

Yancoal Australia Ltd

Appendix 4D

Half-Year Financial Report

Half-year ended 30 June 2014

1. Results for Announcement to the Market

	30 June 2014 \$'000	30 June 2013 \$'000	% Change
Revenue from ordinary activities	654,567	718,360	(8.9)
Loss before income tax (before non-recurring items)	(248,912)	(697,039)	(64.3)
Loss before income tax (after non-recurring items)	(248,912)	(1,040,039)	(76.1)
Loss from ordinary activities after income tax attributable to members (before non-recurring items)	(192,707)	(522,729)	(63.1)
Net loss for the period attributable to members (after non-recurring items)	(192,707)	(749,441)	(74.3)

2. Earnings per share

	30 June 2014 \$'000	30 June 2013 \$'000	% Change
Loss per share (before non-recurring items)**	(0.19)	(0.53)	(64.2)
Loss per share (after non-recurring items)**	(0.19)	(0.75)	(74.7)

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

3. Net tangible assets per security

	30 June 2014 \$'000	31 December 2013 \$'000	% Change
Net tangible assets per share	0.88	0.87	1.1

4. Dividends

No dividends have been paid during the financial period. The Directors do not recommend that a dividend be paid in respect of the financial period (30 June 2013: nil).

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

a. Acquisitions

No entities were acquired during the financial period.

b. Disposals

No entities were disposed of during the financial period.

6. Details of associates and joint venture entities

	30 June 2014 \$'000		30 June 2013 \$'000	
	Holdings %	Profit / (loss) after income tax contribution \$'000	Holdings %	Profit / (loss) after income tax contribution \$'000
<i>Joint venture entities</i>				
Ashton Joint Venture (unincorporated)	90	(18,071)	90	(8,706)
Moolarben Joint Venture (unincorporated)	80	44,988	80	22,573
Boonal Joint Venture (unincorporated)	50	Not material	50	Not material
Middlemount Coal Pty Ltd	49.9997	(33,925)	49.9997	(29,129)
<i>Associate entities</i>				
Ashton Coal Mines Limited	90	Nil	90	Nil
Newcastle Coal Infrastructure Group Pty Ltd	27	Nil	27	Nil

All other information can be obtained from the attached Half-Year Financial Statements, accompanying notes and Directors' report.

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Yancoal Australia Ltd

ABN 82 111 859 119

Half-Year Financial Report For the half-year ended 30 June 2014

Yancoal Australia Ltd

Half-Year Financial Report

For the half-year ended 30 June 2014

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Directors' Report

The Directors present their report on 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 2014 ("the period").

Directors

The following persons who held office as Directors of Yancoal Australia Ltd during the whole of the half-year ended 30 June 2014 and up to the date of this report is as follows:

Xiyong Li
Cunliang Lai
Baocai Zhang
James Mackenzie (retired 11 April 2014)
Yuxiang Wu
Xinghua Ni
Gregory Fletcher
Boyun Xu
William Randall
Vincent O'Rourke
Geoffrey Raby
Huaqiao Zhang (appointed 17 April 2014)

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2014 and up to the date of this report is as follows:

Laura Ling Zhang

Review of operations

Financial performance

The loss after income tax for the half-year ended 30 June 2014 amounted to \$192,707,000 (30 June 2013: \$749,441,000) after adding an income tax benefit of \$56,205,000 (30 June 2013: \$290,598,000).

Safety

On April 15, an underground incident at the Austar mine resulted in two fatalities. An investigation into the cause of the incident is ongoing and development production at the mine has yet to recommence. Yancoal's thoughts and offers of support continue for the families and colleagues affected by the Austar event.

Corporate activities

During the period, Yancoal Australia Ltd (Yancoal) commenced a restructure of its mining operations and project pipeline to improve transparency, communication and the sharing of services and processes across the Group.

To date, the restructure has achieved demonstrable operational efficiencies, costs reductions and enhanced regional marketing opportunities, all supported by the creation of a regional reporting structure.

Under the new regional model, sites continue to roll-out the LEAN program and implement training associated with the next phase of cultural change, sustainable cost control and operational efficiency improvements termed the "Yancoal Way".

Yanzhou

In March, Yancoal's major shareholder (78%), Yanzhou Coal Mining Company Limited (Yanzhou), notified the Company it no longer wished to pursue its indicative non-binding proposal regarding the possible privatisation of Yancoal, as announced 9 July 2013.

The Group arranged a US\$300M long term loan facility from Yanzhou to fund working capital and capital expenditure:

- The first US\$100M tranche has a term of six years (with principal to be repaid in full at maturity) and is provided on an unsecured basis with no covenants.
- Interest and repayment timing for the next tranches constituting US\$200M in aggregate will be agreed at a future time, prior to those tranches being advanced.

Review of operations (continued)

Yanzhou (continued)

In accordance with the terms of the 2012 Merger Proposal Deed with Gloucester Coal Ltd, in March 2014, Yancoal completed the \$263M planned repurchase of the 87,645,184 Contingent Value Right Shares (CVR shares).

Mining operations

Yancoal operated seven sites across two regions in Australia for the period. In New South Wales: Astar, Ashton, Moolarben, Gloucester (Stratford & Duralie), and Donaldson. In Queensland: Yarrabee and Middlemount. The Group has a near 50% equity interest in Middlemount Coal Pty Ltd ("Middlemount").

All sites continued to implement sustainable cost control and operational efficiency improvements, producing at optimal levels to maximise yield recoveries.

Total ROM and saleable coal produced during the period was 13.2Mt and 9.5Mt respectively on a 100% ownership basis. Total Equity share of ROM and saleable coal produced was 11.1Mt and 7.9Mt respectively.

Yancoal's product split (equity share) for the period was 4.2Mt thermal and 3.7Mt metallurgical coal.

New South Wales

New South Wales operations achieved ROM coal production of 9.06Mt and saleable coal production of 6.38Mt for the period, sharing rail and port facilities to reduce existing contract overhangs and associated costs, while increasing thermal blending opportunities to optimise product mix where possible.

Challenging roof conditions at the Ashton mine (Yancoal 90%) affected consistent longwall output throughout the period, with seam dilution at the longwall face impacting washplant yield. ROM coal production was 1.6Mt, with saleable coal production of 727Kt, including some sell down of carry-over inventory.

Ashton's production outlook for 2014 remains 1.4 – 1.5Mt (100% basis) of saleable coal production, with production forecasts including a scheduled longwall move from LW102 to LW103 in the second half of 2014.

Astar (Yancoal 100%) ROM coal production was 460Kt for the period, with saleable coal production of 376Kt. Sustainable production improvements were offset by the scheduled longwall move to panel A8 in April. Longwall production recommenced in late June, with panel A8 expected to provide up to 12 months of production.

The Moolarben mine (Yancoal 80%) continued its strong performance, with ROM production of 4.4Mt for the period and saleable coal production of 3.3Mt (100% basis).

The outlook for 2014 remains 6.1 – 6.2Mt (100% basis) of saleable coal production, with Moolarben focused on delivering strict cost controls and refining its high ash thermal coal strategy.

The Donaldson mine (Yancoal 100%) delivered steady volumes for the period, in accordance with existing life of mine plans. ROM coal production was 1.2Mt, with saleable coal production of 979Kt.

While most costs remain fixed, a new Donaldson mine design was implemented in March to maximise opportunities, using three extractors and the existing development fleet to more efficiently share equipment, systems and processes. The 2014 operating focus remains on business improvement, with a production outlook of 1.9 – 2.1Mt of saleable coal.

The staged downsizing of operations at the Gloucester operations (Yancoal 100%) continued throughout the period, with consistent ROM coal production of 1.4Mt and saleable coal production of 1.0Mt.

Operational efficiencies continued to be implemented across the Stratford and Duralie mines during the period, with overburden removal and robust CHPP performance delivering above targets.

Production at the Stratford open cut Bowen Road North pit commenced taking final coal during the period, reaching the scheduled completion of its economically recoverable resources in July 2014. The production outlook for the Gloucester mines is 1.5–1.6Mt of saleable coal.

Review of operations (continued)

Mining operations (continued)

Queensland

Queensland operations achieved total ROM coal production of 4.20Mt and saleable coal production of 3.10Mt for the period, with consistent gains at Yarrabee offset by significant wet weather impacts at Middlemount.

Continued cost reductions and increased operational efficiencies at Yarrabee mine (Yancoal 100%) generated significant production gains for the period, with ROM coal production of 1.8Mt and saleable coal production of 1.4Mt.

Improved stockpile management and coal processing activities influenced cost reductions across the operation, with sustained high mining excavator productivity achieving record overburden movement in May.

Successful mining of the Yarrabee East North pit continues to provide growth and delivery options for the Yarrabee mines, acting as the major product source for the operation as the smaller DOM 1 pit approaches the end of its economically recoverable assets. Operations will then shift to the DOM 2 North open cut pit.

Yarrabee's focus for 2014 remains continued operational and business improvements across the CHPP, site maintenance, and administration areas, with the outlook remaining 3.1-3.3Mt of saleable coal production by year's end.

Middlemount (Yancoal 49.9997%) production gains and increased operational efficiencies were offset by wet weather impacts during the period, affecting overburden volumes and restricting operations throughout. ROM coal production was 2.4Mt and saleable coal production 1.7Mt.

The outlook for the year ahead remains positive, pending weather impacts, with expectations for an increase in production to 3.6 – 3.8Mt of saleable coal.

The focus for 2014 remains the implementation of operational efficiencies, increasing ROM production via a reduced strip ratio and an increase in overburden extraction rates.

Projects

Moolarben

In June, Yancoal received New South Wales PAC approval for the Moolarben coal mine Stage 1 Modification 9, subject to conditions. The modification approves the extraction of an additional 30Mt of ROM coal over the life of the mine.

A public hearing for the Moolarben Stage 2 Expansion project (comprising Open Cut 4, Underground 1 and Underground 2 mines) was conducted 26 February 2014, with the NSW PAC expected to provide its report to the Department of Planning and Infrastructure in the second half of 2014.

Ashton

Approvals for the proposed Ashton South East Open Cut (SEOC) project are expected in the second half of the year, pending a determination from the Land and Environment Court.

Stratford

The proposed Stratford extension continues to progress through the approvals processes, with the NSW PAC referring its findings to the Department of Planning and Infrastructure in April for further consideration and determination of approval.

The proposed extension consists of three mining areas, with approval sought to extract 21.5Mt of ROM coal over 11 years to 2025 at a rate of up to 2.6Mt pa. Exploration drilling is set to commence in the second half of 2014.

Coal price outlook

Thermal and metallurgical markets remained depressed throughout the period, with spot prices declining in the current environment.

Significant global over-supply continues to weaken export coal prices with minimal improvements expected in the year ahead.

Current pricing versus cost of production challenges are expected to drive further consolidation within the market, specifically among smaller operators in the year ahead, and may provide some new marketing opportunities as Yancoal continues to maximise its existing blending strategies.

Coal price outlook (continued)

In response to the current down market, Yancoal remains focused on product optimisation to maximise yield and will pursue new value opportunities via marketing synergies across its New South Wales operations.

Matters subsequent to the end of the half-year

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

- (a) At 30 June 2014, the Group has a cash balance of \$365,303,000. However, a current loan of US\$99,310,345 was repaid on 25 July 2014.

Auditor's independence declaration

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

Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

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



Baocai Zhang
Director

Sydney
19 August 2014



**ShineWing
Hall Chadwick**
Corporate Advisors &
Certified Practising Accountants
ABN 70 579 787 151

Level 1, CITIC House
99 King Street
Melbourne VIC 3000
Australia

T +61 3 8613 0000
F +61 3 8613 0099
info@shinewing.com.au
www.shinewing.com.au

The Board of Directors
Yancoal Australia Ltd
Level 26
363 George Street
SYDNEY NSW 2000

19 August 2014

Dear Board Members,

YANCOAL AUSTRALIA LTD

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Yancoal Australia Ltd.

As lead audit partner for the review of the financial statements of Yancoal Australia Ltd for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) Any applicable code of professional conduct in relation to the review.

Yours sincerely,

ShineWing Hall Chadwick

ShineWing Hall Chadwick

M J Schofield

M J Schofield
Partner

Yancoal Australia Ltd
Half-Year Financial Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2014

	Notes	30 June 2014 \$'000	30 June 2013 \$'000
Revenue	4	654,567	718,360
Other income	5	18,176	537
Changes in inventories of finished goods and work in progress		(3,314)	4,649
Raw materials and consumables used		(132,113)	(124,545)
Employee benefits expense	6	(140,721)	(133,094)
Depreciation and amortisation expense	6	(119,086)	(128,619)
Impairment of mining tenements	12	-	(343,000)
Transportation expense		(127,217)	(123,126)
Contractual services and plant hire expense		(141,839)	(193,987)
Government royalties expense		(46,848)	(49,430)
Changes in deferred mining costs		(11,207)	(352)
Other operating expenses	6	(88,376)	(578,742)
Finance costs	6	(77,009)	(59,561)
Share of loss of equity-accounted investees, net of tax	10	(33,925)	(29,129)
Loss before income tax		(248,912)	(1,040,039)
Income tax benefit	7	56,205	290,598
Loss after income tax		(192,707)	(749,441)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges:			
Fair value gains / (losses) taken to equity		254,241	(71,355)
Fair value (gains) / losses transferred to profit and loss		34,325	(8,829)
Deferred income tax (expense) / benefit		(86,570)	23,990
Other comprehensive income / (expense), net of tax		201,996	(56,194)
Total comprehensive income / (expense)		9,289	(805,635)
Total comprehensive income / (expense) for the period is attributable to:			
Owners of Yancoal Australia Ltd		9,289	(805,635)
		9,289	(805,635)
Total comprehensive income / (expense) for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		9,289	(805,635)
		9,289	(805,635)
		\$	\$
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share		(0.19)	(0.75)
Diluted loss per share		(0.19)	(0.75)

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

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Yancoal Australia Ltd
Half-Year Financial Report
Consolidated Balance Sheet
As at 30 June 2014

	Notes	30 June 2014 \$'000	31 December 2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		365,303	318,001
Trade and other receivables		166,372	495,971
Royalty receivable		17,435	19,444
Inventories	8	132,029	136,601
Derivative financial instruments	9	45	2,956
Other current assets		22,774	28,985
Total current assets		703,958	1,001,958
Non-current assets			
Trade and other receivables		385,401	368,799
Royalty receivable		188,303	189,461
Investments accounted for using the equity method	10	56,198	89,934
Other financial assets		37	37
Property, plant and equipment	11	1,807,476	1,836,581
Mining tenements	12	2,211,305	2,251,841
Deferred tax assets		762,322	863,254
Intangible assets	13	112,471	113,569
Exploration and evaluation assets	14	909,909	909,160
Other non-current assets		32,117	29,750
Total non-current assets		6,465,539	6,652,386
Total assets		7,169,497	7,654,344
LIABILITIES			
Current liabilities			
Trade and other payables		206,445	259,656
Interest-bearing liabilities	15	119,493	123,862
Contingent value right shares		-	259,430
Derivative financial instruments	9	556	49,615
Provisions		14,855	20,079
Other current liabilities		180	4,034
Total current liabilities		341,529	716,676
Non-current liabilities			
Trade and other payables		648	849
Interest-bearing liabilities	15	4,987,741	5,033,008
Deferred tax liabilities		729,278	799,846
Provisions		113,882	120,350
Other non-current liabilities		6,470	6,461
Total non-current liabilities		5,838,019	5,960,514
Total liabilities		6,179,548	6,677,190
Net assets		989,949	977,154
EQUITY			
Contributed equity		656,701	656,701
Other contributed equity	16(a)	262,936	-
Reserves	16(a)	(33,310)	24,124
Retained earnings	16(b)	103,622	296,329
Capital and reserves attributable to owners of Yancoal Australia Ltd		989,949	977,154
Total equity		989,949	977,154

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

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Yancoal Australia Ltd
Half-Year Financial Report
Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2014

	Attributable to owners of Yancoal Australia Ltd				
	Contributed equity \$'000	Other contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 January 2013 (Restated)	656,701	-	6,360	1,128,399	1,791,460
Loss after income tax	-	-	-	(749,441)	(749,441)
Other comprehensive expense	-	-	(56,194)	-	(56,194)
Total comprehensive expense	-	-	(56,194)	(749,441)	(805,635)
Balance at 30 June 2013	656,701	-	(49,834)	378,958	985,825
Balance at 1 January 2014	656,701	-	24,124	296,329	977,154
Loss after income tax	-	-	-	(192,707)	(192,707)
Other comprehensive income	-	-	201,996	-	201,996
Total comprehensive income / (expense)	-	-	201,996	(192,707)	9,289
Transactions with owners in their capacity as owners:					
Re-measurement of cash receivable for settlement of contingent value right shares	-	-	3,506	-	3,506
Transfer of contingent value right shares at settlement date	-	262,936	(262,936)	-	-
	-	262,936	(259,430)	-	3,506
Balance at 30 June 2014	656,701	262,936	(33,310)	103,622	989,949

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

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Yancoal Australia Ltd
Half-Year Financial Report
Consolidated Statement of Cash Flows
For the half-year ended 30 June 2014

	30 June 2014 \$'000	30 June 2013 \$'000
Cash flows from operating activities		
Receipts from customers	697,452	679,448
Payments to suppliers and employees	(726,820)	(730,919)
Interest paid	(75,154)	(58,296)
Interest received	4,367	6,471
Income tax refund received	-	2,365
Transaction costs paid	(382)	(9,049)
Net cash outflow from operating activities	(100,537)	(109,980)
Cash flows from investing activities		
Payments for property, plant and equipment	(53,801)	(115,346)
Payments for capitalised exploration and evaluation activities	(749)	(2,992)
Proceeds from sale of property, plant and equipment	189	240
Advances to associate	-	(664)
Advances to joint venture	(7,500)	(16,999)
Receipt from repayment of loans to related entities	-	50,000
Payment of deferred purchase consideration	-	(250)
Dividends received	-	2
Cash transferred (to) / from restricted accounts	15,983	(18,238)
Net cash outflow from investing activities	(45,878)	(104,247)
Cash flows from financing activities		
Payment of finance lease liabilities	(5,353)	(4,660)
Proceeds from interest-bearing liabilities - external	-	80,000
Repayment of interest-bearing liabilities - external	-	(80,000)
Proceeds from interest-bearing liabilities - related entities	221,096	840,817
Receipt of contingent value right shares receivable - related entities	262,936	-
Repayment of contingent value right shares	(262,936)	-
Repayment of promissory note	-	(586,970)
Net cash inflow from financing activities	215,743	249,187
Net increase in cash and cash equivalents	69,328	34,960
Cash and cash equivalents at the beginning of the financial period	318,001	349,293
Effects of exchange rate changes on cash and cash equivalents	(22,026)	(3,980)
Cash and cash equivalents at the end of the period	365,303	380,273

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

1 Basis of preparation of half-year report

This Half-Year Financial Report for the half-year ended 30 June 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 31 December 2013 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2014 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

The Group is a for profit entity for financial reporting purposes under Australia Accounting Standards.

The Group is of a kind referred to in ASIC Class Order 98/100 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 19 August 2014.

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

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption.

Australian Accounting Standards and Interpretations issued but not yet applicable for the period ended 30 June 2014 have not been applied by the Group. The Group has not yet determined the potential impacts of the amendments on the Group's financial statements.

(c) Going concern

For the half-year ended 30 June 2014, the Group had a loss before income tax of \$248,912,000 (30 June 2013: \$1,040,039,000) from continuing operations. The net cash outflow from operating activities was \$100,537,000 (30 June 2013: \$109,980,000).

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

- (i) At 30 June 2014, the Group has a cash balance of \$365,303,000.
- (ii) At 30 June 2014, the Group has surplus net current assets of \$362,429,000.
- (iii) At 30 June 2014, the Group has undrawn loan facilities from Yanzhou Coal Mining Company Limited of US\$200,000,000.
- (iv) The Directors of Yanzhou Coal Mining Company Limited have confirmed, as at 6 August 2014, that the Letter of Financial Support (Letter) to the Company effective from 31 December 2013 is still valid. The Letter provides undertakings to the Company that it will provide financial support over the next 12 months and in addition, unless revoked by giving not less than 12 months notice, it will provide ongoing financial support to the Company to enable it to pay its debts as and when they fall due.

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

2 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

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

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 31 December 2013 on a recurring basis:

At 30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging				
Foreign exchange option contracts	-	45	-	45
Royalty receivable	-	-	205,738	205,738
Total assets	-	45	205,738	205,783
Liabilities				
Derivatives used for hedging				
Foreign exchange option contracts	-	556	-	556
Total liabilities	-	556	-	556
At 31 December 2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	-	2,295	-	2,295
Foreign exchange option contracts	-	661	-	661
Other derivatives				
Contingent value right shares - receivable	259,430	-	-	259,430
Royalty receivable	-	-	208,905	208,905
Total assets	259,430	2,956	208,905	471,291
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	-	33,000	-	33,000
Foreign exchange option contracts	-	16,615	-	16,615
Other derivatives				
Contingent value right shares - payable	259,430	-	-	259,430
Total liabilities	259,430	49,615	-	309,045

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2014.

(b) Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and liabilities held by the Group is the current bid price. These instruments are included in level 1.

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 royalty receivable.

2 Fair value measurement of assets and liabilities (continued)

(b) Valuation techniques (continued)

Specific valuation techniques used to value financial assets and liabilities include:

- The use of quoted market prices or dealer quotes for similar instruments;
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

(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 2014:

	Royalty receivable \$'000
Opening balance 1 January 2014	208,905
Cash received / receivable	(7,130)
Unwinding of the discount	11,490
Re-measurement of the royalty receivable	(7,527)
Closing balance 30 June 2014	205,738

(i) *Royalty receivable*

The fair value of the royalty receivable as at 30 June 2014 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 will be 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 fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on the same external data used for impairment assessments (refer to Note 12). The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%.

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

(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

3 Segment information

(a) Description of segments

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.

Given the recently announced strategies of the Group together with the organisational restructure the operating segments are now considered at a regional level. However, due to varying ownership interests Yarrabee and Middlemount are considered separately. Previously the operating segment was considered at the mine site level.

The reportable segments are now considered at a regional level being New South Wales (NSW) and Queensland (QLD). Previously the reportable segment was considered to be Coal Mining.

3 Segment information (continued)

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.

As a result of the recently announced strategies of the Group together with the organisational restructure the prior period balances have been restated.

(b) Segment information

The segment information for the reportable segments for the half-year ended 30 June 2014 is as follows:

30 June 2014	Coal mining - NSW \$'000	Coal mining - QLD \$'000	Corporate \$'000	Total \$'000
Total segment revenue*	452,828	170,757	-	623,585
Add: Loss on foreign exchange rate contracts	34,325	-	-	34,325
Revenue from external customers	487,153	170,757	-	657,910
Operating EBIT	(86,817)	(29,188)	(70,089)	(186,094)
Material income or expense items				
Non-cash items				
Re-measurement of royalty receivable	-	(7,527)	-	(7,527)
Re-measurement of contingent value right shares	-	-	(3,506)	(3,506)
Depreciation and amortisation expense	(96,314)	(18,733)	(4,039)	(119,086)
Foreign exchange gain on interest-bearing liabilities	-	-	25,224	25,224
	(96,314)	(26,260)	17,679	(104,895)
Total capital expenditure	47,347	6,652	551	54,550

The segment information for the reportable segments for the half-year ended 30 June 2013 is as follows:

30 June 2013	Coal mining - NSW \$'000	Coal mining - QLD \$'000	Corporate \$'000	Total \$'000
Total segment revenue*	511,232	179,304	-	690,536
Less: Gain on foreign exchange rate contracts	(8,829)	-	-	(8,829)
Revenue from external customers	502,403	179,304	-	681,707
Operating EBIT	(51,536)	(31,882)	(25,925)	(109,343)
Material income or expense items				
Non-cash items				
Re-measurement of royalty receivable	-	(15,266)	-	(15,266)
Re-measurement of contingent value right shares	-	-	(20,158)	(20,158)
Depreciation and amortisation expense	(107,691)	(16,238)	(4,690)	(128,619)
Foreign exchange loss on interest-bearing liabilities	-	-	(492,711)	(492,711)
Impairment of mining tenements	(343,000)	-	-	(343,000)
	(450,691)	(31,504)	(517,559)	(999,754)
Total capital expenditure	107,183	36,808	127	144,118

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

There was no impairment charge or other significant non-cash items recognised during the half-years ended 30 June 2014 and 30 June 2013 other than those disclosed above.

3 Segment information (continued)

(c) Other segment information

(i) Operating EBIT

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

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

	30 June 2014 \$'000	30 June 2013 \$'000
Operating EBIT	(186,094)	(109,343)
Finance costs	(77,009)	(59,561)
Re-measurement of royalty receivable	(7,527)	(15,266)
Re-measurement of contingent value right shares	(3,506)	(20,158)
Foreign exchange gain / (loss) on interest-bearing liabilities	25,224	(492,711)
Impairment of mining tenements	-	(343,000)
Loss before income tax from continuing operations	(248,912)	(1,040,039)

(ii) 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 11 Property, plant and equipment, Note 12 Mining tenements, Note 13 Intangible assets and Note 14 Exploration and evaluation assets.

All segment assets are located in Australia.

(iii) 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.

4 Revenue

	30 June 2014 \$'000	30 June 2013 \$'000
From continuing operations		
<i>Sales revenue</i>		
Sale of coal	657,910	681,707
Gain / (loss) on foreign exchange rate contracts	(33,022)	8,829
	624,888	690,536
<i>Other revenue</i>		
Management fees	1,010	1,244
Rents and sub-lease rentals	452	149
Interest income	28,217	26,429
Dividends	-	2
	29,679	27,824
	654,567	718,360

5 Other income

	30 June 2014 \$'000	30 June 2013 \$'000
Net gain on disposal of property, plant and equipment	42	-
Net gain on foreign exchange*	18,071	-
Sundry income	63	537
	<u>18,176</u>	<u>537</u>

* This includes a net foreign exchange gain amounting to \$25,224,000 on the conversion of US dollar denominated interest-bearing liabilities. During 2013, there was a net foreign exchange loss amounting to \$492,711,000 on the conversion of US dollar denominated interest-bearing liabilities (refer to Note 6(d)).

6 Expenses

	30 June 2014 \$'000	30 June 2013 \$'000
Loss before income tax includes the following specific expenses:		
(a) Employee benefits expense		
Defined contribution superannuation expense	12,179	9,854
Other employee benefits expenses	128,542	123,240
Total employee benefits expense	<u>140,721</u>	<u>133,094</u>
(b) Depreciation and amortisation		
<i>Depreciation</i>		
Buildings	1,595	1,597
Plant and equipment	54,785	55,226
Mine development	21,687	21,124
Leased plant & equipment	2,972	2,431
Leasehold land	2	-
Total depreciation	<u>81,041</u>	<u>80,378</u>
<i>Amortisation</i>		
Mining tenements	40,536	51,082
Other access rights	26	26
Computer software	1,142	1,943
Total amortisation	<u>41,704</u>	<u>53,051</u>
Total depreciation and amortisation	<u>122,745</u>	<u>133,429</u>
<i>Other depreciation and amortisation</i>		
Depreciation and amortisation capitalised	(3,659)	(4,810)
Total other depreciation and amortisation	<u>(3,659)</u>	<u>(4,810)</u>
Total depreciation and amortisation	<u>119,086</u>	<u>128,619</u>
(c) Finance costs		
Finance lease charges	1,552	1,410
Unwinding of discount on provisions and deferred payables	1,294	745
Other interest expenses	74,163	57,406
Total finance costs	<u>77,009</u>	<u>59,561</u>

6 Expenses (continued)

(d) Other operating expenses

	30 June 2014 \$'000	30 June 2013 \$'000
Net loss on disposal of property, plant and equipment	-	990
Net loss on foreign exchange*	-	487,476
Rental expense relating to operating leases	1,406	2,618
Re-measurement of royalty receivable	7,527	15,266
Re-measurement of contingent value right shares	3,506	20,158
Insurance	3,442	3,130
Bank fees and other charges	59,509	34,123
Duties and other levies	6,181	8,807
Travel and accommodation	4,653	4,856
Other operating expenses	2,152	1,318
Total other operating expenses	88,376	578,742

* This includes a net foreign exchange loss amounting to \$492,711,000 on the conversion of US dollar denominated interest-bearing liabilities for 2013. During 2014, there was a net foreign exchange gain amounting to \$25,224,000 on the conversion of US dollar denominated interest-bearing liabilities (refer to Note 5).

7 Income tax benefit

The income tax benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the financial period. The estimated average tax rate used for the half-year ended 30 June 2014 is 22.56%, compared to 29.16% for the half-year ended 30 June 2013. The estimated average tax rate does not take into account any permanent differences that may arise from the Research and Development tax concession.

The income tax benefit in the Consolidated Statement of Profit or Loss and Other Comprehensive Income also includes the Minerals Resource Rent Tax ("MRRT") expense for the half-year ended 30 June 2014 of \$nil (30 June 2013: \$18,114,000). MRRT is calculated based on a mine by mine analysis performed for the period. This analysis included but is not limited to a portion of profit/loss (upstream) applicable to MRRT, royalties paid to the State Government and upstream capital expenditure. In performing this calculation, consideration was given to ensure that starting base allowances can be recouped based on future forecasted upstream cash flows.

8 Inventories

	30 June 2014 \$'000	31 December 2013 \$'000
Coal - at lower of cost or net realisable value	100,088	102,163
Tyres and spares - at cost	30,859	33,151
Fuel - at cost	1,082	1,287
	132,029	136,601

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2014 amounted to \$16,828,000 (31 December 2013: \$7,164,000). A provision was required to be recognised at 30 June 2014 due to a reduction in short-term forecast coal prices which were slightly offset by a reduction in production costs per tonne. The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

9 Derivative financial instruments

	30 June 2014 \$'000	31 December 2013 \$'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	-	2,295
Collar option contracts - cash flow hedges	45	661
Total current derivative financial instrument assets	<u>45</u>	<u>2,956</u>
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	-	(33,000)
Collar option contracts - cash flow hedges	(556)	(16,615)
Total current derivative financial instrument liabilities	<u>(556)</u>	<u>(49,615)</u>
	<u>(511)</u>	<u>(46,659)</u>

(a) Instruments used by the group

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

(i) Forward exchange contracts - cash flow hedges

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

As at 30 June 2014, there were no outstanding forward foreign exchange contracts.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in Other Comprehensive Income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Consolidated Balance Sheet by removing the related amount from Other Comprehensive Income.

(ii) Collar options - cash flow hedges

The Group enters into collar option contracts to sell specified amounts of foreign currencies in the future at stipulated range of exchange rates. The objective of entering into the collar option contracts is to reduce the foreign exchange rate related volatility of the Group's revenue stream. Foreign currency speculation is specifically excluded. Collar option contracts are entered for contracted future sales undertaken in foreign currencies.

The outstanding sell USD contracts are hedging highly probable forecasted sales of coal. The contracts are timed to mature when funds for coal sales are forecast to be received.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in Other Comprehensive Income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the Consolidated Balance Sheet by removing the related amount from Other Comprehensive Income.

During the half-year ended 30 June 2014, a total loss of \$34,325,000 (30 June 2013: gain of \$8,829,000) was recycled from other comprehensive income to profit or loss in respect of the forward foreign exchange contracts and collar options.

With volatile foreign exchange markets the Group performed a reprofile of forward exchange and collar contracts during the half-year ended 30 June 2014. A total gain of \$7,763,000 was realised as a result of the reprofile with \$1,303,000 being recognised as a gain from forward exchange and collar contracts in the profit or loss. The remaining gain was deferred in the cash flow hedge reserve and will be recycled through the profit or loss when the forecasted sales transaction occurs.

10 Investments accounted for using the equity method

	30 June 2014 \$'000	31 December 2013 \$'000
Investment in associates	3,224	3,035
Interest in joint venture	52,974	86,899
	<u>56,198</u>	<u>89,934</u>

(a) Investment in associates

(i) Summarised financial information of associates

The Group's share of the results of its principal associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership Interest %	Group's share of:			
		30 June 2014		30 June 2014	
		Assets \$'000	Liabilities \$'000	Revenues \$'000	Loss after income tax \$'000
Ashton Coal Mines Limited	90	44,208	43,921	67,882	-
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	27	825,560	950,578	91,431	-
		<u>869,768</u>	<u>994,499</u>	<u>159,313</u>	<u>-</u>
		Group's share of:			
		31 December 2013		30 June 2013	
	Ownership Interest %	Assets \$'000	Liabilities \$'000	Revenues \$'000	Profit after income tax \$'000
Ashton Coal Mines Limited	90	33,141	33,000	47,619	-
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	27	958,036	1,103,105	74,308	(53,428)
		<u>991,177</u>	<u>1,136,105</u>	<u>121,927</u>	<u>(53,428)</u>

* The Group's share of NCIG's loss after income tax has not been recognised for the half-year ended 30 June 2014 since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 30 June 2014.

All of the above associates are incorporated in Australia.

(ii) Contingent liabilities relating to associates

There were no contingent liabilities in relation to the Group's associates as at the half-year ended 30 June 2014.

10 Investments accounted for using the equity method (continued)

(b) Interest in joint venture

(i) Summarised financial information of joint venture

A controlled entity, Gloucester (SPV) Pty Ltd, has a 49.9997% interest in the output of Middlemount Coal Pty Ltd ("Middlemount"), an incorporated joint venture, whose principal activity is the development and operation of open cut coal mines.

The interest in Middlemount is accounted for in the Half-Year Financial Statements in accordance with the new accounting standard AASB 11 *Joint Arrangements*, effective from financial years beginning on or after 1 January 2013.

	30 June 2014 \$'000	31 December 2013 \$'000
Share of joint venture's assets and liabilities		
Current assets	29,819	34,525
Non-current assets	623,139	619,367
Total assets	652,958	653,892
Current liabilities	(86,278)	(73,556)
Non-current liabilities	(513,706)	(493,437)
Total liabilities	(599,984)	(566,993)
Net assets	52,974	86,899
	30 June 2014 \$'000	30 June 2013 \$'000
Share of joint venture's revenue, expenses and results		
Revenue	85,651	56,096
Expenses	(129,222)	(109,974)
Loss before income tax	(43,571)	(53,878)
Income tax benefit	9,646	24,749
Loss after income tax	(33,925)	(29,129)

The liabilities of Middlemount include an amount of \$308,862,000 due to the Group at 30 June 2014 (31 December 2013: \$292,260,000).

(ii) Movements in carrying amounts

	30 June 2014 \$'000	31 December 2013 \$'000
Opening net book amount	86,899	149,746
Share of loss of equity-accounted investees, net of tax	(33,925)	(62,847)
Closing net book amount	52,974	86,899

(iii) Contingent liabilities relating to joint venture

Contingent liabilities in relation to the Group's interest in Middlemount are set out in Note 19.

11 Property, plant and equipment

	Assets under construction \$'000	Freehold land & buildings \$'000	Mine development \$'000	Plant and equipment \$'000	Leased plant and equipment \$'000	Leasehold land \$'000	Total \$'000
At 31 December 2013							
Cost or fair value	273,928	230,325	524,321	1,255,398	56,530	70	2,340,572
Accumulated depreciation	-	(8,492)	(99,003)	(389,071)	(7,423)	(2)	(503,991)
Net book amount	273,928	221,833	425,318	866,327	49,107	68	1,836,581
Half-year ended 30 June 2014							
Opening net book amount	273,928	221,833	425,318	866,327	49,107	68	1,836,581
Transfers - assets under construction	(93,957)	1,030	65,316	27,541	-	-	(70)
Transfers - reclassification	-	(133)	133	-	-	-	-
Other additions	50,841	1,359	35	1,566	-	-	53,801
Other disposals	-	-	(1,689)	(106)	-	-	(1,795)
Depreciation charge	-	(1,595)	(21,687)	(54,785)	(2,972)	(2)	(81,041)
Closing net book amount	230,812	222,494	467,426	840,543	46,135	66	1,807,476
At 30 June 2014							
Cost	230,812	232,581	587,941	1,280,144	56,530	70	2,388,078
Accumulated depreciation	-	(10,087)	(120,515)	(439,601)	(10,395)	(4)	(580,602)
Net book amount	230,812	222,494	467,426	840,543	46,135	66	1,807,476

12 Mining tenements

	30 June 2014 \$'000	31 December 2013 \$'000
Opening net book amount	2,251,841	2,646,868
Transfers - exploration	-	41,038
Provision for impairment	-	(343,000)
Amortisation for the period	(40,536)	(93,065)
Closing net book amount	2,211,305	2,251,841

(a) Impairment assessment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units "CGUs").

Business performance has previously been reviewed by management on a mine by mine basis and each mine was considered to be a separate CGU. As a result of a restructure and revenue optimisation strategy, Yancoal is operating on a regional basis within NSW. The NSW mines are now considered to be one CGU at 30 June 2014

12 Mining tenements (continued)

(a) Impairment assessment (continued)

The recoverable amount of each CGU at 30 June 2014 was determined using the value in use method.

Value in use has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Coal prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Coal reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as coal reserves and resources.

Furthermore, the Group's cash flow forecasts are based on estimates of future coal prices, which assume market prices will revert to the Group's assessment of the average long term real coal prices of US\$73 - US\$106 per tonne for thermal coal and US\$119 - US\$147 per tonne for metallurgical coal. The Group receives long term forecast coal price data from multiple externally verifiable sources when determining its coal price forecasts, making adjustments for specific coal quality factors. For thermal coal, the long term price adopted by the Group is near the top end of the range of external forecasts. For both thermal and metallurgical coal the price forecast that results in the recoverable amount exceeding the book value is within the range of external price forecasts.

The long term AUD/USD forecast exchange rate of \$0.80 is based on externally verifiable sources, and commences from 2020. The forecast exchange rate range declines from the half-year spot rate of \$0.9420 per Reserve Bank of Australia to \$0.80 over the next six years.

Production and capital costs are based on the Group's estimate of forecasted 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 and project evaluations performed by the Group in its ordinary course of business.

The Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax nominal discount rate is 15.7%. The post-tax discount rate applied to the future cash flow forecasts represent 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 its ordinary course of business.

Based on the above assumptions at 30 June 2014 the recoverable amount is determined to be above book value for all CGUs resulting in no further impairment. If the previous separate mine site CGU approach had been adopted for the NSW mines the recoverable amount would have been above book value for all CGU's resulting in no further impairment.

Based on the impairment review at 30 June 2013, the recoverable amount for Moolarben and Stratford & Duralie was determined to be less than the book value resulting in an impairment provision of \$258,000,000 for Moolarben and \$85,000,000 for Stratford & Duralie. Due to uncertain market conditions, management believe that it is not appropriate to reverse the impairment provision recognised at 30 June 2013.

Moolarben and Stratford & Duralie did not have goodwill attributed to them and therefore the impairment at 30 June 2013 was allocated to mining tenements. The impairment was predominantly due to forecast global economic conditions and forecast coal sale prices.

In addition, various sensitivities have been considered for each of the key assumptions which further support the above conclusion.

After considering the inputs of the valuation model, the most sensitive input is determined to be revenue which is primarily dependent on estimated future coal prices and the AUD/USD forecast exchange rate. The models are also sensitive to current coal reserves and resources and the cost of mining those reserves and resources together with expected future expansion projects and any related capital expenditure.

12 Mining tenements (continued)

(a) Impairment assessment (continued)

Moolarben and Stratford & Duralie are both included in the NSW region CGU, management may consider reversing the impairment provision recognised at 30 June 2013 if there was an increase in the average long term real revenue of over the life of the mines due to either an increase in coal prices or the further weakening of the AUD/USD forecast exchange rate, or a combination of both.

13 Intangible assets

	Goodwill \$'000	Computer software \$'000	Access rights & other licenses \$'000	Total \$'000
At 31 December 2013				
Cost	97,250	19,356	1,731	118,337
Accumulated amortisation	-	(4,577)	(191)	(4,768)
Net book amount	97,250	14,779	1,540	113,569
Half-year ended 30 June 2014				
Opening net book amount	97,250	14,779	1,540	113,569
Transfers - assets under construction	-	70	-	70
Amortisation charge	-	(1,142)	(26)	(1,168)
Closing net book amount	97,250	13,707	1,514	112,471
At 30 June 2014				
Cost	97,250	18,882	1,731	117,863
Accumulated amortisation	-	(5,175)	(217)	(5,392)
Net book amount	97,250	13,707	1,514	112,471

(a) Impairment assessment

Goodwill relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arms length transaction. The recoverable amount of goodwill is determined using the value in use method. Refer to Note 12 for the details regarding the value in use calculation performed at 30 June 2014.

All the Cash Generating Units ("CGUs") for which goodwill was allocated were not subject to an impairment charge as the recoverable amount is greater than the carrying value for these CGUs.

14 Exploration and evaluation assets

	30 June 2014 \$'000	31 December 2013 \$'000
Opening net book amount	909,160	945,270
Other additions	749	4,928
Transfers - mining tenements	-	(41,038)
Closing net book amount	909,909	909,160

15 Interest-bearing liabilities

	30 June 2014 \$'000	31 December 2013 \$'000
Current		
Secured		
Bank loans	111,193	115,971
Lease liabilities	8,300	7,891
Total secured current interest-bearing liabilities	<u>119,493</u>	<u>123,862</u>
Total current interest-bearing liabilities	<u>119,493</u>	<u>123,862</u>
Non-current		
Secured		
Bank loans	2,916,611	3,073,892
Lease liabilities	37,160	41,369
Total secured non-current interest-bearing liabilities	<u>2,953,771</u>	<u>3,115,261</u>
Unsecured		
Loans from related parties	2,033,970	1,917,747
Total unsecured non-current interest-bearing liabilities	<u>2,033,970</u>	<u>1,917,747</u>
Total non-current interest-bearing liabilities	<u>4,987,741</u>	<u>5,033,008</u>
Total interest-bearing liabilities	<u>5,107,234</u>	<u>5,156,870</u>

In December 2013, the Company successfully arranged a long term loan facility from its majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for US\$250 million (of which US\$150 million was drawn down as at 31 December 2013) and has a term of five and a half years (with the principal to be repaid in full at maturity). In February 2014, the remaining US\$100 million was drawn down. The facility was provided on an unsecured basis with no covenants. The purpose of the facility is to fund the repayment of US\$100 million of existing debt in accordance with its terms as well as fund working capital and capital expenditure.

In March 2014, the Company successfully arranged a US\$300 million long term debt facility from Yancoal International (Holding) Co., Ltd, a wholly owned subsidiary of its majority shareholder, Yanzhou Coal Mining Company Limited. The first US\$100 million tranche has a term of six years (with principal to be repaid in full at maturity) and is provided on an unsecured basis with no covenants. The interest and repayment timing for the next tranches constituting US\$200 million in aggregate will be agreed at a future time prior to those tranches being advanced. The purpose of the US\$300 million loan facility is to fund working capital and capital expenditure.

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15 Interest-bearing liabilities (continued)

(a) Financing arrangements

	30 June 2014 \$'000	31 December 2013 \$'000
Financing facilities		
Secured bank loans	3,027,805	3,189,863
Bank guarantees	372,167	381,318
Unsecured loans from related parties	<u>2,246,284</u>	<u>2,029,504</u>
	5,646,256	5,600,685
Facilities utilised at reporting date		
Secured bank loans	3,027,805	3,189,863
Bank guarantees	304,427	298,767
Unsecured loans from related parties	<u>2,033,970</u>	<u>1,917,747</u>
	5,366,202	5,406,377
Facilities not utilised at reporting date		
Bank guarantees	67,740	82,551
Unsecured loans from related parties	<u>212,314</u>	<u>111,757</u>
	280,054	194,308

(b) Contractual maturities 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 \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Greater than 5 years \$'000	Total contractual cash flows \$'000
At 30 June 2014					
Bank loans	258,189	163,907	2,309,721	971,189	3,703,006
Lease liabilities	10,943	10,943	31,362	-	53,248
Loans from related parties	129,900	395,310	1,318,061	824,186	2,667,457
Total	<u>399,032</u>	<u>570,160</u>	<u>3,659,144</u>	<u>1,795,375</u>	<u>6,423,711</u>
At 31 December 2013					
Bank loans	261,433	194,215	3,594,434	31,185	4,081,267
Lease liabilities	10,714	10,943	32,646	4,188	58,491
Loans from related parties	121,588	121,588	1,597,231	726,177	2,566,584
Total	<u>393,735</u>	<u>326,746</u>	<u>5,224,311</u>	<u>761,550</u>	<u>6,706,342</u>

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15 Interest-bearing liabilities (continued)

(c) Debt covenants

(i) Syndicated Facility and Bi-lateral Facility

The Group has a US\$2,900,000,000 Syndicated Facility and a US\$140,000,000 Bi-lateral Facility which was used to fund the acquisition of the Felix Resources Group in 2009. The balance of these secured loans at 30 June 2014 was US\$2,839,310,000.

These facilities were extended during 2012 as part of the Merger Proposal Deed with Gloucester Coal Ltd and included certain financial covenants to be tested half-yearly.

During the period the Company was granted a further deferral of the first test date of two of the financial covenants as detailed below.

- (a) The interest cover ratio test has been waived on 30 June 2014, and will not be less than 1.15 on and after 30 June 2015; and
- (b) The consolidated net worth test has been waived on 30 June 2014, and will not be less than A\$1,600,000,000 on each test date on and after 31 December 2014.

The gearing ratio covenant was satisfied at 30 June 2014.

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

The Agent of the facilities confirmed that the deferral at the first test date of two of the financial covenants requested by the Company was granted before 30 June 2014.

(ii) Chattel Mortgage Facility

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group inherited a chattel mortgage facility of US\$21,700,000. The balance of the facility at 30 June 2014 was US\$12,882,000.

At 30 June 2014, the Company did not obtain a debt covenant waiver. The Company agreed with the lender to secure the outstanding balance of the loan with a term deposit with the lender which covered the full balance of the loan. On this basis no debt covenant test was required at 30 June 2014.

16 Other reserves and retained earnings

(a) Reserves

	30 June 2014 \$'000	31 December 2013 \$'000
Hedging reserve	(33,310)	(235,306)
Capital reserve	-	259,430
	<u>(33,310)</u>	<u>24,124</u>

16 Other reserves and retained earnings (continued)

(a) Reserves (continued)

	30 June 2014 \$'000	31 December 2013 \$'000
Movements:		
<i>Hedging reserve</i>		
Opening balance	(235,306)	6,360
Gain / (loss) recognised	254,241	(379,711)
Transferred to profit or loss (refer to Note 9)	34,325	34,362
Deferred income tax (benefit) / expense	(86,570)	103,683
Closing balance	(33,310)	(235,306)
<i>Capital reserve</i>		
Opening balance	259,430	-
Recognition of cash receivable	-	259,430
Re-measurement during the period	3,506	-
Transfer to other contributed equity upon settlement	(262,936)	-
Closing balance	-	259,430

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity. Amounts are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income or as part of property, plant and equipment when the associated hedge transaction occurs.

Included in the closing balance (net of tax) is \$37,759,000 (31 December 2013: \$204,808,000) which relates to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the United States dollar denominated interest-bearing liabilities against future coal sales.

During the period ended 30 June 2014, no amounts (31 December 2013: loss of \$7,779,000) was transferred from other comprehensive income to profit or loss in respect of the natural cash flow hedge.

Capital reserve

On 22 November 2013 pursuant to the CVR agreement, Yancoal was notified by Yanzhou Coal Mining Company Limited, that it would purchase or cause a nominee to purchase the CVR shares for cash.

At 31 December 2013, this was recognised as a capital reserve of \$259,430,000, representing the market value of the CVR shares of A\$2.96. On 4 March 2014, the CVR shares were settled for cash of \$262,936,000, representing the market value of A\$3.00, with this amount transferred from the capital reserve to contributed equity.

(b) Retained earnings

	30 June 2014 \$'000	31 December 2013 \$'000
Opening balance	296,329	1,128,399
Loss for the period attributable to the members of Yancoal Australia Ltd	(192,707)	(832,070)
Closing balance	103,622	296,329

17 Commitments

(a) Capital commitments

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

	30 June 2014 \$'000	31 December 2013 \$'000
<i>Property, plant and equipment</i>		
Not later than one year		
Share of joint operations	5,939	5,019
Other	6,065	9,752
<i>Exploration and evaluation</i>		
Not later than one year		
Share of joint operations	1,879	1,837
Other	70	201
<i>Intangible assets</i>		
Not later than one year		
Share of joint operations	7	93
	<u>13,960</u>	<u>16,902</u>

(b) Lease expenditure commitments

(i) Non-cancellable operating leases

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

	30 June 2014 \$'000	31 December 2013 \$'000
Not later than one year	2,028	2,123
Later than one year but not later than five years	6,361	7,561
	<u>8,389</u>	<u>9,684</u>

Operating leases have remaining lease terms ranging from 1 month to 6 years. Items that are subject to operating leases include mining equipment, office space and small items of office equipment. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	30 June 2014 \$'000	31 December 2013 \$'000
Not later than one year	10,943	10,714
Later than one year but not later than five years	42,305	43,588
Later than five years	-	4,188
Minimum lease payments	<u>53,248</u>	<u>58,490</u>
Less: future finance charges	(7,788)	(9,230)
Total lease liabilities	<u>45,460</u>	<u>49,260</u>
Finance leases are included in the financial statements as:		
Current	8,300	7,891
Non-current	37,160	41,369
	<u>45,460</u>	<u>49,260</u>

18 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2014 \$	30 June 2013 \$
<i>Sales of goods and services</i>		
Sales of coal to associated entities - Ashton Coal Mines Limited	66,521,553	46,612,519
Sales of coal to Noble Group Limited	174,779,480	138,965,354
Sales of coal to Yanzhou Coal Mining Company Ltd	8,803,900	-
Provision of marketing and administrative services to associated entities - Ashton Coal Mines Limited	768,000	101,359
Provision of marketing and administrative services to other related parties - Yancoal International Group	2,457,842	3,337,557
<i>Advances / loans to and repayment of advances</i>		
Advances to associate - Ashton Coal Mines Limited	-	663,947
Advances to Joint Venture - Middlemount Coal Pty Ltd	7,499,550	16,998,980
Receipt from repayment of loans to Yancoal Technology Development Pty Ltd	-	50,000,000
<i>Debt repayment</i>		
Loans from Yanzhou Coal Mining Company Limited	111,000,111	569,136,746
Loan from Yancoal International (Holding) Co., Ltd	110,095,783	271,680,070
<i>Finance costs</i>		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	(14,841,788)	(19,182,104)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	(5,685,760)	(5,543,662)
Interest paid on loans from Yancoal International (Holding) Co., Ltd	(8,370,115)	-
Interest accrued on loans from Yancoal International (Holding) Co., Ltd	(524,158)	(145,325)
Interest paid on loans from Yanzhou Coal Mining Company Limited	(8,017,377)	(7,328,880)
Interest accrued on loans from Yanzhou Coal Mining Company Limited	(601,425)	(778,656)
<i>Other costs</i>		
Bank guarantee fee paid to Yanzhou Coal Mining Company Limited	(1,646,354)	(7,511,061)
Bank guarantee fee accrued to Yanzhou Coal Mining Company Limited	-	(3,483,139)
Corporate guarantee fee paid to Yanzhou Coal Mining Company Limited (extended portion)	(25,350,348)	(11,966,196)
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Limited (extended portion)	(1,483,429)	(684,827)
Arrangement fee paid to Yancoal International Technology Development Co., Ltd	(3,233,981)	(4,179,722)
Arrangement fee accrued to Yancoal International Technology Development Co., Ltd	(1,238,910)	(1,207,947)
Arrangement fee paid on loans from Yancoal International (Holding) Co., Ltd	(6,781,033)	-
Arrangement fee accrued on loans from Yancoal International (Holding) Co., Ltd	(525,478)	(92,914)
Arrangement fee paid on loan from Yanzhou Coal Mining Company Limited	(6,953,870)	(9,810,032)
Arrangement fee accrued on loans from Yanzhou Coal Mining Company Limited	(497,912)	(737,266)
Marketing commission paid to Noble Group Limited	-	(986,035)
Marketing commission accrued to Noble Group Limited	(684,551)	(1,020,946)
Port charges paid to NCIG Holdings Pty Limited	(24,504,285)	(34,978,522)
Port charges accrued to NCIG Holdings Pty Limited	(859,514)	(2,593,200)
Demurrage paid to Noble Group Limited	(239,689)	-
Demurrage accrued to Noble Group Limited	(136,814)	-
Consulting fee paid by Moolarben Joint Venture to Yancoal Technology Development Pty Ltd	-	(21,560)

18 Related party transactions (continued)

(a) Transactions with other related parties (continued)

	30 June 2014 \$	30 June 2013 \$
<i>Finance income</i>		
Interest income received on advances to Yancoal International (Holding) Co., Ltd	-	771,993
Interest income received on loan to Yancoal Technology Development Pty Ltd	-	2,380,690
Interest income capitalised into loan receivable from Middlemount Coal Pty Ltd	9,102,770	8,852,997
<i>Other income</i>		
Royalty income received from Middlemount Coal Pty Ltd	-	2,641,709
Royalty income receivable from Middlemount Coal Pty Ltd	7,130,163	4,936,495
Despatch received from Noble Group Limited	10,903	-
Despatch receivable from Noble Group Limited	94,326	-

(b) Outstanding balances

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

	30 June 2014 \$	31 December 2013 \$
<i>Current assets</i>		
<i>Trade and other receivables</i>		
Receivable from Yancoal International Group entities in relation to cost reimbursement	13,852,439	16,860,544
Trade receivable from Ashton Coal Mines Limited in relation to sales of coal	14,586,063	5,314,656
Trade receivable from Noble Group Limited in relation to sales of coal	9,946,512	14,331,844
Receivable from Yanzhou Coal Mining Company Limited for settlement of the Contingent Value Right Shares	-	259,429,745
Promissory Notes receivable from Yancoal International (Holding) Co., Ltd	21,174,124	21,174,124
Despatch receivable from Noble Group Limited	94,326	95,964
<i>Other assets</i>		
Prepayments to Yanzhou Coal Mining Company Limited	660,690	703,928
	60,314,154	317,910,805
<i>Non-current assets</i>		
<i>Advances to associated entities</i>		
Receivable from Ashton Coal Mines Limited being an unsecured, non-interest-bearing advance	29,598,624	29,597,347
<i>Advances to joint venture</i>		
Receivable from Middlemount Coal Pty Ltd being an unsecured, interest-bearing advance	308,862,378	292,260,058
	338,461,002	321,857,405
<i>Current liabilities</i>		
<i>Other payables</i>		
Payables to Yanzhou Coal Mining Company Limited	(2,582,766)	(3,065,317)
Payables to Yancoal International Resources Development Co., Ltd	(5,685,760)	(5,865,966)
Payables to Yancoal International Technology Development Co., Ltd	(1,238,910)	(1,278,176)
Payables to Yancoal International (Holding) Co., Ltd	(1,049,636)	(1,035,754)
Payables to Yancoal International Group entities	(13,841)	(14,824)
Payables to Noble Group Limited	(821,364)	(2,081,984)
Payable to NCIG Holdings Pty Limited	(859,514)	(4,945,501)
	(12,251,791)	(18,287,522)

18 Related party transactions (continued)

(b) Outstanding balances (continued)

	30 June 2014 \$	31 December 2013 \$
<i>Non-current liabilities</i>		
<i>Other payables</i>		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	(764,331,210)	(804,649,084)
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	(690,021,231)	(614,662,494)
Payable to Yanzhou Coal Mining Company Limited being an unsecured, interest-bearing loan	(579,617,834)	(498,435,405)
	<u>(2,033,970,275)</u>	<u>(1,917,746,983)</u>

The terms and conditions of the related party non-current liabilities is detailed in Note 18(c) below.

(c) Guarantees

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

	30 June 2014 \$	31 December 2013 \$
Syntech Resources Pty Ltd	71,499,771	67,734,981
Syntech Holdings Pty Ltd	14,550,000	14,000,000
AMH (Chinchilla Coal) Pty Ltd	29,000	29,000
Premier Coal Limited	4,000,000	4,000,000
Tonford Holdings Pty Ltd	12,500	12,500
Athena Joint Venture	2,500	2,500
Wilpeena Holdings Pty Ltd	7,500	7,500
	<u>90,101,271</u>	<u>85,786,481</u>

(d) Terms and conditions

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

The US\$550,000,000 and US\$170,000,000 loans from Yancoal International Resources Development Co., Ltd was charged at a fixed interest rate of 7.00% and 5.36% p.a (inclusive of arrangement fees) respectively.

The US\$300,000,000, US\$250,000,000 and US\$100,000,000 loans from Yancoal International (Holding) Co., Ltd were charged at a weighted average interest rate of 5.24% p.a (inclusive of arrangement fees), 4.24% p.a (inclusive of arrangement fees) and 6.24% p.a (inclusive of arrangement fees) respectively.

The US\$596,000,000 (now US\$296,000,000) and US\$250,000,000 loans from Yanzhou Coal Mining Company Limited were charged at a weighted average interest rate of 5.24% p.a (inclusive of arrangement fees) and 6.24% p.a (inclusive of arrangement fees) respectively.

19 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

(i) Bank guarantees

	30 June 2014 \$'000	31 December 2013 \$'000
Parent entity and consolidated entity		
Guarantees secured over deposits	16,527	15,040
Performance guarantees provided to external parties	139,939	169,661
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	56,201	27,039
	<u>212,667</u>	<u>211,740</u>
Joint ventures (equity share)		
Guarantees secured over deposits	453	185
Performance guarantees provided to external parties	150	-
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	1,056	1,056
	<u>1,659</u>	<u>1,241</u>
Guarantees held on behalf of related parties		
Guarantees secured over deposits	550	-
Performance guarantees provided to external parties	80,286	76,859
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	9,265	8,927
	<u>90,101</u>	<u>85,786</u>

(ii) Tax audit

The Australian Taxation Office ("ATO") has undertaken an audit of certain matters in the Company's tax filings for the year ended 31 December 2009, 2010 and 2011. These matters remain in progress and it is too early to make an assessment about the outcome of this audit.

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

The Company has issued a letter of support to Middlemount, a jointly controlled entity of the Group confirming:

- it will not demand for the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
- it will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

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

(iv) R&D claim

During 2012, the Company was notified of an unfavourable determination by Innovation Australia in relation to certain R&D activities registered by the Group in relation to the June 2005 to December 2009 income tax years. The value of the tax benefits in relation to the relevant R&D project over the period is approximately \$19,000,000. This matter remains under review and there have been no amended assessments issued by the Commissioner of Taxation as at 30 June 2014 or to the date of the signing of the Half-Year Financial Statements, as such, no provision has been recognised for the half-year ended 30 June 2014.

19 Contingencies (continued)

(a) Contingent liabilities (continued)

(v) Other contingencies

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

20 Events occurring after the reporting period

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

- (a) At 30 June 2014, the Group has a cash balance of \$365,303,000. However, a current loan of US\$99,310,345 was repaid on 25 July 2014.

**Yancoal Australia Ltd
Half-Year Financial Report
Directors' Declaration
For the half-year ended 30 June 2014**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 32 are in accordance with the *Corporations Act 2001*, including:
- (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Baocai Zhang
Director

Sydney
19 August 2014



**ShineWing
Hall Chadwick**
Corporate Advisors &
Certified Practising Accountants
ABN 70 579 787 151

Level 1, CITIC House
99 King Street
Melbourne VIC 3000
Australia

T +61 3 8613 0000
F +61 3 8613 0099
info@shinewing.com.au
www.shinewing.com.au

Independent Auditor's Review Report to the members of Yancoal Australia Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yancoal Australia Ltd, which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 33.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yancoal Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

ShineWing Hall Chadwick

ShineWing Hall Chadwick

M. J. Schofield

M J Schofield

Partner

Chartered Accountant

Sydney, 19 August 2014