DEFINING OUR FUTURE

YANCOAL AUSTRALIA LTD

ANNUAL REPORT 2014

YANCOAL

兖煤澳大利亚有限公司

Defining our future as one of Australia's largest and leading coal miners.

Yancoal Australia Ltd (Yancoal) produces approximately 16 million tonnes of saleable (equity basis) thermal and metallurgical coal per annum for export into international markets.

Operating seven sites across the regions of New South Wales and Queensland with interests in two ports, Yancoal currently employs approximately 2,000 people, sourcing the majority of its people from the local communities in which it operates.

The New South Wales region includes the mines of Moolarben, Austar, Ashton, Stratford/Duralie, and Donaldson. The Queensland region includes the mines of Yarrabee and the Middlemount joint venture.

Listed on the Australian Securities Exchange, Yancoal also manages the Cameby Downs and Premier coal mines in Queensland and Western Australia respectively, on behalf of its majority shareholder Yanzhou Coal Mining Company Limited (Yanzhou).[1]

As at 31 December 2014, Yancoal had 994,216,659 shares on issue. The two largest shareholders were Yanzhou Coal with 78.0% holding and the Noble Group with 13.2%.

(1)

Yanzhou Coal Mining Company is a China-based, integrated mining company with interests in coal, coal chemicals, power generation and potash resources. Its shares are listed on the Hong Kong, New York and Shanghai stock exchanges. The state owned Yankuang Group Company Limited has a 53% direct shareholding in Yanzhou.

OUR HIGHLIGHTS

Under challenging global market conditions, we have reduced operating costs, implemented operational efficiencies and established new blending opportunities across New South Wales to create greater value for our existing assets and a pipeline of future projects.

22.49m

PRODUCTION YIELD (TONNES)

Yancoal maximised blending opportunities and yield to achieve 22.49 million tonnes of Run of Mine (ROM) coal (equity basis) and 16.73 million tonnes of saleable product coal (equity basis).

59%

REDUCED GEARING

Yancoal reduced its gearing (debt/debt plus equity) via the repayment of existing senior loans from 84% at 30 June 2014 to 59% at 31 December 2014.

US$1.8b

SUBORDINATED CAPITAL NOTES

On 31 December 2014, Yancoal SCN Limited (a wholly owned subsidiary of the Company) issued US$1.8 billion of Subordinated Capital Notes (SCNs), applying the proceeds to repay existing senior loans, strengthening the Company's balance sheet and improving Yancoal's capital structure.

A$1.4b

ADDITIONAL FINANCIAL SUPPORT

Yancoal secured additional financial support from Yanzhou: up to A$1.4 billion for operations and the development of major projects; plus up to US$630 million to fund SCN distributions for a five-year period, if required.

3 years

REPAYMENT EXTENSION

The Bank of China and the China Construction Bank provided an extension to the repayment of their US$2.6 billion syndicated facility of three years, maturing in three broadly equal tranches in 2020, 2021 and 2022.

MARKET CONDITIONS

Sustained challenging market conditions included the continuation of low coal prices driven by global market oversupply, take or pay arrangements and the strength of the Australian dollar.

Yancoal's robust business strategy to improve our asset portfolio and strengthen our capital structure has driven the successful restructuring of our operations and the continued development of our major projects.

OUR HIGHLIGHTS
CONTINUED

OPERATING PERFORMANCE

Yancoal addressed the continuing pressures of the depressed market environment, maximising blending opportunities and yield to achieve strong production of 22.49 million tonnes of Run of Mine (ROM) coal (equity basis) and 16.73 million tonnes of saleable product coal (equity basis).

Steady production gains continued to be achieved throughout the year, with all sites implementing sustainable cost controls and operational efficiency improvements.

Equity production and sales			2013	2014	YoY change
Run of Mine (ROM) coal production	Equity	mt	23.1	22.5	-3%
Saleable coal production	Equity	mt	16.9	16.7	-1%
Coal sales	Equity	mt	17.0	17.6	4%
Costs FOB[1]		A$/t	85	84	-1%
Price achievement[1]		A$/t	96	87	-9%
Product mix (met % / thermal %)			45/55	43/57	
Capital expenditure[1]		A$m	172	147	-15%

1 Equity is a pro-rata equity share-based calculation and excludes Middlemount.

FINANCIAL PERFORMANCE

Yancoal reported a loss after income tax of $353.5 million, after an income tax expense of $82.6 million, from revenue of $1.4 billion for the full year ended 31 December 2014. The loss after tax includes the reversal of an impairment provision previously recognised of $140 million in respect of Moolarben.

The tax expense for 2014 included a net expense of $73.9 million in respect of the write-off of Minerals Resource Rent Tax (MRRT) deferred tax balances following repeal of the MRRT legislation on 30 September 2014. Operating EBIT was a loss of $278.3 million. Yancoal delivered a negative operating EBITDA of $46.6 million.

Profit results for 2014 and 2013 with accounting reconciliations	Year ended December 2014			Year ended December 2013		
	Before tax $m	Tax $m	After tax $m	Before tax $m	Tax $m	After tax $m
Revenue from continuing operations	1,431.7			1,529.8		
Operating EBITDA	(46.6)			43.7		
Operating EBIT	(278.3)			(227.1)		
Profit before non-operating items	**(443.1)**	**35.5**	**(407.5)**	**(352.1)**	**52.4**	**(299.7)**
FX gain/(loss) on loans	24.1	(7.2)	16.9	(369.5)	110.9	(258.7)
Impairment reversal/(provision)	140.0	(42.0)	98.0	(343.0)	116.3	(226.7)
Gain on acquisition	28.3	–	28.3	–	–	–
Transaction costs	–	–	–	(3.6)	1.1	(2.5)
Mark to market CVRs	(3.5)	–	(3.5)	(40.3)	–	(40.3)
Remeasurement of royalty	(16.8)	5.0	(11.7)	(6.0)	1.8	(4.2)
MRRT repeal	–	(73.9)	(73.9)	–	–	–
Profit/(loss)	**(270.9)**	**(82.6)**	**(353.5)**	**(1,114.5)**	**282.4**	**(832.1)**

OUR OUTLOOK

Market oversupply is expected to continue to restrict the opportunity for significant coal price improvements in 2015. Further consolidation of operators is anticipated as metallurgical and thermal spot prices remain flat.

Cost reduction remains a priority in the year ahead. Yancoal will continue to manage its existing port and rail commitments, while looking to maximise new market opportunities via the blending of New South Wales product and delivery into key Asian markets.

Yancoal will also commence the development of the low-cost Moolarben Stage Two resource, having received approval from the New South Wales Planning and Assessment Commission on 2 February 2015. Once developed, the Moolarben operation is expected to produce up to 16 million tonnes per annum of ROM coal for a period of 24 years, extending the life of the operation and potentially creating up to 120 new full-time jobs.

The development of other Yancoal brownfield projects, including the proposed Stratford expansion and the Ashton South East Open Cut, will continue to be reviewed in consideration of market conditions.

The Ashton South East Open Cut expansion received approval from the Land and Environment Court in December 2014, subject to specific conditions. The Stratford expansion continues to wait for final approvals.

Yancoal's production outlook is 15 million tonnes to 15.5 million tonnes (equity share) of saleable production for 2015.

CHAIRMAN'S LETTER

As we continue to meet the challenges of an increasingly competitive marketplace, Yancoal remains focused on achieving our vision of becoming a leader within the Australian coal sector.

SAFETY OF OUR PEOPLE IS PARAMOUNT

We remain committed to achieving our goal of zero injuries and will never compromise on safety.

2014 has been a year of change and new opportunities for Yancoal, with our Board and leadership team taking the necessary steps to strengthen the Company's balance sheet and improve our capital structure.

Sadly, we have not achieved our goal of operating incident and injury free. In April 2014, an underground incident at the development section of the Austar mine in New South Wales resulted in the tragic deaths of two of our employees.

An investigation into the cause of the incident by the Mine Safety Office of the New South Wales Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) is ongoing, and our thoughts continue to be with the families, friends and colleagues of those affected by this terrible event.

The safety of our people is paramount and we must continue to ensure every employee, contractor and visitor to our sites understands, and is protected from, the inherent risks associated with our industry. We remain committed to achieving our goal of zero injuries and will never compromise on safety.

Throughout this year, our leadership and operational teams have successfully established a shared culture of continuous improvement across all sites, implementing the core principles of the "Yancoal Way" of safety, integrity, excellence, innovation and people. Working together, we are sharing ideas, systems and processes to improve our business and provide our people with new opportunities for professional development.

In 2014 we have also demonstrated the increasing bonds and benefits of closer ties between Australia and China.

The continued financial support and future commitments of our major shareholder Yanzhou Coal Mining Company Limited (Yanzhou) provide greater certainty for our employees regarding the future of our operations and the necessary capital to progress our major projects.

Yanzhou has also issued a further letter to Yancoal undertaking that for so long as Yanzhou owns at least 51% of the shares in Yancoal, Yanzhou will ensure Yancoal continues to operate so that it remains solvent.

On 31 December 2014, Yancoal reduced its interest-bearing liabilities following the issue, by Yancoal SCN Limited, of US$1.8 billion of Subordinated Capital Notes (SCNs), with the proceeds applied to repay existing senior loans, reducing Yancoal's gearing (debt/debt plus equity) from 84% at 30 June 2014 to 59% at 31 December 2014.

Concurrent with, and in support of, the SCN issue, Yancoal secured two new lines of additional financial support from Yanzhou: up to A$1.4 billion to be progressively drawn down to fund Yancoal's cash flow requirements for operations and the development of major projects; and up to a further US$630 million to fund SCN distributions for a five-year period, if required.

Following on from the SCN issue, the Bank of China and the China Construction Bank also provided an extension to the repayment of their US$2.7 billion syndicated debt facility of three years, now maturing in three broadly equal tranches in 2020, 2021 and 2022.

In the year ahead, we remain focused on delivering our strategic business goals.

Based on the latest long-term financial modelling, the increase in equity by A$2.1 billion will enable Yancoal to meet Bank of China's covenants (interest cover, gearing and net worth covenants) and provide a more stable balance sheet platform for Yancoal operations going forward.

Via the Bank of China's debt maturity extension and repayment of US$1.8 billion of Yanzhou shareholder debt via the Yanzhou subscription for the SCNs, Yancoal has established a significantly improved debt repayment profile, with no material debt maturing until 2020. This five-year window provides Yancoal with the opportunity to continue to develop its operations and brownfield strategy during the sustained market downturn.

Operationally, Yancoal further improved site-based efficiencies and delivered significant cost savings across all operations. In response to the pressures of the depressed market environment, our business maximised blending opportunities and yields to achieve a strong production result of 22.49 million tonnes of ROM coal (equity basis) and 16.73 million tonnes of saleable product coal (equity basis) in accordance with expectations.

While our full year 2014 after-tax loss of $353.5 million, after an income tax expense of $82.6 million, is an improvement on the year prior, the result is ultimately disappointing, reflecting the combined impacts of the continuation of low coal prices driven by global market oversupply, take or pay arrangements and the sustained strength of the Australian dollar in 2014.

In the year ahead, we remain focused on delivering our strategic business goals of value creation, cost reductions and the development of our low-cost Moolarben Stage Two Project, while operating transparently and to the highest safety and environmental standards.

With the support of our major shareholders, I believe we have the leadership, experience, projects and long-term strategy required to build a future of continued growth and success.

XIYONG LI
CHAIRMAN OF THE BOARD

OPERATIONAL IMPROVEMENTS

Yancoal further improved site-based efficiencies and delivered significant cost savings across all operations.

OUR STRATEGY

As Yancoal continues to strengthen its position within the Australian market as a leading supplier of quality thermal and coking coal, we remain committed to the following long-term business priorities:

OPTIMISATION OF RESOURCES AND VALUE CREATION MECHANISMS

1
MARKETS

Yancoal continues to pursue new opportunities within countries such as China, India and Vietnam, while strengthening its ties with clients based in Japan, Korea and Taiwan. Supported by the brand strength and backing of major shareholder Yanzhou, we aim to maximise the benefits of product and marketing synergies.

2
PRODUCTS

Making the most of new blending opportunities across our established network of New South Wales operations, Yancoal continues to pursue new markets and client sales via a strategically targeted approach to elevating our profile and product offerings within the broader international market.

3
PROJECTS

Following the strengthening of our capital structure in late 2014 via the issuing of SCNs, Yancoal will continue to develop the high priority Moolarben Stage Two project, and progress the proposed Stratford and Ashton South East Open Cut expansion projects, pending market needs.

4
TALENTED PERSONNEL

Yancoal remains committed to developing the skills of its people, working together to build a robust culture of respect, transparency and efficiency, while continuing to employ and retain the right people with the right skills to grow our business into the future.

5
COST REDUCTION

By reducing costs through the improvement of operational efficiencies and the sharing of key services and processes, Yancoal is continuing to grow its business while strategically addressing the overhang of take or pay arrangements and the economic downturn of the international coal market.

ASSET PORTFOLIO AND CAPITAL STRUCTURE

Via the issuing of SCNs in December 2014, Yancoal has strengthened its capital structure and remains strategically focused on developing new organic and acquisitive growth opportunities to improve its asset portfolio in the future.

BUSINESS TRANSPARENCY, COMPLIANCE AND EFFICIENCY

Yancoal operates its site and corporate functions to the highest standards of corporate governance, reporting via transparent, compliant and efficient processes to meet the needs of all key stakeholders.

CEO'S STATEMENT

Throughout 2014, we strategically restructured our operations under a new regional operating model to achieve improved efficiencies and reduced costs, while establishing a new Yancoal culture with a shared set of values and long-term business goals for all sites.

Working together, our management team adapted to the increasing challenges of the continued downturn in the global coal market, to ensure that we have the people, processes and systems required to fortify our business for the year ahead.

At a production level we continued to achieve significant improvements, maximising yields and delivering improved washplant throughput at each mine to meet the majority of our targets and overcome difficult geological conditions encountered in our New South Wales undergrounds.

We have benefited from the new regional structure, supported by consolidated back office and shared services, by aligning systems across our New South Wales operations to improve flexibility within the group to respond to changing global market and customer needs via the blending of coal across sites.

Our Queensland operations have also further improved productivity levels, with the Yarrabee open cut and Middlemount joint venture continuing to reliably meet the metallurgical coal needs of customers in our key markets of China, Japan, Korea and India.

At a production level we have continued to achieve significant gains.

By maintaining our focus on progressing our portfolio of major projects, we have openly and transparently engaged with all community and government stakeholders to achieve approvals for the proposed Ashton South East Open Cut in 2014 and the Moolarben Stage Two project on 2 February 2015.

With significant capital now secured via the successful issuing of SCNs in December 2014 and the ongoing financial investment of major shareholder Yanzhou into our business, we are well positioned to rapidly deliver the development of the Moolarben Stage Two project in the year ahead.

The expansion of the low-cost, tier one asset Moolarben complex will be a key driver in determining the future success and growth of Yancoal, creating jobs for the Mid-Western region of New South Wales and establishing a high-volume, premium-grade, high-quality operation for our business.

As a significant employer and supporter of local contractors and services within regional New South Wales and Queensland, we continued throughout 2014 to play an active and important role within each of the communities in which we operate.

I believe we have a responsibility to invest within our local communities and keep our stakeholders engaged, informed and assured that we are operating to legislative and environmental standards.

Via our ongoing community support initiatives, each site proactively contributes financially to a series of carefully selected local programs we believe have the potential to benefit the region across the areas of health, education, the environment and sport.

While our business remains committed to commencing and completing every task on site to the highest safety standards, it is with great regret that we acknowledge that we have not remained injury and fatality free this year.

Tragically, two of our employees, Jamie Mitchell and Phillip Grant, were fatally injured at the Austar mine during an underground incident in April of 2014. The event remains under investigation, and words cannot express the sadness of such a terrible loss and its continued effect upon the families, friends, colleagues and communities of both men.

The death of an employee is completely unacceptable, and we will remain ever vigilant in returning our teams home safely and without injury at the end of their shifts. There is no greater priority than the protection of our people.

Our responsibilities regarding health and safety are absolute. We do not take shortcuts, we do not compromise and we must never allow ourselves or those working alongside us to become complacent in understanding the potential hazards of coal mining.

Our thoughts continue to be with the families and friends of those affected, and I would also like to recognise the efforts of the crews and emergency services who worked together to assist our people during the recovery operation.

While our restructure has driven good performance, we have not been immune from the effects of the depressed coal market, with redundancies affecting several operations. Wherever possible, we have worked to redeploy our people and adjusted shifts and annual leave arrangements to minimise these impacts.

Moving forward, we will continue to be committed to health and safety, leverage the substantial benefits of 2014's production improvements and cost reductions, to grow our operations, develop our low-cost Moolarben Stage Two expansion and achieve our long-term business goal of building Yancoal into a profitable leader within the Australian coal market.

REINHOLD SCHMIDT
CEO YANCOAL AUSTRALIA

MARKET CONTEXT

Minimal movement in metallurgical and thermal coal prices throughout the period continued to restrict new market growth, with existing take or pay arrangements detrimentally affecting costs for the majority of local coal producers.

The sustained strength of the Australian dollar throughout the majority of 2014 also contributed to increased costs for producers, with some reprieve provided in the fourth quarter, as the dollar commenced a steady decline, resulting in minor improvements near year's end in the metallurgical and thermal spot prices.

Marketplace uncertainty continues as China's National Development and Reform Commission moves to finalise its proposed quality standards for coal imports into selected provinces.

The Australian Government and industry continue to closely monitor the situation, with the new standards expected to impact Yancoal's Yarrabee operation in 2015. A full assessment of potential export impacts is currently underway.

Yancoal's product split (equity share) for the period was 10.02 million tonnes of thermal and 7.58 million tonnes of metallurgical coal.

Yancoal Australia Sales Pty Ltd (YAS) was established during 2014 as a wholly-owned subsidiary of Yancoal Australia Ltd to facilitate the sale of coal blends to external parties and maximise revenue. YAS operates as an interface between the supplying coal mines and the customer, contracting with and paying the supplying coal mines (either a mine operated wholly or in joint venture by a Yancoal subsidiary, an asset managed by Yancoal Australia Ltd on behalf of Yancoal International Holdings Co. Ltd, or a third party mine) fair market value for the coal supplied for the coal blends. The blended coal is sold to the market (end-users, traders) by YAS.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

Yancoal is committed to supporting the local communities in which we operate, providing employment and training opportunities and relying on local contractors and service providers to assist each operation.

As part of our role within the community, each Yancoal operation also invests financially into local community health, education and sporting programs and initiatives, helping make a positive contribution to the surrounding regions.

Through its robust Community Support Initiative, Yancoal invested more than $564,000 into community-based initiatives during 2014.

The Company also takes its responsibility for engaging transparently and co-operatively with its local stakeholders very seriously, relying upon community consultative committees, community reference groups, newsletters, local media, community days and site-specific websites to keep the community informed.

Each mine has actively implemented and continues to update its sustainability plans and practices (including the rehabilitation of all sites) as an intrinsic part of its operations.

Yancoal is committed to operating its mines to the highest environmental standards in accordance with all legislative requirements.

The Company is obliged to report any environmental incidents to the respective authorities in each state, and Yancoal continues to work with the various government departments to ensure full transparency in its environmental reporting.

During 2014, our operations in New South Wales complied with the *Coal Mine Health and Safety Act 2002* (NSW) and the *Work Health and Safety Act 2011* (NSW), our operations in Queensland complied with the *Work Health and Safety Act 2011* (QLD) and *Coal Mining Safety and Health Act 1999* (QLD) and our operations in West Australia complied with the *Mines Safety and Inspection Act 1994* (WA) and *Occupational Safety and Health Act 1984* (WA).

YANCOAL SAFETY

The *Coal Mine Health and Safety Act 2002* (NSW) will be updated by the *Work Health and Safety (Mines) Act 2013* in February 2015.

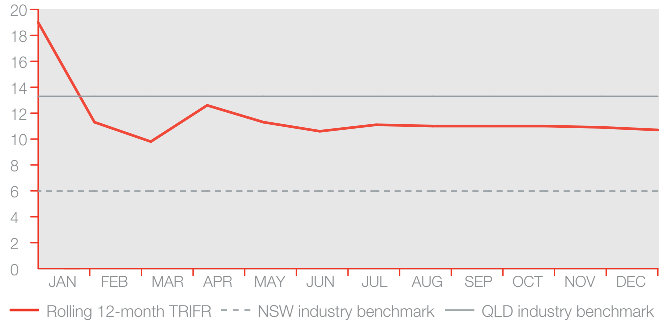
On 15 April 2014, an underground incident at the Austar mine resulted in two fatalities. An investigation into the cause of the incident by the Mine Safety Office of the NSW DTIRIS is ongoing, and development has yet to recommence at the incident site.

No other significant events were recorded at Yancoal's mine sites for the period, with sites continuing to operate to the highest legislative and safety standards. Work remains to continue to improve the systems and processes employed to educate, communicate and record employee safety initiatives.

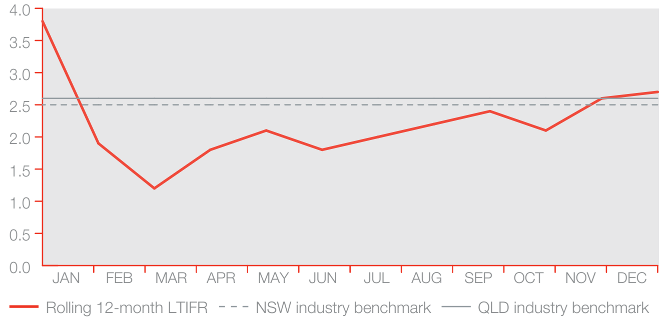
With respect to our Australian operations in 2014, our lost time injury frequency rate, measured as the number of lost time injuries per million man-hours worked, was 1.7 for open cut mines and 18 for underground mines.

Rolling average trend data.

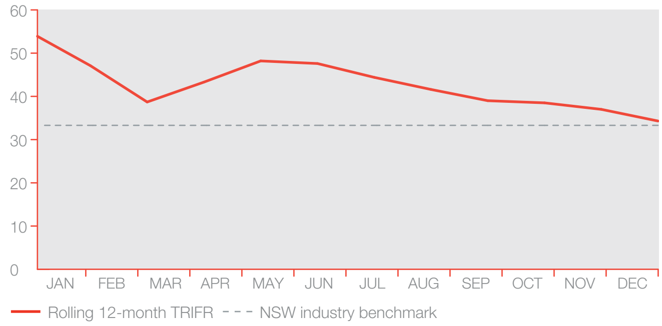
2014 ROLLING 12-MONTH TOTAL RECORDABLE INJURY FREQUENCY RATE – OPEN CUT MINES



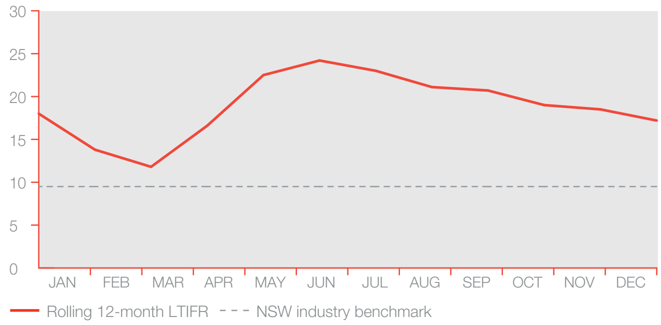
2014 ROLLING 12-MONTH LOST TIME INJURY FREQUENCY RATE – OPEN CUT MINES



2014 ROLLING 12-MONTH TOTAL RECORDABLE INJURY FREQUENCY RATE – UNDERGROUND MINES



2014 ROLLING 12-MONTH LOST TIME INJURY FREQUENCY RATE – UNDERGROUND MINES



REVIEW OF OPERATIONS

The New South Wales region includes the mines of Ashton, Austar, Donaldson, Stratford/Duralie, and Moolarben. The Queensland region includes the mines of Yarrabee and joint venture Middlemount.

1 ASHTON
2 AUSTAR
3 DONALDSON
4 MIDDLEMOUNT
5 MOOLARBEN
6 STRATFORD/DURALIE
7 YARRABEE

ASHTON

100% owned, underground, semi-soft coking coal

2.59Mt
ROM

1.19Mt
Saleable

55.3Mt
Total recoverable reserves – Dec 2014

AUSTAR

100% owned, underground, semi-hard coking low ash high fluidity coal

1.88Mt
ROM

1.51Mt
Saleable

43.6Mt
Total recoverable reserves – Dec 2014

DONALDSON

100% owned, underground, semi-soft coking coal and thermal coal

2.5Mt
ROM

1.95Mt
Saleable

128.7Mt
Total recoverable reserves – Dec 2014

MIDDLEMOUNT

~50% owned, open cut, hard coking coal and low volatile PCI coal

2.44Mt
ROM

1.82Mt
Saleable

84Mt
Total recoverable reserves – Dec 2014

MOOLARBEN

80% owned, open cut, thermal coal

6.62Mt
ROM

5.09Mt
Saleable

330.4Mt
Total recoverable reserves – Dec 2014

STRATFORD/DURALIE

100% owned, open cut, high fluidity semi-hard coking and thermal coals

2.48Mt
ROM

1.95Mt
Saleable

52.2Mt
Total recoverable reserves – Dec 2014

YARRABEE

100% owned, open cut, ultra low volatile semi-anthracite PCI thermal coals

3.93Mt
ROM

3.22Mt
Saleable

47.6Mt
Total recoverable reserves – Dec 2014

All ROM and saleable figures are shown on an equity basis. Coal reserves are inclusive of the coal resources and reported on a 100% basis for each deposit.

ASHTON

YANCOAL 100%

Located in the Upper Hunter Valley region of New South Wales, the Ashton underground mine produces semi-soft coking coal for export through the Port of Newcastle.

Strong production during the first half of the year was offset by the impacts of a scheduled longwall move in the second half, challenging roof conditions affecting consistent longwall output and seam dilution, which in turn affected washplant yield during the period.

A restructure of the underground teams in the fourth quarter resulted in improved efficiencies, with total annual production in accordance with expectations for the period. Total underground ROM coal production was 2.77 million tonnes (2.59 million tonnes equity share), and saleable coal production was 1.28 million tonnes (1.19 million tonnes equity share).

In October 2014, Yancoal purchased former joint venture partner ICRA Ashton Pty Ltd's 10% holding in Ashton, securing 100% ownership.

As announced in December 2014, the New South Wales Land and Environment Court granted approval to the Ashton South East Open Cut (SEOC) project, subject to conditions. This includes a condition requiring acquisition of all land within the project area prior to commencement.

The proposed SEOC project has the potential to produce up to 3.6 million tonnes per annum of ROM coal.

Ashton production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production*	Mt	1.2	1.08	1.29	1.28	-1%

* Effective from October 2014, Ashton tonnage shown as 100% ownership.

AUSTAR

YANCOAL 100%

Austar is one of the oldest mines within New South Wales, having been in operation for nearly 99 years.

Located south west of Cessnock in the Newcastle Coalfields, Austar produces a premium semi-hard coking coal characterised as the highest fluidity and lowest ash coking coal in Australia, with low phosphorous and low alkalis. The coal is shipped through the Port of Newcastle.

On Tuesday 15 April 2014, an underground incident occurred at the Austar mine, resulting in the deaths of two employees. Mining activities were ceased and a recovery operation initiated at the site.

An investigation into the cause of the incident by the Mine Safety Office of the New South Wales DTIRIS is ongoing. Austar does not currently have approval from DTIRIS to recommence full development work.

The scheduled relocation of the longwall from panel A7 to A8 was successfully conducted during the second half of 2014. Minimal development work was conducted away from the incident area in the fourth quarter of 2014.

Austar ROM coal production was 1.88 million tonnes for the period, with saleable coal production of 1.51 million tonnes.

Austar production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production	Mt	1.64	1.47	1.29	1.51	18%

Note: All data shown on a 100% basis.

DONALDSON

YANCOAL 100%

Located in the Hunter Valley, Donaldson's underground Abel mine produces thermal and semi-soft coking coal for blending, exporting via the Port of Newcastle.

Donaldson's Abel underground mine produced 2.50 million tonnes of ROM coal and 1.95 million tonnes of saleable coal in accordance with expectations.

Difficult underground mining conditions adversely affected production in the first half of the year.

The restructure of the Abel mine workforce late in 2014 resulted in an improved production performance for the fourth quarter, with the operation also recovering from challenging geological conditions in the main workings.

Rehabilitation of Donaldson's former Tasman underground mine was completed in 2014.

Donaldson production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production	Mt	0.84	2.31	2.54	1.95	-23%

Note: All data shown on a 100% basis. Production for the Gloucester Coal Limited assets for 2011 and 2012 is included for comparison purposes. The merger with Gloucester Coal was implemented on 6 July 2012.

STRATFORD/ DURALIE

YANCOAL 100%

New South Wales' Gloucester Basin is home to the Stratford and Duralie operations producing high fluidity semi-hard coking and thermal coals.

The Stratford and Duralie mines produced a combined total ROM of 2.48 million tonnes and 1.95 million tonnes of saleable coal for 2014.

Production ceased at the Stratford open cut Bowen Road North Pit in July 2014, as the mine reached the end of its current economically recoverable resources.

Stratford subsequently moved to care and maintenance during the year, with site activity reduced to fines extraction and continued rehabilitation of the mined area. Duralie coal continues to be processed at the Stratford Coal Handling and Preparation Plant (CHPP).

The New South Wales Planning Assessment Commission (PAC) approved the Duralie modification in December 2014, providing increased flexibility for mine planning and sequencing, and enabling the extraction of the mine's fully approved reserve.

The proposed Stratford extension consists of three mining areas, with approval sought to extract 21.5 million tonnes of ROM coal over 11 years to 2025 at a rate of up to 2.6 million tonnes per annum. Exploration drilling commenced in the second half of 2014.

Gloucester production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production	Mt	1.89	2.41	2.26	1.95	-14%

Note: All data shown on a 100% basis. Production for the Gloucester Coal Limited assets for 2011 and 2012 is included for comparison purposes. The merger with Gloucester Coal was implemented on 6 July 2012.

MIDDLEMOUNT

YANCOAL ~50%

Middlemount mine is an open cut mine located 90 km north east of Emerald in Queensland's Bowen Basin.

A joint venture with Peabody Energy, the Middlemount mine produces low volatile pulverised coal injection (PCI) coal and hard coking coal used for export markets, with contracted rail and port capacity through Dalrymple Bay Coal Terminal and Abbot Point Port.

Middlemount production gains, driven by increased operational efficiencies, were offset by wet weather impacts during the first half of the year, affecting overburden volumes and restricting operations during the period.

Gains were made in the second half with end of year total production in accordance with forecasts. Total annual ROM coal production was 4.98 million tonnes (2.44 million tonnes equity share) and 3.64 million tonnes saleable coal (1.82 million tonnes equity share).

Middlemount production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production	Mt	0.45	1.73	2.87	3.64	27%

Note: All data shown on a 100% basis. Production for the Gloucester Coal Limited assets for 2011 and 2012 is included for comparison purposes. The merger with Gloucester Coal was implemented on 6 July 2012.

MOOLARBEN

YANCOAL 80%

Located within the Western Coalfields of New South Wales, the Moolarben coal mine is a world-class open cut coal asset producing export quality thermal coal.

Approximately 45 km north east of Mudgee and 25 km east of Gulgong, the Moolarben coal mine ships internationally via the Port of Newcastle.

Moolarben Coal Operations Pty Ltd is the operator of the Moolarben Coal Complex on behalf of the Joint Venture (JV). The JV partners are Moolarben Coal Mines Pty Ltd (80%), a consortium of Korean companies represented by Kores Australia Moolarben Coal Pty Ltd (10%), and Sojitz Moolarben Resources Pty Ltd (10%).

Moolarben achieved total ROM production of 8.23 million tonnes (6.62 million tonnes equity share) and total saleable coal production of 6.36 million tonnes (5.09 million tonnes equity share) for the reporting period.

As announced on 19 June 2014, the New South Wales PAC approved the Moolarben coal mine's Stage One modification Nine, subject to conditions, allowing for the extraction of an additional 30 million tonnes of ROM coal over the life of the mine.

Subsequent to the financial year, as announced on 2 February 2015, the New South Wales PAC approved Yancoal's Moolarben Stage Two expansion application.

Moolarben production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production	Mt	5.01	5.18	6.29	6.36	1%

Note: All data shown on a 100% basis.

YARRABEE

YANCOAL 100%

The Yarrabee open cut coal mine is located approximately 40 km north east of Blackwater in Central Queensland's Bowen Basin.

Yarrabee produces ultra low volatile, semi-anthracite PCI coal, exporting to steelmakers in the Asian region via the Port of Gladstone.

Significant improvements throughout production, the CHPP, maintenance processes and within administration led Yarrabee's continued strong production of 3.93 million tonnes of ROM and 3.22 million tonnes of saleable coal for 2014.

While production gains were slightly down for the second half of the year following the failure of the CE West low wall early in the third quarter, Yarrabee recovered in the fourth quarter, maximising the benefits of the introduction of direct feeding into the crusher to achieve substantial cost and time savings.

Yarrabee production	Units	2011	2012	2013	2014	Change YoY
Saleable coal production	Mt	2.43	2.48	3.16	3.22	2%

INFRASTRUCTURE AND LOGISTICS

With sufficient allocation to meet existing and brownfield needs, Yancoal exports 100% of its product through four eastern Australian ports into the Asian market.

RAIL

Yancoal is supported by the following rail networks to transport product from mine to port:

- The New South Wales Hunter Valley Coal Chain supports the Moolarben, Austar, Ashton, Stratford and Duralie, and Donaldson operations, with coal transported to the Port of Newcastle.
- The Queensland Blackwater System supports the Yarrabee operation, transporting coal to the Port of Gladstone.
- The Queensland Goonyella System supports the Middlemount operation, with coal transported to the Port of Hay Point and Abbot Point Coal Terminal.

PORTS

Yancoal's proposed production output for the next five years will be supported by the following port capacity:

- Port Waratah Coal Services (PWCS): Yancoal currently has Ship or Pay Contracts with PWCS for the export of coal through the terminals at Newcastle, New South Wales. Yancoal's PWCS allocation is currently approximately 9.1 million tonnes, rising to 11.9 million tonnes from 2016 onwards (100% basis).
- Newcastle Infrastructure Group (NCIG) Coal Terminal (Yancoal 27%): Yancoal is one of five company shareholders involved in the $2.3 billion NCIG export coal terminal. Yancoal has a 27% ownership, with an allocation of approximately 14.6 million tonnes per annum (100% basis).
- Wiggins Island (Yancoal 5.6%): Yancoal is one of eight owners of Stage One of the Wiggins Island Coal Export Terminal (WICET) project, which will have a capacity of 27 million tonnes per annum and is due to be completed in early 2015. Yancoal's share of Stage One will be 1.5 million tonnes per annum, allocated to the Yarrabee Mine.
- RG Tanna Coal Terminal (RGTCT): Yancoal currently has a ship or pay contract with Gladstone Port Corporation allocated to the Yarrabee Mine to ship 1.7 million tonnes per annum through the terminals at Gladstone.
- Abbot Point Coal Terminal (APCT): The joint venture Middlemount Mine has a ship or pay contract with APCT owners Adani to ship 3.0 million tonnes per annum.

TAKE OR PAY

For 2015, Yancoal has take or pay (ToP) rail and port commitments in excess of planned sales, with a $74 million potential order of magnitude ToP exposure. The Yancoal logistics team has a target of reducing ToP exposure across the Group by trading between sites and with other users. In the longer term, Yancoal's planned Moolarben Stage 2 expansion will significantly rebalance the mine and logistics equation.

Yancoal has substantial port and rail capacity contracted from 2015 to 2021, well in excess of the planned production profile.

COAL RESOURCE AND RESERVE STATEMENTS

FOR THE YEAR ENDED DECEMBER 2014

The statement of Mineral Resources and Ore Reserves presented in this report has been produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves 2012 (the "JORC Code"). Commodity prices and exchange rates used to estimate the economic viability of reserves are based on the Yancoal long-term forecasts unless otherwise stated. The Ore Reserves tabulated are all held within existing, fully permitted mining leases, are within areas under applications to become mining leases or are within areas of exploration tenements detailed in the Life of Mine Plans to become mining leases in future applications.

Yancoal's leases are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves on the leases to be mined in accordance with current production schedules.

The information in this report relating to Mineral Resources and Ore Reserves is based on information compiled by competent persons (as defined in the JORC Code). All competent persons have, at the time of reporting, sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined by the JORC 2012 Code. With the exception of Yarrabee, each Competent Person listed in this report is an independent consultant, at the time of reporting the competent persons for Yarrabee were full time employees of Yancoal. The Yarrabee resource and reserves reports were peer reviewed by independent consultants at the time of their generation.

Each Competent Person consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Yancoal is not aware of any new information or data that materially affects the information included in this report and at the time of this report all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

All endeavours have been made to comply with the JORC Code. All of the Mineral Resource and Ore Reserve figures presented are reported in 100% terms (unless otherwise stated). All of the Mineral Resource information (unless otherwise stated) is inclusive of Mineral Resources that have been converted to Ore Reserves (i.e. Mineral Resources are not additional to Ore Reserves).

The tabulated information is reported by Project; for details of the tenements and leases comprising each of these projects, please refer to the following table.

Title Tenement	Tenement Type
ASHTON	
ML 1529	Mining Lease
ML 1623	Mining Lease
ML 1533	Mining Lease
EL 4918	Exploration Licence
EL 5860	Exploration Licence
ML 1696	Mining Lease
AUSTAR	
DSL 89	Mining Lease
ML 1157	Mining Lease
ML 1283	Mining Lease
ML 1345	Mining Lease
ML 1388	Mining Lease
ML 1550	Mining Lease
MPL 23	Mining Lease
MPL 204	Mining Lease
MPL 217	Mining Lease
MPL 233	Mining Purpose Lease
MPL 269	Mining Purpose Lease
MPL 1364	Mining Purpose Lease
CCL 728	Mining Lease
CCL 752	Mining Lease
CML 2	Mining Lease
ML 1661	Mining Lease
ML 1666	Mining Lease
ML 1677	Mining Lease
EL 6598	Exploration Licence
MOOLARBEN	
ML 1605	Mining Lease
ML 1606	Mining Lease
ML 1628	Mining Lease
ML 1691	Mining Lease
EL 6288	Exploration Licence
EL 7073	Exploration Licence
EL 7074	Exploration Licence
MPL 0315	Mining Purpose Lease
MIDDLEMOUNT	
ML 70379	Mining Lease
ML 70417	Mining Lease
MDL 282	Mineral Development Licence
EPC 1225	Exploration Permit For Coal
MONASH	
EL 6123	Exploration Licence
EL 7579	Exploration Licence

Title Tenement	Tenement Type
YARRABEE	
MDL 160	Mineral Development Licence
ML 1770	Mining Lease
ML 80049	Mining Lease
ML 80050	Mining Lease
ML 80096	Mining Lease
ML 80104	Mining Lease
ML 80172	Mining Lease
ML 80195	Mining Lease
ML 80196	Mining Lease
ML 80197	Mining Lease
ML 80198	Mining Lease
EPC 1429	Exploration Permit For Coal
EPC 1684	Exploration Permit For Coal
EPC 621	Exploration Permit For Coal
EPC 717	Exploration Permit For Coal
GLOUCESTER BASIN	
A 311	Exploration Licence
A 315	Exploration Licence
EL 6904	Exploration Licence
ML 1360	Mining Lease
ML 1409	Mining Lease
ML 1447	Mining Lease
ML 1521	Mining Lease
ML 1528	Mining Lease
ML 1538	Mining Lease
ML 1577	Mining Lease
ML 1427	Mining Lease
ML 1646	Mining Lease
MLA 1	Mining Lease Application
MLA 2	Mining Lease Application
MLA 466	Mining Lease Application
DONALDSON	
ML 1461	Mining Lease
ML 1618	Mining Lease
ML 1653	Mining Lease
ML 1555	Mining Lease
EL 6964	Exploration Licence
EL 5337	Exploration Licence
EL 5497	Exploration Licence
EL 5498	Exploration Licence

Refer to the following table for details of the relevant competent persons for each project.

Project	Report Type	Competent Person (CP)	CP #	Title	Company
Moolarben	Resource	Jon Barber	1	Principal Consultant	Jon Barber Mining Consultants
	Reserve	Jon Barber	1	Principal Consultant	Jon Barber Mining Consultants
Austar	Resource	Robert Dyson	2	Senior Geologist – General Manager Operations	McElroy Bryan Geological Services Pty
	Reserve	Michael Barker	3	General Manager Underground Services	Palaris Mining P/L
Ashton	Resource	Tom Bradbury	13	Coal Specialist	Geos Mining
	Reserve – UG	Greg Mattila	14	Principal	Mattila Pty Limited
	Reserve – SEOC	Greg Mattila	14	Principal	Mattila Pty Limited
Yarrabee	Resource	Stuart Whyte	4	Superintendent Geology and Exploration	Yarrabee Coal Company Pty Ltd
	Reserve	Andrew Lau	5	Technical Services Manager	Yarrabee Coal Company Pty Ltd
Gloucester – Stratford	Resource	Janet Bartolo	6	Senior Geologist – Manager Geological Modelling	McElroy Bryan Geological Services Pty
	Reserve	Trisha Wilson	7	Senior Mining Consultant	RungePincockMinarco
Gloucester – Duralie	Resource	Janet Bartolo	6	Senior Geologist – Manager Geological Modelling	McElroy Bryan Geological Services Pty
	Reserve	Trisha Wilson	7	Senior Mining Consultant	RungePincockMinarco
Gloucester – Grant & Chainey	Resource	Janet Bartolo	6	Senior Geologist – Manager Geological Modelling	McElroy Bryan Geological Services Pty
	Reserve	Trisha Wilson	7	Senior Mining Consultant	RungePincockMinarco
Middlemount	Resource	Greg Jones	8	Principal Consultant	JB Mining Services Pty Ltd
	Reserve	Mark Bryant	9	Principal Mining Consultant	The Minserve Group Pty Ltd
Donaldson	Resource	Dr John Bamberry	10	Principal Geologist	Palaris Mining P/L
	Reserve	Michael Barker	3	General Manager Underground Services	Palaris Mining P/L
Monash	Resource	Robert Dyson	2	Senior Geologist – General Manager Operations	McElroy Bryan Geological Services Pty

COAL RESOURCE AND RESERVE STATEMENTS

CONTINUED

On an attributable basis, Yancoal's group total year-end 31 December 2014 position is as follows:

- Measured, Indicated and Inferred Resources are 3,074.7Mt.[1]
- Recoverable Proved and Probable Reserves are 633.8Mt.[2]
- Marketable Proved and Probable Reserves are 456.2Mt.[2]

1 Resource depletions are only applied upon update of the JORC resource reports, as a result the 31 December 2014 resource numbers remain the same as those in the JORC report for the period.

2 The above total reserve numbers are the depleted by production from the JORC report date to 31 December 2014.

The following abbreviations are used throughout this report:

AusIMM	Australasian Institute of Mining and Metallurgy
JORC	Joint Ore Reserves Committee
Met	Metallurgical Coal
Mt	Million Tonnes
OC	Open Cut
UG	Underground
SEOC	South East Open Cut

Coal Resources for Year Ended 31 December 2014 Reporting

Project	Yancoal Ownership %	Mining Method	Coal Type	Measured JORC Resource Mt	Indicated JORC Resource Mt	Inferred JORC Resource Mt	Total JORC Resources Mt	JORC Code	Competent Person	Report Date
Moolarben[1]	80%	OC/UG	Thermal	542.3	534	250	1,326.3	2012	1	Jun-14
Austar[1]	100%	UG	Met	78	80	70	228	2012	2	Jun-14
Ashton[1]	100%	OC/UG	Met/Thermal	157.2	64.7	46	267.9	2012	13	Jun-14
Yarrabee[1]	100%	OC	Met	106	82	20	208	2012	4	Jun-14
Gloucester – Stratford[1]	100%	OC	Met/Thermal	1.0	78	28	107	2012	6	Jun-14
Gloucester – Duralie[1]	100%	OC/UG	Met/Thermal	10	65	68	143	2012	6	Jun-14
Gloucester – Grant & Chainey[1]	100%	OC	Met/Thermal	3.9	46	28	78	2012	6	Jun-14
Middlemount[1]	50%	OC	Met/Thermal	93	33.8	3	129.8	2012	8	Mar-13
Donaldson[1]	100%	UG	Met/Thermal	280	450	90	820	2012	10	Jun-14
Monash[1]	100%	UG	Met/Thermal	-	17	80	97	2012	2	Dec-14
Total							**3,404.9**			
Yancoal Attributable Share							3,074.7			

1 Resource depletions are only applied upon update of the JORC resource reports, as a result the 31 December resource numbers remain the same as those in the JORC report.

Note: All Coal Resources are inclusive of Coal Reserves and are reported on a 100% basis with Yancoal's ownership percent reported for each deposit. The attributable share total is the total resources when the Yancoal ownership percent is applied.

Coal Resources Comparison of 2014 to 2013 Year End Reporting

Project	Yancoal Ownership %	Coal Type	Differences in Measured JORC Resource Mt	Differences in Indicated JORC Resource Mt	Differences in Inferred JORC Resource Mt	Differences in Total JORC Resources Mt
Moolarben[1]	80%	Thermal	77.2	-59.6	-7.6	10.0
Austar[2]	100%	Met	3	10	0	13
Ashton[3]	100%	Met/Thermal	13.2	-11.3	-2.0	-0.1
Yarrabee[4]	100%	Met	30.5	-7.2	7.2	30.4
Gloucester – Stratford[5]	100%	Met/Thermal	-4.8	11	3	9
Gloucester – Duralie[6]	100%	Met/Thermal	-2.6	-2	0	-4
Gloucester – Grant & Chainey[7]	100%	Met/Thermal	0	0	1	1
Middlemount[8]	50%	Met/Thermal	0	0	0	0
Donaldson[9]	100%	Met/Thermal	-316.8	237.5	74.3	-5.0
Monash[10]	100%	Met/Thermal	-148.1	-161.3	-198.4	-507.8
Total						**-453.7**
Yancoal Attributable Share						**-428.9**

Notes to Coal Resources Comparison of 2014 to 2013 Year End Reporting

1 Moolarben – The total resource increase and significant shift to measured resource category is due to inclusion of drilling program data completed since the last report. The corresponding decreases in the Indicated and Inferred categories are linked to the measured resource increase.

2 Austar – Increase results from changed mining assumptions and inclusion of additional Indicated resources south of Ellalong Mine.

3 Ashton – Category shift to measured resources related to inclusion of additional drilling data (24 surface holes and 70 intra-seam holes), change of raw ash limit down to 50%, revision of JORC classification polygons and modification of the acceptable core recovery limit.

4 Yarrabee – Resources changes primarily due to the inclusion of 1,271 holes completed since the previous report, with minor adjustments due to changed mining assumptions and changes to the models.

5 Gloucester (Stratford) – Resource changes due to production, review and update of default values and estimation limits review and adjustment of resource classifications and addition of new resources areas.

6 Gloucester (Duralie) – Resource changes due to production depletions and updating of the geological model since the last report.

7 Gloucester (Grant & Chainey) – Resource change due to review and update of default values and estimation limits.

8 Middlemount – JORC report not updated as previous report was already JORC 2012 Compliant.

9 Donaldson – Total resource decrease due to production depletion. The changes in resource categories are due to the reclassification of the resources according to the JORC 2012 Code.

a. Changed resource classification polygons resulting from the reduction in the maximum spacing between measured and indicated points of observation.

b. Removal of seams from the resource that are deemed not economically feasible to mine.

10 Monash – The reductions are due to the reclassification of the resources according to the JORC 2012 Code.

a. Changed resource classification polygons resulting from the reduction in the maximum spacing between points of observation for each category.

b. Limiting of extrapolation beyond last data points to 300m.

c. Reduced raw ash cut-off from 50% to 40%.

d. Resources limited to depth of 700m.

COAL RESOURCE AND RESERVE STATEMENTS

CONTINUED

Coal Reserves for Year Ended 31 December 2014 Reporting

Project	Yancoal Ownership %	Coal Type	Recoverable Coal Reserves: Proved Reserve Report JORC Mt	Probable Reserve Report JORC Mt	Total Reserves at JORC Report Date Mt	Total Reserves Dec-14 Mt
Moolarben (OC)	80%	Thermal	166	103	269	265.1
Moolarben (UG)	80%	Thermal	42.3	23	65.3	65.3
Austar (UG)	100%	Met	12	33	45	43.6
Ashton (SEOC)	100%	Met/Thermal		15	15	15
Ashton (UG)	100%	Met	39.1	2.4	41.5	40.3
Yarrabee (OC)	100%	Met	41.5	8.3	49.8	47.6
Gloucester – Stratford (OC)	100%	Met/Thermal		38.9	38.9	38.8
Gloucester – Duralie (OC)	100%	Met/Thermal	5.7	8.7	14.4	13.4
Gloucester – Grant & Chainey[1] (OC)	100%	Met/Thermal			0	0
Middlemount (OC)	50%	Met/Thermal	66	18	84	84
Donaldson (UG)	100%	Met/Thermal	33	97	130	128.7
Total					**752.9**	**741.9**
Yancoal Attributable Share					**644.0**	**633.8**

1 Gloucester (Grant & Chainey) – A portion of the reserve was reallocated to the "Stratford Reserves", with the remaining decreases due to increased statutory approvals uncertainty and lack of supporting pre-feasibility studies and infrastructure.

Note: ROM Production and Saleable Production figures from the JORC Report date to the end of December 2013 are based on actual production figures gathered by Yancoal.

Note: Met = Metallurgical coal.

Note: N/A = Not Applicable due to no production for the period.

Note: Coal Reserves are inclusive of the Coal Resources and are reported on a 100% basis for each deposit.

Coal Reserves Comparison to 2013 Year End Reporting

Project	Ownership %	Coal Type	Recoverable Coal Reserves Differences: Proved Reserve Report JORC Mt	Probable Reserve Report JORC Mt	Total Reserves Report JORC Mt	Total Reserves End of Dec Mt
Moolarben[1] (OC)	80%	Thermal	41.3	-26.9	14.4	14.7
Moolarben[2] (UG)	80%	Thermal	5.0	-2.6	2.4	2.4
Austar[3] (UG)	100%	Met	-2.2	-0.5	-2.7	-3.3
Ashton[4] (SEOC)	100%	Met/Thermal	0.0	-0.6	-0.6	-0.6
Ashton[5] (UG)	100%	Met	3.6	-3.5	0.1	-0.2
Yarrabee[6] (OC)	100%	Met	4.0	-12.9	-9.0	-9.3
Gloucester – Stratford[7] (OC)	100%	Met/Thermal	-0.9	-0.1	-1.1	0.5
Gloucester – Duralie[8] (OC)	100%	Met/Thermal	-2.7	-3.5	-6.2	-4.5
Gloucester – Grant & Chainey[9] (OC)	100%	Met/Thermal	0.0	-8.8	-8.8	-8.8
Middlemount[10] (OC)	50%	Met/Thermal	-3.0	-9.0	-12.0	-5.8
Donaldson[11] (UG)	100%	Met/Thermal	-45.3	37.0	-8.3	-8.2
Total					**-31.8**	**-23.0**
Yancoal Attributable Share					**-29.1**	**-23.5**

Additional information about the Company can be found at www.yancoal.com.au

Marketable Coal Reserves								
Proved Reserve Report JORC Mt	Probable Reserve Report JORC Mt	Total Reserves at JORC Report Date Mt	Total Reserves Dec-14 Mt	JORC Code	Competent Person #	JORC Report Date	ROM Production from JORC Report Date to Dec-14 Mt	Saleable Production from JORC Report Date to Dec-14 Mt
122.5	73	195.5	192.4	2012	1	Jun-14	3.9	3.1
42.5	23.7	66.2	66.2	2012	1	Jun-14	0.0	0.0
10	26	36	34.8	2012	3	Jun-14	1.4	1.2
	7.8	7.8	7.8	2012	14	Jun-14	0.0	0.0
	20.4	20.4	19.8	2012	14	Jun-14	1.2	0.6
32.7	6.5	39.2	37.4	2012	5	Jun-14	2.2	1.8
	21.4	21.4	21.4	2012	7	Jun-14	0.1	0.0
	10.3	10.3	9.6	2012	7	Jun-14	1.0	0.7
		0	0	2012	7	Jun-14	0.0	0.0
50	13.4	63.4	63.4	2012	9	Jan-15	N/a	N/a
24	64	88	86.9	2012	3	Jun-14	1.3	1.1
		548.2	**539.7**				**11.0**	**8.5**
		464.2	**456.2**				**10.2**	**7.9**

Marketable Coal Reserves Differences			
Proved Reserve Report JORC Mt	Probable Reserve Report JORC Mt	Total Reserves at JORC Report Date Mt	Total Reserves End of Dec Mt
35.6	-16.4	19.2	19.3
5.2	-1.9	3.3	3.3
-1.5	-0.3	-1.8	-2.3
0.0	0.0	0.0	0.0
0.0	0.8	0.8	0.6
19.2	-26.7	-7.4	-7.6
-0.5	0.2	-0.3	0.8
-4.8	1.8	-3.0	-2.1
0.0	-5.0	-5.0	-5.0
-1.0	-4.7	-5.7	-1.1
24.0	64.0	2.3	2.3
		2.4	**8.2**
		0.8	**4.2**

1 Moolarben OC – Changes are due to a) Reclassification of Resources after additional exploration, b) Improved recovery of coal in OC 1 & 2, c) Change in washing density to produce a higher ash product, d) Product moisture changes increasing marketable reserves.

2 Moolarben UG – Increases after updated assumptions were applied to dilution and moisture values.

3 Austar UG – Minor mine plan changes and a slight reduction in top coal caving reduced Reserves.

4 Ashton SEOC – Reclassified following additional exploration and modelling.

5 Ashton UG – Minor changes to mine plan assumptions and moisture values decreased Reserves.

6 Yarrabee – Changes in Reserves due to a) Production depletion, b) Reduced confidence in a lox-line definition (Yes Pit) and modifying factors reduced Reserves, c) Increased drilling upgraded Resource and Reserve classification, d) Minor changes to Reserves due to geotechnical stability (A pit) and high complex geology (Dom 6).

7 Gloucester Stratford – Unchanged

8 Gloucester Duralie – Minor changes to Mine plan assumptions and updated geology model.

9 Gloucester Grant & Chainey – A portion of the Reserve was reallocated to the "Stratford Reserves", with the remaining decreases due to increased statutory approvals uncertainty and lack of supporting pre-feasibility studies and infrastructure.

10 Middlemount – Changes due to mainly production depletion, a decrease in ROM moisture and additional drilling improving Resource confidence.

11 Donaldson UG – Changes are due to a shift in tonnes from Proved to Probable due to a change in the reclassification of Resources, and an update in mining model assumptions.

FINANCIAL STATEMENTS

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 year ended 31 December 2014.

DIRECTORS

The following persons were Directors of Yancoal Australia Ltd during the financial year and until the date of this report. Directors were in office for this entire period unless otherwise stated.

Xiyong Li

Cunliang Lai

Baocai Zhang

Yuxiang Wu

Xinghua Ni

Gregory Fletcher

Boyun Xu

William Randall

Geoffrey Raby

Vincent O'Rourke

Huaqiao Zhang (appointed on 15 April 2014)

James MacKenzie (resigned on 11 April 2014)

SECRETARY

The name of the Secretary in office during the whole of the financial year and up to the date of this report is as follows:

Laura Ling Zhang

REVIEW OF OPERATIONS

Safety

On 15 April 2014, an underground incident at the Austar mine tragically resulted in two fatalities. An investigation into the cause of the incident by the Mine Safety Office of the New South Wales Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) is ongoing and development has yet to recommence at the incident site.

No other significant events were recorded at Yancoal's mine sites for the period, with sites continuing to operate to the highest legislative and safety standards. Work remains to continue to improve the systems and processes employed to educate, communicate and record employee safety initiatives.

Under the direction of the Health, Safety, Environment & Community (HSEC) Committee, Yancoal continues to build the leadership, capabilities, systems and reporting procedures required to deliver on its objectives of achieving zero harm at its operations.

Financial performance

The loss after income tax for the year ended 31 December 2014 amounted to $353,486,000 (31 December 2013: $832,070,000) after an income tax expense of $82,590,000 (31 December 2013: $282,402,000 income tax benefit).

The loss for 2014 reflects the continued impacts of low coal prices driven by global market oversupply for the period. Costs were detrimentally affected by the combination of existing take or pay arrangements, the sustained strength of the Australian dollar throughout the majority of 2014, and minimal improvements in the metallurgical and thermal spot prices.

The loss after tax includes the reversal of an impairment provision previously recognised of $140 million in respect of Moolarben. The tax expense for 2014 included a net expense of $73,930,000 in respect of the write off of Minerals Resource Rent Tax (MRRT) deferred tax balances following repeal of the MRRT legislation on 30 September 2014.

Corporate activities

On 31 December 2014, the Group successfully completed a pro rata, renounceable rights offer raising US$1,800,510,200 from the issue of 18,005,102 Subordinated Capital Notes at US$100 each, as part of a package of balance sheet strengthening and funding initiatives overseen and assessed by an Independent Board Committee to secure funding for Yancoal operations and growth opportunities.

As part of the package, Yancoal Australia's major shareholder Yanzhou Coal Mining Company Limited (Yanzhou) (78%) committed to provide up to A$1.4 billion in additional financial support, plus additional financial support to fund distributions on the Subordinated Capital Notes over a five-year period post issuance of the Subordinated Capital Notes, if required. The Bank of China and China Construction Bank also provided an extension to the repayment of their US$2.7 billion syndicated facility for three years, maturing in three broadly equal tranches in 2020, 2021 and 2022.

As announced in December 2014, Yancoal secured 100% ownership of the Ashton operation, purchasing former joint venture partner ICRA Ashton Pty Ltd's 10% holding in October 2014.

As announced to the market on 24 March 2014, Yanzhou notified the Company it no longer wished to pursue its indicative non-binding proposal regarding the possible privatisation of Yancoal Australia as announced on 9 July 2013.

In March 2014, on behalf of Yanzhou, the Company completed the $263 million planned repurchase of the 87,645,184 Contingent Value Right Shares (CVR shares) issued to former shareholders in Gloucester Coal Ltd.

Throughout 2014, Yancoal conducted a restructure of its mining operations to reduce costs, improve operational efficiencies and increase transparency, communication and the sharing of services and processes across the Yancoal Group.

To date, the restructure has achieved demonstrable operational improvements, cost reductions and enhanced regional marketing opportunities, aided by the establishing of a new regional management and reporting structure.

Under a new regional operating model, sites have continued to adopt shared systems and processes, maximised blending and rail opportunities and implemented training associated with the next phase of cultural change, sustainable cost control and operational efficiency improvements referred to as "the Yancoal Way".

Mine production

Total Run of Mine (ROM) coal production was 26.82 million tonnes (22.49 million tonnes equity share) for the year (31 December 2013: 27.04 million tonnes). Saleable coal production was 19.91 million tonnes (16.7 million tonnes equity share) for the year (31 December 2013: 19.70 million tonnes), with total coal sales of 20.54 million tonnes (17.6 million tonnes equity share) for the year (31 December 2013: 19.73 million tonnes).

In accordance with the long-term business strategy implemented during 2013, Yancoal continued to improve operational efficiencies and deliver cost savings across all sites.

DIRECTORS' REPORT
CONTINUED

In response to the market headwinds of 2014, Yancoal restructured its operations under a new regional reporting model, operating eight sites across two regions. The New South Wales region includes: Moolarben, Austar, Ashton, Gloucester (Stratford & Duralie), and Donaldson. The Queensland region includes: Yarrabee and Middlemount. The Group has a near 50% equity interest in Middlemount Coal Pty Ltd (Middlemount).

Steady production gains continued to be achieved throughout the year, with all sites implementing sustainable cost controls and operational efficiency improvements, while producing at optimal levels to maximise yield recoveries.

New South Wales sites responded rapidly to new market opportunities and changing customer demands throughout the period, developing and implementing successful product optimisation and blending strategies across operations.

Business improvements, including increased coal handling and processing throughput and overburden management, helped offset production interruptions, mostly attributable to scheduled longwall moves and maintenance, difficult geological conditions in the New South Wales underground operations and inclement Queensland weather conditions in the first half of the year.

Yancoal's product split (equity share) for the period was 10.02 million tonnes thermal and 7.58 million tonnes metallurgical coal.

New South Wales

New South Wales operations achieved ROM coal production of 17.91 million tonnes (16.07 million tonnes equity share) and saleable coal production of 13.05 million tonnes (11.69 million tonnes equity share) for the year, sharing rail and port facilities to reduce existing contract commitments and associated costs, while increasing thermal blending opportunities to optimise the product mix where possible.

Ashton mine (Yancoal 100%)

Strong production during the first half of the year was offset by the impacts of a scheduled longwall move in the second half, challenging roof conditions affecting consistent longwall output and seam dilution, which in turn affected washplant yield during the period.

A restructure of the underground teams in the fourth quarter resulted in improved efficiencies, with total annual production in accordance with expectations for the period. Total underground ROM coal production was 2.77 million tonnes (2.59 million tonnes equity share) and saleable coal production was 1.28 million tonnes (1.19 million tonnes equity share).

As announced in December 2014, the New South Wales Land and Environment Court indicated it would grant approval to the Ashton South East Open Cut (SEOC) project, subject to finalisation of conditions of approval. This includes a condition requiring acquisition of all land within the project area, prior to commencement.

In January 2015, Yancoal lodged a notice of intention to appeal with the New South Wales Court of Appeal in respect of the judgment handed down on 19 December 2014. The proposed SEOC project has the potential to produce up to 3.6 million tonnes per annum of ROM coal.

Austar mine (Yancoal 100%)

On Tuesday 15 April 2014, an underground incident occurred at the Austar mine, resulting in the deaths of two employees. Mining activities were ceased and a recovery operation initiated at the site.

An investigation into the cause of the incident by the Mine Safety Office of the New South Wales DTIRIS is ongoing. Austar does not currently have approval from DTIRIS to recommence full development work.

Development crews were redeployed to the Donaldson and Ashton underground mines in April in the best interests of providing continued employment for Austar employees where possible.

The scheduled relocation of the longwall from panel A7 to A8 was successfully conducted during the second half of 2014, with the longwall subsequently encountering geological challenges, affecting production during the period. Minimal development work was conducted away from the incident area in the fourth quarter of 2014.

Austar ROM coal production was 1.88 million tonnes for the period, with saleable coal production of 1.51 million tonnes.

Moolarben mine (Yancoal 80%)

Moolarben continued to focus on delivering strict cost controls and refining its high ash thermal coal strategy throughout the year, with sustainable production improvements offset by maintenance issues affecting throughput at the coal handling and preparation plant in May 2014.

Significant yield improvements and productivity gains at Moolarben via the adoption of its product optimisation strategy in the third quarter continued to generate steady production throughout the second half of the year, resulting in total ROM production of 8.23 million tonnes (6.62 million tonnes equity share) and total saleable coal production of 6.36 million tonnes (5.09 million tonnes equity share).

As announced on 19 June 2014, the New South Wales Planning and Assessment Commission (NSW PAC) approved the Moolarben coal mine's Stage 1 modification 9, subject to conditions, allowing for the extraction of an additional 30 million tonnes of ROM coal over the life of the mine.

Subsequent to the financial year, as announced on 2 February 2015, the NSW PAC approved Yancoal's Moolarben Stage Two expansion application. Once the Moolarben Stage Two project is completed, the operation at Mudgee will produce up to 16 million tonnes per annum of ROM coal for a period of 24 years, extending the life of the operation and potentially creating up to 120 new full time jobs.

Stratford and Duralie mines (Yancoal 100%)

The Stratford and Duralie mines produced a combined total ROM of 2.48 million tonnes and 1.95 million tonnes of saleable coal for 2014, as the Stratford mine wound down operations in accordance with the life of mine plan.

The operation remained focused on lowering costs and achieving productivity improvements for the year, with production ceasing at the Stratford open cut Bowen Road North Pit in July 2014, as the mine reached the end of its current economically recoverable resources.

Stratford subsequently moved to care and maintenance during the year, with site activity reduced to fines extraction and continued rehabilitation of the mined area. Duralie coal continues to be processed at the Stratford Coal Handling and Preparation Plant (CHPP), with the NSW PAC approving the Duralie modification in December 2014, providing increased flexibility for mine planning and sequencing, and enabling the extraction of the mine's fully approved reserve.

Yancoal continues to wait on a decision relating to the application for the proposed Stratford extension project, which was referred by the New South Wales Planning Minister to the PAC for review in December 2013, with a public hearing subsequently held on 19 February 2014. The proposal has subsequently been referred to the New South Wales Department of Planning and Infrastructure for further consideration and determination for approval from the Director General in April 2014. A decision is yet to be made.

The proposed Stratford extension consists of three mining areas, with approval sought to extract 21.5 million tonnes of ROM coal over 11 years to 2025 at a rate of up to 2.6 million tonnes per annum. Exploration drilling commenced in the second half of 2014.

Donaldson mine (Yancoal 100%)

Donaldson's Abel mine produced 2.50 million tonnes of ROM coal and 1.95 million tonnes of saleable coal in accordance with expectations, with difficult underground mining conditions adversely affecting production in the first half of the year.

The restructure of the Abel mine workforce late in 2014 resulted in an improved production performance for the fourth quarter, with the operation also recovering from challenging geological conditions in the main workings.

Rehabilitation of the Tasman mine was completed during the reporting period.

Queensland

Yarrabee mine (Yancoal 100%)

Significant improvements throughout production, the CHPP, maintenance processes and within administration led Yarrabee's continued strong production of 3.93 million tonnes ROM and 3.22 million tonnes of saleable coal for 2014.

While production gains were slightly down for the second half of the year following the failure of the CE West low wall early in the third quarter, Yarrabee recovered in the fourth quarter, maximising the benefits of the introduction of direct feeding into the crusher to achieve substantial cost and time savings.

Middlemount mine (Yancoal ~50%)

Middlemount production gains, driven by increased operational efficiencies, were offset by wet weather impacts during the first half of the year, affecting overburden volumes and restricting operations during the period. Gains were made in the second half with end of year total production in accordance with forecasts. Total annual ROM coal production was 4.98 million tonnes (2.44 million tonnes equity share) and 3.64 million tonnes saleable coal (1.78 million tonnes equity share).

Infrastructure

Newcastle Infrastructure Group (NCIG) Coal Terminal (Yancoal 27%)

Yancoal continues to be one of five company shareholders involved in the $2.3 billion NCIG export coal terminal in Newcastle, New South Wales. Yancoal has a 27% ownership with an allocation of approximately 14.6 million tonnes per annum (100% basis) now the facility has achieved its rated capacity of 66 million tonnes per annum. The Moolarben Coal mine is the largest of Yancoal's Hunter-based mines to use the terminal.

Port Waratah Coal Services (PWCS)

Yancoal has take-or-pay contracts with PWCS for the export of coal through the terminals at Newcastle, with a port allocation of approximately 9 million tonnes (100% basis).

Wiggins Island Coal Export Terminal (WICET) (Yancoal 5.6%)

Yancoal is one of eight owners of Stage One of the WICET project, which will have a capacity of 27 million tonnes per annum on completion. Yancoal's share of Stage One will be 1.5 million tonnes per annum, which has been allocated to the Yarrabee Mine.

Community and environment

Yancoal is committed to operating its mines to the highest environmental standards in accordance with all legislative requirements.

Each mine has actively implemented and continues to update its sustainability plans and practices (including the rehabilitation of all sites) as part of its life of mine plans and licence to operate.

The Company is obliged to report any environmental incidents to the respective authorities in each state and Yancoal continues to work with the various Government departments to ensure full transparency in its environmental reporting.

Yancoal also remains committed to making a significant positive difference within the communities in which it operates via the provision of employment opportunities and engagement of local contractors and service providers where possible.

Through its robust Community Support Initiative at each mine site, Yancoal continues to financially invest in local and regional health, environmental, educational and sporting initiatives. In 2014, Yancoal invested more than $564,000 into community-based initiatives.

Yancoal takes its responsibility for engaging transparently and co-operatively with its community stakeholders very seriously, relying upon community consultative committees, local newsletters, local media, community days and site-specific websites to keep the community informed.

CARBON PRICING

The *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* was assented to on 17 July 2014, with an effective date of 1 July 2014. This Act removes all carbon tax payments as of the effective date.

On that basis, Yancoal has assessed its carbon tax liability up to 30 June 2014 on a mine by mine basis using a price of $24.15 per tonne of carbon dioxide equivalent emissions. Due to varying geology and gas environments, the variation between each mine is quite significant.

Ashton is deemed to be a gassy mine and qualifies for assistance from the Coal Sector Jobs Package that was associated with the introduction of the carbon pricing mechanism.

ENVIRONMENTAL REGULATION

The Group is subject to significant energy regulation in respect of its activities as set out below.

GREENHOUSE GAS AND ENERGY DATA REPORTING REQUIREMENTS

The *National Greenhouse and Energy Reporting Act 2007* (NGER) requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2013 / 14 report to the Greenhouse and Energy Data Officer on 30 October 2014.

DIRECTORS' REPORT
CONTINUED

ENERGY EFFICIENCY REPORTING REQUIREMENTS

The *Energy Efficiency Opportunities Act 2006* required the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. This Act was repealed effective 30 June 2014. However, the Group continues to investigate and implement energy efficiency opportunities.

CLEAN ENERGY LEGISLATION

During the statutory period 1 July 2013 – 30 June 2014, the Group complied with all obligations under the Clean Energy Act, including registration, reporting and payment of its carbon tax liability.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes to the state of affairs during the financial year that have significantly affected the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the financial year, as announced on 2 February 2015, the NSW PAC approved Yancoal's Moolarben Stage Two expansion application. Once the Moolarben Stage Two project is completed, the operation at Mudgee will produce up to 16 million tonnes per annum of ROM coal for a period of 24 years, extending the life of the operation and potentially creating up to 120 new full time jobs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Guidance for saleable production in 2015 is a range of 15 million tonnes – 15.5 million tonnes (equity share). Forecast for 2015 capital expenditure is around $300 million (equity share).

The investigation into the cause of the Austar underground incident by the Mine Safety Office of the New South Wales DTIRIS is ongoing. An end date for the investigation has not been announced.

Yancoal's appeal of the NSW Land and Environment Court's SEOC approval is expected to be considered during calendar year 2015.

INFORMATION ON DIRECTORS

Xiyong Li

Chairman and Non-Executive Director. EMBA.

Experience and expertise

Mr Li has considerable experience in business management and operations in the coal industry. Mr Li commenced his career in 1981 and was appointed as the head of Huafeng Coal Mine of Xinwen Mining Group Co., Ltd. (Xinwen Group) in May 2001. In June 2006, he was appointed as the Deputy General Manager of Xinwen Group. In June 2010, he was appointed as the Chairman and Secretary of the Party Committee of Xinwen Group. In March 2011, he was appointed as the Vice Chairman of Shandong Energy Group Co., Ltd. and the Chairman and the Secretary of the Party Committee of Xinwen Group. In July 2013, Mr Li joined the Yankuang Group Company Limited and was appointed the General Manager and Deputy Secretary of the Party Committee. In September 2013, he was appointed the Chairman of Yanzhou Coal Mining Company Limited (Yanzhou). He was also appointed the Chairman of Yancoal Australia Ltd (Yancoal) in September 2013.

Mr Li graduated from Shandong University of Science and Technology and Nankai University, and is a researcher in engineering technique application with an Executive Masters of Business Administration (EMBA) degree.

Other current key directorships

Chairman of Yanzhou Coal Mining Company Limited

Director, General Manager, and the Deputy Secretary of the Party Committee of Yankuang Group

Chairman of Yancoal International (Holding) Co., Ltd

Director of Yancoal International (Sydney) Pty Ltd

Former directorships in last three years

None

Special responsibilities

Chairman of the Board

Chairman of the Nomination and Remuneration Committee

Interests in shares and options

None

Cunliang Lai

Co-Vice Chairman (26 June 2012 – Current),
Executive Director (resigned 20 January 2014),
Non-Executive Director (20 January 2014 – Current). DE, EMBA.

Experience and expertise

Mr Lai joined Yanzhou's predecessor in 1980. He was appointed as the head of Xinglongzhuang Coal Mine of Yanzhou in 2000. In 2005, he was appointed as the Deputy General Manager of Yanzhou. Before the merger with Gloucester Coal Ltd, Mr Lai was an Executive Director of Yancoal and was appointed the Co-Vice Chairman and Chair of the Executive Committee in 2012. Mr Lai successfully completed the acquisition of the Austar Coal Mine and the establishment of an appropriate corporate governance structure for Yancoal. Mr Lai has also successfully applied the Longwall Top Coal Caving technology in Australia and has gained considerable experience in Australian coal business management.

Mr Lai graduated from Nankai University and the Coal Science Research Institute. He is a researcher in engineering technology application with a Doctorate in Engineering and an EMBA degree.

Other current key directorships

Director of Yancoal International (Holding) Co., Ltd.

Director of Bauxite Resources Limited (appointed on 7 March 2014)

Former directorships in last three years

None

Special responsibilities

Co-Vice Chairman of the Board

Chairman of the Executive Committee
(resigned on 20 January 2014)

Chairman of Strategy and Development Committee
(resigned on 27 February 2014)

Member of Nomination and Remuneration Committee
(appointed on 27 February 2014)

Interests in shares and options

None

Baocai Zhang

Co-Vice Chairman (20 December 2013 – Current),
Non-Executive Director (26 June 2012 – 20 January 2014),
Executive Director (20 January 2014 – Current). EMBA.

Experience and expertise

Mr Zhang joined Yanzhou's predecessor in 1989 and was appointed as the Head of the Planning and Finance department of Yanzhou in 2002. He was appointed as a Director and Company Secretary of Yanzhou in 2006 and Deputy General Manager in 2011. Mr Zhang was appointed as Non-Executive Director of Yancoal on 26 June 2012, and subsequently appointed a Co-Vice Chairman of Yancoal on 20 December 2013.

He became the Chair of the Executive Committee of Yancoal on 20 January 2014. Mr Zhang planned and played a key role in the acquisition of Felix Resources Limited and the merger with Gloucester Coal Ltd in Australia. He also led Yanzhou's acquisition of potash exploration permits in Canada in 2011. He has considerable experience in capital management and business development in the coal industry, in particular in financial control, corporate governance and compliance for listed companies in Australia and overseas.

Mr Zhang graduated from Nankai University. He is a senior accountant with an EMBA degree.

Other current key directorships

Director of Yanzhou Coal Mining Company Limited

Director of Yanzhou Coal Yulin Neng Hua Co., Ltd

Director of Inner Mongolia Haosheng Coal Mining Limited

Chairman of the Supervisory Committee of Shanxi Energy Chemical Corp. Ltd

Director of Yancoal International (Holding) Co., Ltd

Director of Yancoal SCN Limited (appointed on 13 November 2014)

Former directorships in last three years

None

Special responsibilities

Co-Vice Chairman of the Board (appointed on 20 December 2013)

Member of the Nomination and Remuneration Committee (resigned on 27 February 2014)

Chairman of the Executive Committee (appointed on 20 January 2014)

Chairman of the Strategy and Development Committee (appointed on 27 February 2014)

Interests in shares and options

None

Yuxiang Wu

Non-Executive Director. MACC.

Experience and expertise

Mr Wu joined Yanzhou's predecessor in 1981. Mr Wu was appointed as the Head of the Planning and Finance department of Yanzhou in 1997, and was appointed as the Chief Financial Officer and a Director of Yanzhou in 2002. In 2012, Mr Wu was appointed a Director of Yancoal. He has considerable experience in financial management and business development in the coal industry. He also has extensive experience in organisational accounting, financial control, capital management, risk management and corporate compliance for Yanzhou and Yancoal.

Mr Wu is a senior accountant with a Masters degree in accounting. Mr Wu graduated from the Party School of Shandong Provincial Communist Committee.

Other current key directorships

Director of Yanzhou Coal Mining Company Limited

Director of Yanmei Heze Neng Hua Co., Ltd

Director of Yanzhou Coal Shanxi Neng Hua Company Limited

Chairman of the Supervisory Committee of Huadian Zouxian Power Generation Company Limited

Director of Yancoal International (Holding) Co., Ltd

Director of Yancoal International (Sydney) Pty Ltd

Director of Yancoal SCN Limited (appointed on 21 November 2014)

Former directorships in last three years

None

Special responsibilities

Member of Strategy and Development Committee

Member of Audit and Risk Management Committee

Interests in shares and options

None

Xinghua Ni

Non-Executive Director. M.Eng.

Experience and expertise

Mr Ni joined Yanzhou's predecessor in 1975 and became the Deputy Chief Engineer of Yankuang Group Company Limited in 2000. He was appointed as Chief Engineer of Yanzhou in 2002. In 2012, Mr Ni was appointed a Director of Yancoal. He has considerable experience in coal mining technology.

Mr Ni graduated from Tianjin University. He is a researcher in engineering technology application with a Masters degree.

Other current key directorships

Director of Shanxi Future Energy Chemical Corp. Ltd

Former directorships in last three years

None

Special responsibilities

Member of Strategy and Development Committee

Member of Health, Safety and Environment Committee

Interests in shares and options

None

Boyun Xu

Executive Director. ME, EMBA.

Experience and expertise

Mr Xu joined Yancoal in 2005. Before the merger with Gloucester Coal Ltd, he held the position of General Manager of Business Development of Yancoal. In 2012, Mr Xu was appointed a Director of Yancoal and Executive General Manager of the Australian subsidiaries of Yancoal International (Holding) Co. Ltd. Mr Xu has 29 years of international management and engineering experience in the coal mining industry. Prior to joining Yancoal he served as Deputy Chief Engineer in Yankuang Group Company Limited in China and China Business Manager in Minarco Asia Pacific Pty Ltd in Australia.

Mr Xu holds an EMBA degree from University of Technology, Sydney, a Masters degree in Mining Engineering from University of New South Wales and a Bachelor of Mining Engineering from Shandong University of Science and Technology in China.

Other current key directorships

Director of Premier Coal Limited

Director of Yancoal International (Sydney) Pty Ltd

Director of Yancoal SCN Limited (appointed on 21 November 2014)

Former directorships in last three years

None

Special responsibilities

Member of the Executive Committee

Interests in shares and options

None

DIRECTORS' REPORT
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William Randall
Non-Executive Director. BBus.

Experience and expertise
Mr Randall started his career with Noble Group in Australia in 1997, transferring to Asia in 1999 where he established Noble Group Limited's coal operations, mining and supply chain management businesses. He served as a Director of Noble Energy Inc in 2001, before being appointed Global Head of Coal and Coke in 2006 and became a member of the Noble Group internal management board in 2008. Mr Randall subsequently assumed the title of Head of Hard Commodities in 2012. He became an Executive Director of Noble Group Limited in February 2012 prior to which he was Head of Energy Coal Carbon Complex. Mr Randall was appointed a Director of Yancoal after the merger of Yancoal and Gloucester Coal Ltd in June 2012.

Mr Randall holds a Bachelor degree in Business from the Australian Catholic University, majoring in international marketing and finance.

Other current key directorships
Director of Noble Group Limited

Alternate Director of Cockatoo Coal Limited

Former directorships in last three years
Director of Gloucester Coal Ltd

Director of Blackwood Corporation Limited

Alternate Director of East Energy Resources Limited

Director of Territory Resources Limited

Special responsibilities
Member of Nomination and Remuneration Committee

Interests in shares and options
None

Gregory Fletcher
Non-Executive Director. BCom, CA.

Experience and expertise
Mr Fletcher was a Director of Gloucester Coal Ltd from 30 June 2009. He was appointed a Director of Yancoal after the merger of Yancoal and Gloucester Coal Ltd in June 2012. Previously, Mr Fletcher was a senior partner of Deloitte for 16 years, specialising in external and internal audits and risk management. He provided professional services to some of Australia's largest listed corporations. Additionally, he served as a Director of Railcorp up until the Railcorp Board was wound up on 30 June 2010 in line with the NSW Transport Administration Act.

Mr Fletcher holds a Bachelor of Commerce and he is a Chartered Accountant.

Other current key directorships
Chairman of SMEG Australia Pty Ltd

Director of Yancoal SCN Limited (appointed on 21 November 2014)

Independent Non-Executive Director of WDS Limited

Chair, Audit and Risk Committee, Roads & Maritime Services

Member of Audit and Risk Committee, Railcorp

Member of NSW Auditor General's Audit and Risk Committee

Member of Audit, Risk and Compliance Committee, Sydney Olympic Park Authority

Former directorships in last three years
Director of Gloucester Coal Ltd

Special responsibilities
Chairman of Audit and Risk Management Committee

Interests in shares and options
1,000 fully paid Yancoal ordinary shares.

24 subordinated capital notes issued by Yancoal SCN Limited.

Dr Geoffrey Raby
Non-Executive Director. BEc (Hons), MEc and PhD (Economics).

Experience and expertise
Dr Geoffrey Raby was appointed a Director of Yancoal in 2012. He was Australia's Ambassador to the People's Republic of China from 2007 to 2011. Prior to that, he was a Deputy Secretary in the Department of Foreign Affairs and Trade (DFAT). Dr Raby has extensive experience in international affairs and trade, having been Australia's Ambassador to the World Trade Organisation (1998–2001), Australia's APEC Ambassador (2003–2005), Head of DFAT's Office of Trade Negotiations and Head of the Trade Policy Issues Division at the OECD, Paris. Between 1986 and 1991 he was Head of the Economic Section at the Australian Embassy, Beijing. He has been the Chair of DFAT's Audit Committee and served as an ex officio member of the Boards of Austrade and Export Finance and Insurance Corporation (EFIC).

Dr Geoffrey Raby holds a Bachelor of Economics, a Masters of Economics and a Doctor of Philosophy in Economics.

Other current key directorships
Director of Fortescue Metals Group Limited

Director of Oceana Gold Corporation Limited

Chairman of SmartTrans Holding Limited

Director of iSentia Group Ltd

Director of YPB Group Ltd

Former directorships in last three years
None

Special responsibilities
Member of Audit and Risk Management Committee

Member of Health, Safety and Environment Committee

Interests in shares and options
None

Vincent O'Rourke AM
Non-Executive Director. B. Econ.

Experience and expertise
Mr O'Rourke brings over 40 years of corporate and railway industry experience spanning operations, finance and business management to the Board of Yancoal. In 1990, Mr O'Rourke was appointed Queensland Commissioner for Railways and was the Chief Executive Officer of Queensland Rail (QR) from 1991 to 2000. As Chief Executive Officer of QR, Mr O'Rourke oversaw a 10 year program of reform and modernisation including corporatisation in 1995. He was awarded a Member of the Order of Australia in 2000 and a Centenary Medal in 2003 for services to the rail transport industry and QR.

Mr O'Rourke holds a Bachelor of Economics from the University of New England. He is an Honorary Doctor of the Queensland University of Technology and Griffith University.

Other current key directorships
Chairman of Rail Innovation Australia Pty Ltd

Deputy Chairman of Mater Health Services Brisbane Limited

Director of White Energy Company Limited

Director of Premier Coal Limited

Director of Yancoal SCN Limited (appointed on 21 November 2014)

Former directorships in last three years
Chairman of the Queensland Workplace Health and Safety Board

Director of Bradken Limited

Special responsibilities
Chairman of Health, Safety and Environment Committee

Interests in shares and options
None

Huaqiao Zhang

Non-Executive Director. (15 April 2014 – Current). MEc.

Experience and expertise

Mr Zhang is a Hong Kong-based businessman and has over 21 years of experience in the banking and finance industry, with extensive experience in the capital markets of Hong Kong and China.

Mr Zhang commenced his career in 1986, working as an economist at the Planning Department, People's Bank of China until 1989. In the first half of 1991, he was a public servant (APS 4) at the Australian Commonwealth Government's Department of Employment, Education and Training (DEET). From 1991 to 1994, Mr Zhang was a Lecturer of Banking and Finance at the University of Canberra.

Previously, Mr Zhang worked at UBS for 11 years, with the majority of his time serving as Head of China Research and Deputy Head of China Investment Banking. In 2006–2008, he was an Executive Director and Chief Operating Officer of Shenzhen Investment Ltd (604 HK).

Mr Zhang obtained a Masters degree in economics from the Financial Research Institute of the People's Bank of China in 1986 and a Masters degree of economics of development from the Australian National University in 1991.

Other current key directorships

Chairman of China Smartpay Group Holdings Ltd (8325 HK)

Director of Nanjing Central Emporium (600280 CH)

Independent non-executive director of Fosun International Ltd (656 HK)

Independent non-executive director of Logan Property Holdings Co. Ltd (3380 HK)

Independent non-executive director of Luye Pharma Group Ltd (2186 HK)

Independent non-executive director of Wanda Hotel Development Co. Ltd (0169 HK)

Independent non-executive director of China Huirong Financial Holdings Ltd (1290 HK)

Independent non-executive director of Zhong An Real Estate Ltd (672 HK)

Non-executive director of Boer Power Holdings Ltd (1685 HK)

Former directorships in last three years

Independent director of Ernest Borel Holdings Ltd (1856 HK) (resigned on 10 November 2014)

Special responsibilities

Member of Strategy and Development Committee (appointed on 16 April 2014)

Interests in shares and options

None

James MacKenzie

Co-Vice Chairman and Non-Executive Director.
BBus, FCA, FAICD. (resigned on 11 April 2014)

Experience and expertise

Mr MacKenzie has extensive experience as a company director having held a number of directorships over the past 10 years. In 2013, Mr MacKenzie was appointed a Director and Co-Vice Chairman of the Company after the merger of the Company and Gloucester Coal Ltd. From 2000 to 2007, he led the transformation of the Victorian Government's Personal Injury Schemes as Chairman of the Transport Accident Commission and Victorian WorkCover Authority. Previously, he held senior executive positions with ANZ Banking Group, Norwich Union and Standard Chartered Bank.

Mr MacKenzie is a Chartered Accountant and was formerly a Partner in both the Melbourne and Hong Kong offices of an international accounting firm, now part of Deloitte. In 2003, he was awarded the Australian Centenary Medal for services to public administration.

Other current key directorships

Director of Melco Crown Entertainment Limited

Director of Melco Crown (Philippines) Resorts Corporation

Former directorships in last three years

Chairman of Gloucester Coal Ltd

Chairman of Pacific Brands Limited (resigned May 2012)

Chairman of the Mirvac Group Board (resigned January 2014)

Co-Vice Chairman and Non-Executive Director of Yancoal Australia Ltd (resigned on 11 April 2014)

Special responsibilities

Co-Vice Chairman of the Board (resigned on 11 April 2014)

Member of Strategy and Development Committee (resigned on 11 April 2014)

Interests in shares and options

None

COMPANY SECRETARY

Laura Ling Zhang. BA, MA, AGIA, GAICD.

Laura Ling Zhang was appointed on 6 September 2005 as Company Secretary and subsequently as Executive General Manager – Corporate Services for the Company in June 2012. In March 2014, she was appointed as Executive General Manager – Legal and Compliance for the Company. She oversees the Company's corporate governance, legal issues, corporate compliance, investor relations activities and shareholder communications. Ms Zhang arrived in Australia in 2004 as one of the founding executives for the Company and has played a key role in each of the Company's acquisitions. She brings valuable experience and contribution to the Company through her understanding and experience of both Australian and Chinese corporate governance principles and business practices, engagement with the Board and senior management team, as well as cross-cultural communication and international enterprise management. She is studying the EMBA at Australia Graduate School of Management (AGSM).

DIRECTORS' REPORT
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MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2014, and the numbers of meetings attended by each Director were:

			Meetings of Committees									
	Full meetings of Directors		Audit and Risk Management		Health, Safety and Environment		Nomination and Remuneration		Strategy and Development		Independent Board Committee*	
	A	B	A	B	A	B	A	B	A	B	A	B
Xiyong Li	5	6					1	1				
Cunliang Lai	6	6							1	1		
Baocai Zhang	6	6					1	1	1	1		
Yuxiang Wu	6	6	3	4					1	2		
Xinghua Ni	5	6			3	4			2	2		
Boyun Xu	6	6										
William Randall	5	6					1	1				
Gregory Fletcher	6	6	4	4							31	31
Geoffrey Raby	6	6	4	4	4	4					26	31
Vincent O'Rourke	6	6			4	4					29	29
Huaqiao Zhang	4	5							1	1	17	27
James MacKenzie	1	1							1	1	3	3

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

* The Independent Board Committee was constituted seven times under different protocols for the purpose of considering related party transactions with the Company's major shareholder, Yanzhou. The independent directors, Gregory Fletcher, Vincent O'Rourke, Geoffrey Raby and Huaqiao Zhang met 24 times in regard to the Subordinated Capital Notes (SCNs).

REMUNERATION REPORT – AUDITED

Dear Shareholder,

I am pleased to be able to present to you the Company's 2014 Remuneration Report.

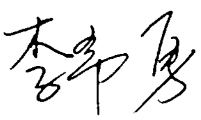
Over 2014, the Nomination and Remuneration Committee continued to review the Company's remuneration framework to ensure remuneration arrangements were in line with sound corporate governance for an Australian listed company and for a Company of its size.

Key principles of the Committee's focus over 2014 were to:

- Ensure the Company's remuneration structures were equitable and aligned with the long-term interests of the Company and its stakeholders, and having regard to relevant Company policies.
- Provide market competitive remuneration and conditions which support the attraction and retention of skilled and motivated employees.
- Structure short and long-term incentives that are challenging and aligned to the creation of sustainable returns, and the achievement of company strategy, objectives and performance.
- Differentiate reward based on performance, in particular acknowledging the contribution of outstanding performers.

This report sets out remuneration information for the Company's Key Management Personnel for the 12 months ended 31 December 2014.

Yours sincerely,



Xiyong Li
Chairman of the Board,
Chairman of the Nomination and Remuneration Committee

Contents

1. Key Management Personnel

The Board delegates responsibility for the day to day management of the Company's affairs and implementation of the strategy and policy initiatives set by the Board to the Chairman of the Executive Committee and the Chief Executive Officer. The Executive Committee is a management committee comprising the Chairman of the Executive Committee, the Chief Executive Officer, the Chief Financial Officer and any other officers that the Board resolves will be members of the Committee.

Consistent with the Constitution, the Company's majority shareholder, Yanzhou Coal Minng Company Ltd (Yanzhou), can nominate a person to the position of the Chairperson of the Executive Committee and the Chairperson of the Board can recommend a person to the position of Chief Financial Officer.

The Key Management Personnel comprises Directors and senior members of the Executive Committee. Details of the Key Management Personnel are set out in Table 1 below:

TABLE 1: Details of Key Management Personnel

Name	Position	Period of time in role
Non-Executive Directors		
Xiyong Li	Director Chairman of the Board Chairman of the Nomination and Remuneration Committee	Full year
Cunliang Lai	Director Co-Vice Chairman Chairman of Strategy and Development Committee Member of the Nomination and Remuneration Committee	Full year Up to 27 February 2014 From 27 February 2014
Huaqiao Zhang	Independent Director Member of the Strategy and Development Committee (appointed on 16 April 2014)	From 15 April 2014
Yuxiang Wu	Director Member of the Audit and Risk Management Committee Member of the Strategy and Development Committee	Full year
Xinghua Ni	Director Member of the Health, Safety and Environment Committee Member of the Strategy and Development Committee	Full year
James MacKenzie	Independent Director Co-Vice Chairman Member of the Strategy and Development Committee	Up to 11 April 2014
William Randall	Independent Director Member of the Nomination and Remuneration Committee	Full year
Gregory Fletcher	Independent Director Chairman of the Audit and Risk Management Committee	Full year
Geoffrey Raby	Independent Director Member of the Audit and Risk Management Committee Member of the Health, Safety and Environment Committee	Full year
Vincent O'Rourke	Independent Director Chairman of the Health, Safety and Environment Committee	Full year

DIRECTORS' REPORT
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Name	Position	Period of time in role
Executive Directors		
Baocai Zhang	Director, Co-Vice Chairman Chairman of the Strategy and Development Committee Chairman of the Executive Committee Member of Nomination and Remuneration Committee	Full year From 27 February 2014 From 20 January 2014 Up to 20 January 2014
Boyun Xu	Executive Director Executive General Manager – Australian subsidiaries of Yancoal International (Holding) Co. Ltd Member of the Executive Committee	Full year
Senior Executives		
Reinhold Schmidt	Chief Executive Officer	Full year
Lei Zhang	Chief Financial Officer	Chief Financial Officer *– appointed 31 March 2014*
Former Senior Executives		
Cunliang Lai	Former Chairman of Executive Committee	From 1 January 2014 to 20 January 2014
Peter Barton	Former Chief Operating Officer	Chief Operating Officer *– ceased employment 30 June 2014*
Michael Wells	Acting Chief Financial Officer	Acting Chief Financial Officer *– from 31 May 2013 to 31 March 2014*
Michael Dingwall	Former Chief Marketing Officer	Chief Marketing Officer *– ceased employment 31January 2014*

Together, the Executive Directors and Senior Executives are referred to as "Executives" in this report.

2. Remuneration principles and framework

The Company's governing principles for remuneration are:

- to ensure remuneration is equitable, aligned with the long-term interests of the Company and its shareholders and complies with relevant Company policies, including the Diversity Policy
- to provide market competitive remuneration and conditions to attract and retain skilled and motivated employees
- to structure short and long-term incentives that are challenging to create sustainable returns and to support the achievement of the Company's strategies and objectives, and
- to reward based on performance, in particular acknowledging the contribution of outstanding performers.

2.1 Remuneration governance framework

Consistent with its Board Charter, the Board oversees the appointment, remuneration and performance of all Key Management Personnel (KMP) other than Directors. On these issues, the Board receives recommendations from the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee's objective is to assist the Board by making recommendations in relation to:

- Board composition and succession planning
- remuneration levels and structure for KMP
- the public reporting of remuneration for KMP
- the performance assessment of the Executive Committee
- designing Company remuneration policy and regulations with regard to corporate governance, and
- diversity.

The Long Term Incentive Plan (LTIP) is currently under review and as Yancoal stabilises and develops a sustainable business model to be a major and competitive force in the mining sector in Australia it will be important to consider an appropriate employee long-term incentive scheme for the Company. It is well recognised that long-term incentive schemes for employees of the Company can drive long-term positive value for the shareholders. Having a LTIP for employees tends to lead to better overall performance by the Company which in turn incentivises all employees of the Company.

We intend to explore and develop an appropriate LTIP proposal for senior Yancoal employees for consideration by the Board. This will be proposed via the Nomination and Remuneration Committee in 2015.

3. Executive remuneration

The Executives are split into two groups for remuneration purposes, being:

- **Group A Executives:** Executives other than Group B Executives, and
- **Group B Executives:** The former Chairman of the Executive Committee, Mr Cunliang Lai (Executive from 1 January 2014 to 27 February 2014).

The Board considers these two remuneration structures an appropriate reflection of Yanzhou's majority shareholding in the Company.

3.1 Objective

Remuneration frameworks for Executives are structured to be market competitive and to reflect the reward strategy of the organisation. Through these frameworks the Company seeks to align remuneration for Executives with:

- Shareholders' interests by:
  - making economic performance a core component of the overall remuneration plan design
  - focusing on the key value drivers of the business including employee safety, operational performance and cost control, and
  - attracting and retaining high calibre executives.
- Executives' interests by:
  - rewarding capability and experience
  - reflecting competitive reward for contribution to growth in Company performance
  - providing a clear structure for earning rewards, and
  - providing recognition for contribution.

Details of remuneration for all Executives are set out in Table 11 (See Section 6: Remuneration tables).

3.2 Structure

All remuneration frameworks for Executives are structured as a combination of fixed and variable remuneration, as follows:

TABLE 2: Executive remuneration structure

	Group A Executives	Group B Executives
Fixed remuneration	– Fixed Annual Remuneration (FAR), including cash salary, superannuation, and may include car allowance, and – Other benefits (see Section 3.4).	– Cash salary – Superannuation benefit, and – Other benefits (see Section 3.4).
Variable remuneration ("at risk")	– Short term incentive (see Section 3.5.1), and – Long term incentive (for certain Group A Executives only, see Section 3.5.3).	– Short term flexible bonus scheme (see Section 3.5.2).

3.3 Remuneration mix

The relative proportion of remuneration entitlement for Executives that is fixed (excluding benefits) and that which is linked to individual or Company performance or both (referred to as "**at risk**") is as follows:

TABLE 3: Proportion of Senior Executives' remuneration entitlement at risk

	Fixed remuneration (excl. benefits)[A]		At risk – short term[B]		At risk – Long Term Incentive Plan[C]	
Name	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Reinhold Schmidt	32%	37%	32%	26%	36%	37%
Lei Zhang^	65%	Not applicable	26%	Not applicable	9%	Not applicable
Baocai Zhang	44%	Not applicable	56%	Not applicable	Not applicable	Not applicable
Cunliang Lai*	100%	80%	Not applicable	20%	Not applicable	Not applicable

* Senior Group B Executive for 19 days.

^ Employed from 31 March 2014.

A Calculations for fixed remuneration entitlement exclude the value of benefits, see Section 3.4 and Table 11.

B For Group A Executives, the short term variable remuneration entitlement is determined pursuant to the Short Term Incentive Plan (outlined in Section 3.5.1). For Group B Executives, their short term variable remuneration entitlement is determined pursuant to a short term flexible bonus scheme (outlined in Section 3.5.2).

C The Long Term Incentive Plan is outlined in Section 3.5.3.

DIRECTORS' REPORT
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3.4 Fixed remuneration

Fixed remuneration comprises cash salary, superannuation and other benefits. Fixed remuneration differs for Group A and Group B Executives as described below. In recognition of the Company's financial performance, no fixed remuneration increases were awarded in 2014.

Group A Executives

Each Group A Executive receives a salary package, in the form of a Fixed Annual Remuneration (FAR) package, which incorporates cash salary and superannuation benefit and may include a provision for a car allowance, together with certain other benefits.

Each Group A Executive's level of fixed remuneration is set to provide a base level of remuneration which is appropriate to the position and competitive with companies in a similar industry. Each year a Group A Executive's FAR is reviewed by reference to the Coal Mining Industry Remuneration Report produced by McDonald & Company (Australasia) Pty Ltd (McDonald Report).

Using the McDonald Report, the Company's Remuneration Policy targets FAR at the 75th percentile of the relevant industry benchmark which reflects market practice in the coal industry in Australia. Having regard to the specific characteristics of the role, each employment position is then assigned a Job Salary Rate (JSR), and Group A Executives are paid at between 80% and 120% of the JSR.

Group A Executives' superannuation benefits are paid to their nominated superannuation fund in accordance with relevant state and industry legislation. No Group A Executive is entitled to a guaranteed increase in FAR.

Each Group A Executive may receive certain benefits as part of their fixed remuneration including car parking, travel allowances and relocation allowances. Group A Executives have some scope to determine the combination of cash (including car allowance) and certain non-monetary benefits by which their FAR is delivered, provided that it does not create undue cost for the Company.

Group B Executives

Each Group B Executive receives fixed remuneration comprising cash salary, superannuation benefit and other benefits.

The level of fixed remuneration is determined relative to executive remuneration for China-based employees at the Company's majority shareholder, Yanzhou. Yanzhou is a Chinese coal enterprise listed on the Hong Kong Stock Exchange, New York Stock Exchange and Shanghai Stock Exchange. Yanzhou was chosen as an international comparator recognising Yanzhou's majority shareholding in the Company, whilst maintaining the Company's commitment to best practice remuneration principles in Australia and internationally.

Group B Executives' superannuation benefits are paid to their nominated superannuation fund in accordance with relevant state and industry legislation.

Other benefits for Group B Executives are accommodation, medical insurance, car parking and travel expenses. Details of fixed remuneration (including the value of benefits) for all Executives are set out in Table 11.

3.5 Variable remuneration

Variable remuneration differs for Group A and Group B Executives. It is delivered through participation in the Short Term Incentive (STI) Plan for Group A Executives (as outlined in Section 3.5.1) and the short term flexible bonus (Short Term Bonus) for Group B Executives (as outlined in Section 3.5.2). Certain Group A Executives are also eligible to participate in a Long Term Incentive (LTI) Plan (as outlined in Section 3.5.3).

3.5.1 Short Term Incentive (STI) Plan

Eligibility

The STI Plan applies to Group A Executives as well as to the broader management and employees of the Company (other than Group B Executives).

Objective

The objective of the STI Plan is to reward Executives and employees for the achievement of Company, Business Unit and individual goals that are aligned to the Company's financial, operational and strategic priorities.

Structure

For 2014 the STI Plan comprised three key components:

1. **STI opportunity** – this is expressed as a percentage of the Executive's FAR. The STI opportunity is reviewed annually and following a benchmarking exercise against comparable peers in listed companies, the target STI opportunity increased during 2014 to 40% of FAR (62% of FAR at maximum) for the Group A Executives (excluding the CEO). The CEO has an agreed STI opportunity of between a minimum of 75% and a maximum of 126% of FAR for 2014. The Board believes this level of STI opportunity is reasonable and competitive for the current environment.
2. **STI Scorecard** – this consists of a number of Key Performance Indicators (KPIs). For the Executives named in this report, all KPIs are measured at the Company level. The KPIs fall into the following categories: TRIFR (Total Recordable Injury Frequency Rate) (15% weighting), Environment (10% weighting), FOR (Free On Rail) Cash Costs (35% weighting), Profitability (20% weighting) and Specific Business Unit Measures (20% weighting). Details of how the STI Scorecard is evaluated are set out below. STI Scorecard performance is assessed by the Chairman of the Executive Committee and the Chief Executive Officer, reviewed by the Nomination and Remuneration Committee, and approved by the Board.
3. **Individual performance** – this is measured by Key Result Areas (KRA). These KRAs are aligned to the Executive's role and include areas such as special projects, achievement of OPEX and CAPEX budgets, and achievement of growth / continuous improvement initiatives. Based on performance against the KRAs, the Executive receives a performance rating at the end of the year on a scale from Exceptional to Below Standard. In the case of the Chief Executive Officer, individual performance is assessed by the Nomination and Remuneration Committee, to be endorsed by the Board. For all other Group A Executives, performance is assessed by the Chief Executive Officer and the Chair of the Executive Committee.

Performance against the STI Scorecard and the individual KRAs are converted to two payout multipliers, and applied to the target STI opportunity to determine the actual STI award. Accordingly, the Executive's STI award is heavily influenced by the achievement of Company KPIs.

Further detail on the STI Scorecard – 2014

The STI Scorecard measures the Company's performance in respect of Profitability, Health, Safety & Environment and Specific Business Unit measures.

2014 STI outcome

Group A Executive STI outcomes are calculated by multiplying the target STI opportunity by the STI Scorecard payout multiplier and the Individual Performance payout multiplier.

Any STI award is delivered as a cash payment around April each year.

TABLE 4: Company performance against STI Scorecard in 2014

STI scorecard category	STI Scorecard	STI weighting	Actual performance against KPI
Profitability	Profit Before Tax (PBT)	20%	Target achieved (140.2% of Target)
	FOR Cash Costs	35%	Target achieved (100.3% of Target)
HSE	TRIFR (Total Recordable Injury Frequency Rate)	15%	Below Threshold
	Environment	10%	Below Threshold
Business Unit measures	Two business unit measures customised to each Executive's role	20%	Performance varied across the Executive team with 76% of measures being achieved

The assessed outcomes and average achievement for the Company of 78.4% reflects the following achievements in 2014:

(a) the overall better than target earnings result for Yancoal Australia and the assets "managed" on behalf of Yancoal International Holdings, and

(b) sizable reductions in the key measure of FOR Cash Cost per ton across most sites, and

(c) the average achievement of 76% for each Business Unit measure.

But also takes into account the lack of achievement of certain key measures in the Plan, in particular re:

(i) Safety and Environmental measures in NSW and WA, and

(ii) in the Site and Regional profitability section, all sites except Moolarben.

3.5.2 Short term flexible bonus (Short Term Bonus)

Eligibility

The Short Term Bonus applies to the Group B Executives.

Objective

The objective of the Short Term Bonus is to reward the Group B Executives for the achievement of Company goals.

Structure

Group B Executives have a minimum bonus opportunity under the Short Term Bonus of 20% of the cash salary and superannuation benefit component of their fixed remuneration. The Board may award Group B Executives an additional cash bonus if their performance is beyond expectations and delivers outstanding results.

For 2014, the Short Term Bonus was measured by reference to the below KPIs. The KPIs are not separately weighted as the award of the Short Term Bonus is at the discretion of the Board.

TABLE 5: Short Term Bonus KPIs and rationale

KPIs	Rationale
Net Operating Profit Net Operating Cash Flow Coal Sales Revenue Coal Production Total Cost Per Tonne Sold Accounts Receivable Controllable Expenses	Key financial measures / value drivers for the Company.
TRIFR	Key safety measure in the mining industry. Reflects the Company's commitment to care for, and protect, its people and to provide an incident-free and healthy work environment.
Energy Conservation	Key indicator of the Company's commitment to safeguarding the environment through its mining operations.
Internal Compliance	Measures the effectiveness of the Company's compliance function including audit and risk management.

DIRECTORS' REPORT
CONTINUED

2014 Short Term Bonus outcome

A Short Term Bonus was paid to Group B Executives in 2014.

Name	Paid out	Short Term Bonus payment
Cunliang Lai	2014	$61,350

3.5.3 Long Term Incentive (LTI) Plan

During 2014, the following LTI award was paid. Any payment is at the discretion of the Board. The key characteristics of the LTI Plan are outlined below.

TABLE 6: LTI payment 2014

Name	Paid out	Value of LTI paid
Peter Barton	2014	$290,765

TABLE 6.1: LTI operation

Eligibility	Reinhold Schmidt, Lei Zhang, Baocai Zhang and Peter Barton (through to his cessation of employment on 30 June 2014), each a Group A Executive, are eligible to participate in the LTI Plan.
Objective	The objective of the LTI Plan is to reward and retain certain Senior Management who are in positions to influence the Company's long-term performance.
Allocation frequency	Each year, eligible Executives are considered for an annual LTI grant. The LTI is subject to the satisfactory performance of the Company and service-based vesting conditions.
LTI opportunity	The Chief Executive Officer has an annual LTI opportunity between 100% and 150% of FAR. All other LTI Plan participants have an LTI opportunity of 15% of their FAR.
LTI instrument	The Company may at its discretion settle an Executive's LTI opportunity in the form of options, performance rights, shares, cash or any other instrument.
LTI vesting schedule	Each annual LTI award vests on completion of three continuous years of service and thereafter vests each year. For the CEO, his first LTI award vests on 1 January 2017 and thereafter at the completion of three continuous years of service. Each award is paid in three tranches.
Termination arrangements	If an eligible Group A Executive ceases employment with the Company before the relevant vesting date, the Group A Executive forfeits 100% of their LTI opportunity. For the CEO, if the Company terminates the employment, other than for cause, any unvested LTI will continue to vest in accordance with the original vesting arrangements.

TABLE 7: Details of the LTI Plan applicable to certain Group A Executives

CEC* LTIP	% of maximum achieved	Awarded	First Tranche	Second Tranche	Third Tranche
Year			2017	2018	2019
2014	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

CEO** LTIP	% of maximum achieved	Awarded	First Tranche	Second Tranche	Third Tranche
Year			2017	2018	2019
2013	100	$119,322	$39,774	$39,774	$39,774
2014	110	$1,271,266	$423,755	$423,755	$423,755

CFO*** LTIP	% of maximum achieved	Awarded	First Tranche	Second Tranche	Third Tranche
Year			2017	2018	2019
2014	100	$31,780	$10,593	$10,593	$10,593

* Chairman of the Executive Committee, Baocai Zhang.

** Chief Executive Officer, Reinhold Schmidt.

*** Chief Financial Officer, Lei Zhang, pro rata for employment since 31 March 2014.

3.6 Share Trading Policy

The Company's Share Trading Policy prohibits dealing in Company securities or Yanzhou securities by Key Management Personnel and other employees, as well as their closely related parties, during specified blackout periods each year. Employees are permitted to deal in Company securities or Yanzhou securities outside these blackout periods; however, additional approval requirements apply to Directors. The Policy precludes relevant employees from entering into any hedge or derivative transactions relating to unvested options or share rights granted to them under incentive plans and securities that are subject to holding locks or restrictions from dealing under such plans. There are also restrictions regarding margin lending arrangements, hedging and short-term trading of the Company's securities. A copy of the Share Trading Policy is available in the Corporate Governance section of the Company's website.

3.7 Linking Executive remuneration to Company performance

The Company's remuneration principles include rewarding based on performance and this is primarily achieved through the Company's STI Plan (for Group A Executives) and the Short Term Bonus (for Group B Executives). Cash awards under these plans are significantly impacted by the overall performance of the Company. See Sections 3.5.1 and 3.5.2 for further detail.

The Company's earnings and delivery of shareholder wealth since the Company listed on the Australian Securities Exchange on 28 June 2012 is outlined in the table below.

TABLE 8: Yancoal's performance since listing ($)

	31 December 2014	31 December 2013	31 December 2012	30 June 2012
PBT	(270,896,000)	(1,114,472,000)	125,538,000	215,790[1]
Basic EPS	(0.36)	(0.84)	0.42	0.531
Closing share price	0.16	0.76	1.00	1.25
Ordinary dividend per share	–	–	–	–

1 Represents six months ended 30 June 2012.

4. Service Agreements

For Non-Executive Directors, the terms and conditions of their appointment are outlined in a letter of appointment.

For Executives, the terms and conditions of their employment are outlined in their Executive Service Agreement with the Company (ESA).

TABLE 9: Certain ESA terms for each of the Senior Executives

Senior Executives	Position	Term of ESA	Notice period	Termination benefit
Baocai Zhang	Executive Director, Co-Vice Chairman, Chairman of the Executive Committee	Unlimited	3 months[A] 6 months[B]	Nil for cause or resignation. If Company terminates LTI vests as per Plan rules.
Reinhold Schmidt	Chief Executive Officer	Unlimited	3 months[A] 6 months[B]	Nil for cause or resignation. If Company terminates LTI vests as per Plan rules.
Lei Zhang	Chief Financial Officer	Unlimited	3 months[C]	Nil for cause or resignation. If Company terminates LTI vests as per Plan rules.

A Notice period applicable if the Senior Executive resigns.

B Notice period applicable if the Company terminates the Senior Executive.

C Notice period applicable if the Company terminates the Senior Executive or if the Senior Executive resigns.

DIRECTORS' REPORT
CONTINUED

5. Non-Executive Director fees

Objective

The Board seeks to set remuneration for Non-Executive Directors at a level which:

– provides the Company with the ability to attract and retain directors of the highest calibre
– reflects the responsibilities and demands made on Non-Executive Directors, and
– is reasonable and acceptable to the Company's shareholders.

Structure

The remuneration structure for the Non-Executive Directors is distinct from the remuneration structure for Executives in line with sound corporate governance.

The Company set an aggregate remuneration cap of $3,500,000 per annum for all Non-Executive Directors. Consistent with the Constitution, remuneration payable to each Non-Executive Director has been approved by the Company's majority shareholder, Yanzhou.

The total Board and Committee fees paid by the Company to Non-Executive Directors in 2014, excluding payments for extra services outlined below, was $882,133 which is $2,617,867 below the current aggregate cap of $3,500,000 per annum.

During 2014, Non-Executive Directors were remunerated by way of fixed fees in the form of cash and superannuation (to the Maximum Superannuation Guarantee cap). There has been no change to the Board and Committee fees from 2013 to 2014. No equity instruments were issued to Non-Executive Directors over 2014 and no element of the Non-Executive Director fees are linked to performance.

Neither Board nor Committee fees were paid to nominee Directors of Yanzhou (Xiyong Li, Weimin Li, Yuxiang Wu, Xinghua Ni and Baocai Zhang) as the responsibilities of Board or Committee membership were considered part of their role and remuneration arrangements with their nominating company. William Randall is not paid any Board or Committee fees.

Neither Board nor Committee fees were paid to Executive Directors (Baocai Zhang or Boyun Xu) as the responsibilities of Committee membership are considered in determining the remuneration provided as part of their normal employment conditions.

TABLE 10: Board and Committee fees

	2014 $
Board Fees per annum (including any superannuation)	
Chairman of the Board	Not applicable
Co-Vice Chairman of the Board	115,000[A]
Director	150,000
Committee Fees per annum (including any superannuation)	
Audit and Risk Management Committee – Chair	30,000
Audit and Risk Management Committee – member	15,000
Health, Safety and Environment Committee – Chair	30,000
Health, Safety and Environment Committee – member	15,000
Nomination and Remuneration Committee – Chair	Not applicable
Nomination and Remuneration Committee – member	Not applicable
Strategy and Development Committee – Chair	Not applicable
Strategy and Development Committee – member	15,000

A Not paid to Yanzhou appointed Co-Vice Chairman.

Transaction specific remuneration

The Company made total payments of $200,109 for the extra services provided by the Non-Executive Directors Gregory Fletcher, Geoffrey Raby, Huaqiao Zhang and Vincent O'Rourke for their contribution to undertake investigations and discussion on behalf of the Company to: consider various possible transactions to improve Yancoal Australia's debt to equity ratio and, following their review and consequent recommendation to proceed with the pro-rata renounceable issue of up to US$ 2.3 billion of Subordinated Capital Notes (SCNs), to oversee the SCN issue.

Details of remuneration for all Non-Executive Directors are set out in Table 13 (see Section 6: Remuneration tables).

6. Remuneration tables

Table 11 sets out the details of remuneration earned by Executives, calculated in accordance with applicable Accounting Standards.

Table 12 sets out details of STI awards and cash bonuses granted to Executives in 2014 and 2013.

Table 13 sets out the details of remuneration (in the form of Board and Committee fees and other benefits) earned by Non-Executive Directors, calculated in accordance with applicable Accounting Standards.

TABLE 11: Details of Senior Executives' remuneration earned in 2014

		Short term benefits				Long term benefits			
Name		Cash salary $	STI or bonus $	Non-monetary benefits[A] $	Other short term employee benefits $	Super-annuation benefits $	Long service leave $	LTI opportunity $	Total (including other fees) $
Lei Zhang	**2014**	**244,057**	**82,374**	**22,627**	**Nil**	**13,835**	**220**	**31,780**	**394,893**
	2013	Nil	Nil	Nil	Nil	Nil	Nil	N/A	Nil
Baocai Zhang	**2014**	**296,653**	**252,945**	**2,851**	**Nil**	**22,103**	**161**	**N/A**	**574,713**
	2013	Nil	Nil	Nil	Nil	Nil	Nil	N/A	Nil
Reinhold Schmidt	**2014**	**1,137,417**	**1,155,696**	**169,881**	**Nil**	**18,279**	**3,915**	**1,271,266**	**3,756,454**
	2013	396,226	300,000	51,095	Nil	8,887	284	119,322	875,814
Total	**2014**	**1,678,127**	**1,491,015**	**195,359**	**Nil**	**54,217**	**4,296**	**1,303,046**	**4,726,060**
	2013	396,226	300,000	51,095	Nil	8,887	284	119,322	875,814
Former Senior Executives									
Peter Barton	**2014**	**1,411,339**[B]	**56,571**[C]	**27,795**	**Nil**	**8,887**	**Nil**	**290,765**	**1,795,357**
	2013	804,299	79,515[D]	13,617	Nil	17,122	18,947	93,474	1,026,974
Michael Dingwall	**2014**	**906,164**	**11,552**[E]	**545**	**Nil**	**4,444**	**Nil**	**Nil**	**922,705**
	2013	520,526	31,842[F]	14,457	Nil	17,122	5,037	Nil	588,984
Cunliang Lai	**2014**	**34,954**	**Nil**[G]	**2,345**	**Nil**	**10,574**	**18,004**	**N/A**	**65,877**
	2013	128,000	61,350	187,956	Nil	11,840	25,546	N/A	414,692
Michael Wells	**2014**	**95,196**[H]	**Nil**	**17,107**	**Nil**	**4,444**	**8,747**	**Nil**	**216,049**
	2013	253,733	44,776[I]	11,783	Nil	8,887	2,616	26,236	348,031
Total	**2014**	**2,447,653**	**158,678**	**47,792**	**Nil**	**28,349**	**26,751**	**290,765**	**2,999,988**
	2013	1,706,558	217,483	227,813	Nil	54,971	52,146	119,710	2,378,681

A Non-monetary benefits include the following benefits plus an estimated Fringe Benefits Tax amount:
- Baocai Zhang – medical insurance
- Reinhold Schmidt – airfares, car parking, relocation assistance
- Cunliang Lai – medical insurance, car parking, car benefit
- Lei Zhang – relocation assistance, car parking, Qantas club membership, medical insurance
- Peter Barton – car parking
- Michael Wells – car parking, Qantas club membership
- Michael Dingwall – car parking.

B Peter Barton ceased employment with Yancoal on 30 June 2014. Cash salary amount includes termination payment of $586,603.

C Peter Barton 2014 STIP payment based on target FAR 1 January 2014 – 1 July 2014.

D 2013 remuneration report showed estimated STIP payment for Peter Barton of $78,792.

E This is pro-rata STIP amount for 2014.

F 2013 remuneration report showed estimated STIP payment of $31,625.

G Cunliang Lai was paid STIP 2012 and STIP 2013 in 2014.

H Michael Wells cash salary as Acting CFO from the period 1 January 2014 to 31 March 2014. This includes an additional amount of $15,000 paid as Acting Allowance.

I 2013 remuneration report showed estimated STIP payment of $30,281.

DIRECTORS' REPORT
CONTINUED

TABLE 12: Details of STI opportunities and Short Term Bonus granted to Senior Executives in 2014 and 2013

Name		STI or Short Term Bonus $[A]	% of maximum entitlement granted	% of maximum entitlement forfeited
Reinhold Schmidt	**2014**	**1,155,696**	**80%**	**20%**
	2013	300,000	100%	0%
Baocai Zhang	**2014**	**252,945**	**63%**	**37%**
	2013	Nil	Nil	Nil
Lei Zhang	**2014**	**82,374**	**83%**	**17%**
	2013	Nil	Nil	Nil
Former Senior Executives				
Cunliang Lai	**2014**	**Not applicable**	**Not applicable**	**Not applicable**
	2013	61,350	–	–
Peter Barton	**2014**	**56,571**	**Not applicable**	**Not applicable**
	2013	79,515	20%	80%

Cunliang Lai participated in the Short Term Bonus where there is no target or maximum STI opportunity. This is because any cash amounts paid are at the discretion of the Board.

A 2014 Short Term Bonus figure for Reinhold Schmidt, Baocai Zhang and Lei Zhang are accrued figures to be paid around April 2015.

TABLE 13: Details of Non-Executive Directors' remuneration, earned in 2014 and 2013

		Short term benefits			Post-employment benefits		
Name		Fees	STI or bonus	Non-monetary benefits	Super-annuation	Long service leave	Total
Non-Executive Directors							
Xiyong Li	**2014**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	2013	Nil	Nil	Nil	Nil	Nil	Nil
Huaqiao Zhang	**2014**	**80,239**[K]	**Nil**	**Nil**	**6,126**	**Nil**	**86,365**
	2013	Nil	Nil	Nil	Nil	Nil	Nil
Cunliang Lai	**2014**	**34,954**	**Nil**	**Nil**	**10,574**	**Nil**	**45,528**
	2013	128,000	61,350	187,956	11,840	25,546	414,692
Yuxiang Wu	**2014**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	2013	Nil	Nil	Nil	Nil	Nil	Nil
William Randall	**2014**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	2013	Nil	Nil	Nil	Nil	Nil	Nil
Xinghua Ni	**2014**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
	2013	Nil	Nil	Nil	Nil	Nil	Nil
Gregory Fletcher	**2014**	**324,675**[L]	**Nil**	**Nil**	**15,482**	**Nil**	**340,157**
	2013	372,138	Nil	Nil	15,069	Nil	387,207
Geoffrey Raby	**2014**	**189,888**[M]	**Nil**	**Nil**	**15,482**	**Nil**	**205,370**
	2013	200,436	Nil	Nil	15,694	Nil	216,130
Vincent O'Rourke	**2014**	**178,876**[N]	**Nil**	**Nil**	**15,482**	**Nil**	**194,358**
	2013	235,569	Nil	Nil	7,638	Nil	243,207
Total	**2014**	**808,632**	**Nil**	**Nil**	**63,146**	**Nil**	**871,778**
	2013	936,143	61,350	187,956	50,241	25,546	1,261,236

Name		Short term benefits: Fees	STI or bonus	Non-monetary benefits	Post-employment benefits: Super-annuation	Long service leave	Total
Former Non-Executive Director							
James MacKenzie	**2014**	**108,455**[O]	**Nil**	**Nil**	**8,401**	**Nil**	**116,856**
	2013	263,106	Nil	Nil	17,122	Nil	280,228
Total	**2014**	**108,455**	**Nil**	**Nil**	**8,401**	**Nil**	**116,856**
	2013	263,106	Nil	Nil	17,122	Nil	208,228

Includes following Transaction specific remuneration paid during the year ended 31 December 2014:

K Huaqiao Zhang – $15,750.

L Gregory Fletcher – $146,890.

M Geoffrey Raby – $24,750.

N Vincent O'Rourke – $12,719.

O James MacKenzie – resigned as Director on 11 April 2014.

7. Equity instrument disclosures

The numbers of shares in the Company held during the financial year by each Director of Yancoal Australia Ltd and other Key Management Personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

(i) Mr James MacKenzie resigned as a director on 11 April 2014:

- at the date of his resignation a related entity of Mr MacKenzie held 5,600 fully paid ordinary shares in Yancoal Australia Ltd. There were no movements in these shares in 2013 or 2014, and
- the 5,600 fully paid CVR shares in Yancoal Australia Ltd held by Mr MacKenzie were repurchased on 4 March 2014 for cash at their market value of $3.00 per CVR share. There had been no movements during 2013 or 2014, prior to the repurchase of these shares.

(ii) Mr Gregory Fletcher:

- holds 1,000 fully paid ordinary shares in Yancoal Australia Ltd. There was no movement in these shares in 2013 or 2014, and
- the 1,000 fully paid CVR shares in Yancoal Australia Ltd held by Mr Fletcher were repurchased on 4 March 2014 for cash at their market value of $3.00 per CVR share. There had been no movements during 2013 or 2014, prior to the repurchase of these shares, and
- on 31 December 2014, Mr Fletcher acquired 24 Subordinated Capital Notes issued by Yancoal SCN Limited, a wholly-owned subsidiary of Yancoal Australia Ltd, at their issue price of US$100 each.

(iii) On 31 December 2014, Mr Reinhold Schmidt acquired 80 Subordinated Capital Notes issued by Yancoal SCN Limited, a wholly-owned subsidiary of Yancoal Australia Ltd, at their issue price of US$100 each.

(iv) No other Directors or Key Management Personnel held any shares in respect of Yancoal Australia Ltd or its related entities at, or during the year ended 31 December 2014 (2013: nil).

DIRECTORS' REPORT
CONTINUED

8. Other transactions with and loans to Key Management Personnel
A number of Key Management Personnel and Directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Some of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of any transactions with management, directors or parties related to management personnel or directors were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-management or director related persons or entities on an arm's length basis (refer to Note 36).

(i) Mr Gregory Fletcher:
   - holds 1,000 fully paid ordinary shares in Yancoal Australia Ltd. There was no movement in these shares in 2013 or 2014, and
   - the 1,000 fully paid CVR shares in Yancoal Australia Ltd held by Mr Fletcher were repurchased on 4 March 2014 for cash at their market value of $3.00 per CVR share. There had been no movements during 2013 or 2014, prior to the repurchase of these shares, and
   - on 31 December 2014, Mr Fletcher acquired 24 Subordinated Capital Notes issued by Yancoal SCN Limited, a wholly-owned subsidiary of Yancoal Australia Ltd, at their issue price of US$100 each.

(ii) On 31 December 2014, Mr Reinhold Schmidt acquired 80 Subordinated Capital Notes issued by Yancoal SCN Limited, a wholly-owned subsidiary of Yancoal Australia Ltd, at their issue price of US$100 each.

(iii) No other Directors or Key Management Personnel held any shares in respect of Yancoal Australia Ltd or its related entities at, or during the year ended 31 December 2014 (2013: nil).

INSURANCE OF OFFICERS OR AUDITORS
During the financial year, the Company paid a premium for Directors' and Officers' Liability insurance as well as Defence Costs cover. The policies cover the Directors and other officers of the Company and its controlled entities. The Directors have not included details of the nature of the liabilities covered and the amount of premium paid in respect of the Directors' and Officers' Liability insurance policy as such disclosure is prohibited under the terms of the contracts.

PROCEEDINGS ON BEHALF OF THE COMPANY
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (SWHC Australia for the consolidated entity, Ernst & Young Australia for one joint venture and BDO Australia for two subsidiaries) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year, the following fees were paid or payable for non-audit services provided by the auditor of the Group, its related practices and non-related audit firms:

	2014 $	2013 $
Non-audit services		
SWHC Australia		
Other assurance services		
Audit of regulatory returns	**33,000**	43,000
Due diligence services in relation to capital raising	**600,000**	–
Total non-audit services remuneration of SWHC Australia	**633,000**	43,000

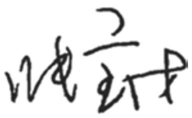
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 48.

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 and financial statements. Amounts in the Directors' Report and financial statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



Mr Baocai Zhang
Director
27 February 2015

AUDITOR'S INDEPENDENCE DECLARATION

信永中和 ShineWing

SWHC Australia

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

27 February 2015

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 audit of the financial statements of Yancoal Australia Ltd for the year ended 31 December 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

SWHC Australia

SWHC Australia

M. Schofield

M J Schofield
Partner

CORPORATE GOVERNANCE STATEMENT

1. CORPORATE GOVERNANCE STATEMENT

1.1 Introduction

The Company adopts an approach to corporate governance based on international best practice and Australian law requirements. The Board and management are committed to corporate governance. To the extent appropriate to the scale and nature of the Company's business, the Company has adopted the ASX Corporate Governance Council's Principles and Recommendations.

This statement sets out the Company's compliance with the ASX Corporate Governance Council's Principles and Recommendations, and the main corporate governance policies and practices adopted by the Company.

1.2 Principle 1: Lay solid foundations for management and oversight

The Board is responsible for the overall corporate governance of the Company including directing the affairs of the Company, setting and monitoring the Company's risk management strategy and overseeing the appointment, remuneration and performance of senior executives. The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company. The Board's role and responsibilities and its delegation of authority to standing committees and senior executives have been formalised in a Board Charter. The Board Charter can be found within the Corporate Governance section of the Company's website.

The Board Charter sets out the procedure by which the Board collectively, and each individual director, can seek independent professional advice at the Company's expense.

Delegation to management

The Board delegates responsibility for the day to day management of the Company's affairs and implementation of the strategy and policy initiatives set by the Board to the Chair of the Executive Committee, the Chief Executive Officer and other senior executives. The Executive Committee is a management committee comprising the Chair of the Executive Committee, the Chief Executive Officer and other senior executives.

The Executive Committee Charter sets out its functions, duties of the Chair of the Executive Committee, Chief Executive Officer and Chief Financial Officer. The Charter also provides the financial decision authorities and appropriate approval thresholds at different levels which have been approved by the Board.

The Chair of the Executive Committee and Chief Executive Officer reviews the performance of senior executives annually against appropriate measures as part of the Company's performance management system for all managers and staff.

On an annual basis, the Nomination and Remuneration Committee and subsequently the Board formally reviews the performance of the Chief Executive Officer and the Chair of the Executive Committee. The Chief Executive Officer's performance is assessed against qualitative and quantitative criteria, including profit performance, other financial measures, safety performance and strategic actions. The Nomination and Remuneration Committee also undertakes an annual formal review of the performance of other members of the Executive Committee, based on similar criteria. The Board reviews and approves the annual review of all the members of the Executive Committee undertaken by the Nomination and Remuneration Committee.

The performance evaluation for the Chief Executive Officer and senior executives has taken place in 2014 in accordance with the process disclosed above and in the Remuneration Report.

1.3 Principle 2: Structure the board to add value

Structure of the Board

Currently, the Board comprises Xiyong Li, Cunliang Lai, Baocai Zhang, Yuxiang Wu, Xinghua Ni, Boyun Xu, William Randall, Geoffrey Raby, Gregory Fletcher, Vincent O'Rourke AM, and Huaqiao Zhang. The skills, experience and expertise of each director and the period that each director has held office is disclosed in the "Information on Directors" in the Directors' Report.

The Constitution provides that there will be a minimum of four and a maximum of 11 directors of the Company, unless the Company resolves otherwise at a general meeting.

Chairman of the Board

The current Chairman of the Board, Xiyong Li, was nominated by the Company's major shareholder, Yanzhou Coal Mining Company Limited (Yanzhou). The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functioning. The Chairman ensures that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the Chair of the Executive Committee and the Chief Executive Officer and to review key issues and performance trends. The Chairman, together with the Co-Vice Chairmen, Cunliang Lai and Baocai Zhang, also represent the Company in the wider community.

Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established the following standing Board Committees:

- Audit and Risk Management Committee
- Health, Safety and Environment Committee
- Nomination and Remuneration Committee, and
- Strategy and Development Committee.

These Board Committees review matters on behalf of the Board and, as determined by the relevant Charter:

- refer matters to the Board for a decision, with a recommendation from the Committee, or
- determine matters (where the Committee acts with delegated authority), which the Committee then reports to the Board.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

Committee	Purpose	Membership
Audit and Risk Management Committee	The Committee's objectives are to: – help the Board in relation to the reporting of financial information, – advise on the appropriate application and amendment of accounting policies, – make evaluations and recommendations to the shareholders of the Company regarding the external auditor, – recommend to the Board the remuneration of the external auditor for shareholder approval as required in accordance with the Constitution, – provide a link between the Board and the external auditor and management, – ensure that the Board, directors and the management are aware of material risks facing the business, and – ensure the systems in place to identify, monitor and assess risk are appropriate and operating effectively.	Gregory Fletcher – Chairman Yuxiang Wu Geoffrey Raby (minimum of three non-executive directors, a majority of whom are independent)
Health, Safety and Environment Committee	The Committee assists the Board to: – fulfil its responsibilities in relation to the health, safety and environment (collectively HSE) matters arising out of the activities of the Company, – consider, assess and monitor whether or not the Company has in place the appropriate policies, standards, systems and resources required to meet the Company's HSE commitments, and – provide necessary focus and guidance on HSE matters across the Company.	Vincent O'Rourke – Chairman Geoffrey Raby Xinghua Ni (minimum of three directors)
Nomination and Remuneration Committee	The Committee assists the Board of the Company by making recommendations in relation to: – Board composition and succession planning for the Board, – director remuneration (subject to any shareholder approval that is required in accordance with the Constitution) and remuneration arrangements for the Executive Committee and any other person nominated as such by the Committee from time to time, – the public reporting of remuneration for directors and Yancoal's Executive Committee, – the performance assessment of the Executive Committee, – designing Company policy and regulations with regard to corporate governance, and – diversity.	Xiyong Li – Chairman Baocai Zhang (resigned on 27 February 2014) Cunliang Lai (appointed on 27 February 2014) William Randall (minimum of three non-executive directors)
Strategy and Development Committee	The Committee assists the Board in its oversight and review of the Company's strategic initiatives, including: – merger and acquisition proposals, – major capital markets transactions, – significant investment opportunities, and – proposals to dispose of significant Company assets.	Baocai Zhang – Chairman (appointed on 27 February 2014) Cunliang Lai – former Chairman (resigned on 27 February 2014) Yuxiang Wu James MacKenzie (resigned on 11 April 2014) Huaqiao Zhang (appointed on 16 April 2014) Xinghua Ni (minimum of three directors)

An Independent Board Committee is established as and when required to manage any related party transactions. The Independent Board Committee was constituted seven times under different protocols and 31 committee meetings were held in 2014 for the purposes of considering transactions between the Company and its major shareholder, Yanzhou[1]. In each case, the Committee comprised at least three independent directors.

Other committees may be established by the Board as and when required.

Membership of the Board Committees is based on the needs of the Company, relevant regulatory requirements, and the skills and experience of individual directors.

Strategy and Development Committee

In accordance with its Charter, this Committee has at least three members. The members of this Committee are Baocai Zhang (Chairman of the Committee), Yuxiang Wu, Xinghua Ni and Huaqiao Zhang.

The primary role of this Committee is to assist the Board in its oversight and review of the Company's strategic initiatives.

Other standing committees

The other standing Board Committees referred to above are discussed further below under Principle 4 (Audit and Risk Management Committee), Principle 7 (Health, Safety and Environment Committee) and Principle 8 (Remuneration and Nomination Committee). The Charters of each of these standing Board Committees are available within the Corporate Governance section of the Company's website. The purpose of each of these committees is outlined above.

Director independence

The Board comprises 11 directors, of whom five hold their positions in an independent non-executive capacity (based on the independence standard disclosed below). The Company's independent directors are Vincent O'Rourke AM, Geoffrey Raby, Gregory Fletcher, William Randall and Huaqiao Zhang.

The Board has assessed the independence of each of the non-executive directors (including the Chairman) in light of their interests and relationships. A majority of the Board are not considered independent directors having regard to their affiliation with the Company's major shareholder, Yanzhou.

Accordingly, the majority of the Board does not comprise independent directors and the Company does not comply with the ASX Corporate Governance Council's Principles and Recommendation 2.1. However, the Board considers that the composition of the Board appropriately represents the interests of its shareholders including its major shareholder, Yanzhou, and that the Board has put in place appropriate policies and procedures to guide the Board and senior executives in circumstances where conflicts of interest may arise and in its dealings with Yanzhou, including establishing the Independent Board Committee referred to above.

To help ensure that any conflicts of interests are identified, the Company has put in place a standing agenda item at all meetings of the Board and its committees to provide the directors with the opportunity of declaring any conflicts of interests in the subject matter of the proposed resolutions made within the meeting.

To assist the Board in making independent judgements, the Board Charter sets out the procedure by which the Board collectively, and each individual director, can seek independent professional advice at the Company's expense.

Independence standard

The criteria considered in assessing the independence of non-executive directors are set out in the Board Charter. A non-executive director is considered independent if:

– at the time of appointment, the director has not, within the last three years, been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment, and
– the director is free from any interest and any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement and their ability to act in the best interests of the Company.

The Company's Constitution provides that the Company's shareholders holding a majority of the issued shares of the Company (which confer the right to vote) may nominate a director to the office of Chairman and may elect one or more directors to the office of Vice Chairman.

Although as a nominee of Yanzhou, Xiyong Li, the Chairman of the Board is not considered independent by the independence standard (as above), the Board considers that this is an appropriate reflection of Yanzhou's majority shareholding in the Company. While a majority of the directors are associated with Yanzhou this is considered appropriate in light of Yanzhou's major shareholding in the Company.

William Randall is an executive director of Noble Group Limited (a substantial shareholder and material customer of the Company). The Board considers that this relationship does not materially interfere with, nor is perceived to interfere with, the independent exercise of Mr Randall's judgement and that he is able to fulfil the role of independent director for the purpose of the ASX Corporate Governance Council's Principles and Recommendations. Whilst Mr Randall has a relationship with the Company which falls within the items listed in box 2.1 of the ASX Corporate Governance Council's Principles and Recommendations, the Board has adopted different criteria in determining whether directors are independent, and on that basis, considers William Randall to be an independent non-executive director. Where appropriate, Mr Randall stands aside from decision making where conflicts of interest may arise, and in those circumstances does not participate in Independent Board Committees.

Each independent director must regularly provide the Board with all information relevant to their continued compliance with the independence standard. The independence of directors will be reviewed by the Board on a regular basis with assistance from the Nomination and Remuneration Committee. The Nomination and Remuneration Committee will also assist the Board with regular evaluation of the performance of the Board, Board Committees and individual directors.

Nomination and appointment of directors

The Board considers that Board succession planning, and the progressive and orderly renewal of the Company's Board membership, are an important part of the governance process.

1 The Independent Board Committee considered transactions between the Company and its majority shareholder, Yanzhou.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

The Board's policy for the selection, appointment and reappointment of directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively. As part of this appointment and reappointment process, the directors consider Board renewal and succession plans and whether the Board's size and composition is conducive to making appropriate decisions.

At the time of appointment of a new independent non-executive director, the key terms and conditions relevant to that person's appointment, the Board's responsibilities and the Company's expectations of a director are set out in a letter of appointment.

The Board has established a Nomination and Remuneration Committee to make recommendations to the Board on matters such as succession plans for the Board, the size and composition of the Board, potential candidates for appointment to the Board, re-election of directors, Board induction and Board evaluation procedures. The structure and membership of the Nomination and Remuneration Committee is described further under Principle 8.

The Board recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. Whilst traditionally experience as a senior executive or director of a large organisation with international operations is a prerequisite for candidature, in accordance with the Diversity Policy, the Board also seeks skills and experience in the following areas:

– marketing and sales
– policy and regulatory development and reform
– health, safety and environment and social responsibility, and
– human resources.

In identifying candidates, the Nomination and Remuneration Committee will consider and select nominees by reference to a number of selection criteria including the skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors, the capability of the candidate to devote the necessary time and commitment to the role, potential conflicts of interest and independence, and the extent to which the candidate would fill a present need on the Board.

The role, rights and responsibilities and membership requirements of the Nomination and Remuneration Committee, together with the selection criteria for candidates for the Board are set out in the Nomination and Remuneration Committee Charter which can be found within the Corporate Governance section of the Company's website.

Shareholder approval is required for the appointment of directors. However, directors may appoint other directors to fill a casual vacancy where the number of directors falls below the constitutional minimum number of directors and in order to comply with any applicable laws, regulations or the ASX Listing Rules. If a director is appointed to fill a casual vacancy in these circumstances, the approval of members must be sought at the next general meeting.

No director may hold office without re-election beyond the third annual general meeting (AGM) following the meeting at which the director was elected or re-elected.

To the extent that the ASX Listing Rules require an election of directors to be held and no director would otherwise be required under the Company's Constitution to submit for election or re-election at an AGM, the director who has been the longest in office since their last election or appointment must retire at the AGM. As between directors who were last elected or appointed on the same day, where it is not agreed between the relevant directors, the director to retire must be decided by lot.

The process for appointment, retirement and re-election of directors is set out in the Company's Constitution which can be found within the Corporate Governance section of the Company's website.

Performance of the Board, its committees and individual directors

The Nomination and Remuneration Committee oversees an annual evaluation process for the Board, its committees and each director based on the Board Performance Evaluation Protocol adopted and approved by the Board.

The Board

Periodically, a review of the structure and operation of the Board, the skills and characteristics required by the Board to maximise its effectiveness and whether the blending of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company will be conducted. This evaluation of performance of the Board may be conducted with the assistance of an external facilitator. As set out in the Board Charter, the review of the Board involves directors providing written feedback on the Board's performance to the Chairman of the Board or to an external facilitator, which in turn is discussed by the Board, with consideration of whether any steps for improvement are required.

It is expected that externally facilitated reviews will occur approximately every three years. The independent external facilitator will seek input from each of the directors and certain members of senior management in relation to the performance of the Board against a set of agreed criteria.

Once an externally facilitated review occurs, the progress against any recommendations from the most recent externally facilitated review, together with any new issues will be considered internally. Feedback from each director (in a form approved by the Nomination and Remuneration Committee) against a set of agreed criteria, will be collected by the Chairman of the Board or the external facilitator. The Chair of the Executive Committee and Chief Executive Officer will also provide feedback from senior executives in connection with any issues that may be relevant in the context of the Board performance review. Feedback will be collected by the Chairman of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees.

While no review of the Board's performance was carried out in 2014, it is expected that an externally facilitated review of the Board's performance will occur in 2015.

The Nomination and Remuneration Committee considered assessments by independent bodies regarding Boards of Australian companies and their performance. The Chairman of the Nomination and Remuneration Committee reported any material issues or findings from these evaluations to the Board.

Board Committees

Each of the four standing Committees of the Board conducts an annual Committee performance self-assessment to review performance using guidelines approved by the Nomination and Remuneration Committee. The guidelines include reviewing the Committee's performance having regard to its role and responsibilities as set out in its charter; consideration as to whether the Committee's charter is fit for purpose; and identification of future topics for training/education of the Committee or its individual members.

The outcomes of the performance self-assessments are reported to the Nomination and Remuneration Committee (or to the Board, if there are any material issues relating to the Nomination and Remuneration Committee) for discussion and noting.

Each Committee provides feedback to the Board on its own performance, which is collected by the Chairman of the Board or an external facilitator, and the feedback is discussed by the Board, with consideration of whether any steps for improvement are required.

Individual directors

Directors are evaluated on, amongst other things, their alignment with the values of the Company, their commitment to their duties and their level of financial, technical and specialist knowledge.

An annual performance review of non-executive directors is conducted by the Chairman for each non-executive director specifically addressing the performance criteria within the Board Performance Evaluation Protocol.

An annual review of the performance of the Chairman of the Board is facilitated by the Co-Vice Chairmen who seek input from each director individually on the performance of the Chairman of the Board against the competencies for the Chairman's role approved by the Board. The Co-Vice Chairmen collate the input in order to provide an overview report to the Nomination and Remuneration Committee and to the Board, as well as feedback to the Chairman of the Board.

A review of the Board's Committees and individual directors for 2014 has been conducted in accordance with the process disclosed above.

1.4 Principle 3: Promote ethical and responsible decision making

Conduct and ethics

The Board policy is that directors, employees and contractors must observe both the letter and spirit of the law, and adhere to the highest standards of business conduct. The Company has adopted a formal Code of Conduct and other guidelines and policies which are approved by the Board that set out legal and ethical standards for the Company's Directors and employees, including a Conflicts of Interests and Related Party Transactions Policy.

The Code of Conduct and these other guidelines and policies guide the Directors, the Chief Executive Officer, senior executives, and employees generally as to the practices necessary to maintain confidence in the Company's integrity and as to the responsibility and accountability of individuals for reporting, and investigating reports of, unethical practices. The Code of Conduct and these other guidelines and policies also guide compliance with legal and other obligations to stakeholders.

Specifically, the objective of the Code of Conduct is to:

– provide a benchmark for professional behaviour
– support the Company's business reputation and corporate image within the community, and
– make directors and employees aware of the consequences if they breach the policy.

The key values underpinning the Code of Conduct are:

– our actions must be governed by the highest standards of integrity and fairness
– our decisions must be made in accordance with the letter and spirit of applicable law, and
– our business must be conducted honestly and ethically, with our best skills and judgement, and for the benefit of customers, employees, shareholders and the Company alike.

The Code of Conduct is available in the Corporate Governance section of the Company's website.

Reporting concerns and whistleblower protection

The Company's Speak-Up Yancoal Ethics policy encourages employees, directors, contractors and consultants to raise serious concerns within the Company and report any issues if they genuinely believe a person has, or persons have, breached Yancoal's Code of Conduct, policies or the law. The policy also protects individuals who in good faith report misconduct which they reasonably believe to be corrupt, illegal or unethical on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment; and assists in ensuring that matters of misconduct and / or unethical behaviour are identified and dealt with appropriately.

Individuals can report their concerns confidentially online, via confidential email to an external facilitator or by telephoning a confidential Speak-Up Line.

All disclosures made under this Policy will be treated seriously and be the subject of a thorough investigation with the objective of locating evidence that either substantiates or refutes the misconduct disclosed by an employee. Such investigations will be facilitated independently from the business unit concerned, the employee who made the disclosure or any person being the subject of the reportable conduct. The Company will determine, based on the seriousness of the disclosure, whether the investigation will be conducted internally by a senior member of management or the external facilitator.

Dealings in Company securities

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

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

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

Diversity

The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. The Company has adopted a Diversity Policy, approved by the Board to actively facilitate a more diverse and representative management and leadership structure. The Diversity Policy is available in the Corporate Governance section of the Company's website.

Annually, the Board establishes measurable objectives with the assistance of the Nomination and Remuneration Committee with a view to progressing towards a balanced representation of women at a Board and senior management level.

Performance against these measurable objectives are reviewed annually by the Nomination and Remuneration Committee as part of its annual review of the effectiveness of the Diversity Policy.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

On an annual basis, the Nomination and Remuneration Committee reviews the proportion of women who are employed by the Company as a whole, in senior management positions and who are on the Board. The Nomination and Remuneration Committee submits a report to the Board outlining its findings.

In 2012, the Board set a number of measurable objectives for 2013, which were also adopted by the Board in February 2014 for 2014. The measurable objective of increasing employee awareness of the Company's Working Flexible Policy will not be included as a measurable objective in 2015 as the Company will focus on the other measurable objectives which the Company believes are more aligned with its objectives in respect of diversity.

These measurable objectives and the Company's performance against the measurable objectives are outlined in the table below:

Objective		Performance
1.	To increase employee awareness and understanding of the importance of diversity by implementing training on the Company's Diversity Policy and Workplace Behaviour & Anti-Discrimination Policy.	The Company has implemented training and awareness sessions focusing on anti-discrimination, racial and sexual harassment, founded on the Diversity Policy and Workplace Behaviour & Anti-Discrimination Policy. This training was provided as part of the induction practices of new employees and training and information sessions were provided for existing employees. Employees across the organisation have access to the Code of Conduct via the Company's intranet site and website. New employees are provided the Code of Conduct during their induction process. Existing employees are reminded of the Code of Conduct at the mine sites during team meetings and when relevant issues arise. In addition to the Company's Diversity Policy and Workplace Behaviour & Anti-Discrimination Policy, the Company has implemented an additional channel to provide guidance to employees in respect to awareness and understanding of the importance of diversity, by nominating an Equal Employment Opportunity Contact Officer at the Yarrabee coal and the Cameby Downs mine sites managed by the Company.
2.	To increase employee awareness of the Company's Working Flexibly Policy.	Various initiatives and programs have been undertaken across the Company, including: – at the Corporate Head Office – providing employees with family commitments flexible working hours, including allowing employees to work from home, to the extent reasonably practicable – at Donaldson Coal's mine site – part time opportunities and flexible working hours are available for any parents with child care responsibilities – at the Moolarben Coal mine site – flexible breaks and a private area for new mothers has been provided – at Yarrabee coal's mine site – allowing employees with family commitments to work from home, to the extent practicable; and flexible breaks and a private area for new mothers has been provided, and – at Cameby Downs' mine site (managed by the Company) – allowing employees with family commitments to work from home, to the extent practicable; and flexible breaks and a private area for new mothers has been provided.
3.	To target a diverse group of candidates with recruitment and selection procedures that are merit-based and non-discriminatory.	Across the Company's group, the Human Resources team works in conjunction with management to ensure that merit-based, non-discriminatory practices are adhered to. Specific initiatives include: – at Donaldson Coal's mine site – a working relationship was established with the local Indigenous Australians to provide employment opportunities and practise "best person for the job" principles – at Moolarben Coal's mine site – supportive hiring practices for Indigenous Australians were implemented – at Premier Coal's mine site (managed by the Company) – supportive hiring practices for women and Indigenous Australians are in place – at the Corporate Head Office – there are training sessions provided to the management emphasising behavioural-based recruitment, diversity strategies and policies.
4.	To ensure our managers are adept recruiters, retainers and motivators of our diverse workplace.	Recruitment training has been provided to managers involved in recruitment of employees across the Company and entities managed by the Company. A human resources representative, together with relevant department manager, attends each interview, coaching and mentoring on targeted selection techniques and merit-based selection, as well as promoting general diversity awareness. The Yancoal Way has been introduced in 2014 to build the right operating culture across the Company. "Improving Together" training sessions have been provided to managers, emphasising the importance of motivation for high effective performance.

Proportion of women in the Company

Gender has been identified as a key area of focus for the Company. On an annual basis, the Nomination and Remuneration Committee reviews the proportion of women employed by the Company and submits a report to the Board outlining its findings.

In 2014, the proportion of women who are directly employed by the Company as a whole is 9.5%: 142 full time, 7 part time and 6 casual, an increase of 2.5% from 2013.

The proportion of women in senior management roles (being roles which directly report to the Chief Executive Officer or Chair of the Executive Committee) within the Company is 18%: Women hold 2 of 11 senior management roles within the Company.

There are no women on the Company's Board.

1.5 Principle 4: Safeguard integrity in financial reporting

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee. The Committee plays a key role in helping the Board to oversee financial reporting, internal control structure, risk management systems and internal and external audit functions. The Committee has the necessary power and resources to meet its responsibilities under its charter, including rights of access to management and auditors (internal and external) and to seek explanations and additional information. The Committee meets at least four times per year, or as frequently as required. The Charter of the Audit and Risk Management Committee can be found in the Corporate Governance section of the Company's website. The purpose of the Audit and Risk Management Committee is outlined under the Board Committees section above.

In accordance with its charter, the Audit and Risk Management Committee has at least three members. The members of this Committee are Gregory Fletcher (Chairman of the Committee), Yuxiang Wu and Geoffrey Raby. The Committee consists only of non-executive directors with a majority being independent. Consistent with the ASX Corporate Governance Council's Principles and Recommendations, the Chairman of the Committee is an independent non-executive director and is not the Chairman of the Board. The skills, experience and expertise of each member is disclosed in the "Information on Directors" in the Directors' Report. Four meetings of the Audit and Risk Management Committee were held in 2014 with a record of each member's attendance at meetings of the Committee disclosed in the "Information on Directors" in the Directors' Report.

The Company has also employed a full time Executive General Manager of Risk Management and Auditing. His role is described further under Principle 7.

External auditor

The Company's external auditor is SWHC Australia. Consistent with the requirements of the *Corporations Act 2001* (Cth), SWHC Australia has a policy of partner rotation every five years. The appointment, removal and remuneration (not including amounts paid for special or additional services provided by the auditor) of the auditor are subject to shareholder approval.

The external auditor receives all papers and minutes of the Audit and Risk Management Committee. The external auditor also attends the Company's Annual General Meeting to answer questions from shareholders.

1.6 Principle 5: Make timely and balanced disclosure

The Company recognises the importance of timely and adequate disclosure to the market, and is committed to making timely and balanced disclosure of all material matters and to effective communication with its shareholders and investors so as to give them ready access to balanced and understandable information. The Company also works together with its major shareholder, Yanzhou, to ensure that Yanzhou can comply with its disclosure obligations in relation to Company information, and vice versa, Yanzhou seeks to ensure that the Company can comply with its disclosure obligations in relation to Yanzhou's information.

Consistent with their charters, the Audit and Risk Management Committee, Nomination and Remuneration Committee and Executive Committee review, to the extent reasonably practicable, all public disclosures and statements concerning matters relevant to their duties and responsibilities including disclosures in the Company's annual report and certain ASX disclosures.

The Board has put in place a Disclosure Policy to encapsulate the disclosure obligations under the *Corporations Act 2001* and the ASX Listing Rules and to set out procedures for managing compliance with those obligations. These procedures provide a framework for managing the disclosure of material matters to the market to ensure accountability at Board and senior executive level. As part of this framework, a standing agenda item at all the Company's Board and senior executive meetings requires the directors and senior executive to consider whether any matters at the meeting should be disclosed to the market. The Disclosure Policy can be found within the Corporate Governance section of the Company's website.

The Disclosure Policy provides for the establishment of a Disclosure Committee to assist it to meet the Company's disclosure obligations (as required). The Committee plays a key role in reviewing and determining whether information is likely to have material effect on the price or value of the Company's securities such that it requires disclosure to the market. The Disclosure Committee members comprise the Chairman of the Executive Committee, Chief Executive Officer, Chief Financial Officer, Company Secretary, Investor Relations General Manager and Group Counsel.

Key information disclosed to the market through an announcement to the ASX is also published on the Investor section of the Company's website.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

1.7 Principle 6: Respect the rights of shareholders

Communications with shareholders

The Company's policy is to promote effective communication with shareholders and other investors so that they understand how to assess relevant information about the Company and its corporate direction. The Company aims to keep shareholders, potential investors and other stakeholders informed of all major developments affecting the state of affairs of the Company. The Company communicates information regularly to shareholders, potential investors and other stakeholders by:

- posting announcements on the ASX platform in accordance with its continuous disclosure obligations and also making these announcements available on the Company's website
- keeping its website up to date on important information about the Company, including its Constitution, Board and Board Committee charters, core corporate governance policies and financial information about the Company, and
- publishing investor presentations made to analysts and media briefings available within the Investor section of the Company's website.

The Company encourages shareholders to attend and participate in all general meetings including annual general meetings. Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and preparation of its reports. Any shareholders who cannot attend any general meetings can also participate via lodgement of their proxies.

The Company's Shareholder Communication Policy, which was approved by the Board, can be found within the Corporate Governance section of the Company's website.

1.8 Principle 7: Recognise and manage risk

Risk identification and management

The Board, through the Audit and Risk Management Committee, is responsible for satisfying itself that a sound system of risk oversight and management exists and that internal controls are effective. In particular, the Board ensures that:

- the principal strategic, operational, financial reporting and compliance risks are identified, and
- systems are in place to assess, manage, monitor and report on these risks.

The Board has requested the Company's senior executives and management to report to the Audit and Risk Management Committee and, where appropriate the Board, regarding the effective management of its material business risks. In 2014, senior management reported to the Audit and Risk Management Committee and the Board on the effectiveness of the Company's management of its material business risks.

In 2014, the Audit and Risk Management Committee had in place a framework to identify and manage material business risks. This framework includes:

- identification of material business risk by the Executive Committee by reference to a single risk register, approved by the Audit and Risk Management Committee and Board
- implementation of a risk management framework (that includes a risk management policy, governance structure, procedures), approved by the Audit and Risk Management Committee and Board
- formal risk identification activities being undertaken on an annual basis at both a functional level and at each of the Company's mine sites
- designated individuals across the business that have accountability for the implementation of risk management within their areas of responsibility
- the Executive General Manager of Risk Management and Auditing as a central resource available to assist with all risk management responsibilities, and to assist with any training / awareness or other related requirements, and
- adherence to internal procedures and plans for crisis management.

The Audit and Risk Management Committee receives periodic reports on the success of the Company's risk management framework, as well as on the Company's key risk exposures.

The Executive General Manager of Risk Management and Auditing is responsible for establishing and managing the company wide Risk Management System, risk management framework and practices, reviewing the impact of the risk management framework on its control environment and insurance arrangements, and reviewing the risk of major investment projects. Together with the Chair of the Executive Committee, the Board and the Audit and Risk Management Committee, the Executive General Manager of Risk Management and Auditing is responsible for developing a risk matrix and framework and for implementing related risk assurance processes and audits of compliance for the Company and its subsidiaries.

The responsibility for managing risks, risk controls or risk management action plans is embedded within the business and undertaken as part of everyday activities.

The Chief Executive Officer and Chief Financial Officer have declared in writing to the Board that their declaration in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risk.

The Company's Audit and Risk Management Committee Charter can be found within the Corporate Governance section of the Company's website.

Health, Safety and Environment Compliance

The Company has adopted policies to comply with occupational health, safety, environment and other laws. The Board has approved a Health, Safety and Environment Policy which applies across the Company. In addition, each mine site has its own health, safety and environmental policies and procedures to deal with their particular health, safety and environmental issues. The Board has established a Health, Safety and Environment Committee to assist it in overseeing the Company's health, safety and environmental responsibilities. In accordance with its charter, this Committee has at least three members. The members of this Committee are Vincent O'Rourke (Chair of the Committee), Geoffrey Raby and Xinghua Ni. It is intended the Committee meets at least four times per year (or as frequently as required). The Committee meetings are held at one of the Company's mine sites, whenever possible, to receive feedback from the health, safety and environment forum held at the mine site and to address any mine specific health, safety and environment issues. A record of each member's attendance at meetings of the Committee is disclosed in the "Information on Directors" in the Directors' Report.

1.9 Principle 8: Remunerate fairly and responsibly

Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee. In accordance with its charter, this Committee currently has three members, Xiyong Li, Cunliang Lai and William Randall. Baocai Zhang was previously a member of the Committee. Xiyong Li and Cunliang Lai are not independent directors of the Company; however, the Board considers them appropriate members, and in the case of Xiyong Li, an appropriate Chairman of this Committee, due to their skill set, experience and seniority, and that the overall composition of the Nomination and Remuneration Committee is appropriate.

The Committee members are non-executive directors who are not remunerated by the Company for their roles as directors or committee members. The purpose of the Committee is outlined in the Board Committees section above.

The Committee makes recommendations to the Board to achieve Company remuneration structures that are equitable and aligned with the long-term interests of the Company and its shareholders, to attract and retain skilled employees, to structure short and long-term incentives that are challenging and linked to creation of sustainable returns and to ensure any termination benefits are justifiable and appropriate.

The Committee has the necessary power and resources to meet its responsibilities under its charter, including rights of access to management, auditors and external advisers. It is intended that the Committee will meet at least once per year, or as frequently as required. The Committee met once in 2014, with a record of each member's attendance at the meeting of the Committee disclosed in the "Information on Directors" in the Directors' Report.

Remuneration of non-executive directors

The Constitution provides that the non-executive directors are entitled to such remuneration as approved by the Company's shareholders in accordance with the Constitution, which must not exceed the aggregate annual amount as determined by the Company in general meeting or by its major shareholder, Yanzhou.

Remuneration for non-executive directors is capped at an aggregate amount for each financial year of $3.5 million. Non-executive directors may also be paid such additional or special remuneration as the directors decide is appropriate where a non-executive director performs extra services or makes special exertions for the benefit of the Company. Such additional remuneration will not form part of the calculation of the aggregate cap on non-executive directors' remuneration for a financial year and do not require shareholder approval.

Further details of the remuneration of the non-executive directors, executive directors and senior executives can be found in the Remuneration Report.

The Nomination and Remuneration Committee Charter can be found within the Corporate Governance section of the Company's website.

CORPORATE GOVERNANCE STATEMENT
CONTINUED

Principle		Compliance	Reference
1.	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	YES	Website
1.2	Disclose the process for evaluating the performance of senior executives.	YES	Page 49 (Delegation to management)
2.	**Structure the board to add value**		
2.1	A majority of the board should be Independent Directors.	NO	Page 51 (Director independence)
2.2	The Chairman should be an Independent Director.	NO	Page 51 (Director independence)
2.3	The roles of Chairman and Chief Executive Officer should not be exercised by the same individual.	YES	Page 49 (Structure of the Board)
2.4	The board should establish a Nominations Committee.	YES	Page 49 (Board Committees)
2.5	Disclose the process for evaluating the performance of its board, its committees and individual directors.	YES	Page 52 (Performance of the Board, its committees and individual directors)
3.	**Promote ethical and responsible decision making**		
3.1	Establish a Code of Conduct to guide directors, the Chief Executive Officer (or equivalent) the Chief Financial Officer (or equivalent) and any other key executives as to: – the practices necessary to maintain confidence in the company's integrity – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	YES	Website Page 53 (Conduct and ethics)
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	YES	Website
3.3	Disclose the measurable objectives in the annual report for achieving gender diversity set by the board and progress to achieving these objectives.	YES	Page 53 (Diversity)
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	YES	Page 55 (Proportion of women in the Company)
4.	**Safeguard integrity in financial reporting**		
4.1	The board should establish an Audit Committee.	YES	Page 49 (Board Committees)
4.2	Structure the Audit Committee so that it consists of: – only Non-Executive Directors – a majority of Independent Directors – an independent Chairman, who is not Chairman of the board, and – at least three members.	YES	Page 49, 55 (Board Committees) and (Audit and Risk Management Committee)
4.3	The Audit Committee should have a formal charter.	YES	Website

Principle		Compliance	Reference
5.	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirement and to ensure accountability at a senior management level for that compliance.	YES	Website
6.	**Respect the rights of shareholders**		
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	YES	Website
7.	**Recognise and manage risk**		
7.1	The board or appropriate committee should establish policies on risk oversight and management of material business risks.	YES	Page 56 (Risk identification and management)
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management of its material business risks.	YES	Page 56 (Risk identification and management)
7.3	The board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act* 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	YES	Page 56 (Risk identification and management)
8.	**Remunerate fairly and responsibly**		
8.1	The board should establish a Remuneration Committee.	YES	Page 49, 57 (Board Committees) and (Nomination and Remuneration Committee)
8.2	The Remuneration Committee should be structured so that it consists of mainly independent directors, is chaired by an independent chair and has at least three members.	NO	Page 49, 57 (Board Committees) and (Nomination and Remuneration Committee)
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	YES	Page 57 (Nomination and Remuneration Committee) and Remuneration Report Pages 34–46

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
Revenue	4	**1,431,699**	1,529,814
Other income	5	**62,329**	1,220
Changes in inventories of finished goods and work in progress		**(38,532)**	(13,930)
Raw materials and consumables used		**(282,858)**	(246,510)
Employee benefits expense	6(a)	**(272,671)**	(261,379)
Depreciation and amortisation expense	6(b)	**(231,694)**	(270,820)
Reversal of impairment / (impairment) of mining tenements	17	**140,000**	(343,000)
Transportation expense		**(255,544)**	(251,274)
Contractual services and plant hire expense		**(290,742)**	(386,330)
Government royalties expense		**(98,141)**	(109,949)
Changes in deferred mining costs	13	**(20,613)**	(22,408)
Transaction costs		**–**	(3,582)
Other operating expenses	6(d)	**(187,883)**	(548,575)
Finance costs	6(c)	**(164,762)**	(124,902)
Share of loss of equity-accounted investees, net of tax	41(b)	**(61,484)**	(62,847)
Loss before income tax		**(270,896)**	(1,114,472)
Income tax (expense) / benefit	7(a)	**(82,590)**	282,402
Loss after income tax		**(353,486)**	(832,070)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value losses taken to equity		**(497,243)**	(379,711)
Fair value losses transferred to profit and loss		**28,895**	34,362
Deferred income tax benefit		**142,442**	103,683
Other comprehensive expense, net of tax		**(325,906)**	(241,666)
Total comprehensive expense		**(679,392)**	(1,073,736)
Total comprehensive expense for the year attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**(679,392)**	(1,073,736)

		$	$
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	44	**(0.36)**	(0.84)
Diluted earnings per share	44	**(0.36)**	(0.84)
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	44	**(0.36)**	(0.84)
Diluted earnings per share	44	**(0.36)**	(0.84)

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**203,614**	318,001
Trade and other receivables	9	**310,045**	495,971
Royalty receivable	10	**17,766**	19,444
Inventories	11	**112,708**	136,601
Derivative financial instruments	12	**74**	2,956
Other current assets	13	**24,688**	28,985
Total current assets		**668,895**	1,001,958
Non-current assets			
Trade and other receivables	9	**387,498**	368,799
Royalty receivable	10	**181,354**	189,461
Investments accounted for using the equity method	14	**25,415**	89,934
Other financial assets	15	**37**	37
Property, plant and equipment	16	**1,906,887**	1,836,581
Mining tenements	17	**2,466,204**	2,251,841
Deferred tax assets	18	**836,788**	863,254
Intangible assets	19	**79,097**	113,569
Exploration and evaluation assets	20	**896,041**	909,160
Other non-current assets	21	**31,189**	29,750
Total non-current assets		**6,810,510**	6,652,386
Total assets		**7,479,405**	7,654,344
LIABILITIES			
Current liabilities			
Trade and other payables	22	**280,137**	259,656
Interest-bearing liabilities	23	**14,856**	123,862
Contingent value right shares	27	**–**	259,430
Derivative financial instruments	12	**16,031**	49,615
Provisions	24	**35,305**	20,079
Other current liabilities	26	**–**	4,034
Total current liabilities		**346,329**	716,676
Non-current liabilities			
Trade and other payables	22	**431**	849
Interest-bearing liabilities	23	**3,765,069**	5,033,008
Deferred tax liabilities	28	**748,979**	799,846
Provisions	24	**124,221**	120,350
Other non-current liabilities	29	**7,188**	6,461
Total non-current liabilities		**4,645,888**	5,960,514
Total liabilities		**4,992,217**	6,677,190
Net assets		**2,487,188**	977,154
EQUITY			
Contributed equity	30	**3,105,557**	656,701
Reserves	31(a)	**(561,212)**	24,124
(Accumulated losses) / retained earnings	31(b)	**(57,157)**	296,329
Capital and reserves attributable to owners of Yancoal Australia Ltd		**2,487,188**	977,154
Total equity		**2,487,188**	977,154

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Attributable to owners of Yancoal Australia Ltd			
	Notes	Contributed equity $'000	Reserves $'000	(Accumulated losses)/ 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		–	–	(832,070)	(832,070)
Other comprehensive expense		–	(241,666)	–	(241,666)
Total comprehensive expense		**–**	**(241,666)**	**(832,070)**	**(1,073,736)**
Transactions with owners in their capacity as owners:					
Recognition of cash receivable for settlement of CVR shares		–	259,430	–	259,430
		–	259,430	–	259,430
Balance at 31 December 2013		**656,701**	**24,124**	**296,329**	**977,154**
Balance at 1 January 2014		656,701	24,124	296,329	977,154
Loss after income tax		–	–	(353,486)	(353,486)
Other comprehensive expense		–	(325,906)	–	(325,906)
Total comprehensive expense		**–**	**(325,906)**	**(353,486)**	**(679,392)**
Transactions with owners in their capacity as owners:					
Contingent value right shares	31(a)	262,936	(262,936)	–	–
Issue of subordinated capital notes	30(d)	2,185,920	–	–	2,185,920
Recognition of cash receivable for settlement of CVR shares		–	3,506	–	3,506
		2,448,856	(259,430)	–	2,189,426
Balance at 31 December 2014		**3,105,557**	**(561,212)**	**(57,157)**	**2,487,188**

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	31 December 2014 $'000	31 December 2013 $'000
Cash flows from operating activities			
Receipts from customers		**1,220,689**	1,439,790
Payments to suppliers and employees		**(1,308,742)**	(1,484,014)
Interest paid		**(156,744)**	(117,036)
Interest received		**7,184**	9,706
Income tax refund received		**–**	2,360
Transaction costs paid		**(382)**	(12,249)
Carbon taxes paid		**(9,817)**	–
Net cash outflow from operating activities	42	**(247,812)**	(161,443)
Cash flows from investing activities			
Payments for property, plant and equipment		**(176,254)**	(219,914)
Payments for intangible assets		**–**	(112)
Payments for capitalised exploration and evaluation activities		**(4,770)**	(4,457)
Proceeds from sale of property, plant and equipment		**701**	89
Payment for acquisition of subsidiary (net of cash acquired)		**(15,193)**	–
Advances to associate		**–**	(938)
Advances to joint venture		**(28,499)**	(16,999)
Receipt from repayment of loans to related entities		**–**	50,000
Payment of deferred purchase consideration		**(500)**	(500)
Dividends received		**2**	4
Cash transferred from / (to) restricted accounts		**13,392**	(9,163)
Net cash outflow from investing activities		**(211,121)**	(201,990)
Cash flows from financing activities			
Payment of finance lease liabilities		**(10,944)**	(10,050)
Proceeds from interest-bearing liabilities – external		**–**	80,000
Repayment of interest-bearing liabilities – external		**(105,493)**	(196,687)
Proceeds from interest-bearing liabilities – related entities		**459,391**	1,344,023
Repayment of interest-bearing liabilities – related entities		**(2,194,590)**	(335,270)
Repayment of promissory note		**–**	(586,970)
Receipt of contingent value right shares – related entities		**262,936**	–
Payment of contingent value right shares		**(262,936)**	–
Proceeds from subordinated capital note subscription		**2,194,590**	–
Payment of transaction cost of subordinated capital notes		**(2,120)**	–
Net cash inflow from financing activities		**340,834**	295,046
Net decrease in cash and cash equivalents		**(118,099)**	(68,387)
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		**3,712**	37,095
Cash and cash equivalents at the end of the year	8	**203,614**	318,001

These financial statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements and notes are for the consolidated entity consisting of Yancoal Australia Ltd and its subsidiaries.

The separate financial statements of the parent entity, Yancoal Australia Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Yancoal Australia Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 27 February 2015.

(i) Compliance with IFRS

The consolidated financial statements of the Yancoal Australia Ltd Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(ii) New and amended standards adopted by the Group

Yancoal Australia Ltd was required to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2014.

The new standards that are applicable for the first time for the year ended 31 December 2014 are:

- AASB 1031 *Materiality*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to* AASB 136 *– Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2013-7 *Amendments to* AASB 1038 *arising from* AASB 10 *in relation to Consolidation and Interests of Policyholders*
- Interpretations 21 *Accounting for Levies.*

These standards have introduced new disclosures for the Annual Financial Report but did not affect the Group's accounting policies or any of the amounts recognised in the financial statements.

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

Australian Accounting Standards and Interpretations issued but not yet applicable for the year ended 31 December 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.

(iv) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2014.

(v) Historical cost convention

These financial statements have been prepared on an accrual basis and under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(vi) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1(ac).

(b) Rounding of amounts

The Company 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 financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Yancoal Australia Ltd ("Company" or "parent entity") as at 31 December 2014 and the results of all subsidiaries for the year then ended. Yancoal Australia Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(j)). Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively. Losses applicable to the non-controlling interest in a consolidated subsidiary are allocated against the controlling interest except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses. If in future years the subsidiary reports profits, such profits are allocated to the controlling interest until the non-controlling interest's share of losses previously absorbed by the controlling interest have been recovered.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

(iii) Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control. Joint control exists only when the strategic, financial and operational policy decisions relating to the activities of the joint arrangement require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture. The structure of each joint arrangement is analysed to determine whether the joint arrangement is a joint operation or a joint venture. The classification of a joint arrangement is dependent on the rights and obligations of the parties to the arrangement.

Joint operation

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operation are set out in Note 41(a).

Joint venture

A joint venture is structured through a separate vehicle and the parties have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method where the assets and liabilities will be aggregated into one line item on the face of the consolidated balance sheet, after adjusting for the share of profit or loss after tax, which is shown as a separate line item on the face of the consolidated statement of profit or loss and other comprehensive income, after adjusting for amounts recognised directly in equity.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Yancoal Australia Ltd.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Executive Committee.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency, except for Yancoal SCN Limited which has US dollars as its functional currency.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is recognised in the profit or loss as follows:

(i) Sale of goods

Revenue from the sale of coal is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery, usually on a Free On Board ("FOB") basis.

(ii) Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established.

(iv) Interest

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(v) Finance leases

Interest income from a finance lease is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

(vi) Rental income

Rental income arising on land surrounding the mine site is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(vii) Services

Revenue from the rendering of a service is recognised upon the rendering of the service to the customer.

(g) Government grants

Grants from the Government are recognised at fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised as income over the periods necessary to match them with the related costs. If the grants do not relate to any specific expenditure incurred by the Group, they are reported separately as other income. If the grants subsidise an expense incurred by the Group, they are deducted in reporting the related expense. Grants relating to depreciable assets are presented as a deduction from the cost of the relevant asset.

(h) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate enacted or substantially enacted at the end of the reporting period for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Minerals Resource Rent Tax ("MRRT") was abolished on 30 September 2014. Accordingly, the deferred MRRT assets and liabilities have been derecognised in the consolidated statement of profit or loss and other comprehensive income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying value of the deferred tax asset is reviewed at each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, except where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation

Refer to Note 1(af) for details regarding the Group's application of the tax consolidation legislation.

(i) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to ownership of the assets, but not the legal ownership, are transferred to the entities in the Group, are classified as finance leases. Finance leases are capitalised at the lease inception date at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term interest-bearing liabilities. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

The net gains arising on the sale of an asset and the leasing back of the same asset using a finance lease are included as deferred income in the balance sheet and are released to the profit or loss on a straight-line basis over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred with the exception of stamp duty. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on acquisition of subsidiaries (refer to Note 5).

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(k) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(l) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes:

(i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts, and

(ii) other short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Inventories

Coal stocks are stated at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overheads on the basis of normal mining capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of auxiliary materials, spare parts and small tools expected to be used in production are stated at weighted average cost after deducting rebates and discounts less allowance, if necessary, for obsolescence.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Discontinued operations
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

(o) Deferred mining cost
(i) Open cut
During the commercial production stage of open pit operations, production stripping costs comprises the accumulation of expenses incurred to enable access to the coal seam, and includes direct removal costs (inclusive of an allocation of overhead expenditure) and machinery and plant running costs.

Production stripping costs are capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called “stripping activity asset”.

The stripping activity asset is amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied.

Production stripping costs that do not satisfy the asset recognition criteria are expensed.

(ii) Underground
During the commercial production stage of an underground mine development, costs include both direct and indirect mining costs relating to underground longwall panel development. Longwall panel development costs relate to the development of gate roads that are access road ways connecting a longwall panel working face with the mains (primary access / egress roads for the mine). These costs are capitalised net of the coal sales revenue earned from the development coal and amortised over the life of the longwall panel that they relate to based on the metres retreated during the period divided by the total panel length in metres.

(p) Investments and other financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investment and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in current trade and other receivables and non-current trade and other receivables (refer to Note 9).

(iii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally unlisted marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs except where the financial asset is classified as fair value through profit or loss in which case transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets, financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group’s right to receive payments is established.

Investment in shares in unlisted companies, which do not have a quoted market price and whose fair value cannot be reliably measured, are classified as available-for-sale and are measured at cost. Gains or losses are recognised in profit or loss when the investments are derecognised or impaired.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is reclassified from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(q) Royalty receivable

The royalty receivable will be revalued at each reporting period based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates. Gains or losses arising from changes in the fair value of the royalty receivable is recognised in profit or loss. The cash receipts will be recorded against the royalty receivable which will be decreased over time. Since the contract is long-term, unwinding of the discount (to reflect the time value of money) for the asset will be recognised under interest income (refer to Note 10).

(r) Financial liabilities and equity

Non-derivative financial liabilities (including trade and other payables and interest-bearing liabilities excluding financial guarantees) are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

All non-derivative financial liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(s) Derivatives and hedging activities

The Group uses derivative financial instruments such as forward foreign exchange contracts and foreign exchange rate option contracts to hedge its risks associated with foreign currency fluctuations. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The forward foreign exchange contracts and foreign exchange rate option contracts entered into by the Group are designated and qualify as cash flow hedges.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in Note 12. Movements in the hedging reserve in shareholders' equity are shown in Note 31. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the consolidated statement of profit or loss and other comprehensive income or recognised as part of the cost of the asset to which it relates. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss.

Certain derivative instruments do not qualify for hedge accounting, such as the contingent value right shares (refer to Note 27). Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(t) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly attributable to the acquisition of the items and the estimated restoration costs associated with the asset, and may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Mine development assets include all mining related development expenditure that is not included under land, buildings and plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Property, plant and equipment (continued)

The open pit operations capitalise mine development costs including both direct and indirect costs incurred to remove overburden and other waste materials to enable access to the coal seams during the development of a mine before commercial production commences, and during future development of new open pit mining areas. Amortisation of those capitalised costs over the life of the operation commences at the time that commercial production begins for the mine for the new open pit mining area.

The underground mine development costs include both direct and indirect mining costs relating to underground longwall panel development and mains development (primary access / egress roads for the mine).

Mains development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Refer to Note 1(o) for information regarding the capitalisation and amortisation of longwall panel development.

Depreciation and amortisation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line or units of production basis over the asset's useful life to the Group as indicated below, commencing from the time the asset is held ready for use. Leased assets are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

For some assets, the useful life of the asset is linked to the level of production. In such cases, depreciation is charged on a units of production basis based on the recoverable reserves or the remaining useful hours. Alternatively, the straight-line method may be used where this provides a suitable alternative because production is not expected to fluctuate significantly from one year to another.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period and any change in estimate is taken into account in the determination of remaining depreciation charges.

The estimated useful lives are as follows:

– Buildings	10 – 25 years
– Mine development	10 – 25 years
– Plant and equipment	2.5 – 25 years
– Leased plant and equipment	2 – 20 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(u) Mining tenements

Mining tenements have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. A mining tenement's carrying amount is compared to its recoverable amount and if the carrying amount is greater than its estimated recoverable amount, a provision is recognised. Once impaired, the assets are reviewed for a possible reversal of the provision at the end of each reporting period.

Amortisation of mining tenements commences from the date when commercial production commences, or from the date of acquisition, and is charged to the consolidated statement of profit or loss and other comprehensive income. Mining tenements are amortised over the life of the mine on a units of production method based on JORC reserves.

Changes in the annual amortisation rate resulting from changes in the remaining JORC reserves are applied on a prospective basis from the commencement of the next financial year.

(v) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised, it is tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(ii) Computer software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future periods' financial benefits through revenue generation and / or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Computer software has a finite useful life and is carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. A computer software asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Amortisation of computer software is calculated using a straight-line basis to allocate the cost over the period of the expected benefit, which varies from 2.5 to 10 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. A development asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(iv) Access rights and other licences

Access rights and other licences have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. If the carrying amount of access rights or other licences is greater than its estimated recoverable amount, then the asset's carrying amount is written down immediately to its recoverable amount.

Access rights and other licences are amortised over the shorter of the life of the mines or agreement using a units of production basis in tonnes or a straight-line method. Estimated useful lives vary from 10 to 25 years.

(v) Patents

Patents represent the cost to acquire rights relating to new or improved products. Amortisation is calculated using the straight-line method to allocate the cost of the patents over their estimated useful lives and is calculated from the day the asset is available for use. Patents are tested for impairment at each reporting date or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses. Patents that are not yet ready for use are not amortised but tested for impairment at each reporting period.

(w) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at the individual exploration permit or licence level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure assets acquired in a business combination are recognised at their fair value at the acquisition date.

The carrying amount of exploration and evaluation assets are assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount.

A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to each area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining tenements.

(x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(y) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure require to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of the time is recognised as interest expense.

(i) Marketing services fee

Marketing services fee provisions are recognised at the time the Group determines that the portion of the fee is deemed to be above market norms. The provision is based on the present obligation of the Noble Marketing Services Agreement which expires on 31 December 2040.

The provision is released to profit or loss on a straight-line basis.

(ii) Rehabilitation costs

Provision is made for the Group's estimated liability arising under specific legislative requirements and the conditions of its exploration permits and mining leases for future costs expected to be incurred in restoring mining areas of interest. The estimated liability is based on the restoration work required using existing technology as a result of activities to date. The liability includes the cost of reclamation of the site, including infrastructure removal and land fill costs. An asset is created as part of the mine development asset, to the extent that the development relates to future production activities, which is offset by a current and non-current provision for rehabilitation (refer to Note 1(t)).

(iii) Take or pay

Where the Group has acquired a subsidiary, take or pay provisions are recognised at the time the Group determines that the minimum contracted tonnage exceeds forecast usage. The provision is based on the present obligation of the contract.

The provision is released to profit or loss on a straight-line basis.

(iv) Customer contracts

Customer contract provisions are recognised at the time the Group determines that the contract will be loss making. The provision is based on the present obligation of the contracts.

The provision is released to profit or loss on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be wholly settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on wage and salary rates that the Group expects to pay as at reporting date including related oncosts, such as superannuation, workers compensation, insurance and payroll tax and are included in trade and other payables. Non-accumulating, non-monetary benefits such as housing and cars are expensed by the Group as the benefits are used by the employee.

Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

These employee benefits are presented as current provisions as the Group has no unconditional right to deferred settlement for at least 12 months after the end of the reporting period.

(ii) Long service leave

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service to the reporting date. The obligation is calculated using expected future increases in wages and salary rates including related oncosts and expected settlement dates, and is discounted using an appropriate discount rate.

The current liability for long service leave represents all unconditional obligations where employees have fulfilled the required criteria and also those where employees are entitled to a pro rata payment in certain circumstances and is included in the current provisions. The non-current provision for long service leave includes the remaining long service leave obligations.

Additional long service leave payments are made monthly to a coal mining industry long service leave fund based on the eligible monthly payroll of employees. An asset for the amount recoverable from the fund is recognised in trade and other receivables when long service leave is paid to employees.

(iii) Superannuation

Contributions made by the Group to defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

(aa) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated goods and services tax ("GST"), unless the GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ab) Earnings per share

(i) Basic earnings per share

Calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference shares dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

(ii) Diluted earnings per share

Calculated as net profit attributable to members of the parent, adjusted for:

– costs of servicing equity (other than dividends)
– the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses, and
– other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares,

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(ac) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into these financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Following is a summary of the key assumptions concerning the future, and other key sources of estimation and accounting judgements at reporting date that have not been disclosed elsewhere in these financial statements.

(i) Determination of coal resources and reserves

The Group estimates its coal resources and reserves based on information compiled by Competent Persons defined in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2012), which is prepared by the Joint Ore Reserves Committee ("JORC") of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as the – JORC 2012 Code, and the Australian Security Exchange ("ASX") Listing Rules 2012.

Resources and reserves are based on information relating to the geological and technical data on the size, depth, quality of coal and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based on factors such as estimates of foreign exchange rates, coal price, future capital requirements, rehabilitation obligations and production costs, along with geological assumptions and judgements made in estimating the size and quality of reserves.

Consequently, management will form a view of forecast sales prices based on current and long-term historical average price trend.

As economic assumptions used may change and as additional geological information is produced during the operations of a mine, estimates of reserves may change. Such changes may impact the Group's reported financial position and results including:

- the carrying value of the exploration and evaluation assets, mine properties, property, plant and equipment and goodwill may be affected due to changes in estimated future cash flows
- depreciation and amortisation charges in the statement of profit and loss and other comprehensive income may change where such charges are determined using the units of production method, or where the useful life of the related assets change
- the carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The amount of reserves that may actually be mined in the future and the Group's estimate of reserves from time to time in the future may vary from current reserve estimates.

(ii) Deferred mining

Open cut

To determine whether production stripping costs can be capitalised as part of an asset, the Group is required to use judgement to identify the component of the ore body for which access has been improved. The Group is also required to estimate the useful life of the identified component of the ore body that becomes accessible as a result of the stripping activity (refer to Note 1(o)).

Underground

The Group defers mining costs incurred during the production phase of its operations. This calculation requires the use of judgements and estimates relating to the expected number of metres to be retreated over the life of the panel. This information is used to calculate the amortisation of underground longwall panel development costs. Changes in the number of metres to be retreated will usually result in changes to the amortisation of underground longwall panel development costs. These changes are accounted for prospectively (refer to Note 1(o)).

(iii) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in the consolidated statement of profit or loss and other comprehensive income in the period when the new information becomes available.

(iv) Impairment

The Group assesses impairment by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Goodwill is assessed for impairment at each reporting period. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs to sell and value in use calculations which incorporate various key assumptions (refer to Note 17).

(v) Rehabilitation

The calculation of the provisions for rehabilitation and the related mine development assets rely on estimates of the cost to rehabilitate an area which is currently disturbed based on legislative requirements and future costs. The costs are estimated on the basis of a mine closure plan. Cost estimates take into account expectations about future events including the mine lives, the timing of rehabilitation expenditure, regulations, inflation and discount rates. When these expectations change in the future, the provision and where applicable, the mine development assets are recalculated in the period in which they change.

(vi) Royalty receivable

The fair value of the royalty receivable is estimated based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates.

(vii) Marketing services fee

The estimation of the portion of the marketing services fee that is deemed to be above the market norms is based on management's assessment of applicable forecast export sales tonnes, sales prices and fluctuations in foreign exchange rates.

(viii) Take or pay contracts

The recognition of a provision for take or pay is based on management's assessment of contracted port capacity versus forecast usage. Management's judgements relating to the current and future market conditions including the current market for resale of excess contracted capacity have resulted in the recognition of a take or pay liability. The estimate of the provision for take or pay involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits.

(ix) Customer contracts

The estimation of the unfavourable customer contract liability is based on management's assessment of forecast coal prices versus contracted sales prices at the contracted volumes under the sales contracts. Management's estimates of forecast coal prices have resulted in the recognition of a customer contract liability.

(x) Derivatives

The fair value of financial instruments must be estimated for recognition and measurement purposes.

The fair value of financial instruments traded in active markets such as publicly traded derivatives and available-for-sale securities is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market such as over the counter derivatives are determined using valuation techniques that use observable market data at the reporting date where it is available.

(xi) Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ad) Going concern

For the year ended 31 December 2014, the Group had a loss after income tax of $353,486,000 (31 December 2013: loss after income tax of $832,070,000) from continuing operations.

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 regard to the ability of the Group to continue as a going concern:

(i) At 31 December 2014, the Group has a cash balance of $203,614,000.

(ii) At 31 December 2014, the Group has surplus net current assets of $322,566,000.

(iii) The Directors of Yanzhou Coal Mining Company Limited ("Yanzhou") have provided financial support in the form of a A$1.4 billion facility to support the ongoing operations and the expansion of the Group to enable it to pay its debts as and when they fall due, and a US$807 million facility for the 7% coupon distribution of the Subordinated Capital Notes in the first five years.

(iv) The Directors of Yanzhou have provided a letter of support whereby unless revoked by giving not less than 24 months' notice, for so long as Yanzhou owns at least 51% of the shares of Yancoal, Yanzhou will ensure that Yancoal continues to operate so that it remains solvent.

On the basis of these factors, the Directors believe that the going concern basis of preparation is appropriate and the Group will be able to repay its 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.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference and Title	Details of New Standard/Amendment/Interpretation	Impact on Group	Application date for the Group
AASB 9	*Financial Instruments* Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: a) Amortised cost b) Fair value through profit or loss c) Fair value through other comprehensive income The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9: a) Classification and measurement of financial liabilities, and b) Derecognition requirements for financial assets and liabilities However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2018

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* Makes two amendments to AASB 9: a) Adding the new hedge accounting requirements into AASB 9, and b) Making available for early adoption the presentation of changes in "own credit" in other comprehensive income ("OCI") for financial liabilities under the fair value option without early applying the other AASB 9 requirements Under the new hedge accounting requirements: a) The 80–125% highly effective threshold has been removed b) Risk components of non-financial items can qualify for hedge accounting provided that the risk component is separately identifiable and reliably measurable c) An aggregated position (i.e. combination of a derivative and a non-derivative) can qualify for hedge accounting provided that it is managed as one risk exposure d) When entities designate the intrinsic value of options, the initial time value is deferred in OCI and subsequent changes in time value are recognised in OCI e) When entities designate only the spot element of a forward contract, the forward points can be deferred in OCI and subsequent changes in forward points are recognised in OCI. Initial foreign currency basis spread can also be deferred in OCI with subsequent changes to be recognised in OCI f) Net foreign exchange cash flow positions can qualify for hedge accounting	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2018
IFRS 9	*Financial Instruments* Introduces a third measurement category of financial assets (fair value through other comprehensive income) and adds additional application guidance to the contractual cash flows characteristics test and the business model assessment.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2017
IFRS 15	*Revenue from Contracts with Customers* An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 *Revenue*.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) New accounting standards and interpretations (continued)

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 2014-3	*Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* When an entity acquires an interest in a joint operation whose activities meet the definition of a "business" in AASB 3 *Business Combinations*, to the extent of its share of assets, liabilities, revenues and expenses as specified in the contractual arrangement, the entity must apply all of the principles for business combination accounting in AASB 3, and other IFRSs, to the extent that they do not conflict with AASB 11 *Joint Arrangements.* This means that it will expense all acquisition related costs and recognise its share, according to the contractual arrangements, of: a) Fair value of identifiable assets and liabilities, unless fair value exceptions included in AASB 3 or other IFRSs, and b) Deferred tax assets and liabilities that arise from the initial recognition of an asset or liability as required by AASB 3 and AASB 112 *Income Taxes* Goodwill will then be recognised as the excess consideration over the fair value of net identifiable assets acquired.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2016
AASB 2014-4	*Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* Clarifies that use of revenue-based methods for calculating depreciation and amortisation is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of economic benefits embodied in the asset.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2016
AASB 2014-9	*Equity Accounting in Separate Financial Statements* Currently, investments in subsidiaries, associates and joint ventures are accounted for in separate financial statements at cost or at fair value under IAS 39 / IFRS 9. These amendments provide an additional option to account for these investments using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2016
AASB 2014-10	*Sale or Contribution of Assets between An Investor and its Associate or Joint Venture* Removes the inconsistency between IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* in accounting for transactions where a parent loses control over a subsidiary that is not a business under IFRS 3 *Business Combinations*, by selling part of its interest to an associate or joint venture, or by selling down part of its interest so that the remaining investment becomes an associate or joint venture. Requires that: a) Gain or loss from measuring the retained interest in the former subsidiary at fair value, as well as gains or losses to be reclassified from other comprehensive income to profit or loss, only be recognised to the extent of the unrelated investor's interest in that associate or joint venture, and b) Remaining gains or losses to be eliminated against the investment in associate or joint venture	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2016

(af) Parent entity financial information

(i) Investments in subsidiaries, associates and joint arrangements

Investments in subsidiaries, associates and joint arrangements are accounted for at cost less any impairment in the financial statements of Yancoal Australia Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Yancoal Australia Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Yancoal Australia Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Yancoal Australia Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Yancoal Australia Ltd for any current tax payable assumed and are compensated by Yancoal Australia Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Yancoal Australia Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, that is, not as trading or other speculative instruments.

The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, cash flow and fair value interest rate risk and other price risks, and aging analysis for credit risk.

The Group holds the following financial instruments:

(i) Cash and cash equivalents
(ii) Trade and other receivables
(iii) Trade and other payables
(iv) Interest-bearing liabilities, including bank loans and finance leases
(v) Available-for-sale investments
(vi) Royalty receivable, and
(vii) Derivative financial instruments.

The Board of Directors has overall responsibility for determining risk management objectives and policies and risk management is carried out by the Group Audit and Risk Management department along with the Chief Financial Officer and Group Treasury department. The Board provides written principles for overall risk management, as well as policies covering specific areas such as the use of derivative financial instruments to mitigate foreign exchange risk and interest rate risk. These derivative instruments create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation.

The overall objective of the Board is to set policies that seek to reduce risk and volatility in financial performance without unduly affecting competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, securities prices, and coal prices, will affect the Group's income or the value of its holdings of financial instruments.

(i) Foreign exchange risk

The Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the Australian dollar. Export coal sales are denominated in US dollars and a strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flow settlement. Liabilities for some plant and equipment purchases are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement. Foreign exchange risk also arises from US dollar denominated loans whereby volatility of the Australian dollar against the US dollar leads to volatility of profit or loss due to unrealised foreign exchange gain or loss associated with the US dollar denominated loans.

The hedging policy of the Group aims to protect against the volatility of cash expenditures or reduced collection in the above mentioned transactions as well as to reduce the volatility of profit or loss for retranslation of the US dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

Hedging through bank issued instruments

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the profit or loss or recognised as part of the cost of the asset to which it relates. The ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the profit or loss. In the current period, the gain relating to the ineffective portion was $2,433,000 (2013: loss of $3,193,000).

Natural cash flow hedge

The Group currently does not use bank issued instruments to hedge foreign exchange risks in respect of US dollar denominated loans; however, the scheduled repayment of the principal on US dollar loans is designated to hedge the cash flow risks on the portion of forecast US dollar sales that are not hedged through bank issued instruments ("Natural cash flow hedge"). US dollar loan repayments up to a 12-month period are designated to hedge the forecast US dollar sales during the same period after the designation of the hedge relationship based on a dollar for dollar basis until the hedge ratio reaches one.

Hedging effectiveness is determined by comparing the changes in the hedging instruments and hedged sales. Hedge ineffectiveness will occur when cash flows generated by sales transactions are lower than the forecast sales transaction. In cases of hedge ineffectiveness, gains or losses in relation to the excess portion in the foreign exchange movement of the designated US dollar loan repayment will be recycled to profit or loss. The effective portion of changes in the hedging instruments will be recognised in the "cash flow hedge reserve" in other comprehensive income. When sales transactions occur, amounts accumulated in equity are recycled through the profit or loss as part of the sales revenue.

Royalty receivable

The royalty receivable from the Middlemount Joint Venture is estimated based on expected future cash flows that are dependent on sales volumes, US dollar denominated coal prices and the Australian dollar / US dollar foreign exchange rate (refer to Note 10).

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	31 December 2014				31 December 2013			
	USD $'000	GBP $'000	EUR $'000	RMB* $'000	USD $'000	GBP $'000	EUR $'000	RMB $'000
Cash and cash equivalents	**53,200**	**2**	**–**	**106,305**	137,966	2	–	1,555
Trade receivables	**117,512**	**–**	**–**	**–**	119,570	–	–	–
Royalty receivable	**199,120**	**–**	**–**	**–**	208,905	–	–	–
Trade and other payables	**(42,757)**	**(23)**	**(471)**	**–**	(32,296)	–	–	–
Interest-bearing liabilities	**(3,738,742)**	**–**	**–**	**–**	(5,107,611)	–	–	–
Derivative financial instruments	**(15,957)**	**–**	**–**	**–**	(49,615)	–	2,956	–
Net exposure	**(3,427,624)**	**(21)**	**(471)**	**106,305**	(4,723,081)	2	2,956	1,555

* The cash and cash equivalents balance in RMB was $nil on 5 January 2015. No significant foreign exchange risk for sensitivity analysis.

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonably possible change in the Australian dollar / US dollar exchange rate. The Group's exposure to other foreign exchange movements is not material. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. A 10% depreciation / appreciation of the Australian dollar against the US dollar would have (decreased) / increased equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	10% depreciation of AUD / USD		10% appreciation of AUD / USD	
	Profit after income tax $'000	Equity $'000	Profit after income tax $'000	Equity $'000
2014				
Cash and cash equivalents	**4,138**	**–**	**(3,385)**	**–**
Trade and other receivables	**9,140**	**–**	**(7,478)**	**–**
Royalty receivable	**15,487**	**–**	**(12,671)**	**–**
Total increase / (decrease) in financial assets	**28,765**	**–**	**(23,534)**	**–**
Trade and other payables	**(3,326)**	**–**	**2,721**	**–**
Interest-bearing liabilities	**(997)**	**(289,794)**	**816**	**237,104**
Derivative financial instruments	**(5,723)**	**(8,053)**	**4,910**	**21,276**
Total (increase) / decrease in financial liabilities	**(10,046)**	**(297,847)**	**8,447**	**258,380**
Total increase / (decrease) in profit after tax and equity	**18,719**	**(297,847)**	**(15,087)**	**258,380**
2013				
Cash and cash equivalents	10,731	–	(8,780)	–
Trade and other receivables	9,300	–	(7,609)	–
Royalty receivable	14,129	–	(11,560)	–
Total increase / decrease in financial assets	34,160	–	(27,949)	–
Trade and other payables	(2,544)	–	2,081	–
Interest-bearing liabilities	(57,801)	(339,475)	47,292	277,752
Derivative financial instruments	(820)	(61,955)	1,875	28,227
Total (increase) / decrease in financial liabilities	(61,165)	(401,430)	51,248	305,979
Total increase / (decrease) in profit after tax and equity	(27,005)	(401,430)	23,299	305,979

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

2. FINANCIAL RISK MANAGEMENT (continued)
(a) Market risk (continued)
(ii) Price risk

The price risk of the Group includes both coal price risk and equity securities price risk.

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

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonably possible change in the forecasted coal sales price used to determine the fair value of the royalty receivable. A 10% (decrease) / increase in the market price would have (decreased) / increased equity and profit or loss after tax by the amounts shown below. The 10% rate was determined by reference to historical volatility. This analysis assumes that all other variables remain constant.

	-10%		+10%	
	Profit after income tax $'000	Equity $'000	Profit after income tax $'000	Equity $'000
2014				
Royalty receivable	**(13,938)**	**–**	**13,938**	**–**
Total increase / (decrease) in profit after tax and equity	**(13,938)**	**–**	**13,938**	**–**
2013				
Royalty receivable	(12,716)	–	12,716	–
Total increase / (decrease) in profit after tax and equity	(12,716)	–	12,716	–

CVR shares were repurchased by the Company on 4 March 2014 at $3 per share and settled on 11 March 2014. Consequently, the payable and receivable arising from the CVR shares were extinguished.

	-0 cents		+4 cents	
	Profit after income tax $'000	Equity $'000	Profit after income tax $'000	Equity $'000
2013				
Contingent value right shares – receivable	–	–	–	2,454
Contingent value right shares – payable	–	–	(2,454)	–
Total increase / (decrease) in profit after tax and equity	–	–	(2,454)	2,454

(iii) Cash flow and fair value interest rate risk

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

The Group's floating rate borrowings, cash and cash equivalents and restricted cash are carried at amortised cost, therefore there is no exposure to fair value interest rate risk.

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

The Group's exposure to interest rate risk and the effective weighted average interest rate is set out as below:

	31 December 2014		31 December 2013	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	**1.1%**	**203,606**	1.3%	318,001
Restricted cash	**1.5%**	**97**	1.6%	95
Bank loans and other borrowings	**2.1%**	**3,340,649**	2.2%	4,286,221
Net exposure to cash flow interest rate risk		**3,544,352**		4,604,317

Sensitivity

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to a reasonably possible change in variable interest rates. This sensitivity is based on reasonably possible changes, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements. For financial assets, a 25 basis point (decrease)/increase in interest rates would have (decreased)/increased equity and profit or loss after tax by the amounts shown below. For financial liabilities, a 25 basis point (decrease)/increase in interest rates would have increased/(decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	-25 bps		+25 bps	
	Profit after income tax $'000	Equity $'000	Profit after income tax $'000	Equity $'000
2014				
Cash and cash equivalents	**(171)**	**–**	**171**	**–**
Trade and other receivables	**(55)**	**–**	**55**	**–**
Interest-bearing liabilities	**5,846**	**–**	**(5,846)**	**–**
	5,620	**–**	**(5,620)**	**–**
2013				
Cash and cash equivalents	(320)	–	320	–
Trade and other receivables	(55)	–	55	–
Interest-bearing liabilities	7,501	–	(7,501)	–
	7,126	–	(7,126)	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

2. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the marketing department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Credit risk in trade receivables is managed in the following ways:

(i) payment terms and credit limits are set for individual customers

(ii) a risk assessment process is used for all customers, and

(iii) letters of credit are required for those customers assessed as posing a higher risk.

The maximum exposure to credit risk on financial assets which have been recognised in the balance sheet is their carrying amount less impairment provision, if any, as set out below.

	31 December 2014 $'000	31 December 2013 $'000
Cash and cash equivalents	**203,614**	318,001
Trade and other receivables	**697,543**	864,770
Other financial assets	**37**	37
	901,194	1,182,808

Included in trade and other receivables are significant customers located in Australia, Singapore, South Korea and China that account for 39%, 26%, 10% and 9% of trade receivables respectively (2013: 36%, 28%, 16% and 9%).

At 31 December 2014, derivative financial instruments were in a net liability position (2013: net liability position). As a result no credit risk has been disclosed above.

(c) Liquidity risk

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

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

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

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

Liquidity risk is managed by maintaining sufficient cash and liquid deposit balances and having readily accessible standby facilities in place in accordance with the Board's risk management policy. Details regarding finance facilities are set out in Note 23.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities

At 31 December 2014	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	Carrying amount $'000
Non-derivatives						
Trade payables	**280,137**	**500**	**–**	**–**	**280,637**	**280,568**
Interest-bearing liabilities	**228,070**	**229,057**	**846,267**	**3,978,957**	**5,282,351**	**3,779,925**
Total non-derivatives	**508,207**	**229,557**	**846,267**	**3,978,957**	**5,562,988**	**4,060,493**
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	**(290,916)**	**–**	**–**	**–**	**(290,916)**	**(74)**
– outflow	**268,531**	**–**	**–**	**–**	**268,531**	**16,031**
Gross settled (contingent value right shares*)						
– (inflow)	**–**	**–**	**–**	**–**	**–**	**–**
– outflow	**–**	**–**	**–**	**–**	**–**	**–**
Total derivatives	**(22,385)**	**–**	**–**	**–**	**(22,385)**	**15,957**

At 31 December 2013	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	Carrying amount $'000
Non-derivatives						
Trade payables	259,655	500	500	–	260,655	260,505
Interest-bearing liabilities	393,735	326,746	5,224,311	761,550	6,706,342	5,156,870
Total non-derivatives	653,390	327,246	5,224,811	761,550	6,966,997	5,417,375
Derivatives						
Gross settled (Derivative financial instruments)						
– (inflow)	(728,903)	–	–	–	(728,903)	(2,956)
– outflow	781,519	–	–	–	781,519	49,615
Gross settled (contingent value right shares*)						
– (inflow)	(262,936)	–	–	–	(262,936)	(259,430)
– outflow	262,936	–	–	–	262,936	259,430
Total derivatives	52,616	–	–	–	52,616	46,659

* The contingent value right shares receivable was received from Yanzhou prior to the settlement of the contingent value right shares payable was settled (refer to Note 27).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

2. FINANCIAL RISK MANAGEMENT (continued)
(d) Fair value measurements
(i) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2014 and 31 December 2013:

31 December 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	–	72	–	72
Foreign exchange option contracts	–	2	–	2
Royalty receivable	–	–	199,120	199,120
Total assets		74	199,120	199,194
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	–	420	–	420
Foreign exchange option contracts	–	15,611	–	15,611
Total liabilities	–	16,031	–	16,031

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
Royalty receivable	–	–	208,905	208,905
Contingent value right shares – receivable	259,430	–	–	259,430
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

(ii) Valuation techniques

The fair value of financial instruments traded in active markets (such as contingent value right shares) 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 closing 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 and the available-for-sale investment.

Specific valuation techniques used to value financial instruments 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.

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

The following table presents the changes in level 3 instruments for the year ended 31 December 2014:

	Royalty receivable $'000
Opening balance 1 January 2013	**206,454**
Cash received / receivable	**(13,810)**
Unwinding of the discount	**22,248**
Remeasurement of the royalty receivable	**(5,987)**
Closing balance 31 December 2013	**208,905**
Cash received / receivable	**(15,300)**
Unwinding of the discount	**22,291**
Remeasurement of the royalty receivable	**(16,776)**
Closing balance 31 December 2014	**199,120**

Royalty receivable

The fair value of the royalty receivable is 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 a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and 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 external data consistent with the data used for impairment assessments (refer to Note 17). 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.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. SEGMENT INFORMATION
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 new strategies of the Group together with the organisational restructure, the operating segments are now considered at a regional level. However, due to geography and 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.

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 result of the restructure of the Group, the prior period balances have been restated.

(a) Segment information
The segment information for the reportable segments for the year ended 31 December 2014 is as follows:

	Coal Mining			
31 December 2014	**NSW $'000**	**QLD $'000**	**Corporate $'000**	**Total $'000**
Total segment revenue*	1,041,391	332,989	–	1,374,380
Add: Loss on foreign exchange rate contracts	26,690	–	–	26,690
Revenue from external customers	**1,068,081**	**332,989**	**–**	**1,401,070**
Operating EBIT	**(199,414)**	**(3,243)**	**(75,640)**	**(278,297)**
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	–	–	(16,776)	(16,776)
Remeasurement of contingent value right shares	–	–	(3,506)	(3,506)
Depreciation and amortisation expense	(206,410)	(25,062)	(222)	(231,694)
Foreign exchange gain on interest-bearing liabilities	–	–	24,115	24,115
Impairment of mining tenements – reversal	140,000	–	–	140,000
Gain on acquisition of subsidiaries	–	–	28,330	28,330
	(66,410)	**(25,062)**	**31,941**	**(59,531)**
Cash items	–	–	–	–
Total capital expenditure	**163,708**	**20,202**	**770**	**184,680**

* 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. Refer to Note (b) below.

The segment information for the reportable segments for the year ended 31 December 2013 is as follows:

	Coal Mining			
31 December 2013	**NSW $'000**	**QLD $'000**	**Corporate $'000**	**Total $'000**
Total segment revenue*	1,099,856	375,832	–	1,475,688
Add: Loss on foreign exchange rate contracts	25,611	8,751	–	34,362
Revenue from external customers	**1,125,467**	**384,583**	**–**	**1,510,050**
Operating EBIT	**(152,722)**	**22,783**	**(97,206)**	**(227,145)**
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	–	–	(5,987)	(5,987)
Remeasurement of contingent value right shares	–	–	(40,317)	(40,317)
Depreciation and amortisation expense	(242,544)	(24,391)	(3,885)	(270,820)
Foreign exchange loss on interest-bearing liabilities	–	–	(369,539)	(369,539)
Impairment of mining tenements	(343,000)	–	–	(343,000)
	(585,544)	**(24,391)**	**(419,728)**	**(1,029,663)**
Cash items	**–**	**–**	**–**	**–**
Total capital expenditure	**230,771**	**39,854**	**1,209**	**271,834**

* 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. Refer to Note (b) below.

There was no impairment charge or other significant non-cash items recognised during the year ended 31 December 2014 and 31 December 2013 other than those disclosed above.

(b) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties for the reportable segments are measured in a manner consistent with that in the consolidated statement of comprehensive income.

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

	31 December 2014 $'000	**31 December 2013 $'000**
Australia (Yancoal's country of domicile)	**46,564**	182,622
Singapore	**379,204**	464,974
South Korea	**422,432**	361,753
China	**249,216**	231,116
Japan	**165,422**	163,429
Taiwan	**68,740**	50,142
All other foreign countries	**69,492**	56,014
Total revenue from external customers	**1,401,070**	1,510,050

Revenues from the top five external customers were $916,852,000 (2013: $695,149,000) which in aggregate represent approximately 55% (2013: 46%) of the Group's revenues from the sale of coal. These revenues were attributable to the NSW and QLD coal mining segments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. SEGMENT INFORMATION (continued)
(b) Other segment information (continued)
(i) Segment revenue (continued)

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

	31 December 2014 $'000	31 December 2013 $'000
Total segment revenue	**1,374,380**	1,475,688
Management and marketing fees	**3,395**	2,699
Rents and sub-lease rentals	**776**	571
Interest income	**53,146**	50,709
Dividend income	**2**	4
Royalty income	**–**	143
Total revenue from continuing operations (refer to Note 4)	**1,431,699**	1,529,814

(ii) Operating EBIT

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBIT. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and significant impairments of cash generating units. Furthermore, the measure excludes the effects of fair value remeasurements and foreign exchange 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:

	31 December 2014 $'000	31 December 2013 $'000
Operating EBIT	**(278,297)**	(227,145)
Finance costs	**(164,762)**	(124,902)
Remeasurement of royalty receivable	**(16,776)**	(5,987)
Remeasurement of contingent value right shares	**(3,506)**	(40,317)
Foreign exchange gain / (loss) on interest-bearing liabilities	**24,115**	(369,539)
Transaction costs	**–**	(3,582)
Gain on acquisition of subsidiaries	**28,330**	–
Impairment reversal / (impairment) of mining tenements	**140,000**	(343,000)
Loss before income tax from continuing operations	**(270,896)**	(1,114,472)

(iii) Segment capitalised expenditure

Amounts with respect to capital expenditure are measured in a manner consistent with that of the financial statements. Reportable segments' capital expenditure is set out in Note 3(a).

All segment assets are located in Australia.

(iv) Segment liabilities

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

4. REVENUE

	31 December 2014 $'000	31 December 2013 $'000
From continuing operations		
Sales revenue		
Sale of coal	**1,401,070**	1,510,050
Loss on foreign exchange rate contracts	**(26,690)**	(34,362)
	1,374,380	1,475,688
Other revenue		
Management fees	**3,395**	2,699
Rents and sub-lease rentals	**776**	571
Interest income	**53,146**	50,709
Dividends	**2**	4
Royalty income	**–**	143
	57,319	54,126
	1,431,699	1,529,814

5. OTHER INCOME

	31 December 2014 $'000	31 December 2013 $'000
Net gain on foreign exchange*	**30,166**	–
Sundry income	**3,833**	1,220
Gain on acquisition of subsidiaries (refer to Note 38(a))	**28,330**	–
	62,329	1,220

* This includes a net foreign exchange gain amounting to $24,115,000 on the conversion of US dollar denominated interest-bearing liabilities for 2014 (refer to Note 6(d)).

6. EXPENSES

	31 December 2014 $'000	31 December 2013 $'000
Loss before income tax includes the following specific expenses:		
(a) Employee benefits expense		
Defined contribution superannuation expense	**21,688**	19,970
Other employee benefits expenses	**250,983**	241,409
Total employee benefits expenses from continuing operations	**272,671**	261,379

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

6. EXPENSES (continued)

	31 December 2014 $'000	31 December 2013 $'000
(b) Depreciation and amortisation		
Depreciation		
Buildings	**3,220**	3,091
Plant and equipment	**104,826**	130,697
Mine development	**46,462**	47,156
Leased plant and equipment	**3,787**	6,172
Leasehold land	**4**	2
Total depreciation	**158,299**	187,118
Amortisation		
Mining tenements	**75,514**	93,065
Other access rights	**52**	52
Computer software	**2,514**	3,011
Total amortisation	**78,080**	96,128
Total depreciation and amortisation	**236,379**	283,246
Other depreciation and amortisation		
Depreciation and amortisation capitalised	**(4,685)**	(12,426)
Total other depreciation and amortisation	**(4,685)**	(12,426)
Total depreciation and amortisation from continuing operations	**231,694**	270,820
(c) Finance costs		
Finance lease charges	**2,867**	2,990
Unwinding of discount on provisions and deferred payables	**2,528**	1,651
Other interest expenses	**159,367**	120,261
Total finance costs from continuing operations	**164,762**	124,902
(d) Other operating expenses		
Net (gain)/loss on disposal of property, plant and equipment	**(318)**	2,671
Net loss on foreign exchange*	**–**	370,824
Rental expense relating to operating leases	**2,735**	4,446
Remeasurement of royalty receivable (refer to Note 10)	**16,776**	5,987
Remeasurement of contingent value right shares	**3,506**	40,317
Insurance	**7,215**	7,312
Bank fees and other charges	**128,671**	80,578
Duties and other levies	**15,518**	16,577
Travel and accommodation	**9,752**	9,656
Other operating expenses	**4,028**	10,207
Total other operating expenses from continuing operations	**187,883**	548,575

* During 2013, there was a net foreign exchange loss amounting to $369,539,000 on the conversion of US dollar denominated interest-bearing liabilities (refer to Note 5).

7. INCOME TAX BENEFIT

(a) Net tax benefit

	31 December 2014 $'000	31 December 2013 $'000
Income tax (expense) / benefit	**(8,660)**	299,935
Minerals Resource Rent Tax ("MRRT") expense	**(105,614)**	(25,047)
Income tax benefit attributable to MRRT	**31,684**	7,514
	(82,590)	282,402
Net tax (expenses) / benefit is attributable to:		
Continuing operations	**(82,590)**	282,402

(b) Income tax benefit

Current tax benefit	**16**	172,471
Deferred tax benefit / (expense)	**(8,676)**	127,464
	(8,660)	299,935
Deferred tax benefit / (expense) included in income tax benefit comprises:		
Increase / (decrease) in deferred tax assets (refer to Note 18)	**159,224**	(9,924)
(Increase) / decrease in deferred tax liabilities (refer to Note 28)	**(167,900)**	137,388
	(8,676)	127,464

(c) Minerals Resource Rent Tax

Deferred tax expense	**(105,614)**	(25,047)
Income tax benefit attributable to MRRT	**31,684**	7,514
Deferred tax benefit included in MRRT expense comprises:		
Write off deferred tax balances attributable to MRRT	**(105,614)**	–
Decrease in deferred tax assets (refer to Note 18)	**–**	(57,181)
Decrease in deferred tax liabilities (refer to Note 28)	**–**	32,134
	(105,614)	(25,047)

(d) Reconciliation of income tax benefit to prima facie tax payable

Loss from continuing operations before tax	**(270,896)**	(1,114,472)
Tax at the Australian tax rate of 30% (2013 – 30%)	**81,268**	334,341
Tax effect of amounts which are not deductible / taxable in calculating taxable income:		
Remeasurement of CVR shares (equity interest)	**(1,052)**	(12,095)
Share of loss of equity-accounted investees not deductible	**(18,446)**	(18,854)
Gain on acquisition of subsidiaries	**8,498**	–
Reversal of temporary differences – transaction related	**45**	–
Losses derecognised	**(39,435)**	–
Plant and equipment	**3,416**	–
Under / over provision in prior years	**(37,986)**	(2,993)
Other	**(4,968)**	(464)
Income tax (expense) / benefit	**(8,660)**	299,935

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FOR THE YEAR ENDED 31 DECEMBER 2014

7. INCOME TAX BENEFIT continued

	31 December 2014 $'000	31 December 2013 $'000
(e) Reconciliation of MRRT (expense)/benefit		
(Loss) from continuing operations before tax	**(270,896)**	(1,114,473)
Tax at the Australian tax rate of 22.5% (2013 – 22.5%)	**–**	250,756
Tax effect of amounts which are not deductible/taxable in calculating taxable income:		
Other income/(expense) not subject to MRRT	**–**	(214,859)
Tax benefit of royalty allowances	**–**	102,923
Derecognition of tax benefit on allowances	**–**	(120,671)
Derecognition of tax benefit on losses	**–**	(43,196)
Write off of deferred tax balances attributable to MRRT	**(105,615)**	–
MRRT (expense)/benefit	**(105,615)**	(25,047)
(f) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Cash flow hedges	**142,442**	103,683
Subordinated Capital Note transaction costs	**3,981**	–
	146,423	103,683

(g) Tax consolidation legislation

Yancoal Australia Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation for both income tax and MRRT purposes. The accounting policy in relation to this legislation is set out in Note 1(af).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Yancoal Australia Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Yancoal Australia Ltd for any current tax payable assumed and are compensated by Yancoal Australia Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Yancoal Australia Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

8. CASH AND CASH EQUIVALENTS

	31 December 2014 $'000	31 December 2013 $'000
Cash at bank and in hand	**92,419**	318,001
Deposits at call	**111,195**	–
	203,614	318,001

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 2. The maximum exposure to credit risk on the cash and cash equivalents balance at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9. TRADE AND OTHER RECEIVABLES

	31 December 2014 $'000	31 December 2013 $'000
Current		
Trade receivables	**224,250**	157,184
Other receivables (i)	**58,898**	38,978
Cash – restricted (refer to Note 23(e)(ii))	**5,723**	19,205
Promissory note receivable (ii)	**21,174**	21,174
Receivable from parent entity on settlement of CVR shares (refer to Note 27)	**–**	259,430
	310,045	495,971

(i) Other receivables includes a stamp duty refund receivable of $14,201,000 (2013: $14,201,000). The stamp duty refund receivable is subject to an ongoing discussion with the New South Wales Office of State Revenue and management expects that this amount will be refunded within the next 12 months.

(ii) Promissory notes to the value of $674,314,000 were issued to the Group by Yanzhou Coal Mining Company Limited on 22 June 2012, including promissory notes of $21,174,000 with regard to the expected tax on the disposal. Management believes that this will be settled within the next 12 months.

	31 December 2014 $'000	31 December 2013 $'000
Non-current		
Advances to associate (refer to Note 36(f))	**–**	29,597
Receivables from joint venture (refer to Note 36(f))	**339,968**	292,260
Receivables from other entities (iii)	**47,318**	46,820
Cash – restricted	**212**	122
	387,498	368,799

(iii) Receivables from other entities represent the Group's investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ("WICET"). These include E Class Wiggins Island Preference Securities ("WIPS") of $15,320,000 (2013: $15,320,000) and Gladstone Long Term Securities ("GiLTS") of $31,500,000 (2013: $31,500,000).

(a) Past due but not impaired

As at 31 December 2014 (2013: nil), there were no trade receivables that were past due.

The stamp duty refund receivable (refer to Note 9(i)) and the promissory note receivable (refer to Note 9(ii)) are subject to ongoing discussions with the parties involved and management believes that these discussions will be concluded and the full amount will be received within next the 12 months and therefore not impaired. The Group does not hold any collateral in relation to these receivables. The other classes within trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

(b) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 2.

(c) Fair value and credit risk

Due to the nature of these receivables, their carrying amount is assumed to approximate their fair value.

Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

10. ROYALTY RECEIVABLE

	31 December 2014 $'000	31 December 2013 $'000
Opening balance	**208,905**	206,454
Cash received / receivable	**(15,300)**	(13,810)
Unwinding of the discount	**22,291**	22,248
Remeasurement of royalty receivable (refer to Note 6(d))	**(16,776)**	(5,987)
	199,120	208,905
Split between:		
Current	**17,766**	19,444
Non-current	**181,354**	189,461
	199,120	208,905

A right to receive a royalty of 4% of Free on Board Trimmed sales from the Middlemount Mine was acquired as part of the merger with Gloucester Coal Ltd. This financial asset has been determined to have a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

The royalty receivable is measured based on management's expectations of the future cash flows with the remeasurement recorded in the statement of comprehensive income at each reporting date.

The amount expected to be received during the next 12 months is disclosed as a current receivable and the discounted expected future cash flow beyond 12 months is disclosed as a non-current receivable.

Unwinding of the discount is included in interest income (refer to Note 4).

(a) Risk exposure and fair value measurements

Information about the Group's exposure to price risk, foreign exchange risk and methods and assumptions used in determining fair value of the royalty receivable is provided in Note 2.

11. INVENTORIES

	31 December 2014 $'000	31 December 2013 $'000
Coal – at lower of cost or net realisable value	**77,866**	102,163
Tyres and spares – at cost	**33,493**	33,151
Fuel – at cost	**1,349**	1,287
	112,708	136,601

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 31 December 2014 amounted to $6,326,000 (2013: $7,165,000). 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.

12. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014 $'000	31 December 2013 $'000
Current assets		
Forward foreign exchange contracts receivable ((a)(i))	**72**	2,295
Collar option contracts ((a)(ii))	**2**	661
Total current derivative financial instrument assets	**74**	2,956
Current liabilities		
Forward foreign exchange contracts payable ((a)(i))	**(420)**	(33,000)
Collar option contracts ((a)(ii))	**(15,611)**	(16,615)
Total current derivative financial instrument liabilities	**(16,031)**	(49,615)
Net current derivative financial instruments	**(15,957)**	(46,659)

(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 foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 2).

(i) Forward foreign 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 31 December 2014, the outstanding sell USD contracts are hedging highly probable forecasted sales of coal, whereas the outstanding buy AUD and USD contracts relate to the settlement of CNY term deposits. The contracts are timed to settle when the CNY term deposits mature.

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 a 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.

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 year ended 31 December 2014, a loss of $26,690,000 (2013: loss of $26,583,000) was recycled from other comprehensive income to profit or loss in respect of the forward foreign exchange contracts and collar options.

(b) Risk exposures and fair value measurements

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains.

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 2.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

13. OTHER CURRENT ASSETS

	31 December 2014 $'000	31 December 2013 $'000
Prepayments	**17,366**	11,827
Deferred mining costs (i)	**7,322**	17,158
	24,688	28,985

(i) During the year ended 31 December 2014, the Group's underground operations deferred $13,677,000 (2013: $37,938,000) in respect of longwall panel development and released $20,613,000 (2013: $22,408,000) to the consolidated statement of profit or loss and other comprehensive income. This is based on the production metres developed / retreated from the underground longwall operations during the year. Refer to Note 21 for the non-current deferred mining costs.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	31 December 2014 $'000	31 December 2013 $'000
Investment in associates (refer to Note 41)	**–**	3,035
Interest in joint venture (refer to Note 41)	**25,415**	86,899
	25,415	89,934

15. OTHER FINANCIAL ASSETS

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount		
Split between	**37**	37
Current	**–**	–
Non-current	**37**	37
	37	37

The balance at 31 December 2014 relates to the investment in Port Waratah Coal Services Limited ("PWCS").

(a) Impairment and risk exposure

Due to the nature of these financial assets, their carrying amount is assumed to approximate their fair value.

16. PROPERTY, PLANT AND EQUIPMENT

	Assets under construction $'000	Freehold land and buildings $'000	Mine development $'000	Plant and equipment $'000	Leased plant and equipment $'000	Leasehold land $'000	Total $'000
Year ended 31 December 2013							
Opening net book amount	294,694	192,447	360,285	877,706	34,557	–	1,759,689
Transfers – assets under construction	(244,954)	31,580	98,436	114,312	–	70	(556)
Transfers – reclassification	–	(48)	–	48	–	–	–
Other additions	224,188	1,028	13,753	7,104	20,722	–	266,795
Other disposals	–	(83)	–	(2,146)	–	–	(2,229)
Depreciation charge	–	(3,091)	(47,156)	(130,697)	(6,172)	(2)	(187,118)
Closing net book amount	273,928	221,833	425,318	866,327	49,107	68	1,836,581
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

	Assets under construction $'000	Freehold land and buildings $'000	Mine development $'000	Plant and equipment $'000	Leased plant and equipment $'000	Leasehold land $'000	Total $'000
Year ended 31 December 2014							
Opening net book amount	**273,928**	**221,833**	**425,318**	**866,327**	**49,107**	**68**	**1,836,581**
Acquisition through business combination	**3,622**	**24,727**	**8,905**	**13,466**	**–**	**–**	**50,720**
Transfers – assets under construction	**(139,681)**	**3,911**	**77,031**	**56,673**	**–**	**–**	**(2,066)**
Other additions	**164,656**	**–**	**11,355**	**4,324**	**–**	**–**	**180,335**
Other disposals	**–**	**–**	**(42)**	**(342)**	**–**	**–**	**(384)**
Depreciation charge	**–**	**(3,220)**	**(46,462)**	**(104,826)**	**(3,787)**	**(4)**	**(158,299)**
Closing net book amount	**302,525**	**247,251**	**476,105**	**835,622**	**45,320**	**64**	**1,906,887**
At 31 December 2014							
Cost	**302,525**	**259,239**	**624,541**	**1,333,583**	**56,530**	**70**	**2,576,488**
Accumulated depreciation	**–**	**(11,988)**	**(148,436)**	**(497,961)**	**(11,210)**	**(6)**	**(669,601)**
Net book amount	**302,525**	**247,251**	**476,105**	**835,622**	**45,320**	**64**	**1,906,887**

(a) Non-current assets pledged as security

Refer to Note 23(e) for information on non-current assets pledged as security by the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

17. MINING TENEMENTS

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount	**2,251,841**	2,646,868
Acquisition through business combination	**149,877**	–
Transfers – exploration	**–**	41,038
Provision for impairment	**–**	(343,000)
Reversal of provision for impairment	**140,000**	–
Amortisation for the period	**(75,514)**	(93,065)
Closing net book amount	**2,466,204**	2,251,841

(a) Impairment assessment
In the prior year, business performance was reviewed by management on a mine by mine basis and each mine was considered to be a separate cash generating unit ("CGU"). As a result of a restructure and revenue optimisation strategy, the Group is now operating on a regional basis within NSW and as such the NSW mines, including Moolarben, were considered to be one CGU from January 2014. There are benefits which have flowed to the NSW region CGU from blended coal in the past year and further benefits are expected in future years. Given the blending strategy has only recently been implemented and there remains some uncertainty in future thermal coal prices, the Group has not assessed this to be a trigger for impairment reversal as at year end.

During the year, there has been an improvement in current and life of mine operating costs and an increase in the JORC reserves at the Moolarben mine. An impairment charge was recognised for Moolarben in 2013 (when it was its own CGU). These factors have been considered a trigger for impairment reversal within the NSW region CGU. An impairment reversal of $140 million has been recognised through the income statement. The recoverable amount for Moolarben was determined to be $2.1 billion. This forms part of the Coal mining – NSW segment.

The recoverable amount has been determined using the fair value less costs of disposal method. To provide an indication about the reliability of the inputs used in determining fair value the accounting standards prescribe three levels under which fair value measurements should be categorised (refer to Note 2(d) for further details). The fair value model adopted has been categorised as level 3.

Fair value less costs of disposal 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$67–US$108 per tonne for thermal coal and US$96 – US$148 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 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 $0.78 is based on externally verifiable sources. The year-end AUD/USD exchange rate was $0.82 per the Reserve Bank of Australia.

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, life of mine plans and project evaluations performed by the Group in its ordinary course of business.

The Group has applied a post-tax discount rate of 11% (2013: 11%) to discount the forecast future attributable post-tax cash flows. 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 ordinary course of business.

Based on the above assumptions at 31 December 2014 the recoverable amount is determined to be above book value for all CGUs resulting in no further impairment.

Based on the impairment review at 30 June 2013, the recoverable amount of Moolarben and Stratford & Duralie was determined to be less than the book value resulting in an impairment provision of $258 million for Moolarben and $85 million for Stratford & Duralie. Other than the $140 million impairment reversal at Moolarben noted above, management believes that it is not appropriate to reverse any further provision recognised at 30 June 2013.

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

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 coal reserves and resources and the cost of mining those reserves and resources together with expected future expansion projects and any related capital expenditure.

Moolarben and Stratford & Duralie are both included in the NSW region CGU. Management may consider further reversals of the impairment provision recognised at 30 June 2013, if there was an increase in the average long-term real revenue over the life of the mine due to either an increase in US$ coal prices or a further weakening of the AUD/USD foreign exchange rate, or combination of both, or further reductions in the current and life of mine operating costs, capital expenditure requirements or an increase in the reserve.

18. DEFERRED TAX ASSETS

(a) Deferred tax assets

	31 December 2014 $'000	31 December 2013 $'000
Deferred tax assets from income tax	**836,788**	529,293
Deferred tax assets from MRRT	**–**	281,266
Income tax deferred tax asset attributable to the MRRT deferred tax liabilities (refer to Note 28)	**–**	52,695
	836,788	863,254

(b) Income tax

	31 December 2014 $'000	31 December 2013 $'000
The balance comprises temporary differences attributable to:		
Tax losses and offsets	**511,659**	339,524
Intangible assets	**–**	4,916
Provisions	**40,574**	42,129
Trade and other payables	**16,565**	18,558
Finance lease liabilities	**12,533**	14,768
Cash flow hedges	**244,127**	100,743
Other	**11,330**	8,655
Total deferred tax assets	**836,788**	529,293
Deferred tax assets expected to be recovered within 12 months	**25,703**	21,843
Deferred tax assets expected to be recovered after more than 12 months	**811,085**	507,450
	836,788	529,293

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18. DEFERRED TAX ASSETS continued

(b) Income tax (continued)

Movements	Tax losses and offsets $'000	Intangible assets $'000	Provisions $'000	Trade and other payables $'000	Finance lease liabilities $'000	Cash flow hedges $'000	Other $'000	Total $'000
At 1 January 2013	167,058	6,763	43,419	23,083	10,680	–	15,005	266,008
(Charged) / credited – to profit or loss	172,466	(1,847)	(1,290)	(4,525)	4,088	–	(6,350)	162,542
Reclassification from DTL	–	–	–	–	–	100,743	–	100,743
At 31 December 2013	339,524	4,916	42,129	18,558	14,768	100,743	8,655	529,293
At 1 January 2014	**339,524**	**4,916**	**42,129**	**18,558**	**14,768**	**100,743**	**8,655**	**529,293**
Under / over provision in prior year	**(47,990)**	**(5,953)**	**171**	**7,722**	**188**	**1,030**	**(3,516)**	**(48,348)**
(Charged) / credited								
– to profit or loss	**259,559**	**(643)**	**(3,676)**	**(9,715)**	**(2,423)**	**–**	**2,210**	**245,312**
– directly to equity	**–**	**–**	**–**	**–**	**–**	**142,354**	**3,981**	**146,335**
– derecognised tax losses	**(39,434)**	**–**	**–**	**–**	**–**	**–**	**–**	**(39,434)**
Acquisition of subsidiaries	**–**	**–**	**1,950**	**–**	**–**	**–**	**–**	**1,950**
Reclassification to DTL	**–**	**1,680**	**–**	**–**	**–**	**–**	**–**	**1,680**
At 31 December 2014	**511,659**	**–**	**40,574**	**16,565**	**12,533**	**244,127**	**11,330**	**836,788**

Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses / credits can be utilised. The Group has unrecognised capital tax losses (tax effected) of $2,600,000 (2013: capital tax losses $2,400,000).

(c) MRRT

	31 December 2014 $'000	31 December 2013 $'000
The balance comprises temporary differences attributable to:		
Starting base assets	**–**	118,972
Royalty allowance	**–**	98,515
Tax losses	**–**	41,448
Other	**–**	22,331
Total deferred tax assets	**–**	281,266
Income tax deferred tax liability attributable to MRRT deferred tax assets	**–**	(84,380)
Deferred tax assets expected to be recovered after more than 12 months	**–**	281,266
	–	281,266

Movements	Starting base assets $'000	Royalty allowance $'000	Tax losses $'000	Other $'000	Total $'000
At 1 January 2013	222,570	50,919	42,717	22,241	338,447
(Charged) / credited – to profit or loss	(103,598)	47,596	(1,269)	90	(57,181)
At 31 December 2013	118,972	98,515	41,448	22,331	281,266
At 1 January 2014	**118,972**	**98,515**	**41,448**	**22,331**	**281,266**
(Charged) / credited – to profit or loss	**(118,972)**	**(98,515)**	**(41,448)**	**(22,331)**	**(281,266)**
At 31 December 2014	**–**	**–**	**–**	**–**	**–**

On 1 October 2014, the MRRT was abolished; accordingly, the current and deferred MRRT assets and liabilities have been derecognised in 2014.

19. INTANGIBLE ASSETS

	Goodwill $'000	Computer software $'000	Access rights and other licences $'000	Total $'000
At 1 January 2013				
Cost	97,250	21,706	1,731	120,687
Accumulated amortisation	–	(3,851)	(139)	(3,990)
Net book amount	97,250	17,855	1,592	116,697
Year ended 31 December 2013				
Opening net book amount	97,250	17,855	1,592	116,697
Other additions	–	111	–	111
Transfers – assets under construction	–	556	–	556
Other disposals	–	(732)	–	(732)
Amortisation charge	–	(3,011)	(52)	(3,063)
Closing net book amount	97,250	14,779	1,540	113,569
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
Year ended 31 December 2014				
Opening net book amount	**97,250**	**14,779**	**1,540**	**113,569**
(Derecognition) / acquisition through business combination	**(36,982)**	**–**	**3,010**	**(33,972)**
Transfers – assets under construction	**–**	**2,066**	**–**	**2,066**
Amortisation charge	**–**	**(2,514)**	**(52)**	**(2,566)**
Closing net book amount	**60,268**	**14,331**	**4,498**	**79,097**
At 31 December 2014				
Cost	**60,268**	**20,881**	**4,788**	**85,937**
Accumulated amortisation	**–**	**(6,550)**	**(290)**	**(6,840)**
Net book amount	**60,268**	**14,331**	**4,498**	**79,097**

(a) Impairment tests for goodwill

The goodwill at 31 December 2014 relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arm's length transaction and was allocated to the Yarrabee mine. The recoverable amount of goodwill is determined using the fair value less cost of disposal method. Refer to Note 17 for the details regarding the value in use calculation performed at 31 December 2014.

The cash generating unit ("CGU") for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

The recoverable amount is most sensitive to revenue, which is primarily dependent on estimated future US$ coal prices and the AUD / USD forecast exchange rate. In order for the estimated recoverable amount to be equal to the carrying amount, the average long-term real revenue over the life of mine would need to decrease by 3% due to either a decrease in US$ coal prices or a strengthening of the AUD / USD foreign exchange rate, or a combination of both. If the highest externally verifiable coal price forecast was used, the decrease necessary would be 7%.

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20. EXPLORATION AND EVALUATION ASSETS

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount	**909,160**	945,270
Remeasurement through business combination	**(17,889)**	–
Other additions	**4,770**	4,928
Transfers – mining tenements	**–**	(41,038)
Closing net book amount	**896,041**	909,160

21. OTHER NON-CURRENT ASSETS

	31 December 2014 $'000	31 December 2013 $'000
Prepayments	**18,717**	18,752
Deferred mining costs (refer to Note 13)	**7,861**	4,961
Customer contracts	**4,611**	6,037
	31,189	29,750

22. TRADE AND OTHER PAYABLES

	31 December 2014 $'000	31 December 2013 $'000
Current		
Trade payables	**181,438**	173,519
Other payables	**42,987**	33,256
Deferred payables	**500**	500
Payroll costs payable	**55,212**	52,381
	280,137	259,656
Non-current		
Deferred payables	**431**	849
	431	849

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in Note 2.

(b) Fair value

The book value of trade and other payables is assumed to approximate their fair value. The carrying value of the deferred payables is based on cash flows discounted using a rate of 7.5%.

Refer to Note 2 for the Group's liquidity risk management policy.

23. INTEREST-BEARING LIABILITIES

	31 December 2014 $'000	31 December 2013 $'000
Current		
Secured		
Bank loans	**6,767**	115,971
Lease liabilities (refer to Note 35(b)(ii))	**8,089**	7,891
Total secured current interest-bearing liabilities	**14,856**	123,862
Total current interest-bearing liabilities	**14,856**	123,862
Non-current		
Secured		
Bank loans	**3,346,706**	3,073,892
Lease liabilities (refer to Note 35(b)(ii))	**33,095**	41,369
Total secured non-current interest-bearing liabilities	**3,379,801**	3,115,261
Unsecured		
Loans from related parties	**385,268**	1,917,747
Total unsecured non-current interest-bearing liabilities	**385,268**	1,917,747
Total non-current interest-bearing liabilities	**3,765,069**	5,033,008
Total interest-bearing liabilities	**3,779,925**	5,156,870

In February 2014, the Company successfully arranged a long-term loan facility from Yancoal International (Holding) Co., Ltd, a wholly-owned subsidiary of the Company's majority shareholder, Yanzhou Coal Mining Company Limited. The facility was for US$300 million and was provided on an unsecured basis with no covenants. The purpose of the facility was to fund working capital and capital expenditure. The facility was cancelled on 31 December 2014.

In December 2014, the Company successfully arranged a long-term loan facility from its majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for A$1,400 million and has a term of 10 years (with the principal repayable at maturity) and is provided on an unsecured and subordinated basis with no covenants. The purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both A$ and US$.

In December 2014, the Company successfully arranged a long-term loan facility from its majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for US$807 million and has a term of 10 years (with the principal repayable at maturity) and is provided on an unsecured and subordinated basis with no covenants. The purpose of the facility is to fund the coupon payable on subordinated perpetual convertible unsecured capital notes ("Subordinated Capital Notes").

On 31 December 2014, the Company issued 18,005,102 Subordinated Capital Notes at an issue price of US$100 per note. Noteholders will be permitted to convert the Subordinated Capital Notes into Yancoal Australia Ltd's ordinary shares during a 30-year conversion period. Each Subordinated Capital Note is initially convertible into 1,000 Yancoal Australia Ltd ordinary shares. The Company raised proceeds of US$1,801 million from the Subordinated Capital Notes issuance.

The Company applied US$1,800 million of the Subordinated Capital Notes issuance proceeds to repay senior debt owing to its majority shareholder, Yanzhou Coal Mining Company Limited and its wholly-owned subsidiaries Yancoal International (Holding) Co. Ltd. and Yancoal International Resources Development Co. Ltd. HK.

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23. INTEREST-BEARING LIABILITIES continued

The following table illustrates senior debt repaid on 31 December 2014:

Lender	Borrower	Principal US$'000	Repayment US$'000	Balance at 31 December 2014 US$'000
Yancoal International Resources Development Co. Ltd. HK	Yancoal Australia Ltd	170,000	170,000	–
Yancoal International Resources Development Co. Ltd. HK	Yancoal Australia Ltd	550,000	434,003	115,997
Yanzhou Coal Mining Company Limited	Yancoal Australia Ltd	296,000	296,000	–
Yancoal International (Holding) Co. Ltd. HK	Yancoal Australia Ltd	250,000	250,000	–
Yancoal International (Holding) Co. Ltd. HK	Yancoal Australia Ltd	300,000	300,000	–
Yanzhou Coal Mining Company Limited	Yancoal Australia Ltd	150,000	150,000	–
Yanzhou Coal Mining Company Limited	Yancoal Australia Ltd	100,000	100,000	–
Yancoal International (Holding) Co. Ltd. HK	Yancoal Australia Ltd	100,000	100,000	–
		1,916,000	**1,800,003**	**115,997**

(a) Financing arrangements

	31 December 2014 $'000	31 December 2013 $'000
Financing facilities		
Secured bank loans	**3,353,474**	3,189,863
Bank guarantees	**447,736**	381,318
Unsecured loans from related parties	**2,383,906**	2,029,504
	6,185,116	5,600,685
Facilities utilised at reporting date		
Secured bank loans	**3,353,474**	3,189,863
Bank guarantees	**408,845**	298,767
Unsecured loans from related parties	**385,268**	1,917,747
	4,147,587	5,406,377
Facilities not utilised at reporting date		
Bank guarantees	**38,891**	82,551
Unsecured loans from related parties	**1,998,638**	111,757
	2,037,529	194,308

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current interest-bearing liabilities are set out in Note 2.

(c) Fair value disclosures

Details of the fair value are set out in Note 2.

(d) 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 31 December 2014 was US$2,740,000,000.

These facilities were extended during 2012 for an additional five years as part of the Merger Proposal Deed with Gloucester Coal Ltd.

During 2014, the Syndicated Facility was further extended for an additional three years and included certain financial covenants to be tested half-yearly.

The financial covenants are detailed below:

(a) the gearing ratio of the Group will not exceed 0.90 on 30 June 2014 and 0.80 on 31 December 2014 and thereafter

(b) the interest cover ratio will not be less than 1.15 for the 12-month period ended on 30 June 2014 and 1.15 for the 12-month period ending on 30 June 2016, and

(c) the consolidated net worth of the Group is not less than A$1,600,000,000 on 31 December 2014 and thereafter.

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

The interest cover ratio financial covenant for the 12-month period ended on 30 June 2014 was deferred to 30 June 2016. The Agent of the facilities confirmed that the deferral 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 31 December 2014 was US$10,519,000.

The outstanding balance of the loan was secured with a term deposit which covered the full balance of the loan. During 2014, the term deposit was released and the loan was secured by a standby letter of credit of A$12,825,000 issued by Westpac Banking Corporation.

(e) Security

Information about the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out below:

(i) Syndicated facility agreements

Bank guarantee facility

A bank guarantee facility of A$300,000,000 has been issued for operational purposes in favour of ports, rail, government departments and other operational functions. At 31 December 2014, the aggregated amount of guarantees issued is A$268,046,000. Securities are held over the Yarrabee, Ashton, and Moolarben mine assets with a carrying value of A$2,957,000,000.

Term debt facility

A loan facility was taken out to fund the acquisition of the Felix Resources Group in 2009. The facility is for up to US$2,900,000,000 and had been fully drawn down in 2009. During 2014, the Group has repaid US$99,310,000 in relation to the facility (2013: US$100,345,000). Security is held in the form of a corporate guarantee issued by the Company's majority shareholder, Yanzhou Coal Mining Company Limited, for the full amount of the facility.

(ii) Bilateral facility agreements

Bank guarantee facility

(a) A bank guarantee facility of A$47,000,000 has been issued for operational purposes in favour of ports, rail, government departments and other operational functions. At 31 December 2014, the aggregated amount of guarantees issued is A$40,064,000. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited for the full amount of the facility.

(b) A bank guarantee facility of A$100,736,000 has been issued for operational purposes in favour of ports, rail, government departments and other operational functions. At 31 December 2014, the aggregated amount of guarantees issued is A$100,736,000. Security held over this facility is a cash deposit of A$10,672,000, included in restricted cash (refer to Note 9).

Term debt facility

A loan facility was taken out to fund the acquisition of the Felix Resources Group in 2009. The facility is for up to US$140,000,000. At 31 December 2014, the entire facility had been drawn down. Security is held in the form of a corporate guarantee issued by the Company's majority shareholder, Yanzhou Coal Mining Company Limited, for the full amount of the facility.

(iii) Chattel Mortgage

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group inherited a chattel mortgage facility of US$21,700,000. At 31 December 2014, the balance of the facility was US$10,519,000. The outstanding balance of the loan is secured by a standby letter of credit of A$12,825,000 issued by Westpac Banking Corporation. Security is also held in the form of 11 trucks with a carrying value of A$13,464,000.

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24. PROVISIONS

	31 December 2014 $'000	31 December 2013 $'000
Current		
Employee benefits – long service leave	**482**	452
R&D	**23,000**	–
Customer contracts	**–**	3,472
Rehabilitation	**1,717**	4,356
Take or pay	**10,106**	11,799
	35,305	20,079
Non-current		
Employee benefits – long service leave	**72**	80
Make good	**899**	114
Marketing services fee	**6,115**	6,115
Rehabilitation	**70,986**	64,287
Take or pay	**46,149**	49,754
	124,221	120,350

(a) Movements in provisions
Movements in each class of provision during the financial year are set out below:

2014	Employee benefits $'000	Marketing services fee $'000	Customer contracts $'000	Rehab-ilitation $'000	Take or pay $'000	Make good $'000	R&D $'000	Total $'000
Opening net book amount	532	6,115	3,472	68,643	61,553	114	–	140,429
Charged / (credited) to profit or loss								
– unwinding of discount	21	–	–	2,465	–	–	–	2,486
– release of the provision	–	–	(3,472)	–	(11,798)	–	–	(15,270)
– rehabilitation expenditure incurred	–	–	–	(2,638)	–	–	–	(2,638)
Remeasurement of provisions	201	–	–	3,525	–	785	–	4,511
Additions on business combination	–	–	–	708	6,500	–	23,000	30,208
Amounts paid on termination of employment	(200)	–	–	–	–	–	–	(200)
Closing net book amount	554	6,115	–	72,703	56,255	899	23,000	159,526
Split between:								
Current	482	–	–	1,717	10,106	–	23,000	35,305
Non-current	72	6,115	–	70,986	46,149	899	–	124,221
	554	6,115	–	72,703	56,255	899	23,000	159,526

2013	Employee benefits $'000	Marketing services fee $'000	Customer contracts $'000	Rehab-ilitation $'000	Take or pay $'000	Make good $'000	R&D $'000	Total $'000
Opening net book amount	431	6,115	12,212	47,486	78,567	–	–	144,811
Charged / (credited) to profit or loss								
– unwinding of discount	13	–	–	1,540	–	–	–	1,553
– rehabilitation expenditure incurred	–	–	–	(4,512)	–	–	–	(4,512)
– release of provision	-	–	(12,212)	–	(17,014)	–	–	(29,226)
Remeasurement of provisions	88	–	–	24,129	-	114	–	24,331
Transfers – reclassification to trade and other receivables – non-current	–	–	3,472	–	–	–	–	3,472
Closing net book amount	532	6,115	3,472	68,643	61,553	114	–	140,429
Split between:								
Current	452	–	3,472	4,356	11,799	–	–	20,079
Non-current	80	6,115	–	64,287	49,754	114	–	120,350
	532	6,115	3,472	68,643	61,553	114	–	140,429

Marketing services fee provision

At the time of acquisition of Gloucester, a liability was recognised for the portion of Marketing services fee payable to Noble Group Limited ("Noble") by Donaldson Coal Pty Ltd (a wholly-owned subsidiary of Gloucester) which is deemed to be above market norms. The agreement was entered into with Noble, for Noble Marketing to provide international marketing services, advice and information in relation to the sale and marketing of export coal. The agreement expires on 31 December 2040 and the fee is calculated as 2% times the actual export sales in excess of 3.5 mtpa (but not exceeding 11.75 mtpa) times the volume weighted average gross sales price per tonne of Free on Board Trimmed Sales ("FOBT").

Customer contract provision

At the time of acquisition of Gloucester, a liability was recognised for the out of the money sales contracts held by Donaldson Coal Pty Ltd (a wholly-owned subsidiary of Gloucester). The value of the liability is representative of the discounted value of the out of the money portion of the contracts. The liability will be released over the life of the contracts as the sales commitments are satisfied.

Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2032. These provisions have been created based on management's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain (Note 1(ac)).

Take or pay provision

At the time of acquisition of Gloucester, the Gloucester Group held forecast excess capacity for port and rail contracts. A liability was recognised for the discounted estimated excess capacity contracted for at the time of the acquisition. The provision has a finite life and will be released over the period in which excess capacity is realised.

Make good provision

The provision was made for hired equipment in case of major overhaul at the end of the lease period. Should the equipment be acquired by the Group at the end of the lease period, the balance of the provision will be set against acquisition costs.

Research and development provision

The Group has made a provision with respect to tax claims made in relation to the Ashton R&D project, which is under review by both AusIndustry / Innovation Australia and the Australian Taxation Office. A formal settlement deed is yet to be finalised and no amended assessments have been issued at the reporting date. The liability is expected to be settled within 12 months of the reporting date.

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25. PROMISSORY NOTE PAYABLE

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount	–	586,970
Repayment of promissory note	–	(586,970)
Closing net book amount	–	–

The promissory note payable was in respect of the Gloucester Coal Ltd capital return approved by former Gloucester shareholders at the general meeting on 4 June 2012. The capital return of $2.68 per Gloucester share amounted to $586,970,000. The capital return was paid in January 2013 and as such, the promissory note was fully settled.

26. OTHER CURRENT LIABILITIES

	31 December 2014 $'000	31 December 2013 $'000
Deferred income	–	4,034
	–	4,034

27. CONTINGENT VALUE RIGHT SHARES

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount	**259,430**	219,113
Remeasurement during the period	**3,506**	40,317
Settlement during the period	**(262,936)**	–
	–	259,430
Split between:		
Current	–	259,430
	–	259,430

The contingent value right ("CVR") shares provided a level of downside price protection for certain former Gloucester shareholders.

Yancoal and its parent entity Yanzhou Coal Mining Company Limited ("Yanzhou") entered into an agreement whereby Yanzhou was obligated to repurchase (or procure the repurchase of) the CVR shares. Yanzhou directed Yancoal that the method of satisfaction of the Repurchase Price of the CVRs was to be satisfied in cash. The CVR shares were repurchased on 4 March 2014 for cash of $262,936,000, representing the market value of $3.00 cash per CVR share.

28. DEFERRED TAX LIABILITIES

(a) Deferred tax liabilities

	31 December 2014 $'000	31 December 2013 $'000
Deferred tax liabilities from income tax	**748,979**	539,815
Deferred tax liabilities from MRRT	**–**	175,651
Income tax deferred tax liability attributable to the MRRT deferred tax assets (refer to Note 18)	**–**	84,380
	748,979	799,846

(b) Income tax

The balance comprises temporary differences attributable to:		
Property, plant and equipment	**55,559**	31,557
Intangible assets	**1,680**	–
Mining tenements and exploration and evaluation assets	**481,137**	431,812
Deferred mining costs	**4,555**	6,636
Cash flow hedges	**–**	–
Inventories	**10,453**	10,332
Unrealised foreign exchange gains	**179,861**	45,892
Other	**15,734**	13,586
Total deferred tax liabilities	**748,979**	539,815
Deferred tax liabilities expected to be settled within 12 months	**28,384**	30,041
Deferred tax liabilities expected to be settled after more than 12 months	**720,595**	509,774
	748,979	539,815

Movements	Property, plant and equipment $'000	Intangible assets $'000	Inventories $'000	Mining tenements and exploration and evaluation assets $'000	Deferred mining costs $'000	Cash flow hedges $'000	Unrealised foreign exchange gains $'000	Other $'000	Total $'000
At 1 January 2013	34,445	–	5,252	481,847	530	3,324	148,803	5,942	680,143
Charged / (credited)									
– to profit or loss	(2,888)	–	5,080	(50,035)	6,106	(384)	(102,911)	7,644	(137,388)
– directly to equity	–	–	–	–	–	(103,683)	–	–	(103,683)
Reclassification to DTA	–	–	–	–	–	100,743	–	–	100,743
At 31 December 2013	31,557	–	10,332	431,812	6,636	–	45,892	13,586	539,815
At 1 January 2014	**31,557**	**–**	**10,332**	**431,812**	**6,636**	**–**	**45,892**	**13,586**	**539,815**
Under / over provision in prior year	**9,556**	**–**	**–**	**(21,011)**	**–**	**–**	**1,029**	**63**	**(10,363)**
Charged / (credited)									
– to profit or loss	**10,263**	**–**	**121**	**32,984**	**(2,081)**	**–**	**132,940**	**2,085**	**176,312**
Reclassification from DTA (refer to Note 18)	**–**	**1,680**	**–**	**–**	**–**	**–**	**–**	**–**	**1,680**
Acquisition of subsidiaries	**4,183**	**–**	**–**	**37,352**	**–**	**–**	**–**	**–**	**41,535**
At 31 December 2014	**55,559**	**1,680**	**10,453**	**481,137**	**4,555**	**–**	**179,861**	**15,734**	**748,979**

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28. DEFERRED TAX LIABILITIES (continued)
(c) MRRT
The balance comprises temporary differences attributable to:

	31 December 2014 $'000	31 December 2013 $'000
Inventories	–	21,421
Deferred mining costs	–	3,494
Property, plant and equipment	–	58,848
Exploration and evaluation assets	–	5,651
Starting base assets	–	76,179
Other	–	10,058
Total deferred tax liabilities	–	175,651
Income tax deferred tax asset attributable to MRRT deferred tax liabilities	–	(52,695)
Deferred tax liabilities expected to be settled within 12 months	–	25,361
Deferred tax liabilities expected to be settled after more than 12 months	–	150,290
	–	175,651

Movements	Inventories $'000	Deferred mining costs $'000	Property, plant and equipment $'000	Exploration and evaluation assets $'000	Starting base assets $'000	Other $'000	Total $'000
At 1 January 2013	28,177	–	47,962	4,542	117,045	10,059	207,785
Charged / (credited)							
– to profit or loss	(6,756)	3,494	10,886	1,109	(40,866)	(1)	(32,134)
At 31 December 2013	21,421	3,494	58,848	5,651	76,179	10,058	175,651
At 1 January 2014	**21,421**	**3,494**	**58,848**	**5,651**	**76,179**	**10,058**	**175,651**
Charged / (credited)							
– to profit or loss	**(21,421)**	**(3,494)**	**(58,848)**	**(5,651)**	**(76,179)**	**(10,058)**	**(175,651)**
At 31 December 2014	**–**	**–**	**–**	**–**	**–**	**–**	**–**

On 1 October 2014, the MRRT was abolished, accordingly, the current and deferred MRRT assets and liabilities have been written off in 2014.

29. OTHER NON-CURRENT LIABILITIES

	31 December 2014 $'000	31 December 2013 $'000
Deferred income	**7,188**	6,461
	7,188	6,461

30. CONTRIBUTED EQUITY

(a) Contributed equity

	31 December 2014 No. of shares	31 December 2013 No. of shares	31 December 2014 $'000	31 December 2013 $'000
(i) Share capital				
Ordinary shares (Note (c))				
Issued and fully paid up	**994,216,659**	994,216,659	**656,701**	656,701
	994,216,659	994,216,659	**656,701**	656,701
(ii) Other equity securities				
Subordinated capital note (Note (d))	**–**	–	**2,185,920**	–
Contingent value right shares (Note (e))	**–**	–	**262,936**	–
	–	–	**2,448,856**	–
Total contributed equity	**994,216,659**	994,216,659	**3,105,557**	656,701

(b) Movements in contributed equity

(i) Share capital

Date	Details	Number of shares	Issue price	$'000
1 January 2013	Opening balance	994,216,659	–	656,701
31 December 2013	Closing balance	994,216,659	–	656,701
1 January 2014	Opening balance	**994,216,659**	**–**	**656,701**
31 December 2014	Closing balance	**994,216,659**	**–**	**656,701**

(ii) Other equity securities

Date	Details	$'000
1 January 2014	Opening balance	**–**
4 March 2014	Contingent value right shares	**262,936**
31 December 2014	Subordinated convertible notes	**2,195,209**
31 December 2014	Transaction costs	**(13,270)**
31 December 2014	Deferred tax	**3,981**
31 December 2014	Closing balance	**2,448,856**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Subordinated capital notes

On 31 December 2014, Yancoal SCN Limited, a wholly-owned subsidiary of Yancoal Australia Ltd, issued 18,005,102 Subordinated Capital Notes ("SCN Notes") at US$100 each. Each SCN Note is convertible into 1,000 Yancoal Australia Ltd ordinary shares.

The subordinated capital notes are perpetual, subordinated, convertible, unsecured capital notes of face value US$100 per note. The subordinated capital notes entitle holders to receive fixed rate distribution payments, payable semi-annually in arrears unless deferred. The distribution rate is set at 7% per annum, the rate is resettable to the five-year USD mid-swap plus the initial margin per annum every five years. The SCN Notes are convertible at the option of the holders to Yancoal Australia Ltd ordinary shares within 30 years.

(e) Contingent value right shares

The contingent value right ("CVR") shares were repurchased on 4 March 2014 for cash of $262,936,000, representing the market value of $3.00 cash per CVR share.

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30. CONTRIBUTED EQUITY continued

(f) Capital risk management

Total capital comprises total equity as shown on the balance sheet plus total interest-bearing liabilities. The Group's primary objectives when managing capital are to ensure the continued ability to provide a consistent return for equity stakeholders through a combination of capital growth and distributions and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve these objectives, the Group seeks to maintain a debt to debt plus equity ratio (gearing ratio) that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or alter the amount of debt.

The gearing ratios at 31 December 2014 and 31 December 2013 were as follows:

	Notes	31 December 2014 $'000	31 December 2013 $'000
Total interest-bearing liabilities	23	**3,779,925**	5,156,870
Less: cash and cash equivalents	8	**(203,614)**	(318,001)
Net debt		**3,576,311**	4,838,869
Total equity		**2,487,188**	977,154
Total capital		**6,063,499**	5,816,023
Gearing ratio		**59.0%**	83.2%

Refer to Note 23(d) for the Group's compliance with the financial covenants of its borrowing facilities.

31. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	31 December 2014 $'000	31 December 2013 $'000
Hedging reserve	**(561,212)**	(235,306)
Capital reserve	**–**	259,430
	(561,212)	24,124

	31 December 2014 $'000	31 December 2013 $'000
Movements:		
Hedging reserve – cash flow hedges		
Opening balance	**(235,306)**	6,360
Loss recognised	**(497,243)**	(379,711)
Transferred to profit or loss	**28,895**	34,362
Deferred income tax expense	**142,442**	103,683
Closing balance	**(561,212)**	(235,306)
Capital reserve		
Opening balance	**259,430**	–
Recognition of cash receivable (refer to Note 27)	**–**	259,430
Remeasurement 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, as described in Note 1. Amounts are recognised in the consolidated statement of profit or loss and other comprehensive income.

The closing balance includes $553,939,000 (after tax) (2013: $204,808,000) relating to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the US dollar denominated interest-bearing liabilities against future coal sales.

During the year ended 31 December 2014, a total loss of $2,205,000 (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

The reserve was recognised as part of Yanzhou Coal Mining Company Limited's agreement to settle the CVR shares in cash (refer to Note 27).

At the settlement date of 4 March 2014 the reserve was transferred in full to contributed equity.

(b) (Accumulated losses) / Retained earnings

	31 December 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	**(353,486)**	(832,070)
Closing balance	**(57,157)**	296,329

32. DIVIDENDS

(a) Franked dividends

The franked portion of any dividends recommended after 31 December 2014 will be franked out of existing franking credits.

	31 December 2014 $'000	31 December 2013 $'000
Franking credits available for subsequent reporting periods based on an income tax rate of 30% (2013 – 30%)	**5,441**	5,440

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax and franking debits that will arise as a result of refunds of tax that are reflected in the current tax receivable balance at the reporting date

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

33. KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel ("KMP") for the year ended 31 December 2014.

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	31 December 2014 $	31 December 2013 $
Short-term employee benefits	**6,935,711**	6,021,432
Post-employment benefits	**154,113**	165,765
Other long-term benefits	**1,624,858**	335,579
	8,714,682	6,522,776

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34. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

(a) SWHC Australia

	31 December 2014 $'000	31 December 2013 $'000
Audit and other assurance services		
Audit and review of financial statements	**690**	594
Other assurance services		
Audit of regulatory returns	**33**	43
Due diligence services in relation to capital raising	**600**	–
Total remuneration of SWHC Australia	**1,323**	637
(b) Ernst & Young Australia		
Audit and other assurance services		
Audit and review of financial statements	**18**	23
Total remuneration of Ernst & Young Australia	**18**	23
(c) Related practices of BDO Australia		
Audit and other assurance services		
Audit and review of financial statements	**3**	4
Total remuneration related practices of BDO Australia	**3**	4
Total auditors' remuneration	**1,344**	664

35. COMMITMENTS

(a) Capital commitments

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

	31 December 2014 $'000	31 December 2013 $'000
Property, plant and equipment		
Not later than one year		
Share of joint operations	**5,515**	5,019
Other	**4,409**	9,752
Exploration and evaluation		
Not later than one year		
Share of joint operations	**1,382**	1,837
Other	**–**	201
Intangible assets		
Not later than one year		
Share of joint operations	**–**	93
	11,306	16,902

(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:

	31 December 2014 $'000	31 December 2013 $'000
Not later than one year	**7,642**	2,123
Later than one year but not later than five years	**7,457**	7,561
	15,099	9,684

The Group leases mining equipment, office space and small items of office equipment under operating leases. The leases typically run for one month to five years with an option to renew at the expiry of the lease period. None of the leases include contingent rentals.

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	31 December 2014 $'000	31 December 2013 $'000
Not later than one year	**10,890**	10,714
Later than one year but not later than five years	**36,762**	43,588
Later than five years	**–**	4,188
Minimum lease payments	**47,652**	58,490
Less: future finance charges	**(6,468)**	(9,230)
Total lease liabilities	**41,184**	49,260
Finance leases are included in the financial statements as:		
Current lease liability (refer to Note 23)	**8,089**	7,891
Non-current lease liability (refer to Note 23)	**33,095**	41,369
	41,184	49,260

36. RELATED PARTY TRANSACTIONS

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in Note 39.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 33.

(d) Associates and joint ventures

Associates and joint ventures in which the Group is a venturer are set out in Note 41.

Transactions with associates and joint venture during the year ended 31 December 2014 and 2013 are included as part of "Transactions with other related parties" and "Outstanding balances arising from transactions with related parties".

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36. RELATED PARTY TRANSACTIONS continued

(e) Transactions with other related parties

The following transactions occurred with related parties:

	31 December 2014 $	31 December 2013 $
Sales of goods and services		
Sales of coal to associated entities – Ashton Coal Mines Limited	**90,855,394**	133,074,603
Sales of coal to Noble Group Limited	**362,664,515**	390,709,125
Sales of coal to Yanzhou Coal Mining Company Limited	**21,876,694**	–
Sales of coal to Yancoal International (Holding) Co., Ltd	**16,693,514**	–
Provision of marketing and administrative services to associated entities – Ashton Coal Mines Limited	**115,200**	255,704
Provision of marketing and administrative services to other related parties – Yancoal International Group	**4,915,684**	6,675,115
	497,121,001	530,714,547
Advances/loans to and repayment of advances		
Advances to associate – Ashton Coal Mines Limited	**–**	(938,278)
Advances to Joint Venture – Middlemount Coal Pty Ltd	**(28,499,016)**	(16,998,980)
Receipt from repayment of loans to Yancoal Technology Development Pty Ltd	**–**	50,000,000
Funding from Premier Coal Holdings	**39,723,805**	–
Repayment of funding from Premier Coal Holdings	**(39,723,805)**	–
Funding from Yancoal Technology Development Pty Ltd	**20,050,088**	–
Repayment of funding from Yancoal Technology Development Pty Ltd	**(20,050,088)**	–
Debt repayment and debt provision		
Settlement of Contingent Value Right Shares by Yanzhou Coal Mining Company Limited	**262,935,552**	–
Loans from Yanzhou Coal Mining Company Limited	**110,000,111**	737,034,664
Loan from Yancoal International (Holding) Co., Limited	**110,095,783**	606,987,994
Loan from Yancoal International Trading Co., Ltd HK	**238,294,718**	–
Repayment of loans from Yancoal International Resources Development Co., Ltd	**(736,409,534)**	–
Repayment of loans from Yanzhou Coal Mining Company Limited	**(482,809,071)**	(286,478,228)
Repayment of loans from Yancoal International (Holding) Co., Ltd	**(975,371,861)**	–
Equity subscription for Subordinated Convertible Notes from Yancoal SCN Ltd	**2,194,590,466**	–
Finance costs		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	**(37,562,283)**	(40,362,019)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	**(6,399,496)**	(5,865,966)
Interest paid on loans from Yanzhou Coal Mining Company Limited	**(18,120,194)**	(13,708,072)
Interest accrued on loans from Yanzhou Coal Mining Company Limited	**(660,386)**	(873,257)
Interest paid on loans from Yancoal International (Holding) Co., Ltd	**(18,819,971)**	(6,641,734)
Interest accrued on loans from Yancoal International (Holding) Co., Ltd	**(1,469,983)**	(468,588)
Interest paid on fundings from Premier Coal Holdings to Yancoal Australia Ltd	**(77,868)**	–
Interest paid on fundings from Yancoal Technology Development Pty Ltd to Yancoal Australia Ltd	**(9,068)**	–
Other costs		
Bank guarantee fee paid to Yanzhou Coal Mining Company Limited	**(3,167,065)**	(11,746,848)
Corporate guarantee fee paid to Yanzhou Coal Mining Company Limited (extended portion)	**(54,748,594)**	(24,849,174)
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Limited (extended portion)	**(3,015,863)**	(1,703,649)
Arrangement fee paid to Yancoal International Technology Development Co., Ltd	**(8,184,707)**	(8,794,762)

	31 December 2014 $	31 December 2013 $
Arrangement fee accrued to Yancoal International Technology Development Co., Ltd	**(1,394,431)**	(1,278,176)
Arrangement fee paid on loan from Yanzhou Coal Mining Company Limited	**(15,337,191)**	(13,617,466)
Arrangement fee accrued on loans from Yanzhou Coal Mining Company Limited	**(524,198)**	(488,411)
Arrangement fee paid on loans from Yancoal International (Holding) Co., Ltd	**(15,592,834)**	(4,743,275)
Arrangement fee accrued on loans from Yancoal International (Holding) Co., Ltd	**(1,329,960)**	(567,166)
Marketing commission paid to Noble Group Limited	**(581,483)**	(2,802,542)
Marketing commission accrued to Noble Group Limited	**(614,515)**	(1,841,280)
Port charges paid to NCIG Holdings Pty Limited	**(50,521,627)**	(60,721,413)
Port charges accrued to NCIG Holdings Pty Limited	**(1,582,374)**	(4,945,501)
Port charges paid to Noble Group Limited	**(5,097,223)**	(2,827,711)
Port charges accrued to Noble Group Limited	**(123,194)**	(355,062)
Demurrage paid to Noble Group Limited	**(970,307)**	(1,313,468)
Demurrage accrued to Noble Group Limited	**(28,368)**	(240,704)
Consulting fee paid by Moolarben Joint Venture to Yancoal Technology Development Pty Ltd	**–**	(21,560)
Finance income		
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	**19,209,155**	17,778,571
Other income		
Royalty income received from Middlemount Coal Pty Ltd	**–**	2,641,709
Royalty income receivable from Middlemount Coal Pty Ltd	**15,299,388**	13,810,266
Despatch received from Noble Group Limited	**139,774**	39,212
Despatch receivable from Noble Group Limited	**5,273**	95,964
Rental income received from Yancoal Technology Development Pty Ltd	**–**	26,140

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36. RELATED PARTY TRANSACTIONS continued

(f) Outstanding balances arising from transactions with related parties

Balances outstanding at the reporting date to/from related parties are unsecured, non-interest-bearing (except for loans receivable and loans payable) and are repayable on demand.

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

	31 December 2014 $	31 December 2013 $
Current assets		
Trade and other receivables		
Receivable from Yancoal International Group entities in relation to cost reimbursement	**12,259,546**	16,860,544
Trade receivable from Ashton Coal Mines Limited in relation to sales of coal	**–**	5,314,656
Trade receivable from Noble Group Limited in relation to sales of coal	**47,744,193**	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	**5,273**	95,964
Royalty receivable from Middlemount Coal Pty Ltd	**32,020,620**	15,191,293
Bank guarantee reimbursement receivable from Syntech Resources	**318,569**	401,926
Bank guarantee reimbursement receivable from Premier Coal	**57,523**	18,718
Other assets		
Prepayments to Yanzhou Coal Mining Company Limited	**–**	703,928
	113,579,848	333,522,742
Non-current assets		
Advances to associate		
Receivable from Ashton Coal Mines Limited being an unsecured, non-interest-bearing advance	**–**	29,597,347
Advances to joint venture		
Receivable from Middlemount Coal Pty Ltd being an unsecured, interest-bearing advance	**339,968,229**	292,260,058
	339,968,229	321,857,405
Current liabilities		
Other payables		
Payables to Yanzhou Coal Mining Company Limited	**(4,200,447)**	(3,065,317)
Payables to Yancoal International Resources Development Co., Ltd	**(6,399,496)**	(5,865,966)
Payables to Yancoal International Technology Development Co., Ltd	**(1,394,431)**	(1,278,176)
Payables to Yancoal International (Holding) Co., Ltd	**(2,799,943)**	(1,035,754)
Payables to Yancoal International Group entities	**(1,868)**	(14,824)
Payables to Noble Group Limited	**(766,077)**	(2,081,984)
Payable to NCIG Holdings Pty Limited	**(1,582,374)**	(4,945,501)
	(17,144,636)	(18,287,522)
Non-current liabilities		
Other payables		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	**(141,425,140)**	(804,649,084)
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	**(243,842,965)**	(614,662,494)
Payable to Yanzhou Coal Mining Company Limited being an unsecured, interest-bearing loan	**–**	(498,435,405)
	(385,268,105)	(1,917,746,983)

(g) 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:

	31 December 2014 $	31 December 2013 $
Syntech Resources Pty Ltd	**72,024,771**	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	**29,000,000**	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
	115,626,271	85,786,481

(h) 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$596,000,000 loan obtained in 2013 (reduced in 2013 to US$296,000,000 loan) from Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 5.24% p.a (inclusive of arrangement fees). This was repaid in full during the year.

The US$250,000,000 loan obtained in 2013 from Yancoal International (Holding) Co., Ltd was charged at a weighted average interest rate of 4.25% p.a (inclusive of arrangement fees). This was repaid in full during the year.

The US$300,000,000 loan obtained in 2013 from Yancoal International (Holding) Co., Ltd was charged at a weighted average interest rate of 5.25% p.a (inclusive of arrangement fees). This was repaid in full during the year.

The US$150,000,000 loan obtained in 2013 from Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 6.24% p.a (inclusive of arrangement fees). This was repaid in full during the year.

The US$550,000,000 and US$170,000,000 loans obtained in 2013 from Yancoal International Resources Development Co., Ltd were charged at a fixed interest rate of 7.00% and 5.36% p.a (inclusive of arrangement fees) and repaid during the year by US$434,003,100 and US$170,000,000 respectively.

The US$100,000,000 loan obtained during the year from Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 6.24% (inclusive of arrangement fees). This was repaid in full during the year.

The US$100,000,000 loan obtained during the year from Yancoal International (Holding) Co., Ltd was charged at a weighted average interest rate of 6.24% (inclusive of arrangement fees). This was repaid in full during the year.

The US$200,000,000 loan obtained during the year from Yancoal International Trading Co., Ltd (HK) was charged at a weighted average interest rate of 7.49% (inclusive of arrangement fees). The drawn amount was transferred to the A$1,400,000,000 facility.

The A$1,400,000,000 loan obtained during the year from Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 7% (inclusive of arrangement fees).

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37. CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 31 December 2014 in respect of:

(i) Bank guarantees

Parent entity and consolidated entity

	31 December 2014 $'000	31 December 2013 $'000
Guarantees secured over deposits	**27,122**	15,040
Performance guarantees provided to external parties	**195,126**	169,661
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**34,259**	27,039
Guarantees provided in respect of land acquisition	**36,330**	–
	292,837	211,740
Joint ventures (equity share)		
Guarantees secured over deposits	**382**	185
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**–**	1,056
	382	1,241
Guarantees held on behalf of related parties		
Guarantees secured over deposits	**1,075**	–
Performance guarantees provided to external parties	**105,286**	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
	115,626	85,786
	408,845	298,767

(ii) Tax audit

The Australian Taxation Office ("ATO") commenced an audit of the Group during the previous financial year. The audit has progressed during the current financial year with a range of issues under review now closed. The Group is currently in discussion with the ATO, seeking to reach a mutually agreeable resolution of the remaining outstanding issues. The audit is expected to conclude during the first half of 2015 and is not expected to have a material impact on the Group's financial position.

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

The Company has issued a letter of support dated 27 February 2015 to Middlemount Coal Pty Ltd ("Middlemount"), a joint venture of the Group, during the year ended 31 December 2014 confirming:

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

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

(iv) Other contingencies

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

38. BUSINESS COMBINATION

(a) Summary of acquisition

On 30 September 2014, White Mining (NSW) Pty Ltd, a 100% owned subsidiary of Yancoal Australia Ltd (the Group) acquired the remaining 10% interest in the Ashton Coal Joint Venture ("Ashton") owned by ICRA Ashton Pty Ltd ("ICRAA"). With the 10% acquisition the Group now holds a 100% interest in Ashton and a 100% shareholding in Ashton Coal Mines Limited. The total consideration to be paid was $21.2 million.

The accounting for the Ashton acquisition has been determined on a provisional basis at 31 December 2014 as the fair value assigned to the acquiree's identifiable assets and liabilities have only been determined provisionally. Any adjustments to these provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

Details of the purchase consideration, the net assets and liabilities acquired and gain on acquisition of subsidiaries are as follows:

	$'000
Purchase consideration	
Total consideration	**21,200**
Consolidated book value for 90% interest acquired previously	**531,125**
Total purchase consideration	**552,325**
Gain on acquisition of subsidiaries (Note 5)	**(28,330)**
Fair value of net identifiable assets acquired (refer to (b) below)	**(580,655)**

(b) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash	**9,505**
Trade receivables	**22,451**
Inventories	**8,794**
Other assets	**1,221**
Other current assets	**4,756**
Plant and equipment	**275,663**
Mining tenements	**313,682**
Exploration and evaluation assets	**153,141**
Intangible	**4,508**
Deferred tax asset	**41,037**
Prepayment (non-current)	**4,079**
Trade and payables	**(49,537)**
Other current liabilities	**(1,873)**
Provisions	**(36,576)**
Other non-current liabilities	**(7,659)**
Deferred tax liability	**(162,537)**
Fair value of net identifiable assets acquired	**580,655**

(i) Revenue and profit contribution

The acquired business contributed revenue of $41.5 million and a net profit of $0.4 million to the Group for the period from 1 October 2014 to 31 December 2014. If the acquisition had occurred on 1 January 2014, the consolidated revenue and net loss for the year ended 31 December 2014 would have been $143.1 million and $24.6 million respectively. These amounts have been calculated using the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

39. CONTROLLING INTERESTS
(a) Significant investments in subsidiaries
The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in Note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding 2014 %	Equity holding 2013 %
The Company				
Yancoal Australia Ltd (i)	Australia	Ordinary	**–**	–
Controlled entities – at cost				
Yancoal SCN Limited (iv)	Australia	Ordinary	**100**	–
Yancoal Australia Sales Pty Ltd (iii)	Australia	Ordinary	**100**	–
Austar Coal Mine Pty Limited (i) (iii)	Australia	Ordinary	**100**	100
Yancoal Resources Limited (iii)	Australia	Ordinary	**100**	100
Moolarben Coal Mines Pty Ltd (iii)	Australia	Ordinary	**100**	100
Moolarben Coal Operations Pty Ltd	Australia	Ordinary	**100**	100
Moolarben Coal Sales Pty Ltd	Australia	Ordinary	**100**	100
Felix NSW Pty Ltd	Australia	Ordinary	**100**	100
SASE Pty Ltd	Australia	Ordinary	**90**	90
Yarrabee Coal Company Pty. Ltd. (iii)	Australia	Ordinary	**100**	100
Proserpina Coal Pty Ltd	Australia	Ordinary	**100**	100
Athena Coal Operations Pty Ltd	Australia	Ordinary	**100**	100
Athena Coal Sales Pty Ltd	Australia	Ordinary	**100**	100
White Mining Limited	Australia	Ordinary	**100**	100
White Mining Services Pty Limited	Australia	Ordinary	**100**	100
White Mining (NSW) Pty Limited (iii)	Australia	Ordinary	**100**	100
Ashton Coal Operations Pty Limited	Australia	Ordinary	**100**	100
Ashton Coal Mines Limited (iii)	Australia	Ordinary	**100**	90
Gloucester Coal Ltd (i) (iii)	Australia	Ordinary	**100**	100
Westralian Prospectors NL (i)	Australia	Ordinary	**100**	100
Eucla Mining NL (i)	Australia	Ordinary	**100**	100
CIM Duralie Pty Ltd (ii)	Australia	Ordinary	**100**	100
Duralie Coal Marketing Pty Ltd (ii)	Australia	Ordinary	**100**	100
Duralie Coal Pty Ltd (i) (iii)	Australia	Ordinary	**100**	100
Gloucester (SPV) Pty Ltd (iii)	Australia	Ordinary	**100**	100
Gloucester (Sub Holdings 1) Pty Limited (i)	Australia	Ordinary	**100**	100
Gloucester (Sub Holdings 2) Pty Limited (ii)	Australia	Ordinary	**100**	100
CIM Mining Pty Ltd (i)	Australia	Ordinary	**100**	100
Donaldson Coal Holdings Limited (i)	Australia	Ordinary	**100**	100
Monash Coal Holdings Pty Limited (ii)	Australia	Ordinary	**100**	100
CIM Stratford Pty Ltd (i)	Australia	Ordinary	**100**	100
CIM Services Pty Ltd (ii)	Australia	Ordinary	**100**	100
Donaldson Coal Pty Ltd (i) (iii)	Australia	Ordinary	**100**	100
Donaldson Coal Finance Pty Ltd (ii)	Australia	Ordinary	**100**	100
Monash Coal Pty Ltd (ii) (iii)	Australia	Ordinary	**100**	100
Stratford Coal Pty Ltd (ii) (iii)	Australia	Ordinary	**100**	100

Name of entity	Country of incorporation	Class of shares	Equity holding 2014 %	2013 %
Stratford Coal Marketing Pty Ltd (ii)	Australia	Ordinary	**100**	100
Abakk Pty Ltd (ii)	Australia	Ordinary	**100**	100
Newcastle Coal Company Pty Ltd (i) (iii)	Australia	Ordinary	**100**	100
Primecoal International Pty Ltd (ii)	Australia	Ordinary	**100**	100
Paway Limited	British Virgin Islands	Ordinary	**100**	100
Ballymoney Power Limited (v)	Ireland	Ordinary	**100**	100
Auriada Limited (v)	Ireland	Ordinary	**100**	100

(i) These subsidiaries have been granted relief from the requirement to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. These subsidiaries represent the closed group for the purposes of the class order. For further information refer to Note 40.

(ii) These subsidiaries are members of the extended closed group for the purposes of Class Order 98/1418. For further information refer to Note 40.

(iii) These entities are considered to be the material controlled entities of the Group. Their principal activities are the exploration, development, production and marketing of metallurgical and thermal coal.

(iv) This entity is considered to be a material controlled entity of the Group. The principal activities are financing and the issue of Subordinated Capital Notes.

(v) These entities have been deregistered on 6 February 2015.

Unless otherwise stated, the subsidiaries as listed have share capital consisting solely of ordinary shares and subordinated capital notes, which are held directly by the Group, and the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

40. DEED OF CROSS GUARANTEE

Yancoal Australia Ltd and certain subsidiaries (refer to Note 39), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of profit or loss and other comprehensive income

Set out below is a consolidated statement of profit or loss and other comprehensive income and a summary of movements in consolidated retained earnings for the year ended 31 December 2014 of the entities included in the deed of cross guarantee consisting of Yancoal Australia Ltd and certain subsidiaries. For details regarding the closed group and the extended closed group refer to Note 39.

	31 December 2014 $'000	31 December 2013 $'000
Revenue	**490,378**	600,373
Other income	**295**	685
Changes in inventories of finished goods and work in progress	**(14,082)**	(10,957)
Raw materials and consumables used	**(102,394)**	(123,078)
Employee benefits expense	**(149,621)**	(163,603)
Depreciation and amortisation expense	**(102,798)**	(141,055)
Impairment of mining tenements	**–**	(85,000)
Transportation expenses	**(94,606)**	(90,811)
Contractual services and plant hire expenses	**(179,622)**	(263,693)
Government royalties expense	**(35,881)**	(41,120)
Changes in deferred mining costs	**(16,783)**	(19,684)
Transaction costs	**–**	(3,582)
Other operating expenses	**(82,174)**	(419,161)
Finance costs	**(161,431)**	(121,726)
Loss before income tax	**(448,719)**	(882,412)
Income tax benefit	**18,477**	234,902
Loss for the year	**(430,242)**	(647,510)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
Fair value losses taken to equity	**(528,235)**	(304,552)
Fair value losses transferred to profit or loss	**31,466**	11,446
Deferred income tax benefit	**149,031**	89,001
Other comprehensive expense for the period, net of tax	**(347,738)**	(204,105)
Total comprehensive expense for the year	**(777,980)**	(851,615)
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**630,397**	1,277,907
Loss after income tax	**(430,242)**	(647,510)
Retained earnings at the end of the financial year	**200,155**	630,397

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2014 of the entities included in the deed of cross guarantee consisting of Yancoal Australia Ltd and certain subsidiaries. For details regarding the closed group and the extended closed group refer to Note 39.

	31 December 2014 $'000	31 December 2013 $'000
Current assets		
Cash and cash equivalents	**159,982**	137,009
Trade and other receivables	**1,018,182**	1,402,241
Inventories	**36,577**	49,008
Other current assets	**8,539**	22,078
Total current assets	**1,223,280**	1,610,336
Non-current assets		
Trade and other receivables	**43,729**	31,622
Other financial assets	**3,354,219**	3,354,219
Property, plant and equipment	**856,342**	881,533
Mining tenements	**326,779**	345,002
Deferred tax assets	**951,942**	820,109
Intangible assets	**3,265**	2,238
Exploration and evaluation assets	**417,189**	415,660
Other non-current assets	**7,861**	4,961
Total non-current assets	**5,961,326**	5,855,344
Total assets	**7,184,606**	7,465,680
Current liabilities		
Trade and other payables	**61,818**	127,269
Interest-bearing liabilities	**12,558**	121,968
Contingent value rights	**–**	259,430
Derivative financial instruments	**420**	1,989
Provisions	**10,732**	20,219
Total current liabilities	**85,528**	530,875
Non-current liabilities		
Interest-bearing liabilities	**3,733,983**	4,994,206
Deferred tax liabilities	**529,827**	516,758
Provisions	**74,184**	82,444
Total non-current liabilities	**4,337,994**	5,593,408
Total liabilities	**4,423,522**	6,124,283
Net assets	**2,761,084**	1,341,397
Equity		
Contributed equity	**2,851,917**	656,701
Reserves	**(290,988)**	54,299
Retained earnings	**200,155**	630,397
Total equity	**2,761,084**	1,341,397

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

41. INTERESTS IN OTHER ENTITIES

(a) Joint operations

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

A controlled entity, Moolarben Coal Mines Pty Limited, has an 80% interest in the output of the Moolarben Joint Venture whose principal activity is the development and operation of opencut and underground coal mines.

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

(b) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2014 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

	Place of business/ country of incorporation	% of ownership interest				Carrying amount of investment	
Name of entity		2014 %	2013 %	Nature of relationship	Measurement method	2014 $'000	2013 $'000
Ashton Coal Mines Limited (i)	Australia	**N/A**	90	N/A	N/A	**N/A**	3,035
Newcastle Coal Infrastructure Group Pty Ltd	Australia	**27**	27	Associate	Equity method	**–**	–
Middlemount Coal Pty Ltd	Australia	**49.9997**	49.9997	Joint Venture	Equity method	**25,415**	86,899

(i) Ashton Coal Mines Limited

On 30 September 2014, the Group acquired the remaining 10% interest of Ashton Coal Mines Limited. Refer to Note 38. The Group holds 100% (2013: 90%) of the ordinary shares in Ashton Coal Mines Limited. This is now fully consolidated in the Group. In 2013, Ashton Coal Mines Limited was an associate and under the shareholders' agreement between the Group and other shareholder, ICRA Ashton Pty Ltd, all major financial and operation policy decisions had to be passed unanimously and therefore the Group's voting power was equivalent of 50%.

(ii) Investment in associates

Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2013: 27%) of the ordinary shares of Newcastle Coal Infrastructure Group Pty Ltd ("NCIG"). Under the shareholder agreement between the Group and other shareholders, the Group has 27% of the voting power of NCIG. The Group has the right to appoint a director and is currently represented on the board to partake in policy-making processes.

Summarised financial information of associates

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

	Ashton Coal Mines Limited		Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current assets	**–**	8,448	**56,603**	216,709
Non-current assets	**–**	24,693	**785,399**	741,327
Total assets	**–**	33,141	**842,002**	958,036
Current liabilities	**–**	(32,970)	**(15,687)**	(26,283)
Non-current liabilities	**–**	(30)	**(1,034,316)**	(1,076,822)
Total liabilities	**–**	(33,000)	**(1,050,003)**	(1,103,105)
Revenue	**101,192**	135,744	**91,917**	83,901
Profit / (loss) from continuing operations after tax	**–**	–	**(84,288)**	(12,662)
Other comprehensive income	**–**	–	**21,357**	(73,348)
Total comprehensive income / (expense)	**–**	–	**(62,931)**	(86,010)

Movements in carrying amounts

	Ashton Coal Mines Limited		Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Opening net book value	**3,035**	3,035	**–**	–
Transfer to investment in subsidiaries**	**(3,035)**	–	**–**	–
Share of loss of equity-accounted investees, net of tax	**–**	–	**–**	–
Closing net book value	**–**	3,035	**–**	–

* The Group's share of NCIG's profit / (loss) after tax has not been recognised for the years ended 31 December 2014 and 31 December 2013 since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 31 December 2014 and at 31 December 2013.

** Refer to Note 41(a)(i).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

41. INTERESTS IN OTHER ENTITIES (continued)
(b) Interests in associates and joint ventures (continued)
(iii) Interest in joint venture

Middlemount Coal Pty Ltd

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

Summarised financial information of joint venture

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

	31 December 2014 $'000	31 December 2013 $'000
Cash and cash equivalents	**1,671**	937
Other current assets	**32,090**	33,588
Total current assets	**33,761**	34,525
Total non-current assets	**660,750**	619,367
Current financial liabilities (excluding trade and other payables and provisions)	**–**	–
Other current liabilities	**(85,382)**	(73,556)
Total current liabilities	**(85,382)**	(73,556)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(381,333)**	(333,612)
Other non-current liabilities	**(202,381)**	(159,825)
Total non-current liabilities	**(583,714)**	(493,437)
Net assets	**25,415**	86,899
Revenue	**183,685**	172,627
Interest income	**14**	69
Depreciation and amortisation	**(31,723)**	(25,401)
Interest expense	**(22,708)**	(21,051)
Income tax benefit	**19,276**	18,095
Loss from continuing operations after tax	**(61,484)**	(62,847)
Total comprehensive expense	**(61,484)**	(62,847)

The liabilities of Middlemount include an interest-bearing liability of $339,968,229 due to the Group at 31 December 2014 (31 December 2013: $292,260,058). The repayment of the loan due to the Group can only be made by Middlemount after the full settlement of all external borrowings (bank loans) and the Priority Loans owed to the other shareholder of Middlemount amounting to $106,623,000 (31 December 2013: $87,347,000). The liabilities of Middlemount also include a royalty payable of $32,020,620 due to the Group at 31 December 2014 (2013: $15,191,293).

Movements in carrying amounts

	31 December 2014 $'000	31 December 2013 $'000
Opening net book amount	**86,899**	149,746
Share of loss of equity-accounted investees, net of tax	**(61,484)**	(62,847)
Closing net book amount	**25,415**	86,899

(iv) Commitments and contingent liabilities in respect of associates and joint ventures

There were no commitments and no contingent liabilities in respect of the Group's associates as at 31 December 2014. There were no commitments in respect of the Group's interest in Middlemount at 31 December 2014.

Contingent liabilities in respect of the Group's interest in Middlemount are set out in Note 37(iii).

42. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31 December 2014 $'000	31 December 2013 $'000
Loss after income tax	**(353,486)**	(832,070)
Depreciation and amortisation of non-current assets	**231,694**	270,820
Reversal of impairment / Impairment of mining tenements	**(140,000)**	343,000
Release of the provision for customer contracts	**(3,472)**	(12,212)
Release of the provision for take or pay contracts	**(11,798)**	(17,014)
Capitalised interest income from joint venture	**(19,209)**	(17,779)
Unwinding of discount on royalty receivable	**(22,291)**	(22,248)
Unwinding of discount on provisions and deferred payables	**2,528**	1,651
Dividend income	**(2)**	(4)
Finance lease interest expenses	**2,867**	2,990
Fair value loss on financial assets / liabilities	**20,282**	46,304
Net (profit) / loss on disposal of property, plant and equipment and available-for-sale financial assets	**(318)**	2,671
Gain on business combination	**(28,330)**	–
Share of loss of equity-accounted investees, net of tax	**61,484**	62,848
Non-cash cash flow hedge loss / (gain) transferred to profit or loss	**–**	3,193
Gain on forward foreign exchange contracts	**2,205**	–
Foreign exchange (gain) / losses	**(29,839)**	382,265
Decrease / (Increase) in deferred tax assets	**178,200**	(194,399)
Decrease in inventories	**24,975**	9,855
Increase in operating receivables	**(47,613)**	(61,871)
Decrease in operating payables	**(22,540)**	(30,953)
Increase in prepayments	**(4,954)**	(8,556)
Decrease / (Increase) in deferred mining assets	**7,364**	(15,530)
Decrease in current tax receivables	**–**	2,360
Decrease in deferred tax liabilities	**(95,559)**	(76,764)
Net cash outflow from operating activities	**(247,812)**	(161,443)

43. NON-CASH INVESTING AND FINANCING ACTIVITIES

	31 December 2014 $'000	31 December 2013 $'000
Acquisition of plant and equipment by means of finance leases	**–**	20,722
	–	20,722

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FOR THE YEAR ENDED 31 DECEMBER 2014

44. LOSS PER SHARE

(a) Basic loss per share

	31 December 2014 $	31 December 2013 $
From continuing operations attributable to the ordinary equity holders of the Company	**(0.36)**	(0.84)
Total basic loss per share attributable to the ordinary equity holders of the Company	**(0.36)**	(0.84)

(b) Diluted loss per share

	31 December 2014 $	31 December 2013 $
From continuing operations attributable to the ordinary equity holders of the Company	**(0.36)**	(0.84)
Total diluted loss per share attributable to the ordinary equity holders of the Company	**(0.36)**	(0.84)

(c) Reconciliation of loss used in calculating loss per share

	31 December 2014 $'000	31 December 2013 $'000
Basic loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share:		
From continuing operations	**(353,486)**	(832,070)
Diluted loss per share		
Loss attributable to the ordinary equity holders of the Company used in calculating diluted loss per share:		
From continuing operations	**(353,486)**	(832,070)
	(353,486)	(832,070)

(d) Weighted average number of shares used in calculating loss per share

	31 December 2014 Number	31 December 2013 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (refer to Note 30(b))	**994,216,659**	994,216,659
Adjustments for calculation of basic loss per share:		
Weighted average number of potential ordinary shares used as the denominator in calculating diluted loss per share	**–**	–
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted loss per share	**994,216,659**	994,216,659

45. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity, Yancoal Australia Ltd, show the following aggregate amounts:

	31 December 2014 $'000	31 December 2013 $'000
Current assets	**2,746,689**	1,966,010
Non-current assets	**4,349,282**	4,637,360
Total assets	**7,095,971**	6,603,370
Current liabilities	**39,830**	409,210
Non-current liabilities	**4,004,431**	5,038,472
Total liabilities	**4,044,261**	5,447,682
Net assets	**3,051,710**	1,155,688
Shareholders' equity		
Contributed equity		
Reserves	**3,114,845**	656,701
Cash flow hedges	**(553,939)**	53,230
Retained earnings	**490,804**	445,757
Capital and reserves attributable to the owners of Yancoal Australia Ltd	**3,051,710**	1,155,688
Profit / (loss) for the year	**45,047**	(48,956)
Other comprehensive income	**(347,738)**	(204,768)
Total comprehensive income	**(302,691)**	(253,724)

(b) Guarantees entered into by the parent entity

As at 31 December 2014, the parent entity had contingent liabilities in the form of a bank guarantee amounting to $115,800,000 (2013: $112,866,000) in support of the operation of the entity, its subsidiaries and related parties (refer to Note 36).

(c) Contingent liabilities of the parent entity

There are cross guarantees given by Yancoal Australia Ltd and certain subsidiaries as described in Note 40. No deficiencies of assets exist in any of these companies.

The parent entity did not have any contingent liabilities as at 31 December 2014, except for those described in Note 37. For information regarding bank guarantees given by the parent entity, please see above.

46. EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matters or circumstances have occurred subsequent to the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods except for the following matters:

On 2 February 2015, the New South Wales Planning and Assessment Commission approved the Moolarben Stage Two expansion application.

The Moolarben Stage Two project will produce up to 16 million tonnes per annum of run of mine ("ROM") coal for a period of 24 years, extending the life of the operation and potentially creating up to 120 new full time jobs.

The approval will enable the development of two additional underground mining areas and a new open cut pit to be developed to the east of the Moolarben operation's approved underground and open cut coal mines.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 60 to 131 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the 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, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 40.

Note 1(a)(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Baocai Zhang
Director

27 February 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

信永中和 ShineWing

SWHC Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Yancoal Australia Ltd, which comprises the Consolidated Balance Sheet as at 31 December 2014, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, notes comprising a Summary of Significant Accounting Policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year as set out on pages 60 to 132.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

INDEPENDENT AUDITOR'S REPORT
CONTINUED

信永中和 ShineWing SWHC Australia

Opinion

In our opinion:

(a) the financial report of Yancoal Australia Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 46 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Yancoal Australia Ltd for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

SWHC Australia

SWHC Australia

M. Schofield

M J Schofield
Partner
Chartered Accountant
Sydney, 27 February 2015

CPA

SHAREHOLDER INFORMATION

ORDINARY FULLY PAID (TOTAL) AS OF 27 MARCH 2015

Range of Units	Total Holders	Units	% of Issued Capital
1 - 1,000	1,038	386,049	0.04
1,001 - 5,000	593	1,472,581	0.15
5,001 - 10,000	115	893,146	0.09
10,001 - 100,000	157	5,222,687	0.53
100,001 - 999,999,999	54	986,242,196	99.20
1,000,000,000 - 9,999,999,999	0	0	0.00
Rounding			-0.01
Total	**1,957**	**994,216,659**	**100.00**

Unmarketable Parcels	Unmarketable Parcels	Holders	Units
Minimum $500.00 parcel at $0.07 per unit	7,143	1,681	2,170,787

Rank	Total Holders	Units	% of Units
1.	YANZHOU COAL MINING COMPANY LIMITED	775,488,994	78.00
2.	OSENDO PTY LIMITED	91,764,626	9.23
3.	MT VINCENT HOLDINGS PTY LTD	36,923,076	3.71
4.	CITICORP NOMINEES PTY LIMITED	25,273,021	2.54
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	11,277,154	1.13
6.	HSBC CUSTODY NOMINEES <AUSTRALIA>	7,052,392	0.71
7.	PORTFOLIO SERVICES PTY LTD	6,265,403	0.63
8.	HSBC CUSTODY NOMINEES <AUSTRALIA>	5,701,772	0.57
9.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	5,188,533	0.52
10.	CS FOURTH NOMINEES PTY LTD	3,835,247	0.39
11.	PORTFOLIO SERVICES PTY LTD	1,740,239	0.18
12.	OSENDO PTY LIMITED	1,713,294	0.17
13.	NATIONAL NOMINEES LIMITED	1,191,878	0.12
14.	MR BAOCAI ZHANG	1,162,790	0.12
15.	MRS ZHIFEN DENG	1,100,000	0.11
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,070,400	0.11
17.	BNP PARIBAS NOMS PTY LTD <DRP>	621,102	0.06
18.	MR TZE MIN GOH	500,000	0.05
19.	MR STUART JAMES HARVEY	500,000	0.05
20.	OSENDO PTY LIMITED	480,709	0.05
Total Top 20 holders of Ordinary Fully Paid		**978,850,630**	**98.45**
Total Remaining Holders Balance		**15,366,029**	**1.55**

Ordinary Shares

At a general meeting of Yancoal Australia, every holder of an Ordinary Share present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Ordinary Share held. In accordance with a proxy granted by Yanzhou Coal to an independent director of Yancoal Australia, Yanzhou Coal must cast the votes attaching to any shares in Yancoal Australia that it holds above 70% consistently with the votes cast by minority holders of Ordinary Shares.

CORPORATE DIRECTORY

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

COMPANY SECRETARY
Laura Ling Zhang

REGISTERED AND PRINCIPAL PLACE OF BUSINESS
Level 26, 363 George Street, Sydney NSW 2000

AUSTRALIAN COMPANY NUMBER
111 859 119

STOCK EXCHANGE LISTING
Australian Securities Exchange Ltd (ASX)
ASX Code: YAL

AUDITOR
SWHC Australia
Level 10, 530 Collins Street
Melbourne VIC 3000, Australia

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000, Australia
Ph: 02 8234 5000
Fax: 02 8235 8150

COUNTRY OF INCORPORATION
Australia

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YANCOAL
兖煤澳大利亚有限公司