**	-
Movements in financial assets	**-**	(15)
Under provision in prior years	**-**	(1)
Share of profit of equity-accounted investees not deductible	**4**	10
Gain on disposal of interest in joint operation	**-**	14
Stamp duty expensed	**-**	(5)
Other	**(3)**	(19)
Income tax benefit / (expense)	**72**	(178)

In finalising the opening tax base of the acquired Coal and Allied Industries Ltd an adjustment to deferred tax assets has been recognised of $219 million.

The income tax benefit / (expense) 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 2019 adjusted for the movement in tax base of assets is 29.8% (2018: 33.0%). The estimated average tax rate takes into account permanent differences that may arise from thin capitalisation, transfer pricing and the equity accounting of associates.

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.

At 30 June 2019 the amount of recognised tax losses and offsets in the deferred tax assets are $518 million (31 December 2018: $625 million).

B Performance (continued)

B6 Earnings per share

(a) Basic and diluted earnings per share

	30 June 2019	30 June 2018 Restated
Total basic earnings per share (cents per share)	**42.7**	28.7
Total diluted earnings per share (cents per share)	**42.6**	28.7

(b) Reconciliation of earnings used in calculating profit per share

	30 June 2019 $M	30 June 2018 $M
Basic and diluted earnings per share		
Earnings used in calculating the basic and diluted earnings per share:		
From continuing operations	**564**	361

(c) Weighted average number of shares used in calculating profit per share

	30 June 2019 Number	30 June 2018 Number Restated
Ordinary shares on issue at start on the period	**1,320,439,437**	1,255,984,189
Less weighted average treasury shares held	**(31,225)**	(208,338)
Plus weighted average of new ordinary shares issued during the period	**-**	71,412
Weighted Average number of ordinary shares used in basic earnings per share	**1,320,408,212**	1,255,847,263
Adjusted for rights and options on issue	**3,283,860**	758,023
Weighted average shares used in diluted earnings per share	**1,323,692,072**	1,256,605,286

2018 has been restated for the 35 to 1 ordinary share consolidation on 28 September 2018.

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	Total $M
At 31 December 2018						
Cost or fair value	102	376	1,613	2,975	110	5,176
Accumulated depreciation	-	(66)	(428)	(1,705)	(38)	(2,237)
Net book amount	102	310	1,185	1,270	72	2,939
Half-year ended 30 June 2019						
Opening net book amount	102	310	1,185	1,270	72	2,939
Initial recognition of lease assets under AASB 16	-	-	-	-	70	70
Transfer from assets under construction	(46)	6	14	50	(24)	-
Additions	91	-	34	3	-	128
Transfer to finance lease receivables	-	-	-	-	(19)	(19)
Transfer to mining tenements	-	-	(41)	-	-	(41)
Leased asset additions	-	-	-	-	15	15
Other disposals	-	-	-	(2)	(4)	(6)
Depreciation	-	(4)	(45)	(121)	(17)	(187)
Closing net book amount	147	312	1,147	1,200	93	2,899
At 30 June 2019						
Cost or fair value	147	380	1,620	3,031	110	5,288
Accumulated depreciation	-	(68)	(473)	(1,831)	(17)	(2,389)
Net book amount	147	312	1,147	1,200	93	2,899

During the period ended 30 June 2019 $1 million of depreciation was capitalised (2018: nil).

On 24 May 2019 a subsidiary of the Company sold a property at Black Hill NSW for $12 million.There was no gain or loss recognised on this sale as this amount was previously recognised as an asset held for sale associated with the acquisition of Coal & Allied Industries Ltd in 2017.

C Operating assets and liabilities (continued)

C2 Mining tenements

	30 June 2019 $M	31 December 2018 $M
Opening net book amount	**4,218**	4,296
Acquisition through business combination	**-**	128
Transfers from exploration and evaluation	**-**	6
Transfers from mine development	**41**	-
Amortisation	**(107)**	(188)
Transfer to assets classified as held for sale	**-**	(24)
Closing net book amount	**4,152**	4,218

C3 Impairment of assets

(a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines of Moolarben, Mount Thorley Warkworth, Hunter Valley Operations and Stratford Duralie 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 (18 - 42 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$67 – US$104 per tonne (2018: US$67 – US$104 per tonne) for thermal and US$112 – US$217 per tonne (2018: US$112 – US$217 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. The external sources have determined their benchmark coal price forecasts having regard to the latest International Energy Agency (IEA) New Policy Scenario, the Nationally Determined Contributions submitted in the lead-up to the Paris Agreement in 2015 and National Energy Policies. This contemplates the global seaborne demand for thermal coal will remain relatively consistent until 2040 whilst the global seaborne demand for metallurgical coal will increase up to 2040. Key risks to the outlooks are increasing decarbonisation trends, trade disputes, protectionism, import control policies in China and investor behaviour to coal project financing. The Group has considered the impacts of a more rigorous international response to climate change under the Paris Agreement and notes that the average mine life required for the recoverable amount to continue to exceed the book value, holding all inputs constant, including coal prices, is 8, 4 and 4 years for the NSW, Yarrabee and Middlemount CGUs, respectively. The NSW CGU has an approximate 80% exposure to thermal coal whilst Yarrabee and Middlemount are both metallurgical coal mines. The Group concludes that whilst a more rigorous international response to climate change could reduce the future demand for coal the likely impact of any such action are not expected to materially impact during the time periods noted above and hence would not result in the recoverable amount falling below book value. 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 (2018: $0.75) is based on external sources. The 30 June 2019 AUD/USD exchange rate was $0.70 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 2014. Further discussion is included in Note C2 of the Group's Annual Financial Report for the year ended 31 December 2018.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(b) Assessment of fair value (continued)

Discount rate	The Group has applied a post-tax nominal discount rate of 10.5% (2018: 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 2019 the recoverable amount is determined to be above book value for all CGU's resulting in no impairment.

Impairment provision recorded as at 30 June 2019 is $70 million for Stratford Duralie. Stratford Duralie is 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 reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserves.

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

(c) Key sensitivity

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

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

2019	**NSW $M**	**Yarrabee $M**	**Middlemount $M**
Book Value	5,742	323	313
Recoverable Amount	12,911	643	641
Head Room	7,169	320	373
US$ Coal Price (i)			
+10%	2,745	307	165
-10%	(2,749)	(330)	(168)
Exchange Rate (ii)			
+5 cents	(1,606)	(192)	(94)
-5 cents	1,678	188	92
Discount Rate (iii)			
+50 bps	(526)	(12)	(13)
-50 bps	568	12	14

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(c) Key sensitivity (continued)

(i) This represents the change in recoverable amount due to a +/- 10% change to our coal price assumption.

(ii) This represents the change in recoverable amount due to a +/- 5 cents change to the long term US$:A$ foreign exchange rate adopted.

(iii) This represents the change in recoverable amount due to a +/- 50bps change in discount rate adopted.

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 $10 million. If the AUD/USD long term forecast exchange rate was $0.80, or the WACC was 11.0%, the recoverable amount would exceed book value for all CGU's.

C4 Exploration and evaluation assets

	30 June 2019 $M	31 December 2018 $M
Opening net book amount	**563**	565
Acquisition through business combination	**-**	12
Transfers to mining tenements	**-**	(6)
Transfers to mine development	**-**	(10)
Other additions	**2**	2
Closing net book amount	**565**	563

C5 Intangible assets

	Goodwill $M	**Computer software $M**	**Water rights $M**	**Other $M**	**Total $M**
At 31 December 2018					
Cost	60	27	17	14	118
Accumulated amortisation	-	(20)	-	(1)	(21)
Net book amount	60	7	17	13	97
Half-year ended 30 June 2019					
Opening net book amount	60	7	17	13	97
Amortisation charge	-	(1)	-	-	(1)
Closing net book amount	60	6	17	13	96
At 30 June 2019					
Cost	60	27	17	14	118
Accumulated amortisation	-	(21)	-	(1)	(22)
Net book amount	60	6	17	13	96

(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 in an arm's 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 2019. 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 Leases

(a) Amount recognised in profit or loss

	30 June 2019 $M
Other income from equipment leasing	2
Depreciation on right of use assets (refer Note C1)	(17)
Expenses relating to short-term and variable leases	(17)
Interest on lease liabilities	(4)

(b) As a lessee

Right-of-use assets

$M	**Buildings**	**Plant and equipment**	**Total**
Opening balance at 31 December 2018	-	72	72
Initial recognition of leases under AASB 16	14	56	70
Transfer to plant and equipment	-	(24)	(24)
Transfer to finance lease receivables	-	(19)	(19)
Additions	2	13	15
Other disposals	-	(4)	(4)
Depreciation	(1)	(16)	(17)
Closing balance at 30 June 2019	15	78	93

An undiscounted maturity analysis of lease liabilities is disclosed in Note D2(d)

The cash outflow for capitalised leases was $19 million for the period to 30 June 2019.

C7 Trade and other receivables

	30 June 2019 $M	31 December 2018 $M
Current		
Trade receivables from contracts with customers	**364**	442
Other trade receivables	**88**	70
Promissory note receivable (i)	**-**	40
	452	552

	30 June 2019 $M	31 December 2018 $M
Non-current		
Receivables from joint venture (ii)	**202**	218
Receivables from other entities (iii)	**14**	15
Long service leave receivables	**54**	59
	270	292

(i) As part of the equity raising completed in 1 September 2017 US$28 million was deposited in Yankuang Ozstar (Ningbo) Trading Co Limited, a related party, and a promissory note was issued to the Company. This amount was settled in cash during the current period.

C Operating assets and liabilities (continued)

C7 Trade and other receivables (continued)

(ii) Receivables from joint venture includes a loan provided to Middlemount Coal Pty Ltd ("Middlemount") with a face value of $212 million (2018: $233 million). From 1 January 2019 the shareholders of Middlemount agreed to make the loan interest free for 24 months. At 30 June 2019 this loan has been amortised using the effective interest rate method to $202 million with the difference being recognised through profit and loss.

(iii) Receivables from other entities includes the Group's investments in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ("WICET"). These include E Class Wiggins Island Preference Securities ("WIPS") with a carrying value of nil (2018: nil) and Gladstone Island Long Term Securities ("GiLTS") of $14 million (2018: $14 million).

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

	30 June 2019 $M	31 December 2018 $M
0-90 days	**362**	439
91- 180 days	**-**	-
181- 365 days	**-**	2
Over 1 year	**2**	1
Total	**364**	442

(a) Past due but not impaired

The ageing analysis of the Group's and the Company's trade receivables, that were past due but not yet impaired as at 30 June 2019 and 31 December 2018, is as follows:

	30 June 2019 $M	31 December 2018 $M
0-90 days	**2**	3
91- 180 days	**-**	-
181- 365 days	**-**	2
Over 1 year	**2**	1
Total	**4**	6

The Group does not hold any collateral over these balances. Management closely monitors the credit quality of trade receivables and considers the balance that are neither past due or impaired to be of good quality.

C8 Inventories

	30 June 2019 $M	31 December 2018 $M
Coal - at lower of cost or net realisable value	**171**	136
Tyres and spares - at cost	**84**	86
Fuel - at cost	**3**	4
	258	226

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2019 amounted to $1 million (31 December 2018: $1 million). Any movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the profit or loss.

C Operating assets and liabilities (continued)

C9 Trade and other payable

	30 June 2019 $M	31 December 2018 $M
Trade payables	**401**	423
Payroll costs payable	**89**	100
Other payables	**117**	209
Tax sharing and funding payables to Watagan	**131**	108
	738	840

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

	30 June 2019 $M	31 December 2018 $M
0-90 days	**395**	421
91- 180 days	**-**	1
181- 365 days	**1**	1
Over 1 year	**5**	-
Total	**401**	423

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

D Capital structure and financing

D1 Interest-bearing loan to associate

	30 June 2019 $M	31 December 2018 $M
Opening balance	**835**	712
Repayments	**(26)**	(254)
Drawdowns	**90**	377
Closing balance	**899**	835

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 2019 $M	31 December 2018 $M
Current		
Secured bank loans	**425**	-
Secured lease liabilities	**31**	13
	456	13

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

Non-current		
Secured bank loans	**1,811**	2,572
Secured lease liabilities	**77**	29
Unsecured loans from related parties	**1,163**	1,510
	3,051	4,111
Total interest-bearing liabilities	**3,507**	4,124

Reconciliation of liabilities arising from financing activities:

	Secured lease liabilities $'M	Loans from related parties $'M	Secured bank loan $'M
Opening balance at 31 December 2018	42	1,510	2,572
Additions	85	-	-
Repayments	(19)	(349)	(349)
Disposals	(4)	-	-
Unwind of interest expenses	4	-	-
Unwind of non-substantial loan modification	-	-	4
Foreign exchange movements	-	2	9
Closing balance at 30 June 2019	**108**	**1,163**	**2,236**

As a result of a refinancing during 2017 a non-substantial loan modification adjustment was recognised in line with AASB 9: *Financial Instruments*. At 30 June 2019 the remaining balance to be amortised in finance costs is $9 million (31 December 2018: $13 million). This amount will continue to amortise up to the date of maturity, at which time the full face value of the secured bank loans will be recognised.

(a) Secured bank loans

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

		30 June 2019		31 December 2018	
	Facility US $M	**Facility $M**	**Utilised $M**	Facility $M	Utilised $M
Secured bank loans					
Syndicated facility (i)*	1,275	**1,818**	**1,818**	2,161	2,161
Syndicated term loan (ii)	300	**427**	**427**	425	425
		2,245	**2,245**	2,586	2,586

* Facility balance excludes the remaining fair value adjustment balance of AU$9 million recorded at 30 June 2019.

(i) Syndicated Facility

In 2009 a Syndicated loan 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. During 2019 US$250 million (31 December 2018: US$500 million) has been repaid reducing the facility to US$1,275 million (31 December 2018: US$1,525 million).

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 is greater than 1.40;
(b) The gearing ratio of the Group will not exceed 0.75; and

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

(a) Secured bank loans (continued)

(c) The consolidated net worth of the Group are greater than AU$3,000 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 includes 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 2019.

(ii) Syndicated Term Loan

During 2018 a Syndicated Term Loan of US$300 million was taken out and all proceeds were used to partially repay the Syndicated Facility. The Syndicated Term Loan facility is provided from a syndicate of five domestic and international banks.

The Syndicated Term Loan is secured by the assets of the consolidated groups of Yancoal Resources Ltd and Coal & Allied Industries Ltd with carrying value of $5,384 million.

The Syndicated Term Loan includes the groups financial covenants based on consolidated results of Yancoal Resources Ltd and Coal & Allied Industries Ltd groups to be tested half-yearly:

(a) The interest cover ratio is greater than 5.0 times;
(b) The finance debt to EBITDA ratio is less than 3.0 times; and
(c) The net tangible assets is greater than AU$1,500 million.

There was no breach of covenants at 30 June 2019.

(b) Bank guarantee facilities

The Group is 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
Syndicate of seven domestic and international banks	-	1,000	828	Secured by the assets of the consolidated groups of Yancoal Resources Ltd and Coal & Allied Industries Ltd with carrying value of $5,384 million. Facility expires on 23 August 2021.
Bank of China*	50	71	71	Parent corporate guarantees from Yanzhou to Bank of China for the full amount of the facility. - Facility expires on 16 December 2019
Total	50	1,071	899	

* This facility can be drawn in both A$ and US$.

The Syndicated Bank Guarantee Facility includes the same financial covenants as the Syndicated Term Loan.

The Bank of China bank guarantee facility includes the same financial covenants as the Syndicated Facility.

(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.

D Capital structure and financing (continued)

D2 Interest-bearing liabilities (continued)

(c) Unsecured loans from related parties (continued)

- Facility 1: AU$1,400 million - the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. During the period US$250 million has been repaid and no additional amounts have been drawn down. In total US$573 million (AU$816 million) remains drawn down as at 30 June 2019 (31 December 2018: US$823 million (AU$1,166 million)). At 30 June 2019 the undrawn balance on this facility, with drawn amounts calculated based on the rate of exchange on the day each outstanding advance occurred, is AU$622 million (31 December 2018 AU$315 million).
- Facility 2: US$243 million - initially the facility totalled US$807 million with the purpose of the facility being to fund the coupon payable on subordinated capital notes. On 31 January 2018 all remaining SCN's were redeemed limiting the facility to the current drawn amount US$243 million. During the period no amount has been drawn down. In total US$243 million (AU$347 million) was drawn down as at 30 June 2019 (31 December 2018: US$243 million (AU$344 million)).

Both of the facilities have a term of 10 years (with principal repayable at maturity) and are provided on an unsecured and subordinated basis with no covenants.

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

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

	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 2019						
Lease liabilities	38	31	44	11	124	108
Other interest bearing liabilities	667	986	2,478	-	4,131	3,399
	705	**1,017**	**2,522**	**11**	**4,255**	**3,507**
At 31 December 2018						
Lease liabilities	13	9	21	-	43	42
Other interest bearing liabilities	306	1,524	1,778	1,660	5,268	4,082
	319	**1,533**	**1,799**	**1,660**	**5,311**	**4,124**

D Capital structure and financing (continued)

D3 Dividends

(a) Dividends

	2019 cents per share	2019 Total AU$'M	2018 cents per share [a]	2018 Total AU$'M
Final dividend for 2018 paid on 30 April 2019	28.55	377	-	-
Interim dividend for 2018 paid on 21 September 2018	-	-	10.35	130
		377		130

On 21 August 2019 the Directors announced an unfranked dividend of $137 million (10.35 cents per ordinary share), with a record date of 6 September 2019 and payment date of 20 September 2019, which represents 24% of profit after tax consistent within the guidelines as approved at the annual general meeting.

(a) The cents per share calculation has been adjusted for the 35 to 1 ordinary share consolidation on 28 September 2018.

D4 Share-based payments

As at 30 June 2019, there were 5,231,119 performance rights outstanding to acquire shares (31 December 2018: 3,093,010). These performance rights are exercisable as follows

Details	No of performance rights	Date of expiry	Conversion price ($)
Management performance rights			
2018 Short Term Incentive Plan	815,640	31 December 2019	NIL
2018 Short Term Incentive Plan	815,640	31 December 2020	NIL
2018 Long Term Incentive Plan	1,438,170	31 December 2020	NIL
2019 Long Term Incentive Plan	2,161,669	31 December 2021	NIL
	5,231,119		

	30 June 2019 Number
Opening balance at beginning of the period	3,093,010
Granted during period	2,297,175
Forfeited during period	(159,066)
Closing balance at the end of period	5,231,119

D5 Reserves

	30 June 2019 $M	31 December 2018 $M
Hedging reserve	**(566)**	(611)
Employee compensation reserve	**7**	7
	(559)	(604)

D Capital structure and financing (continued)

D5 Reserves (continued)

	30 June 2019 $M	31 December 2018 $M
Movements:		
Hedging reserve		
Opening balance	**(611)**	(413)
Fair value losses recognised on USD interest bearing liabilities	**(11)**	(443)
Recycled to profit or loss	**75**	160
Deferred income tax (expense) / benefit	**(19)**	85
Closing balance	**(566)**	(611)

If interest-bearing liabilities that are a natural hedge to future coal sales are repaid prior to the original designated date the hedge gain/loss incurred prior to repayment will be released to the profit or loss in line with the original sales to which they were designated. This has resulted in the following pre-tax release profile as at 30 June 2019:

Period to 31 December	**2019 $M**	**2020 $M**	**2021 $M**	**2022 $M**	**2023 $M**	**2024 $M**	**Total $M**
Hedge loss to be recycled in future periods	114	180	162	238	-	115	809
Of which:							
Hedges related to loans repaid prior to designated repayment date	114	-	62	238	-	37	451
Hedges related to loans yet to be repaid	-	180	100	-	-	78	358
							809
Deferred income tax expense							(243)
Closing balance							566

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, through other comprehensive income.

The closing balance 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 2019, losses of $75 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve (31 December 2018 a loss of $160 million).

Employee compensation reserve

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

During the period the movements related to any 2018 additional performance rights issued or forfeited as disclosed in Note D4 and new awards of performance rights were made during the period.

D Capital structure and financing (continued)

D6 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2019 in respect of:

(i) Bank guarantees

	30 June 2019 $M	31 December 2018 $M
Parent entity and consolidated entity		
Performance guarantees provided to external parties	**173**	208
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**132**	113
	305	321
Joint operations (equity share)		
Performance guarantees provided to external parties	**148**	144
Guarantees provided in respect of the cost of restoration of certain mining leases	**256**	236
	404	380
Guarantees held on behalf of related parties		
Performance guarantees provided to external parties	**118**	119
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**72**	55
	190	174
	899	875

(ii) 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.

(iii) 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.

(b) Contingent assets

After the balance date, the Group was awarded US$32 million in respect of a commercial dispute, with interest and costs still to be determined. At 30 June 2019 the outcome was uncertain such that no asset was recognised in relation to this dispute.

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. 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).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2019 and 31 December 2018:

At 30 June 2019	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
WIPS	-	-	-	-
Royalty receivable	-	-	195	195
Total assets	-	-	195	195

At 31 December 2018	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Assets				
WIPS	-	-	-	-
Royalty receivable	-	-	193	193
Total assets	-	-	193	193

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2019.

(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.

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 WIPS and royalty receivable.

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2019:

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) (continued)

	WIPS $M	**Royalty receivable $M**
Opening balance 1 January 2018	29	199
Cash received / receivable	-	(31)
Unwinding of the discount	-	21
Remeasurement	(29)	4
Closing balance 31 December 2018	**-**	193
Opening balance 1 January 2018	**-**	193
Cash received / receivable	**-**	(14)
Unwinding of the discount	**-**	10
Remeasurement	**-**	6
Closing balance 30 June 2019	**-**	195

(i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2019 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.

Sensitivity

The following table summarises the sensitivity analysis of royalty receivable. The analysis assumes that all other variables remain constant.

	30 June 2019 Fair value increase/ (decrease) $M	31 December 2018 Fair value increase/ (decrease) $M
Coal price		
+10%	**17**	15
-10%	**(17)**	(15)
Exchange rates		
+5 cents	**(9)**	(16)
-5 cents	**9**	16
Discount rates		
+50 bps	**(4)**	(4)
-50 bps	**4**	4

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) (continued)

(ii) WIPS

The WIPS are entitled to an annual dividend of 15%, which can be deferred for up to seven years. Deferred dividends attract an annual finance charge of 15.75%. There is no scheduled maturity date but there are certain “remarketing dates” whereby the WIPS can be refinanced, the earliest of which is 2023. The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: internally maintained budgets and business plans of Wiggins Island Coal Export Terminal (“WICET”). The risk adjusted post tax discount rate used to determine the future cashflows is 11.0%.

(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 Business combinations

(a) Update on acquisition of 28.898% interest in Warkworth Joint Venture

As announced on 7 March 2018 and effective from 1 March 2018 CNA Warkworth Australasia Pty Ltd, a subsidiary of the Company, acquired a 28.898% interest in the Warkworth Joint Venture from Mitsubishi Development Pty Ltd ("MDP") for US$230 million, plus a net debt and working capital adjustment. The acquisition also included MDP’s shareholding in the following companies, Warkworth Coal Sales Pty Ltd, Warkworth Mining Ltd, Warkworth Pastoral Co Pty Ltd and Warkworth Tailings Treatment Pty Ltd.

During the current period no new information has occurred in relation to this acquisition and as a result the accounting for this acquisition was finalised on 7 March 2019.

(b) Update on acquisition of 4% interest in Moolarben

On 30 November 2018, Moolarben Coal Mine Pty Ltd a 100% owned subsidiary of Yancoal Australia Ltd acquired a 4% interest in Moolarben Coal Joint Venture ("Moolarben JV") from Kores Australia Moolarben Coal Pty Ltd ("Kores"). The Moolarben JV is accounted for as a joint operation. With the 4% acquisition the Group now holds an 85% interest in the Moolarben JV. The cash consideration paid and payable was $84 million, split over four instalments of $21 million each, and reduced by a $21 million effective date adjustment whereby the cash consideration was reduced by 4% of the Moolarben JV's net cash inflow from the date of the sales agreement (15 April 2018) to completion.

During the period no new information has occurred to the accounting for the acquisition which remains on a provisional basis at 30 June 2019. Any adjustments to the provisional values as a result of completion work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

E Group structure (continued)

E2 Interests in other entities

(a) Joint operations

A controlled entity, Moolarben Coal Mines Pty Ltd, has an 85% (81% up to 30 November 2018) interest in the Moolarben Joint Venture whose principal activity is the development and operation of coal mines.

A controlled entity, Coal & Allied Operations Pty Ltd has a 51% (67.6% up to 4 May 2018) interest in the Hunter Valley Operations Joint Venture whose principal activity is the development and operation of coal mines.

A controlled entity, Mount Thorley Pty Ltd has an 80% interest in the Mount Thorley Joint Venture whose principal activity is the development and operation of coal mines.

Controlled entities, CNA Warkworth Australasia Pty Ltd and CNA Resources Ltd, have a combined 84.5% (55.6% up to 1 March 2018) interest in the Warkworth Joint Venture whose principal activity is the development and operation of 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.

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Investment in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 30 June 2018. 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	
		2019	2018			2019 $M	2018 $M
Watagan Mining Company Pty Ltd (i)	Australia	100	100	Associate	Equity method	-	-
Port Waratah Coal Services Ltd (i)	Australia	30	30	Associate	Equity method	187	190
Newcastle Coal Infrastructure Group Pty Ltd (i)	Australia	27	27	Associate	Equity method	-	-
Middlemount Coal Pty Ltd (ii)	Australia	49.9997	49.9997	Joint Venture	Equity method	125	116
HVO Coal Sales Pty Ltd (i)	Australia	51	51	Joint Venture	Equity method	1	1
HVO Operations Pty Ltd (i)	Australia	51	51	Joint Venture	Equity method	-	-
HVO Services Pty Ltd (i)	Australia	51	51	Joint Venture	Equity method	-	-
Total						**313**	**307**

(i) Investment in associates

Watagan Mining Company Pty Ltd

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 $1,363.4 million (an amount equal to the book value of the three mines at completion). The purchase price was funded by way of a $1,363.4 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"). The Bondholders 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. As a result of the terms of the Watagan Agreements, it was determined that the Bondholders obtained accounting control of Watagan; accordingly, the Group de-consolidated Watagan.

This change in accounting control was determined to occur on the issuance date of the bonds on the basis that the Bondholders obtained power over the key operating and strategic decisions of Watagan and no longer resided 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 change in accounting control resulted in the Group de-consolidating the 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, given the Group retains significant influence in Watagan.

E Group structure (continued)

E2 Interests in other entities (continued)

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

On 4 January 2019 BOCI (one of the Bondholders) notified Watagan and Yankuang that it was exercising its put option over US$200 million of bonds. As a consequence, Yankuang became the bondholder of the put bonds following completion of the purchase of those bonds by Yankuang which occurred on or around 1 April 2019. No security has been given by Watagan in favour of Yankuang. As the put bonds represent less than 50.1% of the face value of the bonds, and the put option was not exercised by the instructing bondholder, the put option is not deemed to have been exercised as to all the bonds, nor has the group regained accounting control of Watagan. Accordingly, the Group continues to equity account its interest in Watagan.

Whilst Watagan is equity accounted rather than consolidated for accounting purposes, as a result of the Group’s ongoing 100% equity ownership it remains within the Group’s tax consolidated group.

The book value of Watagan’s net assets has declined since inception and at 30 June 2019 the book value of liabilities exceeded the book value of assets by $587 million. These losses have not been recognised as the accumulated losses exceeds the value of the investment by the Group.

These losses included the recognition of a $100m impairment provision by Watagan with respect to the Watagan financial statements for the year ended 31 December 2018 that has only recently been completed based on newly available information. For Yancoal, this information was not available at the time of signing its 31 December 2018 financial statements such that the $100 million impairment is reported in the Watagan financial information below in the period ended 30 June 2019.

The impairment provision of $100 million includes $88 million at Austar and $12 million at Donaldson.

The book value of Watagan's non-current assets of $1,540 million includes, $704 million, $283 million and $415 million for the Ashton, Austar and Donaldson mines, respectively.

Work continues to be undertaken by Watagan in respect of the very challenging geological, geotechnical, ventilation and gas conditions at the Austar mine's Stage 3 area that may have a further significant adverse impact on future commercial operations. The future prospects of the Austar mine are therefore uncertain, and its future carrying value will depend upon the continuing work currently being conducted by Watagan and its internal and external advisers (Austar Review). In addition, future exploration work and studies will be required to critically evaluate the potential mining conditions in the Pelton South, Stage 4 and Stage 3 Expansion areas currently included in the mine plan. If it is determined that the mine is unable to return to previously forecast levels of production, there is a need to proceed to a permanent shutdown, there are further materially negative changes to other operating assumptions, including coal prices, exchange rates, operating costs or capital expenditure and life of mine production, it is likely that the fair value of that mine, and therefore of Watagan, would be reduced materially. In that event, a further material impairment charge may be recognised. Donaldson remains on care and maintenance and work remains ongoing to explore potential future mining operations. Ashton’s current underground operation also faces geotechnical challenges with regard to mining the Lower Barrett seam on completion of the current Upper Lower Liddell seam together with ongoing land acquisition challenges with regard to the proposed South East Open Cut mine.

The value of the non-current assets in the Watagan balance sheet have thus been assessed on an aggregated basis, including that:

- Austar returns to normal development and production in the Stage 3 area on completion of mining in Bellbird South, this position to be reassessed on completion of the Austar Review;
- Austar commences mining in the Pelton South, Stage 4 and Stage 3 Expansion areas on completion of mining in Stage 3, this position to be continually assessed as exploration work and supporting studies are undertaken;
- Donaldson will recommence operations at some time in the future which is management’s current intention; and
- Ashton mines the Lower Barrett seam on completion of mining the Upper Lower Liddell seam and develops the South East Open Cut mine.

The key assumptions in the fair value model of Watagan are consistent with those disclosed in Note C3 with the exception of the discount rate whereby a post-tax nominal discount rate of 12% (Ashton) and 14% (Austar and Donaldson) has been applied having regard to the additional risks specific to those assets.

E Group structure (continued)

E2 Interests in other entities (continued)

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

If it is determined that either or both, Austar or Donaldson, are unable to restart operations, return to previously forecast levels of production or there are further materially negative changes to other operating assumptions, impacting all three mines, including coal prices, exchange rates, operating costs, capital expenditure, life of mine production, geological conditions, approvals or changes to existing lease conditions or regulatory outcomes it is likely that the fair value of these mines would be reduced materially. Any impairment of these assets of Watagan would increase Watagan's net asset deficit. In that event, an impairment may be recognised by the Group on its loan receivable from Watagan, refer to Note D1 for details on the loan, or on the future reconsolidation of Watagan.

Sensitivities

Apart from the geological and geotechnical issues noted at Austar and the ongoing work on recommencing mining at Donaldson that directly impact the physical and cost inputs, the most sensitive inputs to the fair value model of Watagan is forecast revenue, which is primarily dependent on estimated future coal prices and the AUD:USD forecast exchange rate, and the discount rate:

	Watagan $M
Book Value	974
Recoverable Amount	1,025
Head Room	51
US$ Coal Price (i)	
+10%	386
-10%	(390)
Exchange Rate (ii)	
+5 cents	(230)
-5 cents	249
Discount Rate (iii)	
+50 bps	(49)
-50 bps	53

(i) This represents change in recoverable amount due to +/- 10% change to our coal price assumption.

(ii) This represents the change in recoverable amount due to a +/- 5 cents change to the long-term US$:A$ foreign exchange rate adopted.

(iii) This represents the change in recoverable amount due to a +/- 50bps change in discount rate adopted.

Port Waratah Coal Services Ltd

The Group holds a direct shareholding in Port Waratah Coal Services Ltd ("PWCS") totalling 30% (2018: 30%) of the ordinary shares of PWCS. Under the shareholder agreement between the Group and other shareholders, the Group has 30% of the voting power of PWCS. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes. The principal activities of PWCS were the provision of coal receivable, blending, stockpiling and ship loading services in the Port of Newcastle.

Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2018: 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.

E Group structure (continued)

E2 Interests in other entities (continued)

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

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.

	Watagan		**PWCS**		**NCIG**	
	30 June 2019 $M	31 December 2018 $M	**30 June 2019 $M**	31 December 2018 $M	**30 June 2019 $M**	31 December 2018 $M
Cash and cash equivalents	**103**	109	**74**	51	**55**	51
Other current assets	**83**	55	**52**	56	**36**	41
Current assets	**186**	164	**126**	107	**91**	92
Property, plant and equipment	**803**	865	**1,419**	1,462	**2,108**	2,158
Mining tenements	**294**	319	**-**	-	**-**	-
Exploration and evaluation assets	**298**	298	**-**	-	**-**	-
Other non-current assets	**145**	172	**43**	25	**512**	500
Non-current assets	**1,540**	1,654	**1,462**	1,487	**2,620**	2,658
Total assets	**1,726**	1,818	**1,588**	1,594	**2,711**	2,750
Current liabilities	**65**	54	**244**	235	**54**	53
Deferred tax liability	**116**	206	**81**	78	**99**	99
Other non-current liabilities	**2,132**	1,996	**638**	649	**3,871**	3,850
Non-current liabilities	**2,248**	2,202	**719**	727	**3,970**	3,949
Total liabilities	**2,313**	2,256	**963**	962	**4,024**	4,002
Net (liabilities) / assets	**(587)**	(438)	**625**	632	**(1,313)**	(1,252)
Group's ownership interest in the Net Assets	**(587)**	(438)	**187**	190	**(355)**	(338)

E Group structure (continued)

E2 Interests in other entities (continued)

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

	Watagan		PWCS		NCIG	
	30 June 2019 $M	30 June 2018 $M	**30 June 2019 $M**	30 June 2018 $M	**30 June 2019 $M**	30 June 2018 $M
Revenue	**161**	190	**170**	185	**215**	178
Management fees (Yancoal Australia Ltd)	**(27)**	(29)	**-**	-	**-**	-
Interest paid / payable (Bondholders)	**(34)**	(36)	**-**	-	**-**	-
Interest paid / payable (Yancoal Australia Ltd)	**(39)**	(31)	**-**	-	**-**	-
Other finance costs	**(3)**	(2)	**(70)**	(70)	**(119)**	(108)
Impairment of assets	**(100)**	-	**-**	-	**-**	-
Depreciation and amortisation	**(72)**	(37)	**(58)**	(50)	**(53)**	(54)
Net loss on foreign exchange	**(9)**	(46)	**-**	-	**(48)**	(167)
Other expenses	**(89)**	(134)	**(29)**	(40)	**(48)**	(42)
Income tax benefit / (expense)	**63**	35	**(5)**	(10)	**12**	70
(Loss) / profit after tax	**(149)**	(90)	**8**	15	**(41)**	(123)
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive (expense) / income	**(149)**	(90)	**8**	15	**(41)**	(123)
Group's ownership interest in (loss) / profit after tax	**(149)**	(90)	**2**	4	**(11)**	(33)

Movements in carrying amounts

The Group's share of the Watagan and NCIG profit / (loss) after tax has not been recognised for the half-year ended 30 June 2019 and year ended 31 December 2018 since the Group's share of the associates' accumulated losses exceeds its interest in the associates at 30 June 2019 and year ended 31 December 2018.

As the Group does not have contractual agreements or a constructive obligation to contribute to these associates no additional liabilities have been recognised.

Movements in PWCS carrying amounts	**30 June 2019 $M**	31 December 2018 $M
Opening net book value	**190**	191
Share of profit of equity accounted investee, net of tax	**2**	9
Dividends received	**(5)**	(10)
Closing net book value	**187**	190

E Group structure (continued)

E2 Interests in other entities (continued)

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

(ii) Interest in joint ventures

Middlemount Coal Pty Ltd

A controlled entity, Gloucester (SPV) Pty Ltd, has 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.

HVO entities

On completion of the establishment of the 51%:49% unincorporated joint venture with Glencore on 4 May 2018, the Group holds 51% of the shares in HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd (together the "HVO Entities"). From this date the Group has determined that from 4 May 2018 the Group jointly controls these companies and equity accounts the financial results of these companies.

Summarised financial information of joint venture

The following table provides summarised financial information for the HVO Entities and Middlemount. 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.

	HVO Entities		**Middlemount**	
	30 June 2019 $M	31 December 2018 $M	**30 June 2019 $M**	31 December 2018 $M
Cash and cash equivalents	**6**	6	**36**	14
Other current assets	**124**	113	**90**	81
Total current assets	**130**	119	**126**	95
Total non-current assets	**31**	36	**863**	868
Total current liabilities	**123**	115	**139**	97
Non-current financial laibilities	**-**	-	**158**	162
Other non-current liabilities	**36**	38	**441**	472
Total non-current liabilities	**36**	38	**599**	634
Net assets	**2**	2	**251**	232
Group's ownership interest in net assets	**1**	1	**125**	116

	HVO Entities		**Middlemount**	
	30 June 2019 $M	30 June 2018 $M	**30 June 2019 $M**	30 June 2018 $M
Revenue	**-**	-	**340**	352
Depreciation and amortisation	**-**	-	**(17)**	(20)
Other expenses	**(1)**	-	**(276)**	(225)
Interest expenses	**-**	-	**(11)**	(22)
Income tax benefit / (expense)	**-**	-	**(17)**	(29)
(Loss) / profit after tax	**(1)**	-	**19**	56
Movements in reserves, net of tax	**-**	-	**-**	-
	(1)	-	**19**	56
Group's ownership interest in profit after tax	**-**	-	**9**	28

E Group structure (continued)

E2 Interests in other entities (continued)

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

The liabilities of Middlemount include an interest-bearing liability of $202 million (face value of $212 million) due to the Group at 30 June 2019 (31 December 2018: $218 million). During the current period, Middlemount has made $21 million of loan repayments to the Group (31 December 2018: $69 million). From 31 December 2018, the shareholders of Middlemount agreed to make the loan interest free for 24 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 $10 million due to the Group at 30 June 2019 (31 December 2018: $9 million).

	30 June 2019 $M	31 December 2018 $M
Movement in carrying values		
Opening net book amount	**116**	60
Share of profit of equity-accounted investees, net of tax	**9**	46
Movements in reserves, net of tax	**-**	10
Closing net book amount	**125**	116

(iii) Commitments and contingent liabilities in respect of associates and joint venture

There were no commitments and no contingent liabilities in respect of the Group's associates and HVO Entities as at 30 June 2019.

There were no commitments and no contingent liabilities in respect of the Group's interest in Middlemount at 30 June 2019.

Middlemount is subject to a taxation audit which may result in derecognition of certain deferred tax assets. Other contingent liabilities in respect of the Group's interest in Middlemount are set out in D6(ii).

E3 Related party transactions

(a) Parent entities

The parent entity within the Group is Yancoal Australia Ltd. The Group's majority shareholder is Yanzhou Coal Mining Company Limited ("Yanzhou") (incorporated in the People's Republic of China). The ultimate parent entity and ultimate controlling party is Yankuang Group Corporation Limited (incorporated in the People's Republic of China).

(b) Yancoal International (Holding) Co., Ltd

Yancoal International (Holding) Co., Ltd is a wholly owned subsidiary of Yanzhou and has the following subsidiaries: Yancoal Technology Development Holdings Pty Ltd, Athena Holdings Pty Ltd, Tonford Holdings Pty Ltd, Wilpeena Holdings Pty Ltd, Premier Coal Holdings Pty Ltd, Premier Coal Ltd, Oz Star Ningbo Trading Co., Ltd, Yancoal Energy Pty Ltd and Syntech Resources Pty Ltd ("Yancoal International Group"). The Company manages these entities on behalf of Yanzhou.

(c) Associates and joint ventures

Refer to Note E2 for further details on the associates and joint ventures.

E Group structure (continued)

E3 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2019 $'000	30 June 2018 $'000
Sales of goods and services		
Sales of coal to Watagan Mining Company Pty Ltd	**18,230**	15,716
Sales of coal to Yancoal International (Holding) Co., Ltd	**79,211**	133,321
Provision of marketing and administrative services to Watagan Group	**2,941**	2,852
Provision of marketing and administrative services to Yancoal International Group	**4,440**	3,966
Purchases of goods and services		
Purchases of coal from Syntech Resources Pty Ltd	**(7,531)**	(27,480)
Purchase of coal from Watagan Group	**(42,941)**	(33,570)
Purchase of equipment from Yancoal International Group	**(850)**	-
Advances and loans		
Repayment of loans from Yanzhou	**(349,211)**	-
Repayment of loans to Watagan Mining Company Pty Ltd	**26,080**	253,335
Advances of loans to Watagan Mining Company Pty Ltd	**(89,924)**	(271,159)
(Advances) / repayments of loans to Premier Coal Holdings Pty Ltd	**-**	(4,323)
Repayment of loans from Middlemount	**21,000**	68,571
Repayment of promissory note from Oz Star Ningbo Trading Co Ltd	**40,037**	-
Finance costs		
Interest expenses on loans from Yancoal International Resources Development Co., Ltd	**(6,718)**	(15,121)
Interest expenses on loans from Yancoal International (Holding) Co., Ltd	**(3,029)**	(4,532)
Interest expenses on loans from Yanzhou	**(28,332)**	(26,935)
Interest paid on loans from Yancoal International Trading Co., Ltd	**(3,241)**	(10,205)
Other costs		
Corporate guarantee fee to Yanzhou	**(12,565)**	(47,017)
Arrangement fee on loans from Yancoal International Resources Development Co., Ltd	**-**	(983)
Port charges to NCIG Holdings Pty Limited	**(62,500)**	(58,157)
Port charges to PWCS	**(15,287)**	(20,379)
Finance income		
Interest income on loan to Watagan Mining Company Pty Ltd	**38,773**	31,653
Interest income released from loan receivable with Middlemount	**5,175**	10,589
Interest income received from Premier Coal Holdings Pty Ltd	**95**	207
Other income		
Mining services fees charged to Watagan Group	**24,532**	25,874
Royalty income charged to Middlemount	**14,117**	14,662
Bank guarantee fee charged to Yancoal International Group	**1,440**	1,396
Longwall hire fee charged to Austar Coal Mine Pty Ltd	**1,500**	1,500
Bank guarantee fee charged to Watagan Group	**1,159**	771
Dividend income received from PWCS	**6,640**	6,563

E Group structure (continued)

E3 Related party transactions (continued)

(e) Outstanding balances

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

	30 June 2019 $'000	31 December 2018 $'000
Current assets		
Trade and other receivables		
Receivable from Yancoal International Group in relation to cost reimbursement	**3,974**	3,791
Other receivable from Yankuang Resources Pty Ltd	**7**	35
Receivable from Watagan Group entities in relation to cost reimbursement	**-**	9,417
Royalty receivable from Middlemount	**9,501**	9,403
Promissory Notes receivable from Oz Star Ningbo Trading Co., Ltd	**-**	39,671
Loans receivable		
Interest income receivable from Watagan Mining Company Pty Ltd	**19,522**	-
	33,004	62,317
Non-current assets		
Advances to joint venture		
Receivable from Middlemount being an unsecured, non-interest-bearing advance	**202,025**	217,850
Receivable from Watagan Mining Company Pty Ltd being an unsecured, interest-bearing loan	**898,740**	834,896
	1,100,765	1,052,746
Current liabilities		
Other payables		
Payables to Yanzhou	**78,781**	159,154
Payables to Yancoal International Resources Development Co., Ltd	**12,331**	5,612
Payables to Yancoal International (Holding) Co., Ltd	**2,297**	3,974
Tax sharing and funding arrangement with Watagan Group	**130,908**	107,618
Payables to Yancoal International Trading Co., Ltd	**-**	8,938
Payables to Watagan Group	**3,473**	-
	227,790	285,296
Non-current liabilities		
Other payables to Yanzhou and its subsidiaries		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	**192,500**	191,272
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	**79,847**	128,927
Payable to Yancoal International Trading Co., Ltd being an unsecured, interest-bearing loan	**-**	304,619
Payable to Yanzhou being an unsecured, interest-bearing loan	**890,744**	885,065
	1,163,091	1,509,883

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

E Group structure (continued)

E3 Related party transactions (continued)

(f) Guarantees

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

	30 June 2019 $'000	31 December 2018 $'000
Yancoal International Group		
Syntech Resources Pty Ltd	**87,272**	84,694
AMH (Chinchilla Coal) Pty Ltd	**49**	49
Premier Coal Ltd	**29,000**	29,000
Tonford Holdings Pty Ltd	**10**	10
Athena Joint Venture	**3**	3
Watagan Group		
Ashton Coal Mines Ltd	**28,843**	15,467
Austar Coal Mine Pty Ltd	**36,687**	36,640
Donaldson Coal Pty Ltd	**7,953**	7,953
Other		
Yankuang Resources Pty Ltd	**45**	45
	189,862	**173,861**

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

(g) 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 terms of the loan facilities from Yanzhou are as follows:

The US$116 million loan from Yancoal International Resources Development Co., Ltd repaid in October 2018 was charged at a fixed interest rate of 7.00% p.a (inclusive of arrangement fees).

On 31 December 2014 an AU$1,400 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2019 US$250 million was repaid and no additional amounts were drawn. As at 30 June 2019 a total of US$573 million has been drawn.

On 31 December 2014 an AU$807 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2019 no amounts were drawn (2018: no amount was drawn) (Note D2(c)). As at 30 June 2019 a total of US$243 million has been drawn.

Yanzhou provided corporate guarantees as security for the following facilities:

- Syndicated facility and syndicated bank guarantee facility a fixed rate of 1.5% from 1 April 2018 (2.5% before 1 April 2018) is charged on the outstanding loan principal and bank guarantee facility limit.

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.

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 2019 $M	31 December 2018 $M
Property, plant and equipment		
Not later than one year		
Share of joint operations	**44**	49
	44	49

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 Company in subsequent financial periods.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 28 to 72 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 Group's financial position as at 30 June 2019 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.

Fucun Wang
Director

Hong Kong
21 August 2019

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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 Statements

We have reviewed the accompanying interim financial statements of Yancoal Australia Ltd ("the Company") and controlled entities ("the Group") which comprises the Consolidated Balance Sheet as at 30 June 2019, 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 Statements

The directors of the Company are responsible for the preparation of half-year financial statements that give a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of half-year financial statements that give a true and fair view and are 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 statements 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 statements are 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 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 I*nterim 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 half-year financial statements 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.

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Independence

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

Conclusion

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

1. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the half-year ended on that date; and
2. 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

Hong Kong, 21 August 2019