Yancoal Australia Ltd
Appendix 4D
Half-Year Financial Report
Half-year ended 30 June 2015

1. Results for Announcement to the Market

	30 June 2015 $'000	30 June 2014 $'000	% Change
Revenue from ordinary activities	**634,373**	654,567	(3.1)
Loss before income tax (before non-recurring items)	**(195,057)**	(248,912)	(21.6)
Loss before income tax (after non-recurring items)	**(187,218)**	(248,912)	(24.8)
Loss from ordinary activities after income tax attributable to members (before non-recurring items)	**(153,254)**	(192,707)	(20.5)
Net loss for the period attributable to members (after non-recurring items)	**(145,415)**	(192,707)	(24.5)

2. Earnings per share

	30 June 2015	30 June 2014	% Change
Loss per share (before non-recurring items)*	**(0.15)**	(0.19)	(21.1)
Loss per share (after non-recurring items)*	**(0.15)**	(0.19)	(21.1)

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

3. Net tangible assets per security

	30 June 2015	31 December 2014	% Change
Net tangible assets per share	**(0.10)**	0.22	(143.8)

4. Dividends

No dividends have been paid during the financial period. The Directors do not recommend that a dividend be paid in respect of the financial period (30 June 2014: nil).

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

a. Acquisitions

No entities were acquired during the financial period.

b. Disposals

The following entities were deregistered during the financial period:

- Auriada Limited; and
- Ballymoney Power Limited

6. Details of associates and joint venture entities

	30 June 2015 $'000		30 June 2014 $'000	
	Holdings %	Profit / (loss) after income tax contribution $'000	Holdings %	Profit / (loss) after income tax contribution $'000
Joint venture entities				
Ashton Joint Venture (unincorporated)	**N/A**	**N/A**	90	(18,071)
Moolarben Joint Venture (unincorporated)	**81**	**33,778**	80	44,988
Boonal Joint Venture (unincorporated)	**50**	**338**	50	Not material
Middlemount Coal Pty Ltd	**49.9997**	**(16,623)**	49.9997	(33,925)
Associate entities				
Ashton Coal Mines Limited	**N/A**	**N/A**	90	Nil
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	27	Nil

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

Yancoal Australia Ltd

ABN 82 111 859 119

Half-Year Financial Report
For the half-year ended 30 June 2015

Directors' Report

The Directors present their report on the Consolidated Entity ("the Group") consisting of Yancoal Australia Ltd ("Yancoal" or "the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2015 ("the period").

Directors

The following persons were Directors of Yancoal Australia Ltd at any time during the period and as at the date of this report:

Xiyong Li
Cunliang Lai
Baocai Zhang
Yuxiang Wu
Fuqi Wang (appointed 23 April 2015)
Gregory Fletcher
Boyun Xu
William Randall
Geoffrey Raby
Vincent O'Rourke
Huaqiao Zhang
Xinghua Ni (resigned 23 April 2015)

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2015 and up to the date of this report is as follows:

Laura Ling Zhang

Review of operations

Safety

No significant events were recorded for the reporting period, with safety rates for both the New South Wales (NSW) and Queensland (QLD) regions positively improved for the operations year-on-year.

The investigation into the underground incident of 15 April 2014 at the Austar mine by the Mine Safety Office of NSW Department of Trade and Investment, Regional Infrastructure and Services is ongoing.

Financial performance

The loss after income tax for the half-year ended 30 June 2015 amounted to $145,415,000 (30 June 2014: net loss from continuing operations $192,707,000) after adding an income tax benefit of $41,803,000 (30 June 2014: $56,205,000).

Corporate activities

During the period, Yancoal continued to restructure its mining operations to achieve operational efficiencies and cost reductions, while enabling the implementation of blending strategies to maximise marketing opportunities and meet the changing requirements of coal imports into specific provinces in China, following the introduction of new export quality standards.

Having strengthened the capital structure of the business via the December 2014 issuing of Subordinated Capital Notes and re-commitment of new financial support from major shareholder Yanzhou Coal Mining Company ("Yanzhou"), Yancoal remained focused on progressing its pipeline of major brownfield projects through the legislative approvals process, in accordance with its long-term business strategy.

Yancoal received New South Wales Planning and Assessment Commission ("NSWPAC") approvals for the tier-one Moolarben Stage Two Project on 2 February 2015 and Stratford Extension on 1 June 2015.

On 30 March 2015, Moolarben Coal Mine Pty Ltd a 100% owned subsidiary of the Group acquired a 1% interest in Moolarben Coal Joint Venture ("Moolarben JV") owned by Hanwha Resources (Australia) Pty Ltd. Following the 1% acquisition the Group now holds an 81% interest in the Moolarben JV. The cash consideration paid and payable is $19.3 million.

Review of operations (continued)

Corporate activities (continued)

The Company also continued to implement specific culture training across operations to support the rollout of the 'Yancoal Way' initiative, focused on supporting its people and improving its efficiency, transparency of reporting and cost reduction strategies.

Mining operations

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

Total Run Of Mine ("ROM") and saleable coal produced during the period was 12.9Mt (2014: 13.3Mt) and 9.4Mt (2014: 9.5Mt) respectively on a 100% ownership basis. Total equity share of ROM and saleable coal produced was 10.6Mt (2014: 11.1Mt) and 7.7Mt (2014: 7.9Mt) respectively. Yancoal's product split (equity share) for the period was 5.2Mt (2014: 4.2Mt) thermal and 3.3Mt (2014: 3.7Mt) metallurgical coal.

New South Wales

NSW operations continued to optimise the business' thermal product mix via the blending of coals and sharing of rail and port facilities, where possible, in the interests of reducing existing take or pay arrangements and associated export costs.

NSW operations achieved ROM coal production of 8.8Mt (2014: 9.1Mt) and saleable coal production of 6.1Mt (2014: 6.4Mt) for the period, with high yields and consistent production rates at the Moolarben and Duralie open cut operations offset by challenging geological conditions at the underground mines of Donaldson, Ashton and Austar, negatively impacting longwall and development production output for the period.

Moolarben's (Yancoal 80% up to 30 March 2015, 81% from 31 March 2015) consistent production gains, increased operational improvements and fleet efficiencies offset minor interruptions to throughput due to occasional poor weather conditions during the period, to achieve strong results of 4.5Mt ROM (2014: 4.4Mt) for the period and saleable coal production of 3.4Mt (100% basis, 2014: 3.3Mt).

The outlook for 2015 remains positive with a full year target of 6.1 - 6.2Mt (100% basis) of saleable coal production, as Moolarben continues to develop the Mod 9 area, with first coal scheduled for the beginning of the second half of the financial year.

Production at Stratford/Duralie (Yancoal 100%) was in accordance with mine plan expectations, following the cessation of mining at the Stratford open cut Bowen Road North pit in July 2014 (ROM 2014: 0.4Mt), having reached the scheduled completion of its economically recoverable resources.

The Duralie open cut generated consistent ROM coal production of 1.0Mt (2014: 1.0Mt) and saleable coal production of 0.8Mt (Stratford/Duralie 2014: 1.0Mt) for the reporting period, with coal extraction rates expected to ramp up later in the year, following the implementation of further Coal Handling and Preparation Plant and fleet efficiencies. The full year production outlook for Stratford/Duralie is approximately 1.4Mt of saleable coal.

Ashton (Yancoal 100%) overcame significant geological issues encountered at the face during the first quarter of the reporting period to resume steady longwall production rates in the second quarter. The improved production yields effectively offsetting anticipated downtime, as the mine commenced the scheduled longwall move in June 2015. Longwall production subsequently resumed without incident early in the second half of the financial year.

Ashton ROM coal production was 1.4Mt (2014: 1.6Mt), with saleable coal production of 0.6Mt (2014: 0.7Mt), with Ashton's full year production outlook for 2015 remaining 1.3 - 1.5Mt (100% basis) of saleable coal production.

Austar (Yancoal 100%) ROM coal production was 0.7Mt (2014: 0.5Mt) for the period, with saleable coal production of 0.5Mt (2014: 0.4Mt). Minimal development production activity and continued geological difficulties at the longwall mains detrimentally affected consistent production output for the majority of the reporting period.

Life of mine plans for Austar continued to be redeveloped and underground crews redeployed to other NSW operations where possible throughout the reporting period, in response to the limited opportunity for consistent development activity resulting from the ongoing investigation into the underground incident of April 2014 in the former main development area.

Review of operations (continued)

Mining operations (continued)

New South Wales (continued)

Longwall mining of panel A8 reached its scheduled conclusion during the reporting period, with access to new mining panels currently under consideration as the mine moves from a longwall operation to running two continuous miners only, as announced on 24 July 2015, subsequent to the reporting period.

Donaldson's Abel underground mine (100%) encountered poor geological conditions in the main workings throughout the reporting period, impairing longwall production rates. ROM coal production was 1.2Mt (2014: 1.2Mt), with saleable coal production of 0.8Mt (2014: 1.0Mt).

Subsequent to the reporting period and as announced on 24 July 2015, the Abel mine will reduce operations from seven days to five days, commencing in August, as part of the ongoing restructure of the Donaldson operation in response to market conditions. Donaldson's 2015 operating focus remains on achieving a production outlook of 1.7Mt of saleable coal for the year.

Queensland

Queensland operations achieved total ROM coal production of 4.1Mt (2014: 4.2Mt) and saleable coal production of 3.3Mt (2014: 3.1Mt) for the period, with Yarrabee (100%) production and fleet efficiencies offset by the adjustment of mining processes required to address the impacts of China's introduction of new import coal quality specifications.

Extraction and stockpile management efficiencies, supported by ongoing cost reduction gains, generated total Yarrabee ROM coal production of 1.4Mt (2014: 1.8Mt) and saleable coal production of 1.2Mt (2014: 1.4Mt).

Yarrabee continues to advance its blending options to offset further impacts expected on coal sales into China for the second half of the year, as the business continues to implement new washing processes to meet the restrictive new coal standards.

Yarrabee outlook for full year production remains unchanged at 3.0Mt of saleable coal, in accordance with expectations.

Strong production and consistent throughput at the Middlemount joint venture (Yancoal 49.9997%), offset wet weather impacts experienced at the start of the year, with yield improvements and operational efficiencies improving production rates and increasing volumes on the year prior. ROM coal production was 2.7Mt (2014: 2.4Mt) and saleable coal production 2.1Mt (2014: 1.7Mt) for the reporting period.

The outlook for the year ahead remains positive, with expectations for production to achieve a targeted rate of 3.6 - 3.8Mt of saleable coal.

Projects

Moolarben

As announced 2 February 2015, the NSWPAC approved the Moolarben Stage Two expansion application. The Moolarben Stage Two Project will produce up to 16Mt per annum of ROM coal for a period of 24 years, extending the life of the operation.

The Stage Two Project will comprise of the proposed Open Cut 4, Underground 1 and Underground 2 mines.

Ashton

A final ruling from the Land and Environment Court regarding a specific condition attached to the approval of the Ashton South East Open Cut ("SEOC") project is expected to be received in the second half of 2015. The condition before the court relates to the current requirement for Yancoal to purchase a specific landowner's property, prior to the commencement of any development works.

The proposed SEOC open cut mine is expected to produce up to 3.6Mt per annum ROM semi-soft coking coal for a period of seven years.

The SEOC is to be developed as part of the Ashton Coal operation, utilising existing coal handling, preparation and loading facilities, and other office and surface facilities approved by the Ashton Development Consent.

Review of operations (continued)

Projects (continued)

Stratford

As announced 1 June 2015, the NSWPAC approved the Stratford extension project application. The proposed Stratford extension project has the potential to extract up to 21.5Mt of ROM coal over 10 years at a rate of up to 2.6Mt per annum. The proposed extension consists of three mining areas.

Coal price outlook

Global thermal and metallurgical markets remained depressed throughout the reporting period, with continuing global over supply and China's restrictive import standards for specific provinces unlikely to provide new opportunities for substantial price improvements in the near term.

In response to the current downturn, Yancoal remains focused on controlling costs and restructuring its operations to optimise its product mix, maximise yields and pursue new marketing synergies where possible, sharing the services and infrastructure of its New South Wales operations.

Yancoal continues to invest into the development of its pipeline of major brownfield projects, with the expansion of the low-cost, tier-one asset Moolarben Stage Two Project to be a key driver in helping determine the future growth and success of Yancoal in the Australian coal market.

Matters subsequent to the end of the half-year

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

(a) On 24 July 2015 the Group announced redundancies of up to 170 employees at its Abel underground mine and up to 55 employees at its underground Austar mine in the Hunter Valley. The redundancies have been announced in response to the impacts of the continued downturn in the global coal market.

Auditor's independence declaration

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

Rounding of amounts

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

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

Baocai Zhang
Director
Sydney
19 August 2015

ShineWing Australia
AUSTRALIA

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

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2015 there has been:

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

2. no contraventions of any applicable code of professional conduct in relation to the review.

Shine Wing Australia

ShineWing Australia
Chartered Accountants

M J Schofield
Partner
Sydney: 19th August 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Revenue	4	**634,373**	654,567
Other income	5	**27,111**	18,176
Changes in inventories of finished goods and work in progress		**63,342**	(3,314)
Raw materials and consumables used		**(231,567)**	(132,113)
Employee benefits expense	6	**(132,937)**	(140,721)
Depreciation and amortisation expense	6	**(99,238)**	(119,086)
Transportation expense		**(123,818)**	(127,217)
Contractual services and plant hire expense		**(119,520)**	(141,839)
Government royalties expense		**(34,816)**	(46,848)
Changes in deferred mining costs		**(7,370)**	(11,207)
Other operating expenses	6	**(75,610)**	(88,376)
Finance costs	6	**(70,545)**	(77,009)
Share of loss of equity-accounted investees, net of tax	10	**(16,623)**	(33,925)
Loss before income tax		**(187,218)**	(248,912)
Income tax benefit	7	**41,803**	56,205
Loss after income tax		**(145,415)**	(192,707)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value (losses) / gains taken to equity		**(265,423)**	254,241
Fair value losses transferred to profit and loss		**20,010**	34,325
Deferred income tax benefit / (expense)		**71,758**	(86,570)
Other comprehensive (expense) / income, net of tax		**(173,655)**	201,996
Total comprehensive (expense) / income		**(319,070)**	9,289
Total comprehensive (expense) / income for the period is attributable to:			
Owners of Yancoal Australia Ltd		**(319,070)**	9,289
		(319,070)	9,289
Total comprehensive (expense) / income for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**(319,070)**	9,289
		(319,070)	9,289
		$	$
Loss per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share		**(0.15)**	(0.19)
Diluted loss per share		**(0.15)**	(0.19)

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

	Notes	30 June 2015 $'000	31 December 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**187,565**	203,614
Trade and other receivables		**261,259**	310,045
Royalty receivable		**18,042**	17,766
Inventories	8	**152,643**	112,708
Derivative financial instruments	9	**250**	74
Other current assets		**6,551**	24,688
Total current assets		**626,310**	668,895
Non-current assets			
Trade and other receivables		**401,192**	387,498
Royalty receivable		**185,177**	181,354
Investments accounted for using the equity method	10	**8,792**	25,415
Other financial assets		**37**	37
Property, plant and equipment	11	**1,940,397**	1,906,887
Mining tenements	12	**2,460,139**	2,466,204
Deferred tax assets		**845,410**	836,788
Intangible assets	13	**78,086**	79,097
Exploration and evaluation assets	14	**900,991**	896,041
Other non-current assets		**27,969**	31,189
Total non-current assets		**6,848,190**	6,810,510
Total assets		**7,474,500**	7,479,405
LIABILITIES			
Current liabilities			
Trade and other payables		**259,355**	280,137
Interest-bearing liabilities	15	**66,149**	14,856
Derivative financial instruments	9	**-**	16,031
Provisions		**41,275**	35,305
Total current liabilities		**366,779**	346,329
Non-current liabilities			
Trade and other payables		**215**	431
Interest-bearing liabilities	15	**4,139,326**	3,765,069
Deferred tax liabilities		**647,477**	748,979
Provisions		**147,717**	124,221
Other non-current liabilities		**6,898**	7,188
Total non-current liabilities		**4,941,633**	4,645,888
Total liabilities		**5,308,412**	4,992,217
Net assets		**2,166,088**	2,487,188
EQUITY			
Contributed equity		**3,103,527**	3,105,557
Reserves	16(a)	**(734,867)**	(561,212)
Accumulated losses	16(b)	**(202,572)**	(57,157)
Capital and reserves attributable to owners of Yancoal Australia Ltd		**2,166,088**	2,487,188
Total equity		**2,166,088**	2,487,188

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

	Attributable to owners of Yancoal Australia Ltd				
	Contributed equity $'000	Other contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2014	656,701	-	24,124	296,329	977,154
Loss after income tax	-	-	-	(192,707)	(192,707)
Other comprehensive income	-	-	201,996	-	201,996
Total comprehensive income / (expense)	**-**	**-**	**201,996**	**(192,707)**	**9,289**
Transactions with owners in their capacity as owners:					
Remeasurement of cash receivable for settlement of contingent value right shares	-	-	3,506	-	3,506
Transfer of contingent value right shares at settlement date	-	262,936	(262,936)	-	-
	-	262,936	(259,430)	-	3,506
Balance at 30 June 2014	**656,701**	**262,936**	**(33,310)**	**103,622**	**989,949**
Balance at 1 January 2015	3,105,557	-	(561,212)	(57,157)	2,487,188
Loss after income tax	-	-	-	(145,415)	(145,415)
Other comprehensive expense	-	-	(173,655)	-	(173,655)
Total comprehensive expense	**-**	**-**	**(173,655)**	**(145,415)**	**(319,070)**
Transactions with owners in their capacity as owners:					
Subordinated capital notes transactions costs	(2,030)	-	-	-	(2,030)
	(2,030)	-	-	-	(2,030)
Balance at 30 June 2015	**3,103,527**	**-**	**(734,867)**	**(202,572)**	**2,166,088**

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

	30 June 2015 $'000	30 June 2014 $'000
Cash flows from operating activities		
Receipts from customers	**655,141**	697,452
Payments to suppliers and employees	**(706,837)**	(726,820)
Interest paid	**(63,081)**	(75,154)
Interest received	**2,703**	4,367
Transaction costs paid	**-**	(382)
Net cash outflow from operating activities	**(112,074)**	(100,537)
Cash flows from investing activities		
Payments for property, plant and equipment	**(69,741)**	(53,801)
Payments for intangible assets	**(90)**	-
Payments for capitalised exploration and evaluation activities	**(1,522)**	(749)
Proceeds from sale of property, plant and equipment	**48**	189
Payments for acquisition of interest in joint operation and subsidiaries (net of cash acquired)	**(18,617)**	-
Advances to joint venture	**-**	(7,500)
Loans to related entities	**(239)**	-
Dividends received	**2**	-
Cash transferred from restricted accounts	**2,316**	15,983
Net cash outflow from investing activities	**(87,843)**	(45,878)
Cash flows from financing activities		
Proceeds from borrowings	**63,605**	-
Payment of finance lease liabilities	**(5,281)**	(5,353)
Proceeds from interest-bearing liabilities - related entities	**124,985**	221,096
Receipt of contingent value right shares receivable - related entities	**-**	262,936
Repayment of contingent value right shares	**-**	(262,936)
Payment of transaction cost of subordinated capital notes	**(13,059)**	-
Net cash inflow from financing activities	**170,250**	215,743
Net increase in cash and cash equivalents	**(29,667)**	69,328
Cash and cash equivalents at the beginning of the financial period	**203,614**	318,001
Effects of exchange rate changes on cash and cash equivalents	**13,618**	(22,026)
Cash and cash equivalents at the end of the period	**187,565**	365,303

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

1 Basis of preparation of half-year report

This financial report for the half-year ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This Half-Year report is for the Consolidated Entity ("the Group") consisting of Yancoal Australia Ltd ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2015 ("the period"). This Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 31 December 2014 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2015 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

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

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

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 19 August 2015.

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

(a) New and amended standards adopted by the Group

The company has elected to early adopt the AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11)*. Under the amendment, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 *Business Combinations*, is required to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those that conflict with the guidance in AASB 11. The amendment also requires the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

During the half-year there are no other new and amended Australian Accounting Standards on issue that became effective during the preparation of these financial statements.

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

Australian Accounting Standards and Interpretations issued but not yet applicable for the half-year ended 30 June 2015 have not been applied by the Group with the exception of the early adoption of the AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB 11)*.

The Group has not yet determined the potential impacts of other amendments on the Group's financial statements.

(c) Changes in accounting policy

The following accounting policy was amended during the period and should be read in conjunction with the most recent Annual Financial Report:

Revenue

(i) Sale of goods
Revenue from the sale of coal is recognised when the significant risks and rewards of ownership of the goods has 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 basis. On occasion the sale of coal is recognised as the ship pulls into harbour on a Free Alongside Ship basis.

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

(d) Going concern

For the half-year ended 30 June 2015, the Group had a loss before income tax of $187,218,000 (30 June 2014: $248,912,000) from continuing operations. The net cash outflow from operating activities was $112,074,000 (30 June 2014: $100,537,000).

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

(i) At 30 June 2015, the Group has a cash balance of $187,565,000;
(ii) At 30 June 2015, the Group has surplus net current assets of $259,531,000;
(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 on-going 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 5 years of which no amounts were drawn as at 30 June 2015; and
(iv) The Directors of Yanzhou Coal Mining Company Limited ("Yanzhou") have provided a Letter of Financial Support ("Letter") to the Company. The Letter provides undertakings to the Company that it will provide financial support, 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 provide ongoing financial support to the Company to enable it to pay its debts as and when they fall due.

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

2 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

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

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2015 and 31 December 2014:

At 30 June 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	-	250	-	250
Royalty receivable	-	-	203,219	203,219
Total assets	-	250	203,219	203,469
Liabilities				
Total liabilities	-	-	-	-

2 Fair value measurement of assets and liabilities (continued)

(a) Fair value hierarchy (continued)

At 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
Forward foreign exchange 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

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2015.

(b) Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and liabilities held by the Group is the current bid price. These instruments are included in level 1. At 30 June 2015 the Group held no fair value level 1 instruments (31 December 2014: nil).

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.

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

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

2 Fair value measurement of assets and liabilities (continued)

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2015:

	Royalty receivable $'000
Opening balance 1 January 2014	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
Cash received / receivable	(8,744)
Unwinding of the discount	10,454
Remeasurement of the royalty receivable	2,389
Closing balance 30 June 2015	203,219

(i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2015 has been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has been determined to have a finite life being the life of the Middlemount Mine and will be measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on the same external data used for impairment assessments (refer to Note 12). The risk-adjusted post-tax discount rate used to determine the future cash flows is 10.5%.

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

(d) Fair values of other financial instruments

The carrying amount is assumed to approximate the fair value for the following:

(i) Trade and other receivables
(ii) Other financial assets
(iii) Trade and other payables
(iv) Interest-bearing liabilities

3 Segment information

(a) Description of segments

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

The Group consider operating segments at a regional level. Due to geography and varying ownership interests, Yarrabee and Middlemount are considered seperately. The regional level reportable segments are New South Wales ("NSW") and Queensland ("QLD").

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

3 Segment information (continued)

(b) Segment information

The segment information for the reportable segments for the half-year ended 30 June 2015 is as follows:

30 June 2015	Coal mining NSW $'000	Coal mining QLD $'000	Corporate $'000	Total $'000
Total segment revenue*	489,150	117,178	-	606,328
Add: Loss on foreign exchange rate contracts	20,010	-	-	20,010
Revenue from external customers	**509,160**	**117,178**	**-**	**626,338**
Operating EBIT	**(27,282)**	**(19,576)**	**(80,043)**	**(126,901)**
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	-	-	2,389	2,389
Depreciation and amortisation expense	(81,881)	(14,272)	(3,085)	(99,238)
Gain on acquisition of interest in joint operation and subsidiaries	-	-	7,839	7,839
	(81,881)	**(14,272)**	**7,143**	**(89,010)**
Total capital expenditure	**105,386**	**7,296**	**1,008**	**113,690**

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

	Coal mining NSW $'000	Coal mining QLD $'000	Corporate $'000	$'000
Total segment revenue*	454,131	170,757	-	624,888
Add: Loss on foreign exchange rate contracts	33,022	-	-	33,022
Revenue from external customers	**487,153**	**170,757**	**-**	**657,910**
Operating EBIT	**(86,817)**	**(29,188)**	**(70,089)**	**(186,094)**
Material income or expense items				
Non-cash items				
Remeasurement of royalty receivable	-	-	(7,527)	(7,527)
Remeasurement of contingent value right shares	-	-	(3,506)	(3,506)
Depreciation and amortisation expense	(96,314)	(18,733)	(4,039)	(119,086)
Foreign exchange gain on interest-bearing liabilities	-	-	25,224	25,224
	(96,314)	**(18,733)**	**10,152**	**(104,895)**
Total capital expenditure	**47,347**	**6,652**	**551**	**54,550**

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

There was no impairment charge or other significant non-cash items recognised during the half-years ended 30 June 2015 and 30 June 2014 other than those disclosed above.

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties for the reportable segments are measured in a manner consistent with that in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

3 Segment information (continued)

(c) Other segment information (continued)

Revenue from external customers are derived from the sale of coal from operating mines. Segment revenues are allocated based on the country in which the customer is located. Revenue from external customers can be attributed to the following geographical regions:

	30 June 2015 $'000	30 June 2014 $'000
Australia (Yancoal's country of domicile)	**8,140**	55,690
Singapore	**149,185**	166,922
South Korea	**217,170**	186,468
China	**60,769**	121,538
Japan	**72,238**	66,221
Taiwan	**29,214**	21,633
All other foreign countries	**89,622**	39,438
Total revenue from external customers	**626,338**	657,910

Revenues from the top five external customers were $311,835,000 (2014: $363,282,000) which in aggregate represent approximately 50% (2014: 58%) of the Group's revenues from the sale of coal. These revenues are attributable to the NSW and QLD coal mining segments.

Segment revenue reconciles to total revenue from continuing operations as follows:

	30 June 2015 $'000	30 June 2014 $'000
Total segment revenue	**606,328**	624,888
Management and marketing fees	**1,264**	1,010
Rents and sub-lease rentals	**808**	452
Interest income	**25,971**	28,217
Dividend income	**2**	-
Total revenue from continuing operations (note 4)	**634,373**	654,567

(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 unrealised gains/(losses) on interest-bearing liabilities. Interest income and expense are not allocated to the NSW and QLD segments, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

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

	30 June 2015 $'000	30 June 2014 $'000
Operating EBIT	**(126,901)**	(186,094)
Finance costs	**(70,545)**	(77,009)
Remeasurement of royalty receivable	**2,389**	(7,527)
Remeasurement of contingent value right shares	**-**	(3,506)
Foreign exchange gain / (loss) on interest-bearing liabilities	**-**	25,224
Gain on acquisition of interest in joint operation and subsidiaries	**7,839**	-
Loss before income tax from continuing operations	**(187,218)**	(248,912)

(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(b).

3 Segment information (continued)

(c) Other segment information (continued)

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

	30 June 2015 $'000	30 June 2014 $'000
From continuing operations		
Sales revenue		
Sale of coal	**626,338**	657,910
Loss on foreign exchange rate contracts	**(20,010)**	(33,022)
	606,328	624,888
Other revenue		
Management fees	**1,264**	1,010
Rents and sub-lease rentals	**808**	452
Interest income	**25,971**	28,217
Dividends	**2**	-
	28,045	29,679
	634,373	654,567

5 Other income

	30 June 2015 $'000	30 June 2014 $'000
Net gain on disposal of property, plant and equipment	**-**	42
Gain on remeasurement of royalty receivable	**2,389**	-
Net gain on foreign exchange*	**14,936**	18,071
Sundry income	**1,947**	63
Gain on acquisition of interest in joint operation and subsidiaries	**7,839**	-
	27,111	18,176

* In 2014, there was a net foreign exchange gain amounting to $25,224,000 on the conversion of US dollar denominated interest-bearing liabilities. In 2015 there is no gain/(loss) through profit or loss on the US dollar denominated interest-bearing liabilities.

6 Expenses

	30 June 2015 $'000	30 June 2014 $'000
Loss before income tax includes the following specific expenses:		
(a) Employee benefits expense		
Defined contribution superannuation expense	**9,669**	12,179
Other employee benefits expenses	**123,268**	128,542
Total employee benefits expense	**132,937**	140,721

6 Expenses (continued)

(b) Depreciation and amortisation

Depreciation		
Buildings	**1,585**	1,595
Plant and equipment	**46,423**	54,785
Mine development	**21,511**	21,687
Leased plant & equipment	**1,917**	2,972
Leasehold land	**1**	2
Total depreciation	**71,437**	81,041
Amortisation		
Mining tenements	**31,110**	40,536
Other access rights	**29**	26
Computer software	**1,269**	1,142
Total amortisation	**32,408**	41,704
Total depreciation and amortisation	**103,845**	122,745
Other depreciation and amortisation		
Depreciation and amortisation capitalised	**(4,607)**	(3,659)
Total other depreciation and amortisation	**(4,607)**	(3,659)
Total depreciation and amortisation	**99,238**	119,086

(c) Finance costs

Finance lease charges	**1,258**	1,552
Unwinding of discount on provisions and deferred payables	**3,213**	1,294
Other interest expenses	**66,074**	74,163
Total finance costs	**70,545**	77,009

(d) Other operating expenses

	30 June 2015 $'000	30 June 2014 $'000
Rental expense relating to operating leases	**1,344**	1,406
Remeasurement of royalty receivable (refer to Note 2(c))	**-**	7,527
Remeasurement of contingent value right shares	**-**	3,506
Insurance	**2,627**	3,442
Bank fees and other charges	**58,566**	59,509
Duties and other levies	**4,194**	6,181
Travel and accommodation	**4,967**	4,653
Net loss on disposal of property, plant and equipment	**2,358**	-
Other operating expenses	**1,554**	2,152
Total other operating expenses	**75,610**	88,376

7 Income tax benefit

The income tax benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the financial period. The estimated average tax rate used for the half-year ended 30 June 2015 is 22.11%, compared to 22.56% for the half-year ended 30 June 2014. The estimated average tax rate does not take into account any permanent differences that may arise from thin capitalisation, transfer pricing and the equity accounting of Middlemount.

7 Income tax benefit (continued)

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

8 Inventories

	30 June 2015 $'000	31 December 2014 $'000
Coal - at lower of cost or net realisable value	**112,293**	77,866
Tyres and spares - at cost	**39,280**	33,493
Fuel - at cost	**1,070**	1,349
	152,643	112,708

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2015 amounted to $36,276,000 (31 December 2014: $6,326,000). A provision was required to be recognised at 30 June 2015 due to a reduction in short-term forecast coal prices which were slightly offset by a reduction in production costs per tonne. The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

9 Derivative financial instruments

	30 June 2015 $'000	31 December 2014 $'000
Current assets		
Forward foreign exchange contracts - cash flow hedges	**250**	72
Collar option contracts - cash flow hedges	**-**	2
Total current derivative financial instrument assets	**250**	74
Current liabilities		
Forward foreign exchange contracts - cash flow hedges	**-**	(420)
Collar option contracts - cash flow hedges	**-**	(15,611)
Total current derivative financial instrument liabilities	**-**	(16,031)
	250	(15,957)

(a) Instruments used by the group

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

(i) Forward exchange contracts - fair value through profit or loss

The Group classifies derivative financial instruments at fair value through profit or loss if they are acquired principally for the purpose of settling in the short term.

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

9 Derivative financial instruments (continued)

(a) Instruments used by the group (continued)

As at 30 June 2015, the outstanding sell USD contracts are hedging contracted sales of coal, whereas the outstanding buy AUD and USD contracts relate to settlement of RMB term deposits. The contracts are timed to settle when the RMB term deposits mature.

Changes in the fair value of the forward foreign exchange contracts are recorded as other income or other expense in profit and loss.

(ii) Collar options - cash flow hedges

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

There are no outstanding sell USD contracts as at 30 June 2015.

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

During the half-year ended 30 June 2015, a total loss of $20,010,000 (31 December 2014: loss of $26,690,000) was recycled from other comprehensive income to profit or loss in respect of collar options.

As at 30 June 2015, there were no outstanding collar option contracts.

10 Investments accounted for using the equity method

	30 June 2015 $'000	31 December 2014 $'000
Investment in associates	-	-
Interest in joint venture	**8,792**	25,415
	8,792	25,415

(a) Investment in associates

Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2014: 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.

Ashton Coal Mines Limited

On 30 September 2014, the Group acquired the remaining 10% interest of Ashton Coal Mines Limited. Refer to Note 20. From 30 September 2014 the Group holds 100% of the ordinary shares in Ashton Coal Mines Limited. As at 30 June 2014 the Group held a 90% interest in Ashton Coal Mines Limited. This is now fully consolidated in the Group as a wholly owned subsidiary.

10 Investments accounted for using the equity method (continued)

(a) Investment in associates (continued)

(i) Summarised financial information of associates

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

		Group's share of:			
		30 June 2015		30 June 2015	
	Ownership Interest %	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Profit after income tax $'000**
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	27	845,053	1,103,423	45,538	-
		845,053	1,103,423	45,538	-

		Group's share of:			
		31 December 2014		30 June 2014	
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit after income tax $'000
Ashton Coal Mines Limited	100	-	-	67,882	-
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	27	842,002	1,050,003	91,431	-
		842,002	1,050,003	159,313	-

* The Group's share of NCIG's loss after income tax has not been recognised for the period ended 30 June 2015 since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 30 June 2015.

All of the above associates are incorporated in Australia.

(ii) Commitments and contingent liabilities relating to associates

There were no commitments and no contingent liabilities in respect of the Group's associates as at the period ended 30 June 2015.

(b) 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 open cut coal mines.

(i) 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.

10 Investments accounted for using the equity method (continued)

(b) Interest in joint venture (continued)

	30 June 2015 $'000	31 December 2014 $'000
Share of joint venture's assets and liabilities		
Current assets	**46,739**	33,761
Non-current assets	**647,825**	660,750
Total assets	**694,564**	694,511
Current liabilities	**(90,568)**	(85,382)
Non-current liabilities	**(595,204)**	(583,714)
Total liabilities	**(685,772)**	(669,096)
Net assets	**8,792**	25,415

	30 June 2015 $'000	30 June 2014 $'000
Share of joint venture's revenue, expenses and results		
Revenue	**105,008**	85,651
Expenses	**(122,375)**	(129,222)
Loss before income tax	**(17,367)**	(43,571)
Income tax benefit	**744**	9,646
Loss after income tax	**(16,623)**	(33,925)

The liabilities of Middlemount include an interest bearing liability of $349,872,841 due to the Group at 30 June 2015 (31 December 2014: $339,968,229). 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 $129,321,000 (31 December 2014: $106,623,000). The liabilities of Middlemount also include an interest bearing royalty payable of $41,637,721 due to the Group at 30 June 2015 (31 December 2014: $32,020,620).

(ii) Movements in carrying amounts

	30 June 2015 $'000	31 December 2014 $'000
Opening net book amount	**25,415**	86,899
Share of loss of equity-accounted investees, net of tax	**(16,623)**	(61,484)
Closing net book amount	**8,792**	25,415

(iii) Commitments and contingent liabilities relating to joint venture

There were no commitments in respect of the Group's interest in Middlemount at 30 June 2015. Contingent liabilities in respect of the Group's interest in Middlemount are set out in Note 19.

11 Property, plant and equipment

	Assets under construction $'000	Freehold land & buildings $'000	Mine development $'000	Plant and equipment $'000	Leased plant and equipment $'000	Leasehold land $'000	Total $'000
At 31 December 2014							
Cost or fair value	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
Half-year ended 30 June 2015							
Opening net book amount	302,525	247,251	476,105	835,622	45,320	64	1,906,887
Transfers - assets under construction	(123,456)	-	46,384	76,879	-	-	(193)
Other additions	62,117	31	34,235	5,068	-	-	101,451
Acquisition through business combination	1,264	569	575	3,687	-	-	6,095
Other disposals	-	-	-	(2,406)	-	-	(2,406)
Depreciation charge	-	(1,585)	(21,511)	(46,423)	(1,917)	(1)	(71,437)
Closing net book amount	242,450	246,266	535,788	872,427	43,403	63	1,940,397
At 30 June 2015							
Cost	242,450	259,867	705,875	1,413,890	56,530	70	2,678,682
Accumulated depreciation	-	(13,601)	(170,087)	(541,463)	(13,127)	(7)	(738,285)
Net book amount	242,450	246,266	535,788	872,427	43,403	63	1,940,397

12 Mining tenements

	30 June 2015 $'000	31 December 2014 $'000
Opening net book amount	**2,466,204**	2,251,841
Acquisition through business combination	**25,045**	149,877
Reversal of provision for impairment	**-**	140,000
Amortisation for the period	**(31,110)**	(75,514)
Closing net book amount	**2,460,139**	2,466,204

(a) Impairment assessment

The Group operates on a regional basis within NSW and as such the NSW mines are considered to be one Cash Generating Unit ("CGU"). Yarrabee and Middlemount are considered separate CGU's due to location and ownership structure.

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

12 Mining tenements (continued)

(a) Impairment assessment (continued)

- 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$58 - US$107 per tonne for thermal coal and US$88 - US$141 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 $0.75 is based on externally verifiable sources. The 30 June 2015 AUD/USD exchange rate was $0.77 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% (2014: 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 30 June 2015 the recoverable amount is determined to be above book value for all CGU's resulting in no impairment.

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.

Impairment provisions recorded as at 30 June 2015 are $108m for Moolarben and $73m for Stratford and Duralie. Moolarben and Stratford and Duralie are both included in the NSW region CGU. Management may consider further reversals of the impairment provision previously recognised if there was an increase in the average long term real revenue over the life of the mine due to either an increase in US$ coal prices, or a further weakening of the AUD/USD foreign exchange rate or a combination of both, or further reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserve.

13 Intangible assets

	Goodwill $'000	Computer software $'000	Access rights & other licenses $'000	Total $'000
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

13 Intangible assets (continued)

	Goodwill $'000	Computer software $'000	Access rights & other licenses $'000	Total $'000
Half-year ended 30 June 2015				
Opening net book amount	60,268	14,331	4,498	79,097
Acquisition through business combination	-	4	-	4
Other additions	-	90	-	90
Transfers - assets under construction	-	193	-	193
Amortisation charge	-	(1,269)	(29)	(1,298)
Closing net book amount	60,268	13,349	4,469	78,086
At 30 June 2015				
Cost	60,268	21,180	4,788	86,236
Accumulated amortisation	-	(7,831)	(319)	(8,150)
Net book amount	60,268	13,349	4,469	78,086

(a) Impairment tests for goodwill

The Goodwill relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arms length transaction and was allocated to the Yarrabee mine. The recoverable amount of goodwill is determined using the fair value less costs of disposal method. Refer to Note 12 for the details regarding the fair value less costs of disposal calculation performed at 30 June 2015.

14 Exploration and evaluation assets

	30 June 2015 $'000	31 December 2014 $'000
Opening net book amount	**896,041**	909,160
Remeasurement through business combination	**3,428**	(17,889)
Other additions	**1,522**	4,770
Closing net book amount	**900,991**	896,041

15 Interest-bearing liabilities

	30 June 2015 $'000	31 December 2014 $'000
Current		
Secured		
Bank loans	**57,361**	6,767
Lease liabilities	**8,788**	8,089
Total secured current interest-bearing liabilities	**66,149**	14,856
Total current interest-bearing liabilities	**66,149**	14,856

15 Interest-bearing liabilities (continued)

	30 June 2015 $'000	31 December 2014 $'000
Non-current		
Secured		
Bank loans	**3,569,291**	3,346,706
Lease liabilities	**28,372**	33,095
Total secured non-current interest-bearing liabilities	**3,597,663**	3,379,801
Unsecured		
Loans from related parties	**541,663**	385,268
Total unsecured non-current interest-bearing liabilities	**541,663**	385,268
Total non-current interest-bearing liabilities	**4,139,326**	3,765,069
Total interest-bearing liabilities	**4,205,475**	3,779,925

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 AU$1,400,000,000 and has a term of ten years (with the principal repayable at maturity) and is provided on an unsecured and subordinated basis with no covenants. The purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AU$ and US$. During the period US$100,000,000 was drawn down. In total US$300,000,000 was drawn down as at 30 June 2015 (31 December 2014: US$200,000,000).

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$807,000,000 and has a term of ten 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"). No amounts have been drawn down from this facility as at 30 June 2015.

15 Interest-bearing liabilities (continued)

(a) Financing arrangements

	30 June 2015 $'000	31 December 2014 $'000
Financing facilities		
Secured bank loans	**3,626,652**	3,353,474
Bank guarantees	**522,000**	447,736
Unsecured loans from related parties	**2,601,819**	2,383,906
	6,750,471	6,185,116
Facilities utilised at reporting date		
Secured bank loans	**3,626,652**	3,353,474
Bank guarantees	**483,974**	408,845
Unsecured loans from related parties	**541,663**	385,268
	4,652,289	4,147,587
Facilities not utilised at reporting date		
Bank guarantees	**38,026**	38,891
Unsecured loans from related parties	**2,060,156**	1,998,638
	2,098,182	2,037,529

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

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

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Greater than 5 years $'000	Total contractual cash flows $'000
At 30 June 2015					
Bank loans	274,811	216,707	1,199,513	3,227,864	4,918,895
Lease liabilities	10,943	10,943	20,499	-	42,385
Loans from related parties	37,160	37,058	111,276	683,021	868,515
Total	322,914	264,708	1,331,288	3,910,885	5,829,795
At 31 December 2014					
Bank loans	108,177	108,423	469,864	3,335,139	4,021,603
Lease liabilities	8,390	9,055	23,834	-	41,279
Loans from related parties	111,503	111,579	352,569	643,818	1,219,469
Total	228,070	229,057	846,267	3,978,957	5,282,351

(c) Debt covenants

(i) Syndicated Facility and Bi-lateral Facility

The Group has a US$2,600,000,000 Syndicated Facility and a US$140,000,000 Bi-lateral Facility. The balance of these secured loans at 30 June 2015 was US$2,740,000,000.

During 2014, the Syndicated Facility was extended for 3 years with repayments due in 2020, 2021 and 2022. The Syndicated Facility includes certain financial covenants to be tested half-yearly.

15 Interest-bearing liabilities (continued)

(c) Debt covenants (continued)

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 twelve 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 twelve month period ended on 30 June 2015 has not been tested as the latest amendment to the facility deferred testing until 30 June 2016.

(ii) Chattel Mortgage Facility and Working Capital Facility

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group inherited a chattel mortgage facility of US$21,700,000. The balance of the facility at 30 June 2015 was US$6,868,676.

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 bank guarantee of US$8,085,856 issued by Westpac Banking Corporation. Security is also held in the form of eleven trucks with a carrying value of $12,848,379.

There are no debt covenants associated with either facility.

(d) 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 AU$350,000,000 has been issued for operational purposes in favour of ports, rail, government departments and other operational functions. At 30 June 2015, the aggregated amount of guarantees issued is AU$324,057,967. Securities are held over the Yarrabee, Ashton, and Moolarben mine assets with a carrying value of AU$3,247,000,000.

Term debt facility

A loan facility was initially taken out to fund the acquisition of the Felix Resources Group in 2009. The facility's current balance is US$2,600,000,000. During 2014, the Group repaid US$99,310,000 in relation to the facility. 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) Bi lateral facility agreements

Bank guarantee facility

(a) A bank guarantee facility of AU$47,000,000 has been issued for operational purposes in favour of ports, rail, government departments and other operational functions. At 30 June 2015, the aggregated amount of guarantees issued is AU$37,139,888. Security over this facility is held in the form of letter of comfort from the Company's majority shareholder, Yanzhou Coal Mining Company Limited for the full amount of the facility.
(b) A bank guarantee facility of AU$125,000,000 has been issued for operational purposes in favour of ports, rail, government departments and other operational functions. At 30 June 2015, the aggregated amount of guarantees issued is AU$122,776,202. Securities held over this facility are corporate guarantee issued by the Company's majority shareholder, Yanzhou Coal Mining Company Limited and a cash deposit of A$2,500,000 included in restricted cash.

15 Interest-bearing liabilities (continued)

(d) Security (continued)

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 30 June 2015, 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 30 June 2015, the balance of the facility was US$6,868,676. The outstanding balance of the loan is secured by a bank guarantee of U$8,085,856 issued by Westpac Banking Corporation. Security is also held in the form of eleven trucks with a carrying value of AU$12,848,379.

(iv) Working Capital Facility

A working capital facility was taken out to fund working capital and capital expenditure. The facility is for up to AU$50,000,000. At 30 June 2015, 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.

16 Reserves and accumulated losses

(a) Reserves

	30 June 2015 $'000	31 December 2014 $'000
Hedging reserve	**(734,867)**	(561,212)
	(734,867)	(561,212)

	30 June 2015 $'000	31 December 2014 $'000
Movements:		
Hedging reserve		
Opening balance	**(561,212)**	(235,306)
Loss recognised	**(265,423)**	(497,243)
Transferred to profit or loss	**20,010**	28,895
Deferred income tax expense	**71,758**	142,442
Closing balance	**(734,867)**	(561,212)
Capital reserve		
Opening balance	**-**	259,430
Remeasurement during the period	**-**	3,506
Transfer to other contributed equity upon settlement	**-**	(262,936)
Closing balance	**-**	-

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity. Amounts are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The closing balance includes $734,867,000 (net of tax) (31 December 2014: $553,939,000) which relates to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the United States dollar denominated interest-bearing liabilities against future coal sales.

16 Reserves and accumulated losses (continued)

(a) Reserves (continued)

During the period ended 30 June 2015, no amounts (31 December 2014: loss of $2,205,000) were transferred from other comprehensive income to profit or loss in respect of the natural cash flow hedge.

(b) (Accumulated losses)/retained earnings

	30 June 2015 $'000	31 December 2014 $'000
Opening balance	**(57,157)**	296,329
Loss for the period attributable to the members of Yancoal Australia Ltd	**(145,415)**	(353,486)
Closing balance	**(202,572)**	(57,157)

17 Commitments

(a) Capital commitments

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

	30 June 2015 $'000	31 December 2014 $'000
Property, plant and equipment		
Not later than one year		
Share of joint operations	**7,619**	5,515
Other	**16,057**	4,409
Exploration and evaluation		
Not later than one year		
Share of joint operations	**1,119**	1,382
Other	**75**	-
	24,870	11,306

(b) Lease expenditure commitments

(i) Non-cancellable operating leases

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

	30 June 2015 $'000	31 December 2014 $'000
Not later than one year	**7,676**	7,642
Later than one year but not later than five years	**3,729**	7,457
	11,405	15,099

The Group leases mining equipment, office space and small items of office equipment under operating leases. The leases typically run for 1 month to 5 years with an option to renew at the expiry of the lease period. None of the leases include contingent rentals.

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

17 Commitments (continued)

(b) Lease expenditure commitments (continued)

	30 June 2015 $'000	31 December 2014 $'000
Not later than one year	**10,831**	10,890
Later than one year but not later than five years	**31,250**	36,762
Minimum lease payments	**42,081**	47,652
Less: future finance charges	**(4,921)**	(6,468)
Total lease liabilities	**37,160**	41,184
Finance leases are included in the financial statements as:		
Current	**8,788**	8,089
Non-current	**28,372**	33,095
	37,160	41,184

18 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2015 $	30 June 2014 $
Sales of goods and services		
Sales of coal to associated entities - Ashton Coal Mines Limited	**-**	66,521,553
Sales of coal to Noble Group Limited	**123,746,008**	174,779,480
Sales of coal to Yanzhou Coal Mining Company Ltd	**7,161,865**	8,803,900
Sales of coal to Yancoal International (Holding) Co., Ltd	**9,213,627**	-
Provision of marketing and administrative services to associated entities - Ashton Coal Mines Limited	**-**	768,000
Provision of marketing and administrative services to other related parties - Yancoal International Group	**5,308,060**	2,457,842
	145,429,560	253,330,775
Purchases of goods		
Purchases of coal from Syntech Resources Pty Ltd	**(6,456,335)**	-
Advances / loans to		
Advances to Joint Venture - Middlemount Coal Pty Ltd	**-**	(7,499,550)
Advances to a related party - Premier Coal Holdings	**(1,735)**	-
Advances to a related party - Yancoal Technology Development Pty Ltd	**(236,814)**	-
Debt repayment		
Loans from Yanzhou Coal Mining Company Limited	**124,984,377**	111,000,111
Loan from Yancoal International (Holding) Co., Limited	**-**	110,095,783
Finance costs		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	**(2,985,488)**	(14,841,788)
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	**(1,138,120)**	(5,685,760)
Interest paid on loans from Yancoal International (Holding) Co., Ltd	**-**	(8,370,115)
Interest accrued on loans from Yancoal International (Holding) Co., Ltd	**-**	(524,158)
Interest paid on loans from Yanzhou Coal Mining Company Limited	**-**	(8,017,377)
Interest accrued on loans from Yanzhou Coal Mining Company Limited	**(10,434,929)**	(601,425)
Other costs		
Bank guarantee fee paid to Yanzhou Coal Mining Company Limited	**-**	(1,646,354)
Corporate guarantee fee paid to Yanzhou Coal Mining Company Limited (extended portion)	**(45,263,561)**	(25,350,348)

18 Related party transactions (continued)

(a) Transactions with other related parties (continued)

	30 June 2015 $	30 June 2014 $
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Limited (extended portion)	**(3,079,940)**	(1,483,429)
Arrangement fee paid to Yancoal International Technology Development Co., Ltd	**(661,816)**	(3,233,981)
Arrangement fee accrued to Yancoal International Technology Development Co., Ltd	**(252,254)**	(1,238,910)
Arrangement fee paid on loans from Yancoal International (Holding) Co., Ltd	**-**	(6,781,033)
Arrangement fee accrued on loans from Yancoal International (Holding) Co., Ltd	**-**	(525,478)
Arrangement fee paid on loan from Yanzhou Coal Mining Company Limited	**-**	(6,953,870)
Arrangement fee accrued on loans from Yanzhou Coal Mining Company Limited	**-**	(497,912)
Marketing commission accrued to Noble Group Limited	**(51,405)**	(684,551)
Port charges paid to NCIG Holdings Pty Limited	**(20,487,834)**	(24,504,285)
Port charges accrued to NCIG Holdings Pty Limited	**(2,616,745)**	(859,514)
Port charges paid to Noble Group Limited	**(703,594)**	-
Port charges accrued to Noble Group Limited	**(67,695)**	-
Demurrage paid to Noble Group Limited	**(705,636)**	(239,689)
Demurrage accrued to Noble Group Limited	**(241,456)**	(136,814)
Finance income		
Interest income capitalised into loan receivable from Middlemount Coal Pty Ltd	**9,904,611**	9,102,770
Other income		
Royalty income receivable from Middlemount Coal Pty Ltd	**8,742,818**	7,130,163
Despatch received from Noble Group Limited	**90,898**	10,903
Despatch receivable from Noble Group Limited	**150,973**	94,326
Bank guarantee fee charged to Syntech Resources Pty Ltd	**673,674**	-
Bank guarantee fee charged to Premier Coal Holdings Pty Ltd	**153,726**	-

(b) Outstanding balances

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

	30 June 2015 $	31 December 2014 $
Current assets		
Trade and other receivables		
Receivable from Yancoal International Group entities in relation to cost reimbursement	**16,342,192**	12,259,546
Trade receivable from Noble Group Limited in relation to sales of coal	**1,691,324**	47,744,193
Receivable from Premier Coal Holdings in relation to funding	**1,735**	-
Receivable from Yancoal Technology Development Pty Ltd in relation to funding	**236,814**	-
Receivable from Yancoal International Group entities	**1,125,494**	-
Promissory Notes receivable from Yancoal International (Holding) Co., Ltd	**21,174,124**	21,174,124
Despatch receivable from Noble Group Limited	**150,973**	5,273
Royalty receivable from Middlemount Coal Pty Ltd	**41,637,721**	32,020,620
Bank guarantee reimbursement receivable from Syntech Resources Pty Ltd	**992,243**	318,569
Bank guarantee reimbursement receivable from Premier Coal	**211,249**	57,523
	83,563,869	113,579,848
Non-current assets		
Advances to joint venture		
Receivable from Middlemount Coal Pty Ltd being an unsecured, interest-bearing advance	**349,872,841**	339,968,229
	349,872,841	339,968,229

18 Related party transactions (continued)

(b) Outstanding balances (continued)

	30 June 2015 $	31 December 2014 $
Current liabilities		
Other payables		
Trade payable to Syntech Resources Pty Ltd in relation to purchase of coal	**(6,472,308)**	-
Payables to Yanzhou Coal Mining Company Limited	**(13,514,868)**	(4,200,447)
Payables to Yancoal International Resources Development Co., Ltd	**(1,390,374)**	(6,399,496)
Payables to Yancoal International Technology Development Co., Ltd	**-**	(1,394,431)
Payables to Yancoal International (Holding) Co., Ltd	**-**	(2,799,943)
Payables to Yancoal International Group entities	**-**	(1,868)
Advance from Noble Group Limited	**(5,200,781)**	-
Payables to Noble Group Limited	**(360,556)**	(766,077)
Payables to NCIG Holdings Pty Ltd	**(2,616,745)**	(1,582,374)
	(29,555,632)	(17,144,636)
Non-current liabilities		
Other payables		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	**(151,037,630)**	(141,425,140)
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	**-**	(243,842,965)
Payable to Yanzhou Coal Mining Company Limited being an unsecured, interest-bearing loan	**(390,625,000)**	-
	(541,662,630)	(385,268,105)

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

(c) Guarantees

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

	30 June 2015 $	31 December 2014 $
Syntech Resources Pty Ltd	**59,365,000**	72,024,771
Syntech Holdings Pty Ltd	**32,907,000**	14,550,000
AMH (Chinchilla Coal) Pty Ltd	**29,000**	29,000
Premier Coal Limited	**29,000,000**	29,000,000
Tonford Holdings Pty Ltd	**12,500**	12,500
Athena Joint Venture	**2,500**	2,500
Wilpeena Holdings Pty Ltd	**7,500**	7,500
	121,323,500	115,626,271

(d) Terms and conditions

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

The US$115,996,900 loan from Yancoal International Resources Development Co., Ltd was charged at a fixed interest rate of 7.00% p.a (inclusive of arrangement fees).

The US$150,000,000, US$50,000,000 and US$100,000,000 loans from Yanzhou Coal Mining Company Limited were charged at a fixed interest rate of 7.00% p.a.

19 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2015 in respect of:

(i) Bank guarantees

	30 June 2015 $'000	31 December 2014 $'000
Parent entity and consolidated entity		
Guarantees secured over deposits	**29,055**	27,122
Performance guarantees provided to external parties	**169,275**	195,126
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**97,459**	34,259
Guarantees provided in respect of land acquisition	**66,330**	36,330
	362,119	292,837
Joint ventures (equity share)		
Guarantees secured over deposits	**532**	382
	532	382
Guarantees held on behalf of related parties		
Guarantees secured over deposits	**1,075**	1,075
Performance guarantees provided to external parties	**101,859**	105,286
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**18,390**	9,265
	121,324	115,626
	483,975	408,845

(ii) Tax audit

The Australian Taxation Office ("ATO") has undertaken an audit of certain matters in the Company's tax filings for the year ended 31 December 2009, 2010 and 2011. These matters remain in progress and steps are being taken to finalise them.

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

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

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

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

(iv) Other contingencies

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

20 Business combination

(a) Moolarben Coal Joint Venture 1% acquisition

(i) Summary of acquisition

On 30 March 2015, Moolarben Coal Mine Pty Ltd a 100% owned subsidiary of Yancoal Australia Ltd ("the Group") acquired an additional 1% interest in Moolarben Coal Joint Venture ("Moolarben JV") owned by Hanwha Resources (Australia) Pty Ltd ("Hanwha"). The Moolarben JV is accounted for as a joint operation. With the 1% acquisition the Group now holds an 81% interest in the Moolarben JV. The cash consideration paid and payable is $19.3 million.

The accounting for the acquisition of the additional 1% interest in Moolarben JV has been determined on a provisional basis at 30 June 2015. Any adjustments to the 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 the additional interest in the Moolarben JV are as follows:

	$'000
Purchase consideration	
Total consideration	19,264
Gain on acquisition of interest in Moolarben JV (Note 5)	7,897
Fair value of net identifiable assets acquired (refer to (ii) below)	27,161

(ii) Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash	93
Trade receivables	431
Inventories	326
Other current assets	410
Plant and equipment	6,095
Mining tenements	20,590
Exploration and evaluation assets	3,428
Intangible assets	4
Prepayments (non-current)	69
Trade and other payables	(587)
Provisions	(150)
Deferred tax liabilities	(3,548)
Net identifiable assets acquired	27,161

(iii) Revenue and profit contribution

The acquired interest contributed revenue of $1.7 million and net profit of $0.3 million to the Group for the period from 1 April 2015 to 30 June 2015. If the acquisition had occurred on 1 January 2015, consolidated revenue and net profit for the period ended 30 June 2015 would have been $2.6 million and $0.5 million respectively. These amounts have been calculated using the Group's accounting policies.

(b) Ashton Coal Joint Venture 10% acquisition

(i) Acquisition update

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 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. The total consideration paid and payable is $21.0 million.

20 Business combination (continued)

(b) Ashton Coal Joint Venture 10% acquisition (continued)

The accounting for the Ashton acquisition was determined on a provisional basis at 31 December 2014 as the fair value assigned to the acquiree's identifiable assets and liabilities were determined provisionally.

At 30 June 2015, adjustments have been made to the acquisition accounting of Ashton, resulting in the fair value of identifiable assets recognised on acquisition decreasing by $234,000 compared to the provisional fair value amounts previously reported at 31 December 2014. The overall decrease is due to an increase in take or pay provisions of $4,800,000 offset by increases in mining tenements and exploration assets of $4,455,000 to the amounts reported in the financial statements at 31 December 2014 together with the resulting deferred tax impacts. Deferred tax assets increased by $1,448,000 and deferred tax liabilities increased by $1,337,000. The changes have resulted from further analysis on agreements, the nature and status of assets that existed as at the acquisition date that, if known, would have affected the measurement of the amounts recognised as at that date.

Total purchase consideration decreased by $175,000 compared to the financial statements at 31 December 2014 due to the finalisation of stamp duty costs on the acquisition. As at 30 June 2015 the gain on acquisition has decreased by $59,000 as a result of the adjustments noted above.

21 Events occurring after the reporting period

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

(a) On 24 July 2015 the Group announced redundancies of up to 170 employees at its Abel underground mine and up to 55 employees at its underground Austar mine in the Hunter Valley. The redundancies have been announced in response to the impacts of the continued downturn in the global coal market.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 35 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Baocai Zhang
Director

Sydney
19 August 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yancoal Australia Ltd and controlled entities which comprises the consolidated balance sheet as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Yancoal Australia Ltd's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yancoal Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the Yancoal Australia Ltd's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001.*

ShineWing Australia

ShineWing Australia
Chartered Accountants

M J Schofield

M J Schofield
Partner
Sydney: 19th August 2015