Management's Discussion and Analysis of Financial Condition & Results of Operations
Six Months Ended 30 June 2017

Financial Results

(US$ million / million tonnes)	Six Months Ended 30 Jun 2017	Six Months Ended 30 Jun 2016	Three Months Ended 30 Jun 2017	Three Months Ended 30 Jun 2016
Tonnage[1]	**90.7**	**111.8**	**43.8**	**55.0**
Revenue[1]	**22,542.6**	**23,138.0**	**10,053.4**	**12,062.0**
Operating income from supply chains, net[1]	**(269.4)**	**493.0**	**(266.9)**	**203.2**
Operating income margin	n/a	2.13%	n/a	1.68%
Loss on supply chain assets[1]	(34.1)	(30.2)	(23.7)	(16.9)
Share of profits and losses of joint ventures and associates[1]	(23.3)	(31.9)	(18.5)	(16.1)
Total operating income/(loss)[1]	**(326.8)**	**430.9**	**(309.1)**	**170.2**
Other income net of other expenses[1]	2.6	5.6	1.3	3.4
Selling, administrative and operating expenses[1]	(254.4)	(292.4)	(163.4)	(154.7)
Profit/(loss) before interest and tax[1]	**(578.6)**	**144.1**	**(471.2)**	**18.9**
Net finance costs[1]	(97.0)	(75.7)	(53.3)	(39.0)
Taxation[1]	86.5	(11.5)	65.6	(6.5)
Adjusted net profit/(loss)[1]	**(589.1)**	**56.9**	**(458.9)**	**(26.6)**
Exceptional items, net of tax[2]	(1,252.9)	(3.3)	(1,261.2)	(0.4)
Losses from discontinuing businesses and other expenses, net of tax[3]	(38.3)	(68.1)	(30.7)	(28.0)
Non-controlling interests	0.2	0.1	0.1	0.1
Net loss	**(1,880.1)**	**(14.4)**	**(1,750.7)**	**(54.9)**

(1) Adjusted for exceptional items and losses from discontinuing or to be discontinued businesses and other expenses. See notes 2 and 3 below and refer to SGX results announcement note 1(a)(i)(A) for additional disclosure.

(2) Includes exceptional items in the Group's operating income from supply chains along with other non-operational items such as impairment losses on supply chain assets.

(3) Represents results of businesses which are discontinuing or are to be discontinued in the near future and costs associated with repositioning the Group's cost structure, including headcount reductions. These businesses include certain energy and metals, minerals and ores product divisions in the Americas and Europe. There has not been any significant variance or notable items during the period related to these businesses.

Overview

The operating environment continues to be difficult for the Group, in particular following the announcement of a loss for the three months ended 31 March 2017, as well as the ongoing challenges in the commodities sector. Market and lender reaction to the first quarter results led to significant challenges for the Group in managing and supporting its supply chain and hedging activities, and in restoring the confidence of its lenders, suppliers, customers and other counterparties. These difficulties are reflected in the Group's trading results for the three months ended 30 June 2017. Conservative liquidity management, scaling back of risk positions and constraints placed on the Group's access to trade finance lines led to disruption costs and prevented the Group from taking advantage of profitable trading opportunities.

During this period, as announced in May 2017, the Group commenced a strategic review under the direction of the new Chairman, Mr. Paul Brough. The strategic review has been undertaken in the context of managing the Group's short-term liquidity challenges, while at the same time formulating a plan for a turnaround of the Group's business. An update on the strategic review was announced to the Singapore Stock Exchange on 26 July 2017 and is available on www.sgx.com.

The Group experienced a 19% year-on-year decline in volume, at 91 million tonnes for the first six months of 2017, primarily related to the Oil Liquids business, the Group's most working capital intensive operation, due to higher prices within the constrained liquidity environment. Meanwhile, the resilience of the Hard Commodities businesses[1], despite challenging conditions and credit constraints, is evidenced by the stability in the volume of our core physical commodity flows in 2016 and 2017 to date. The 3% year-on-year decrease in Group revenue, at US$23 billion for the first six months of 2017, primarily reflects higher oil liquids prices, despite lower volumes.

Realisation on the Group's portfolio of long-term physical contracts recovered in the three months ended 30 June 2017, with positive contributions from the Hard Commodities businesses. Meanwhile, the Group completed the repositioning of its coal hedging portfolio which resulted in exposures being significantly reduced compared to the three months ended 31 March 2017. The decoupling of key indices in the coal market continued to impact the Group going into the three months ended 30 June 2017 as this repositioning took place and the Group changed the way it hedges its existing and future coal volumes. However, the impact was significantly less than in the first quarter of 2017. Going forward, the Group is changing the way it hedges its existing and future coal volumes and will continue to be judicious in the use of markets and instruments in which to manage price exposures.

The Group recorded an adjusted operating loss from supply chains of US$(267) million and an adjusted net loss from underlying activities, after selling, administrative and operating ("SAO") expenses, net finance costs and tax, of US$(459) million for the three months ended 30 June 2017, in line with the profit guidance announced on 26 July 2017.

The adjusted operating loss from supply chains primarily related to trading losses in April in our Oil Liquids business along with non-cash mark-to-market losses in our Hard Commodities businesses. Our Oil Liquids business faced challenging trading conditions in April and risk positions were significantly scaled back. The non-cash mark-to-market losses in our Hard Commodities businesses were primarily related to unrealised observable physical positions as forward prices fell.

[1] Energy Coal, Carbon Steel Materials and Metals

Total net loss of US$(1,880) million for the first six months of 2017 is inclusive of US$(1,253) million of exceptional items recorded during the six months ended 30 June 2017. The exceptional items include certain non-cash adjustments to the Group's valuations of its net fair value gains on commodity contracts and derivative instruments, as defined below.

Following a 45% quarter-on-quarter decline in SAO expenses during the first three months of 2017, the three months ended 30 June 2017 saw an increase due to cash and non-cash SAO expenses incurred to ensure business stability; underlying SAO expense run rates were in line with the three months ended 31 March 2017.

The Group continues to be focused on reducing SAO expenses and resetting the Group's cost structure. The Group achieved its previously stated headcount target, with total headcount reducing from 1,045 at 31 December 2016 to approximately 900 at 30 June 2017, and underlying SAO expense run-rates continued to decline with the reduced headcount.

As announced on 26 July 2017, the Board of Directors (the "Board") have given priority to a further reduction in the Group's indebtedness over the next two years as part of the strategic review. In this regard, the Group has entered into a binding stock purchase agreement for the sale of its North American Gas & Power business to Mercuria Energy America, Inc and it is taking steps to monetise the Global Oil Liquids business. After these sales are completed it is anticipated that the US$2 billion NAC BBF[2] and US$1 billion NCFL BBF[3] will be retired. Net proceeds from the sale of the Global Oil Liquids and North American Gas & Power businesses, along with proceeds from a new Asset Disposal Programme comprising certain of the Group's assets located outside North America, will be applied towards reducing the Group's remaining debt.

Also in line with the strategic review, the Group is implementing further actions to reduce SAO expenses to improve profitability and reflect the reduced complexity and footprint of the Group's business portfolio going forward. The Group's headcount is expected to decline from approximately 900 at present to approximately 400, including the headcount reductions that are expected to come from the sale and monetisation of the Global Oil Liquids and North American Gas & Power businesses.

The sale of the Global Oil Liquids and North American Gas & Power businesses reinforces the Group's focus on its Hard Commodities, Freight and LNG businesses and the Group's position as the leading industrial and energy products supply chain manager in Asia – an important competitive advantage as global energy consumption is projected to continue to see the largest growth in this region.

In this regard, the Group has put in place arrangements to improve access to trade finance facilities in Asia to support its Hard Commodities businesses. This includes a partnership with Mercuria Energy Group Limited and certain of its affiliates ("Mercuria") pursuant to which the Group and Mercuria will explore strategic alliances in Asia.

The Group obtained a waiver in relation to the financial covenants in its committed unsecured revolving credit facility due May 2018. The agreement waives the financial covenants until 20 October 2017 to align with the extension period of the NAC BBF. The Group continues to be in discussions with its lenders.

The Group will make further announcements as progress continues to be made on executing against the above mentioned actions from the strategic review.

[2] Noble Americas Corp secured borrowing base revolving credit facility ("NAC BBF")
[3] Noble Clean Fuels Limited secured borrowing base revolving credit facility ("NCFL BBF")

The Group believes that the steps now being taken are setting the Group on the path to recovery and provides a clear view of its direction and plans to address its challenges. The Group's objective is to maximise value for the benefit of the Group's stakeholders and to best position the Group for the challenges and opportunities facing the commodities trading industry.

Exceptional Items

As part of the strategic review announced in May 2017, the Board mandated that a detailed reassessment should be undertaken of the Group's balance sheet reserves to take account of increased uncertainty in the Group's operating environment including markets, the industry and the Group's access to adequate funding sources. Based on this reassessment, the Board concluded that changes should be made to the Group's balance sheet to reflect increased risks.

As a result, the results for the three months ended 30 June 2017 includes certain non-cash adjustments to its net fair value gains valuations – including reserving of the entire Level 3 net fair value gains balance. In addition, the Group has recorded reserves and adjustments against certain Level 2 net fair value gains including applying additional reserves to certain contracts as a result of adverse back testing results during the first half of 2017. These reserves and adjustments, along with the impact of the credit rating downgrades during the three months ended 30 June 2017, resulted in non-cash losses and have been recorded as exceptional items.

In addition, the Group also recorded certain non-cash impairments to non-current assets including a US$(60) million impairment loss against the Group's palm oil assets held for sale.

Further additional non-cash valuation adjustments may be recorded going forward following the execution of the actions determined under the strategic review, in particular with regard to further asset disposals.

Please refer to SGX results announcement note 1(a)(i)(A) for additional disclosure on the exceptional items.

Energy Segment

(US$ million / million tonnes / million MWh)	Six Months Ended			Three Months Ended		
	30 Jun 2017	**30 Jun 2016**	**% change**	**30 Jun 2017**	**30 Jun 2016**	**% change**
Volume (million tonnes)[1]	66.5	80.5	-17%	31.6	39.0	-19%
Volume (million MWh)[1][2][3]	114.6	194.7	-41%	53.3	95.3	-44%
Revenue[1][3]	20,248	20,172	-	8,955	10,555	-15%
Operating income from supply chains[1][3][4]	(226)	436	-	(253)	196	-

(1) Adjusted for discontinuing or to be discontinued businesses and other expenses.
(2) Gas & Power volume conversions from MMBTu to MWh based on current market heat rates.
(3) 2016 segment results include Noble Americas Energy Solutions.
(4) Adjusted for exceptional items.

The Energy Segment includes the following businesses:

- Oil Liquids: a global business which trades and provides supply chain and risk management services in crude oil, distillates, gasoline, renewables and other refined products.
- Gas & Power: comprised of our North American business which trades and provides supply chain management services in gas and power and our global LNG business. On 1 December 2016, the Group disposed of Noble Americas Energy Solutions which offered supply and risk management services in gas and power to retail, commercial and industrial customers in the United States. Post quarter-end, on 26 July 2017, the Group announced the sale of Noble Americas Gas & Power Corp ("NAGP") to Mercuria Energy America, Inc. The sale is subject to certain approvals, and until such time the approvals are obtained and the sale is concluded, the results of NAGP will continue to be reported in this Segment.
- Energy Coal: a global business which trades and provides supply chain and risk management services in bituminous and sub-bituminous energy coal.

Oil Liquids: Market Overview

Selected Average Commodity Prices	Six Month Average			Three Month Average		
	30 Jun 2017	**30 Jun 2016**	**% change**	**30 Jun 2017**	**30 Jun 2016**	**% change**
S&P GSCI Energy Index	173.85	138.15	26%	168.49	155.78	8%
Crude Oil – Brent (US$/bbl)	52.80	41.21	28%	50.92	47.03	8%
Crude Oil – WTI (US$/bbl)	50.09	39.78	26%	48.28	45.64	6%
RBOB Gasoline (US$/gallon)	1.58	1.36	16%	1.58	1.54	3%
NYMEX Heating Oil (US$/gallon)	1.56	1.24	26%	1.51	1.39	9%

Source: Bloomberg

- Global oil stocks continued to build in April and May as production increased in both OPEC and non-OPEC countries. OECD commercial stocks rose on higher refinery output and imports, leading to a fall in prices reflecting lower expectations about the pace of the global market rebalancing.
- Gasoline demand fell during the three months ended 30 June 2017, but has been increasing in the US over the summer season. Although imports are also expected to decline, gasoline prices are expected to remain low given high global crude stocks.
- US distillate demand has entered its summer trough. However, exports have been very strong, limiting stock build.

Oil Liquids: Performance

- Capital constraints and a focus on liquidity, along with the impact of broader market sentiment surrounding the Group added pressure on margins and negatively impacted performance in the Oil Liquids business.
- Volumes fell close to 20% year-on-year with revenue remaining relatively flat year-on-year given the higher price environment in 2017.
- Performance during the three months ended 30 June 2017 was negatively impacted by unexpected market movements due to inventory builds in April in the Light Ends business as it was positioned to deliver on the added demand expected to come in the summer months. However, this reversed somewhat as demand began to increase in May.
- As part of the extension of the US$2 billion NAC BBF, certain milestones to reduce utilisation were agreed. This also had an impact on performance as the business focused on reducing positions due to the tighter financing framework.

Energy Coal: Market Overview

Selected Average Commodity Prices	Six Month Average			Three Month Average		
	30 Jun 2017	**30 Jun 2016**	**% change**	**30 Jun 2017**	**30 Jun 2016**	**% change**
Coal – API4 (US$/t)	79.19	53.27	49%	75.73	54.53	39%
Coal – API2 (US$/t)	78.40	46.90	67%	75.44	48.27	56%
Coal – Newcastle FOB (US$/t)	80.60	51.05	58%	79.66	51.75	54%

Source: Bloomberg

- Energy Coal indices rallied in June on the back of strong demand in China as a result of relatively slow domestic supply growth as well as expectations of a hot summer.
- Other Northeast Asian markets also showed growing demand with consumption increasing in Korea and Taiwan with the commissioning of new coal-fired stations as well as issues with nuclear power generation.
- The impact of cyclone Debbie on Australian supply provided some support to thermal coal prices, as it is estimated that the supply chain disruption impacted approximately 12 million tonnes of metallurgical coal.

- With the rise in prices, there has been some improvement in export availability from Indonesia, as expected, but the additional output has been concentrated on lower grade coal.

Energy Coal: Performance

- Energy Coal continues its underlying solid performance in the physical markets with shipments, including both offtake and marketed volume, remaining stable year-on-year. This is a testament to the strength of the franchise and relationships given the constrained credit environment.
- The impact of the dislocation in coal markets during the first three months of 2017 carried over into the three months ended 30 June 2017 as the Group completed the repositioning of its coal hedging. Financial hedging exposures were significantly reduced and the negative earnings impact was notably less than what had been recorded during the first three months of 2017.
- The business saw healthy cash realisation on its physical contracts, adding positive returns.
- However, results were also impacted by non-cash mark-to-market losses which were primarily related to unrealised observable physical positions as forward prices fell. Although spot prices have rallied, the thermal coal forward curve remains backwardated and forward prices declined further in the three months to June 2017.

Gas & Power: Market Overview

Selected Average Commodity Prices	Six Month Average			Three Month Average		
	30 Jun 2017	**30 Jun 2016**	**% change**	**30 Jun 2017**	**30 Jun 2016**	**% change**
Gas – Henry Hub (US$/mmBtu)	3.10	2.12	46%	3.14	2.25	40%
Gas – NBP (US$/mmBtu)	5.41	4.31	26%	4.79	4.37	10%
LNG Spot JKM (US$/mmBtu)	6.31	4.85	30%	5.54	4.67	19%
USA PJM Baseload (US$/MWh)	24.84	22.27	12%	22.68	21.00	8%

Source: Bloomberg

- US natural gas prices have sold-off since mid-May largely on weather-related concerns. Demand has been concentrated in the Western regions which has been particularly impactful considering how strong hydro power generation has been in the West this year, which has further reduced the need for natural gas-fired generation.
- In LNG, supply growth slowed, with only one new supply train starting exports, while imports to Northeast Asia were stronger than expected in the three months ended 30 June 2017, increasing 16% year on year. China's coal-to-gas switching policy to improve air quality increased gas demand and new LNG term supply contracts ramped up. South Korea shut eight ageing coal plants in June to improve air quality and Taiwan's gas demand was boosted by nuclear outages.
- In Europe, prices trended lower, as Russian and Norwegian pipeline supplies remained high and the UK's only large gas storage facility was confirmed to be closing permanently.

Gas & Power: Performance

- The North American Gas & Power business performed well on its transport and supply deals during the first three months of 2017, with notable returns from supplying gas in the Pacific North West from Canada into the West Coast of the US. However, results turned during the three months ended 30 June 2017 as the basis prices were tighter out in the curve.
- The LNG business continues to execute on its existing contracted flows, but were unable to add profitable new business flows given the Group's capital constraints.

Metals, Minerals and Ores Segment

	Six Months Ended			Three Months Ended		
(US$ million / million tonnes)	30 Jun 2017	30 Jun 2016	% change	30 Jun 2017	30 Jun 2016	% change
Volume[(1)]	24.2	31.3	-23%	12.2	16.0	-24%
Revenue[(1)]	2,295	2,966	-23%	1,098	1,507	-27%
Operating income from supply chains[(1)(2)]	(43)	57	-	(14)	8	-

(1) Adjusted for discontinuing or to be discontinued businesses and other expenses.
(2) Adjusted for exceptional items.

The Metals, Minerals and Ores Segment includes the following businesses:

- Metals: comprised of our Asian base metals business which trades and provides supply chain management services in copper, zinc, lead, nickel and other raw materials and our global aluminium business which trades and provides supply chain management services in aluminium, alumina and bauxite.
- Carbon Steel Materials: an Asia and EMEA focused business which trades and provides risk management and logistics services for the steel complex in iron ore, metallurgical coal, metallurgical coke, and specialty ores and alloys.
- Logistics: which provides internal and external customers with ocean transport in the dry bulk segment, long term freight solutions and freight market guidance.

Metals: Market Overview

Selected Average Commodity Prices	Six Month Average			Three Month Average		
	30 Jun 2017	30 Jun 2016	% change	30 Jun 2017	30 Jun 2016	% change
S&P GSCI Industrial Metals Index	321	331	-3%	318	360	-12%
LME cash aluminium price (US$/t)	1,880	1,644	14%	1,911	1,572	22%
LME cash copper price (US$/t)	5,748	4,796	20%	5,663	4,729	20%
LME cash zinc price (US$/t)	2,690	2,132	26%	2,598	1,918	35%
Bauxite – China CFR (US$/t)	53	53	-	46	53	-13%

Source: Bloomberg

- Base metals prices, especially those that are staples in the construction industry, were higher year-on-year on the back of optimism about US infrastructure spending and economic growth.
- Movement in these markets continue to be dominated by two factors – one being China and environmental regulation and policy changes in the country and the second being the legislative initiatives in the US.

Metals: Performance

- In Aluminium/Alumina/Bauxite, we are focused on the vertically integrated supply chain (including the Jamalco asset). Jamalco is operating smoothly and its performance has benefitted from the various cost reduction initiatives that were implemented in 2016.
- Base Metals has been impacted by the Group's cautious approach to liquidity with a decline in volume and profitability. The business, however, continues to focus on a measured build out of its business based on existing relationships in our key origination markets – namely China, Mongolia and Central Asia – with sales into South East Asia, Middle East and Europe.

Carbon Steel Materials: Market Overview

Selected Average Commodity Prices	Six Month Average			Three Month Average		
	30 Jun 2017	**30 Jun 2016**	**% change**	**30 Jun 2017**	**30 Jun 2016**	**% change**
Met Coal – Platts PLV US$/tonne	181	84	115%	193	91	112%
Iron Ore - US$/tonne	74	52	41%	63	55	15%

Source: Platts, Bloomberg

- The metallurgical coal market experienced extreme volatility with a significant fall in prices since reaching record levels in November 2016, as new supply came online in response to the price environment and restocking demand in H2 2016.
- China policy has also driven market sentiment and price movements with domestic China met coal supply recovering partially from Q4 2016 levels.
- In April, tropical cyclone Debbie created a major disruption in Australian supply from Queensland, triggering a sharp jump in prices.
- On the other hand, iron ore prices continued to increase over most of the first three months of 2017, with a correction starting towards mid-March as inventory levels at Chinese ports reached record levels.

Carbon Steel Materials: Performance

- Tonnage and performance in Iron Ore was impacted by the roll-off of a significant contract at the end of 2016, while volumes and profitability in Special Ores, including manganese and chrome, increased as we increasingly focus on niche high margin businesses.
- In Met Coal and Coke, tropical cyclone Debbie caused significant disruption to the supply chain resulting in a 46% decline in volume year on year.
- We continue to expand our market share with Chinese and Indian steel mills. We are also expanding our origination markets into Southeast Asia, Latin America and Africa, becoming the only global supplier with this level of diversity.

Logistics: Market Overview

- The first half of 2017 saw continued market improvement in the dry bulk sector resulting from a large scrapping program which took place in the second half of 2016, the third highest demolition volume on record. This created tighter supply for dry bulk commodities while seaborne demand for dry bulk commodities increased.
- The steady increase in the dry bulk freight market continues to be led by the Cape Size sector with Panamax and Supramax rates remaining largely stable.

Logistics: Performance

- Performance in the three months ended 30 June was impacted by tropical cyclone Debbie which took out 15 million tonnes of cargo supply from east Australian coal ports.
- We expect to see gradual improvement during the remainder of 2017 as cargo levels increase.

Principal Associated Companies

The following associated companies are all publicly listed. Further information can be found on the companies' own websites and stock exchanges.

- **Yancoal**, listed on the ASX, saw its production of salable coal in the three months to 30 June rise by 12% to 4.35 million tonnes on the prior year while sales were up 4% to 4.92 million tonnes, also over the prior year. More notably, the planned increase in output at Moolarben remains on track. Once fully developed, the integrated Moolarben Coal Complex (Stage 1 and Stage 2 combined) will produce up to 17 million tonnes of Run of Mine (ROM) coal per annum for a period of 24 years.
- Met coal sales were down year on year in Q2 2017 by 17% to 1.6 million tonnes while thermal coal sales rose 19% to 3.3 million tonnes.
- On 13 April 2017, the company received confirmation from the Foreign Investment Review Board that it had no objection to the proposed acquisition of Coal and Allied from Rio Tinto, on completion of which Yancoal would become Australia's largest pure play coal producer. The transaction was approved by Rio Tinto shareholders on 29 June 2017, and a US$2.5 billion equity raising was announced on 2 August 2017, to fund the acquisition.
- **Aspire Mining** is an ASX listed company with a primary focus on the development of coal resources in Mongolia, especially for coal used in the steel making industry. The company is the largest coal tenement holder in the Orkhon-Selenge Coal Basin in Northern Mongolia and it wholly owns the Ovoot Coking Coal Project. The Ovoot project is a large scale coking coal project with a current JORC Probable Reserve of 255 million tonnes with a projected output of ups 10 Million tonnes per annum for 21 years.
- Aspire also has an 90% interest in the Nuurstei coking coal project which has confirmed its first JORC coal resource of 12.85 million tonnes, with the characteristics of high quality hard coking coal. Additionally, Aspire Mining has signed an agreement with the Mongolian Government, owner of the Tavan Tolgoi Coal Mine, to look into blending coal opportunities with Aspire's Ovoot mine.
- The company is also actively involved in facilitating and promoting the required rail based infrastructure solutions via its involvement in Northern Railways LLC, a company backed by a consortium including Aspire, which is currently progressing the development of the Erdenet – Ovoot rail section of a key link between Tianjin and the Trans-Siberian railway.
- **Xanadu** is an ASX listed copper and gold exploration company with several advanced exploration projects in Mongolia's highly mineralized and vastly underexplored South Gobi region.
- The company has two key prospects within the world class Oyu Tolgoi porphyry trend, in the major Kharmagtai and Oyut Ulaan areas, which it continues to delineate. The company believes from exploration information to date that its licenses encompass one of the most promising copper/gold discoveries globally and that the quality is also very high by global standards.
- **Resource Generation ("ResGen")** is an ASX and Johannesburg listed thermal coal exploration company, in which the largest shareholder is the investment entity wholly owned by the South African Government, Public Investment Corporation. The focus of the company is on developing its Boikarabelo coal mine in the Waterberg region of South Africa.

- In October 2016, the company announced that it had selected the preferred mining contractor, having previously announced the appointment of Sedgeman for the design, procurement and construction of the coal handling and preparation plant for a fixed lump sum contract of US$141 million. The company held a meeting of lenders on 14 June 2017 to review all material EPC and logistics contracts and review matters arising from due diligence. Such review is continuing and discussions continue with ESKOM concerning a Memorandum of Understanding and Coal Supply Agreement.
- The latest JORC statement relates only to 27% of ResGen's coal resources and 46 % of its reserves. It shows ResGen as having 3.7 billion tonnes of resources and 581 million tonnes of reserves, with measured and indicated tonnes of 995 million tonnes.
- **Atlas Resources**, operating in Indonesia, and listed on the Jakarta Stock Exchange has re-organized its business into three units, Coal, Infrastructure and Energy. The company has five production hubs with combined reserves of over 300 million tonnes.
- **Baralaba** (formerly Cockatoo Coal), produces PCI coal used in the steel making industry and for which demand is expected to increase faster than for Hard Coking Coal over coming years. The company has marketable reserves of 33 million tonnes at its Baralaba North mine. However, on 12 July 2017, the company announced the appointment of Administrators as it was unable to raise A$78 million as it had planned, and which is needed to move ahead to resume coal production. As a result, the Group recorded a non-cash impairment loss in respect of its investment in Baralaba during the three months ended 30 June 2017.

Working Capital

(US$ million)	**30 Jun 2017**	**31 Mar 2017**	**31 Dec 2016**
Trade receivables	2,005	2,064	2,407
Prepayments, deposits and other receivables	841	804	867
Inventories	1,317	1,769	1,643
Trade and other payables and accrued liabilities	(2,043)	(2,711)	(3,151)
Net fair value gains on commodity contracts and derivative financial instruments	1,455	2,830	2,776
Working capital	**3,575**	**4,756**	**4,542**

- Working capital decreased by US$967 million in the first half of 2017 driven primarily by the non-cash adjustments to the Group's net fair value gains on commodity contracts and derivative financial instruments as well as normal course fluctuations in working capital.
- The non-cash adjustments to the Group's net fair value gains on commodity contracts and derivative financial instruments totaled US$1.2 billion and includes reserving of the entire Level 3 net fair value gains balance. In addition, the Group also recorded reserves and adjustments against certain Level 2 net fair value gains positions. Further adjustments were made to reflect the impact of credit rating downgrades.
- Readily marketable inventories ("RMI"), at US$1.2 billion at 30 June 2017, accounted for 93% of total inventory. The Group's RMI is highly liquid, primarily comprising oil liquids products. Given the highly liquid nature of these inventories, the Group believes it is appropriate to consider them together with cash equivalents when evaluating the Group's leverage.
- As of 30 June 2017, the Group no longer utilises its off balance sheet readily marketable inventory sales program, compared to utilisation of US$60 million at 31 March 2017 and US$129 million at 31 December 2016, with the decrease primarily reflecting the roll-off of certain metals and oil liquids inventory sales positions.

Selected Cash Flow & Net Debt Reconciliation[1][2]

(US$ million)	6 Months Ended 30 Jun 2017	3 Months Ended 30 Jun 2017	3 Months Ended 31 Mar 2017
Operating loss before working capital changes	**(1,720)**	**(1,655)**	**(65)**
Decrease/(increase) in working capital[3]	931	1,152	(221)
Others	26	18	8
Net cash flows used in operating activities[3]	**(763)**	**(485)**	**(278)**
Net cash flows from/(used in) investing activities	**(52)**	**24**	**(76)**
Interest paid on financing activities	(115)	(61)	(54)
Others	(11)	(7)	(4)
Net cash flows used in financing activities[4]	**(126)**	**(68)**	**(58)**
Net foreign exchange differences & others	(4)	1	(5)
Increase in net debt	**(945)**	**(528)**	**(417)**

(1) Full cash flow statement available in the SGX results announcement.
(2) Inclusive of amounts related to discontinuing or to be discontinued businesses and other expenses.
(3) Excludes movement in cash with futures brokers not immediately available for use.
(4) Excludes bank debt additions or repayments and net proceeds from issuance of senior notes.

- The Group's net debt increased by US$945 million in the first half of 2017 primarily driven by normal course fluctuations in working capital, our reinvestment in Harbour Energy in January and negative cash flow from underlying activities due to credit constraints and the challenging operating environment.

- The operating losses recorded during the three months ended 30 June 2017 includes approximately US$1.2 billion of non-cash net fair value gains valuation adjustments and approximately US$150 million of additional non-cash mark-to-market losses in our Hard Commodities businesses related to unrealised observable physical positions as forward prices fell. Therefore, the adjusted operating loss before working capital changes during the three months ended 30 June 2017 was approximately US$(300) million, primarily related to trading losses in the Oil Liquids business and SAO expenses.

- Realisation on the Group's portfolio of long-term physical contracts recovered during the three months ended 30 June 2017, with positive contributions from the Energy Coal, Carbon Steel Materials and Metals businesses.

- Net cash flows used in investing activities during the first half of 2017 includes a re-investment in Harbour Energy in January, and therefore recorded a higher level than we would typically expect to see given the Group's business model and the predominantly discretionary nature of its capital expenditure requirements.

- Net cash flows used in financing activities primarily relates to the interest paid on the Group's debt.

Funding and Credit Availability

(US$ million)	30 Jun 2017	31 Mar 2017	31 Dec 2016
3.625% senior notes due Mar 2018	378	378	378
6.75% senior notes due Jan 2020	1,177	1,177	1,177
8.75% senior notes due Mar 2022	737	739	-
Total debt capital markets	**2,293**	**2,294**	**1,555**
Long term bank debt	48	1,193	1,194
Short term bank debt	2,213	1,353	1,293
Total debt	**4,554**	**4,840**	**4,042**
Cash and cash equivalents(1)	737	1,551	1,170
Net debt	3,817	3,289	2,872
Shareholders' equity	2,095	3,845	3,974
Net debt/Capital(2)	**64.6%**	**46.1%**	**42.0%**
Readily marketable inventory (RMI)	1,230	1,674	1,526
Adjusted net debt / Capital(2)(3)	**55.2%**	**29.6%**	**25.3%**

(1) Includes cash with brokers not immediately available for use
(2) Capital= net debt + shareholders' equity
(3) Adjusted for RMI

- Total cash and cash equivalents at 30 June 2017 stood at US$737 million of which US$103 million was restricted with brokers and not immediately available for use. The decline in cash from 31 March 2017 to 30 June 2017 is largely due to the repayment of a US$650 million term loan upon its maturity in May 2017.
- Net debt increased by US$945 million in the first half of 2017, primarily driven by an increase in working capital largely due to increases in price, our reinvestment in Harbour Energy in January and underlying cash flow from underlying activities.
- At 30 June 2017, liquidity headroom, being the sum of readily available cash and unutilised committed facilities, stood at US$1.4 billion, following the repayment of a US$650 million term loan and cancellation of a US$565 million revolving credit facility upon its maturity in May 2017.
- The Group has been facing significant credit constraints and availability under its uncommitted bank facilities saw a material decline. This has impacted trading and earnings generation capacity as mentioned in various business commentaries. As at 30 June 2017, the Group had a total of US$4.6 billion in available committed and uncommitted bank facilities, of which US$3.4 billion was utilized. The various facilities include the US$2 billion NAC BBF, the US$1 billion NCFL BBF, a US$1.1 billion committed unsecured revolving credit facility with the remainder being bilateral trade finance facilities.
- The Group obtained a waiver in relation to the financial covenants in its committed unsecured revolving credit facility due May 2018. The agreement waives the financial covenants until 20 October 2017 to align with the extension period of the NAC BBF. The Group continues to be in discussions with its lenders.