REACHING NEW HORIZONS TOGETHER

Yancoal Australia Ltd
2012 Annual Report

YANCOAL
兖 煤 澳 大 利 亚 有 限 公 司

YANCOAL AUSTRALIA LTD BECAME A LISTED COMPANY ON THE AUSTRALIAN STOCK EXCHANGE (ASX CODE: YAL) ON 28 JUNE 2012

Production is scheduled to grow over the next five years from a number of identified projects. Yancoal also manages on behalf of its major shareholder, Yanzhou Coal Mining Company Ltd, an additional two mines located in Queensland and Western Australia.

Yancoal has secured sufficient port allocation to underpin its strong growth profile into the future. The Company is a shareholder of NCIG (27.0%) at Newcastle in New South Wales and Wiggins Island Coal Terminal Stage 1 (5.6%) at Gladstone in Queensland.

The strong growth profile is supported by large Resources of 3824 million tonnes, Reserves of 800 million tonnes and the company's major shareholders.

As at 22 February 2013, Yancoal had 994,216,659 shares on issue and 2,567 shareholders. The two largest shareholders were Yanzhou Coal owning 78.0% and Noble Group 13.2%.

2004

Yancoal is formed after the purchase of the Southland Colliery in the Hunter Valley from the administrators of Gympie Gold.

2006

After acquiring the former Southland Colliery in the Hunter Valley, Yancoal is among the first Australian coal companies to successfully introduce the pioneering LTCC method.

2009

Yancoal completes a successful takeover of Felix Resources for A$3.3 billion

Contents

2012

Yancoal completes a merger with Gloucester Coal, and following the listing of Yancoal on the ASX in June 2012, Yancoal becomes one of Australia's largest listed pure-play coal producers.

2013 –

New five year growth targets encompassing the most attractive growth options, and incorporating a plan for sequential development in line with funding availability, was prepared and has recently been approved by the Board. We envisage that saleable production will grow significantly, reaching around 24Mtpa on an equity basis by 2017.

OVER THE PAST EIGHT YEARS OUR INVOLVEMENT IN THE AUSTRALIAN COAL INDUSTRY HAS STEADILY INCREASED AS WE HAVE SET AND ACHIEVED AMBITIOUS GROWTH GOALS

Weimin Li
Chairman of the Board

Dear Yancoal Shareholders,

The successful merger of Yancoal with Gloucester Coal, and Yancoal's listing on the ASX in June 2012, was transformative for our business. The combined group is one of the largest coal producers in Australia – a remarkable achievement for a company that made its first investment in the Australian coal industry less than a decade ago.

Our company was launched with the purchase of the Southland Colliery from the administrators of Gympie Gold in 2004, which was renamed Austar and remains an important part of our business to this day. Over the ensuing period our involvement in the Australian coal industry has steadily increased as we have set and achieved ambitious growth goals.

Major acquisitions successfully completed by Yancoal prior to the merger with Gloucester Coal include Felix Resources in late 2009, Cameby Downs in August 2011 and Premier Coal in December 2011. Yancoal has a proud track record of investing in the development of our assets through a series of brownfield expansions. Central to our business is our preparedness to invest in technological innovation, and the installation at Austar of the first top coal caving longwall technology to be used in Australia was a notable achievement in this area.

While Yancoal's controlling shareholder is based in China, we have a predominantly Australian management and sales team and 98 per cent of our workforce are Australian citizens. Yancoal is committed to Australia – to the communities in which we operate, to our employees, to our new shareholders and to the environment.

We take a comprehensive approach to ensuring the health and safety of our people, and we have a thorough appreciation of the role that our mines play in the social and economic development of regional Australia.

In order to support our community, many of our mines have established Community Consultative Committees to keep stakeholders informed of the mine's progress and provide a forum for open discussion between representatives of the company, the community, the council and other stakeholders.

The philosophy and approach that has underpinned our business since inception in 2004 will not change now that Yancoal is a separately listed company. We have always been focused on growth and take a long-term view when making strategic decisions. In 2012, Yancoal was required to meet take or pay obligations for unused rail and port allocation. This situation will persist into 2013 as the merger with Gloucester increased port allocation significantly. However, I am confident that in the longer term this port capacity will prove to be of great value as it supports the growth in output that we are planning to achieve.

As we prepare for the next stage of our growth, Yancoal is fortunate indeed to have major shareholders who are committed to our plans for the company, and to providing support for delivery of our strategy.

Operations

The Yancoal business is diversified by both product and geography, and is backed by careful infrastructure planning. Yancoal currently produces both thermal and metallurgical coals from mines located in New South Wales and Queensland, positioning us to sell our coal output to a number of markets and customers in the Asian region, while our growth outlook is supported by a JORC Resource of 3,824 (100% basis) million tonnes.

The company is a shareholder in NCIG at Newcastle and Wiggins Island Coal Terminal Stage 1 at Gladstone in Queensland. Yancoal's allocation at these ports is a strategic asset that is central to our capacity to deliver on the next stage of our growth ambitions.

It is pleasing to report that Yancoal's seven mining entities (Ashton, Austar, Donaldson, Middlemount, Moolarben, Stratford/Duralie and Yarrabee) and two managed mines (Cameby Downs and Premier Coal) delivered strong operational performance during 2012. Across our business, coal output on an equity basis reached 14.7Mt for the year and all of the Yancoal mines finished the year strongly.

Of particular significance is the performance of the Moolarben Mine, which is 80% owned by Yancoal. Moolarben is our largest mine and has the lowest cost of production. It also has the greatest growth potential of any of our mines, and we are already starting to deliver on this opportunity with ROM coal production capacity increased to 8.0Mtpa from 7.0Mtpa from the beginning of November 2012. Over the last twelve months, management has been progressing all of the study work related to obtaining Stage 2 project approvals which will increase production to around 17Mtpa ROM coal capacity.

These production levels were achieved in conjunction with the operational integration of Yancoal and Gloucester Coal. Operational integration was largely completed by the end of the year, with management reporting systems and a new organisational structure that is appropriate for a large and growing business.

Financial Performance

The financial results of Yancoal for 2012 were complicated by the corporate transactions that took place during the year. The company reported a profit of $404.6 million for the year on sales revenue of $1,412.3 million from the sale of 14.8Mt of coal.

Operating EBIT was a small loss of $5.2 million due to a rapid deterioration in coal market conditions from early in the year as demand for some coal types was impacted by weaker economic growth in a number of countries in the Asian region together with increased coal supply. Thermal coal prices started the year at around US$115 per tonne and fell to a low of US$80 per tonne (Newcastle Spot) early in the final quarter. Over the same period, metallurgical coal prices fell from above US$220per tonne to a low of around US$141 per tonne in the September quarter.

While there is emerging evidence of a modest improvement in coal prices, declines of the magnitude experienced during 2012, combined with a strong Australian dollar, had a substantial impact on the profitability of the company, and for the Australian coal industry more broadly. Your Board and management responded to the deteriorating conditions by initiating a thorough review of opportunities for cost reduction across the company. Following this review, the cost base of each of our mines has been materially reduced.

Corporate Governance

In advance of Yancoal's ASX-listing, considerable energy was devoted to ensuring the company had a governance regime appropriate for a listed company with a broad shareholder register.

Our priority was to ensure that the Board is accountable, and that its decision-making processes are robust. We have achieved this through the introduction of a suite of corporate governance policies and procedures, together with careful attention to the composition of the Board of Yancoal.

The current Board comprises eleven directors, each of whom is well-placed to make an informed contribution by a diversity of experience and perspective. Importantly, the presence of five independent directors ensures that the interests of minority shareholders are fully considered at all times. One of the independent directors chairs the Audit and Risk Committee, a key requirement for a listed company. The appointment of two Co-Vice Chairmen, one of whom is independent, also reflects our commitment to the highest governance standards.

Outlook

At the time of the merger with Gloucester Coal, we advised shareholders that a priority for Yancoal would be continued growth in production across our portfolio, together with achieving the potential synergies identified by the Yancoal and Gloucester management teams during the merger process.

In recent months, growth options have been reviewed and management has worked to identify and rank all available opportunities. Following this review, a new set of growth targets encompassing the most attractive growth options, and incorporating a plan for sequential development in line with funding availability, was prepared and has recently been approved by the Board. Under this five year plan, we envisage that saleable production will grow significantly, reaching around 24Mtpa on an equity basis by 2017.

A number of development projects are already underway, with the development timetable dependent on the receipt of required approvals from government authorities and required agreements from certain landowners.

While growth is a priority, we are mindful that coal market conditions remain difficult. As I have noted, we take some comfort from emerging evidence that the low point in coal prices was experienced in the September quarter of 2012. However we know that we must be unrelenting in our focus on achieving synergies and maximising operational efficiency if acceptable results are to be achieved in the future.

The synergy opportunities identified during the merger process were outlined in the scheme documents. The key longer term benefits included harmonising procurement for a number of major consumables across the company, developing a blending strategy and bringing forward development of stage 2 of the Moolarben project. Progress has occurred in all of these areas and we will provide a further update on these activities at the Annual General Meeting in May.

On behalf of the Board I would like to thank the management team, and all of our employees, for their contribution through a year of rapid change for Yancoal. Total employees grew from 1,688 at the end of 2011 to 2,680 at the end of 2012. Over the course of the year, many of our people accepted role changes and additional responsibilities as our company grew, and it was pleasing to be able to welcome so many former Gloucester Coal employees as valuable members of the Yancoal team.

Following the merger, we are fortunate to have outstanding depth in our management ranks. There is a great deal of industry experience amongst both head office and mine management teams, and the knowledge, dedication and ingenuity of our people will be called upon in the coming year as we strive to reduce operating costs at all mine sites, and to ensure that the growth opportunities identified during the merger process can be delivered economically and on time.

I would also like to thank my fellow Directors, joint venture partners, contractors and other business partners for their support throughout 2012. While 2013 will undoubtedly present us with both challenges and opportunities, I am confident that we are well prepared.

Weimin Li
Chairman of the Board

HIGHLIGHTS 2012

Key Operational Achievements

- Merged with Gloucester Coal Limited via a scheme of arrangement and successfully listed on the ASX on 28 June 2012;
- Divested two mines, exploration assets and technology assets to Yancoal International in June (owned 100% by Yanzhou Coal);
- Completed a Definitive Feasibility Study for the Stage 2 open cut at Moolarben;
- Obtained Planning and Assessment Commission approval for the South East Open Cut development at Ashton (subject to an appeal in the Land and Environment Court);
- Commenced mining in the second seam (Upper Liddell) at the Ashton underground mine
- Secured an additional mining lease at Yarrabee and developed new infrastructure;
- Made significant progress with Stage 3 of the Austar Mine which underpins a long life operation;
- Introduced the "LEAN" process to the Abel underground mine and achieved significant operational gains;
- Commenced production and sales of coking coal at Middlemount;
- Submitted the development application and EIS for the Stratford Extension Project that will ensure the future of the mine.

Performance Targets 2013

- Improve the safety performance at each mine as measured against the State average for each mine type and location;
- Reduce FOB Cash Costs (excluding Government Royalties) at each mine by 10% to 15% from 2012 costs;
- Grow ROM coal production and achieve budget forecasts for 2013;
- Increase saleable production in line with the budget for 2013;
- Achieve budget underground development rates and overburden removal rates for each mine;
- Obtain the regulatory approvals for Moolarben Stage 2 and SEOC at Ashton;
- Advance all development projects in line with the targets set out in the five year plan.

Operating Performance

Yancoal Australia Equity Share of Production and Sales

	2012 (Mt)	2011 (Mt)	Movement (%)
ROM Coal Production	19.9	13.3	49
Saleable Coal Production	14.7	9.7	51
Coal Sales	14.8	10.2	45

Saleable Coal Production (Equity Basis)

Mine	2012 (Mt)	2011 (Mt)
Ashton	1.0	1.1
Austar	1.5	1.6
Moolarben	4.1	4.0
Yarrabee	2.5	2.4
Stratford & Duralie	1.2	0.0
Donaldson	1.3	0.0
Middlemount	0.5	0.0
Cameby Downs	0.7	0.6
Premier	1.9	0.0
Total	**14.7**	**9.7**

Note: The production shown in the tables represents Yancoal's attributed production on an equity basis for both 2011 and 2012. Yancoal acquired Cameby Downs in August 2011 and then transferred the asset to Yanzhou Coal Mining Company Ltd in June 2012. Yancoal acquired Premier on 31 December 2011 and transferred the asset to Yanzhou Coal Mining Company Ltd in June 2012. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012).

Financial Performance

Profit Results for 2012 and 2011 with accounting reconciliations

	Year ending December 2012			Year ending December 2011		
	Pre Tax ($m's)	Tax ($m's)	Post Tax ($m's)	Pre Tax ($m's)	Tax ($m's)	Post Tax ($m's)
Revenue from continuing operations	1,412.3			1,461.7		
Operating EBITDA	197.9			621.1		
Operating EBIT	(5.2)			493.9		
Profit before non operating items	**(64.6)**	**95.1**	**30.5**	**438.5**	**(132.3)**	**306.3**
FX on loans	67.2	(20.2)	47.0	2.1	(0.6)	1.5
Transaction costs	(29.5)	8.9	(20.7)	(5.6)	1.7	(3.9)
Gain on acquisition	200.0	–	200.0	2.5	–	2.5
Mark to market CVRs	(12.3)	3.7	(8.6)	–	–	–
MRRT adoption	–	154.9	154.9	–	–	–
Profit from continuing operations	**160.8**	**242.4**	**403.2**	**437.5**	**(131.2)**	**306.3**
Profit after tax from discontinued operations			1.4			(4.7)
Profit after tax			**404.6**			**301.5**

YANCOAL SUCCESSFULLY COMPLETED THE MERGER WITH GLOUCESTER IN 2012, ONE OF THE LARGEST DEALS IN AUSTRALIA IN THE YEAR

The past year has been a year of significant change and transformation for Yancoal and its employees. The Company was involved in several asset transactions, culminating in the merger with Gloucester Coal in June. The transactions included:

- the acquisition of Premier Coal from Wesfarmers at the end of December 2011 and subsequent integration into Yancoal during the first half of 2012;
- the subsequent transfer of Premier Coal, Cameby Downs, several exploration assets and the technology assets to the ownership of Yancoal International, a Hong Kong based company and wholly owned subsidiary of Yanzhou Coal Mining Company Ltd;
- The establishment of a management agreement with Yanzhou to enable Yancoal to continue to manage these operations for Yancoal International on a fee for service basis.

From the date of listing of Yancoal Australia on the Australian Securities Exchange on 28 June 2012 until the end of the financial reporting period on 31 December 2012, Yancoal Australia has used the cash (and assets in a form readily convertible to cash) that it had at the time of listing in a way consistent with its business objectives.

Yancoal is a large and diversified coal producer in an Australian context, having produced a total of 14.7Mt saleable coal in 2012 on an equity basis. However, as the Company is young as an operating company in Australia, Yancoal is in the process of building an operating culture, management systems and supporting infrastructure across all of its operations. In addition, Yancoal listed on the Australian Securities Exchange (ASX) during the year when the shares commenced trading on the ASX on 28 June. Previous Gloucester Coal shareholders received shares in Yancoal as part of the consideration for the merger of the companies. The change from being an unlisted wholly owned subsidiary of Yanzhou Coal Mining Company Limited to a company trading on a stock exchange required the appointment of a new Board with several independent non-executive Directors, the adoption of many policies required by the ASX and ASIC along with many governance and management system changes within the company. The work involved with the process was intense and was completed in time for the listing.

Key benefits of the merger of Yancoal and Gloucester were the synergy benefits outlined in the scheme booklet sent to Gloucester shareholders and the growth profile for the merged entity. A range of between $220 million and $380 million of synergy benefits was identified in the scheme booklet. Yancoal has commenced the process of capturing these synergies. The company will report regularly on progress in the future. The largest synergy identified in the scheme booklet was to bring forward the development of Stage 2 of the Moolarben project by leveraging available Gloucester Coal excess port capacity at the NCIG coal terminal in Newcastle. The Stage 2 development consent application is progressing through the New South Wales regulatory authorities however, the timetable for the process is uncertain.

Another aspect of the merger with Gloucester was a requirement to reorganise Yancoal's financing and debt. A significant component of the outstanding debt facilities on the company's balance sheet had to be rolled forward for a period of five years. This was successfully achieved before the completion of the merger albeit at higher but competitive interest rates. In addition Yancoal arranged additional debt facilities from its major shareholder in the period following the merger. These funds were used to repay some high cost debt, pay the Promissory Notes in connection with the capital return to the previous Gloucester Coal shareholders and provide some funding for development projects.

From an operational perspective there have been significant changes and advances during the year especially in the second half of the year where the focus shifted to cost reduction in response to lower coal prices. Following the release of the first half results, all mine General Managers were given the task of reducing costs at their respective operations by 10% to 15%. The Company is pleased to report that all of the mines are on track to achieve the target over the course of the next few months and the target has been included as one of Yancoal's key objectives to be achieved for the 2013 calendar year.

More detail will be provided in the comprehensive review of operations section of this report however some highlights from the year are worthy of discussion.

The Stage 3 development at Austar, which will underpin the long term future of the mine, was advanced according to plan with production due to commence from the area by mid 2013.

Approval of the South East Open Cut project (SEOC) at Ashton was gained from the NSW Planning and Assessment Commission (PAC) following a successful appeal of the PAC's original decision to refuse the application. However a merits appeal has been lodged by an environmental group on the PAC decision. The appeal will be heard in the Land and Environment Court in 2013. Work at Ashton is now focussed on finalising the mining lease application and developing the project. Another first was achieved at Ashton where the longwall was moved from the Pikes Gully seam to the Upper Liddell seam during the year. This is a first for underground coal mining in Australia where the mine plan proposes mining a number of coal seams sequentially over the life of the mine.

At Moolarben the Definitive Feasibility Study (DFS) was completed and the Preferred Project Report for Stage 2 of the mine was submitted to the NSW Department of Planning. Coal production also increased to the approved level of 8.0Mtpa in November in accordance with the Stage 1 development consent approval conditions.

Several infrastructure upgrades were completed at Yarrabee as the mine continued to move towards becoming a fully owner operated mine. Output was constrained in July following several unseasonal rain events however the mine recovered by the end of the year.

Good progress was made at Stratford and Duralie Mines where the development application for the Stratford Extension Project (SEP) was lodged with the relevant NSW Government regulatory authorities and subsequently submitted for approval. These developments will help to underpin the future of the mining complex.

One of the most encouraging developments in the portfolio of mines has been the strong performance of the Abel underground mine at Donaldson following the introduction of the "LEAN" process at the mine. Previous Gloucester Coal management had introduced the use of the "LEAN" process at a section of the Abel Mine in early 2012. The "LEAN" process is a methodology where waste is reduced as much as possible and the mining process is examined in detail to identify where improvements can be made. When the process works well, as has occurred at the Abel Mine, significant cost reductions are possible and productivity improvements can be achieved. The methodology has been so successful that it will now be introduced at all mines and corporate headquarters in the Yancoal group during 2013.

The number of people employed either directly or as contractors by Yancoal has grown exponentially over the past three years as several corporate acquisitions have been concluded. There were 1,688 employed at the end of 2011 compared to 2,680 at the end of 2012. It is pleasing to note that the increase has been well managed and with the initial introduction of the SAP human resources system across the company, management systems will continue to improve. With a number of growth projects to be developed over the next few years it will be important for Yancoal to retain those people with the skills required for these activities.

In summary, 2012 was a very eventful and transformational year for Yancoal as the Company progressed from an unlisted subsidiary of a large Chinese company to an Australian listed company required to comply with all ASX and ASIC rules and regulations. Yancoal is one of the largest listed coal companies in Australia. Solid progress was made on many aspects of the business in a period where coal markets were weak and not supportive of a growing business. However Yancoal remains well positioned to grow into the future with a number of identified projects, sufficient access to infrastructure and a supportive majority shareholder.

Peter Barton
Acting CEO Yancoal Australia

YANCOAL IS A LARGE AND DIVERSIFIED COAL PRODUCER IN AN AUSTRALIAN CONTEXT, HAVING PRODUCED A TOTAL OF 14.7MT SALEABLE COAL IN 2012 ON AN EQUITY BASIS

HEALTH, SAFETY, COMMUNITY AND ENVIRONMENT

Safety

As a recently expanded company, Yancoal has spent the last year combining a number of separate entities under the one umbrella and in terms of Health and Safety, progress to date has been rapid and rewarding. A strong HSE Forum has been established under the guidance of the Chief Operating Officer and the Yancoal HSE Committee, regularly bringing the senior health and safety professionals across all of the mine sites, as well as specialist consultants to discuss Health and Safety systems, issues, direction and the desired corporate structure to best support achieving zero harm across Yancoal.

Yancoal's safety statistics are starting to shows signs of improvement, however, much work remains to be done across the company to ensure that safety performance continues to improve. The safety performance at the Moolarben Mine since startup has been exemplary with its first LTI recorded in October. This ended a three year LTI free period, a very significant achievement for a new mine. The safety performance of the Abel underground mine has improved significantly over 2012 following the adoption of the "LEAN" programme which endeavoured to improve all the operational aspects of the mine.

The Yancoal Board, Health, Safety and Environment Sub Committee met on 3 August and 5 November. The Committee is chaired by Vincent O'Rourke who is also the Chairman of the Queensland Workplace Health and Safety Board. Meetings are planned to be held four times each year in advance of Board meetings at mine sites following health and safety audits at the respective sites This will allow for extended discussions on critical activities and opportunities determined from the audits. The current schedule is for meetings to be held at Donaldson, Yarrabee, Ashton and Stratford/ Duralie during 2013.

In addition to the two day site based HSEC Forums of which two have been held to date with a further three planned for 2013, various HSEC Forum sub-groups have been charged with investigating and developing health and safety management processes and tools. As an example the Yancoal Risk Matrix published in October 2012 standardises risk categories to provide consistent risk management across the group. A current review is aiming to determine the most effective health and safety specific reporting and data management tool for group wide implementation.

Yancoal has established a Health and Safety Audit Program that links into the HSE Committee and Board meetings to maximise opportunities to undertake any changes or meet needs identified as part of the auditing program. Audits are planned for Middlemount, Moolarben, and Austar during 2013 with the remainder of the sites planned for 2014. This will establish a biennial cycle of auditing across the group. A Health and Safety Auditor Training Program was conducted late in 2012 to provide a wider base amongst Yancoal's Health and Safety personnel from which to select audit teams with an external specialist lead auditor.

As a part of the recent Health and Safety Auditor Training, a HSE Forum sub group is investigating a suitable Safety Leadership Program to be established across Yancoal with an intended commencement date by mid-2013. It is essential that this program brings together the different site approaches and assist in establishing the preferred Yancoal Health and Safety Culture. A starting point has been made in that Yancoal has emphasised "Health" first in its document and position titles and across the board use – the reference is to "health and safety". This is a deliberate move to ensure that "health" is given the same attention as "safety" as both are seen as critical to achieving zero harm.

Yancoal is pleased to report the strong performance of the Health and Safety function within the group with a proactive and coordinated team developing across the newly merged company that is able to benefit from the broad experience across the group whilst becoming a strong centre for Yancoal's focus on achieving zero harm. During 2013 measures will be undertaken to support this growth through continued sharing of knowledge and processes across the group and establishment of corporate facilitative and enabling structures that allow sites to deliver health and safety effectively and achieve zero harm.

Water sampling at Austar and the Bowmans Creek diversion at Ashton

Community and Environment

Yancoal strives to comply with all of the environmental conditions applied to its mining activities at each of its mining operations. By satisfying these conditions the company is able to maintain its "licence" to operate in the community and across various jurisdictions throughout Australia.

The company is obliged to report any environmental incidents or issues to the respective authorities in each state. In New South Wales the environmental issues are reported under the following headings: Environmental Incidents – Reportable; Environmental Incidents Not Reportable; and Environmental Complaints. Each mine records these incidents on a monthly basis and resolves the issues where required with the appropriate authorities. There were no significant incidents to report in 2012.

As part of the approval process for Stage 2 of the Moolarben Mine (comprising Open Cut 4 and Underground Mines 1 and 2) the Preferred Project Report was lodged with the NSW Department of Planning and Infrastructure (DP&I). A large number of submissions were received from the public about a local feature on the Goulburn River called the "Drip". This iconic regional feature is located several kilometres from the Moolarben Mine on land owned by Yancoal. The Drip will not be impacted by the mine development given the distance from the mine. However it is well known in the region that the current facilities and pathway leading to the Drip are inadequate for the number of visitors who visit the feature each year. As a result Yancoal has decided to upgrade the facilities and improve the walking track to ensure the future of the Drip. The company is currently progressing through the approval process with the Local and State Government authorities to commence the upgrade work. It is anticipated that the activity will be viewed as a positive outcome by the local community.

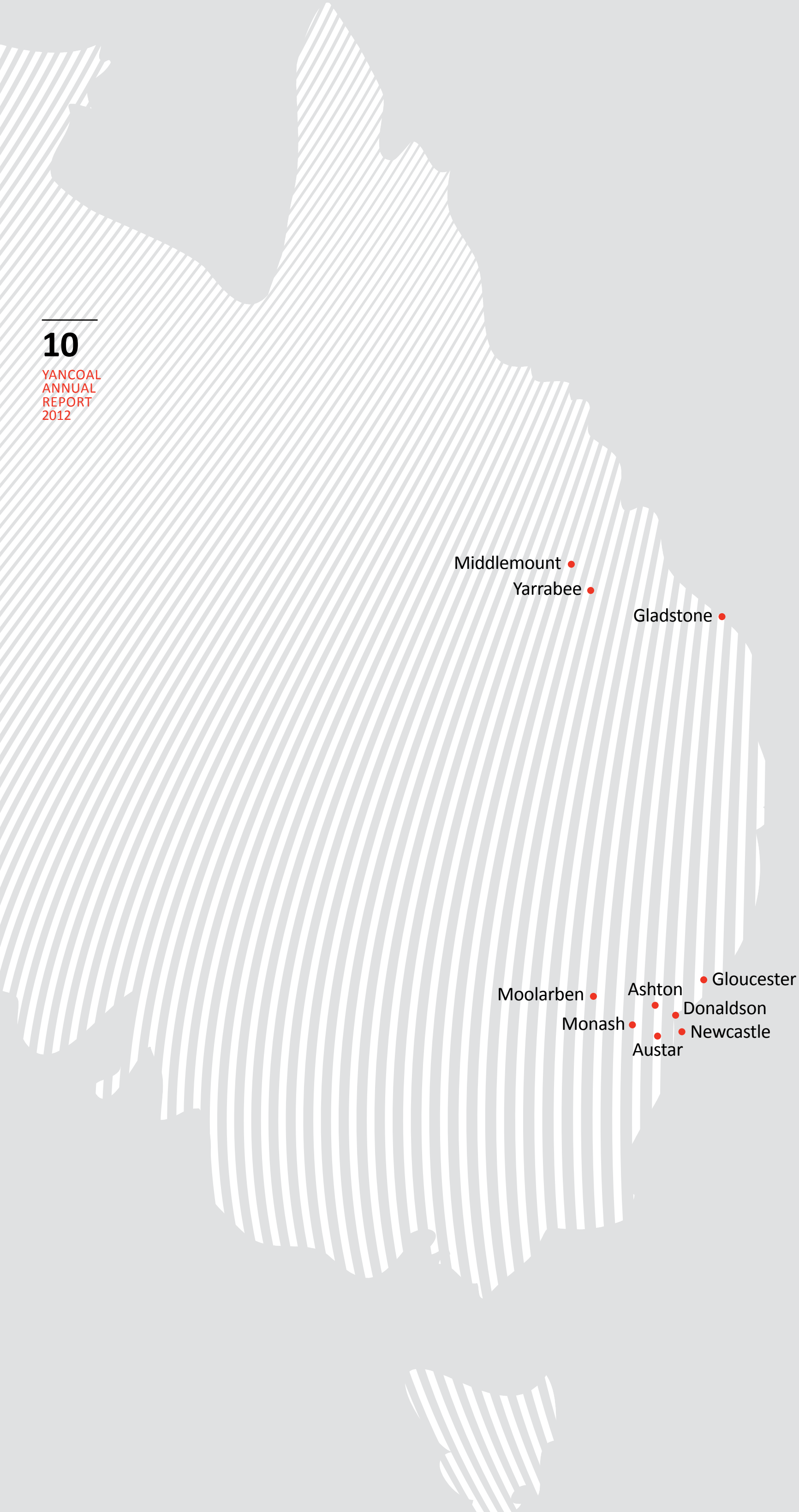
Yancoal lodged the EIS for the Stratford Extension Project (SEP) with the NSW DP&I, and the SEP was placed on public exhibition from 7 November until 19 December 2012.

The SEP will extend the mine life at Stratford by 11 years. Staff from the Stratford and Duralie Mines conducted two community information meetings at Stratford to enable those members of the public to ask questions and become fully informed about the project. All submissions subsequently received from the public will be responded to as part of the approval process.

The Bowmans Creek diversion over the Ashton underground mine was completed in the fourth quarter. Several sections of the original creek were straightened to align with the underground mining below the surface. The creek realignment will ensure that ground subsidence will not occur after mining under the creek. Design of the diversion included the placement of structures into the creek to enable fish habitat to develop in the realigned creek course. Extensive rehabilitation followed the construction phase with over 16,000 trees planted along the new creek banks. The area was also regularly irrigated to ensure that the plantings survived during the dry weather. A project review conducted at the end of the year has determined that all the criteria in the original design have been met.

Yancoal has a strong commitment to providing support to the communities in which each of its mines operate. The company devolves responsibility of providing assistance to the community to the General Manager at each of the mines. In this way the funding can be directly attributed to the mine rather than the larger corporate entity. Funds are provided to those groups who apply and qualify for assistance and are distributed as donations or sponsorships. In addition some of the mines in the portfolio are required to provide funds directly to the local government authorities for use in community activities and for the provision of facilities. Yancoal has spent a total of $596,975 directly to community groups at its mines as donations and a further $668,156 was distributed to various local government authorities under their respective Voluntary Planning Agreements during 2012.

REVIEW OF OPERATIONS



Middlemount

~50% owned open cut, PCI and coking coal

Resources	122Mt
Reserves	96Mt
Production 2012	2.3Mt

Yarrabee

100% owned open cut, PCI coal

Resources	180Mt
Reserves	61Mt
Production 2012	2.5Mt

Moolarben

80% owned open cut, thermal coal

Resources	1,222Mt
Reserves	300Mt
Production 2012	5.2Mt

Austar

100% owned underground, coking coal

Resources	221Mt
Reserves	50Mt
Production 2012	1.5Mt

Ashton

90% owned underground, coking coal

Resources	322Mt
Reserves	74Mt
Production 2012	1.1Mt

Donaldson

100% owned underground, thermal and coking coal

Resources	827Mt
Reserves	148Mt
Production 2012	1.3Mt

Stratford & Duralie

100% owned open cut, thermal and coking coal

Resources	323Mt
Reserves	69Mt
Production 2012	1.2Mt

Newcastle, NCIG

27% owned coal terminal

Capacity	66Mt
Yancoal Share	14.6Mt

Gladstone, Wiggins Island

5.6% owned coal terminal

Capacity (Stage 1)	28Mt
Yancoal Share	1.5Mt

Note: All Resources and Reserves are reported on a 100% basis and production 100% from each mine is for all of 2012.

IN 2012, THE ASHTON MINE PRODUCED 7% MORE COAL THAN THE PREVIOUS YEAR

The Ashton Mine produced 2.31Mt of ROM coal in 2012 compared to 2.15Mt in 2011. The increase of 7% was due to strong production performance from the longwall in the Upper Liddell Seam and the resolution of Government approval issues which hampered production in 2011. Saleable coal production was 10% lower at 1.08Mt as the yield from the coal in the Upper Liddell Seam is lower than in the Pikes Gully Seam due to a larger number of stone bands in the seam. Coal sales for 2012 were 1.22Mt compared to 1.47Mt the previous year.

It was an eventful year at Ashton and significant progress was made on a number of issues facing the mine. An appeal lodged by Yancoal in the Land and Environment Court after the Planning Assessment Commission (PAC) had rejected the development application for the SEOC project in December 2011 was successful with the PAC granting approval of the South East Open Cut (SEOC) project in October 2012. On 15 November 2012 the Hunter Environment Lobby lodged a Merits Appeal against this approval in the NSW Land & Environment Court (see ASX Release 16 November 2012). Ashton will vigorously defend this appeal. The process is expected to take several months with a decision from the Court subject to the Court's timetable. In the interim a steering committee has been formed to undertake preparatory work associated with the SEOC project. This work will ensure that development of the project can be commenced as soon as all of the required approvals are in place. The timing for first coal from the project remains uncertain and dependent upon the outcome of the appeal and completing several subsidiary approvals which are required before mining can commence.

The Bowmans Creek diversion was completed late in the year enabling underground mining to be completed in the Pikes Gully Seam in 2013. The creek diversion was required so that additional coal can be recovered from the underground mine in the panels directly below the original course of the creek.

During 2012 longwall mining commenced in the Upper Liddell Seam, the coal seam immediately below the Pikes Gully Seam (about 40 metres vertical). The first panel in the Upper Liddell is well advanced with the longwall cutting coal below the workings in the Pikes Gully Seam. This is the first for Australia, where longwall mining is designed to occur in multiple seams below each other and is important for the future at Ashton as the mine plan incorporates mining a total of four coal seams over the life of the operation.

In the second half of the year attention was focussed on cost cutting in response to the coal market downturn. The initial target was to reduce costs by 10% to 15% in the second half and maintain these cuts through into 2013. The use of contractors was restricted where possible and a number of other steps have been taken as part of the cost reduction process. It was also decided to introduce the "LEAN" programme to the mine with a target of improving overall productivity and reducing costs.

Product coal stockpile at Ashton

Ashton	CY2012	CY2011	Change (%)
Overburden (Mbcm)	0.00	1.86	(100)
ROM (Mt)	2.31	2.15	7
Saleable Prod (Mt)	1.08	1.20	(10)
Coal Sales (Mt)	1.22	1.47	(17)

Note: All data shown on a 100% basis.

THE AUSTAR MINE PRODUCED 1.74MT OF ROM COAL IN 2012 WHICH WAS IN LINE WITH BUDGET PRODUCTION FOR THE YEAR

The Austar Mine produced 1.74Mt of ROM coal in 2012 compared to 1.88Mt in 2011 a decrease of 7% but in line with budget production for the year. Saleable coal production was 11% lower at 1.47Mt. Coal sales for 2012 were 1.62Mt compared to 1.77mt the previous year. High stocks of coal at the beginning of the year were the key reason for sales to be higher than production. Longwall mining at the end of 2012 was occurring in the final panel of the Stage 2 area. The panel is due to be completed early in 2013. Following completion of the panel the longwall will undergo a period of maintenance and be moved into the Stage 3 are as soon as the first panel is available for mining.

Development of the Stage 3 area of the mine was the key focus for 2012. The project which incorporates a new set of mains and gate road development, the excavation of an underground storage bin, ventilation shafts and a services shaft will extend the mine life for many years. Underground development is running behind the original schedule as the ground conditions were poor and water ingress was difficult to manage in the initial area. The development passed through two large fault zones and entered a relatively high stress area which slowed overall progress. However as the year progressed development rates have increased. Sinking of the ventilation and service shafts (over 470 metres deep) have also been slower than originally planned but these are now nearing completion. The Kitchener Shaft (upcast ventilation) has been lined and the surface facilities are being installed. The services shaft was reaming out to 1.5 metres diameter at year end and is also nearing completion. Final excavation of the underground storage bin is underway with a raise borer machine installed and reaming out the bin.

The difficulties associated with the Stage 3 development may cause a delay in the commencement of longwall mining in the area in the first half of 2013. However, this outcome has been incorporated into the budget for the year.

Following the success of the "LEAN" programme at the Donaldson's Abel Mine it has been decided to adopt the programme for the Austar Mine. Initial training commenced late in the year and the results are expected to start coming through during 2013. It is anticipated that by adopting the programme that operating costs will reduce and wastage will be minimised.

Operating the longwall and a shearer from Austar

Austar	CY2012	CY2011	Change (%)
ROM (Mt)	1.74	1.88	(7)
Saleable Prod (Mt)	1.47	1.64	(11)
Coal Sales (Mt)	1.62	1.77	(8)

Note: All data shown on a 100% basis.

Moolarben Mine

YANCOAL 80% AND OPERATOR, SOJITZ CORP 10%, GROUP OF KOREAN POWER COMPANIES COMBINED 10%

Mine trucks at Moolarben

Production from this key asset in 2012 established a new record as the ramp up at the mine continued. ROM coal output reached 7.17Mt (100% basis), 2% high than in 2011 and saleable coal production was 5.18Mt, 3% higher than the previous year. ROM coal production was capped at an annualised rate of 7.0Mtpa until the beginning of November 2012 and then increased to an annualised rate of 8.0Mtpa in line with current approvals.

Focus for the team at Moolarben during 2012 was progressing all of the study work related to obtaining Stage 2 project (comprising Open Cut 4, Underground 1 and Underground 2 mines) approvals which will increase production to 17Mtpa ROM coal capacity. Progress was made on three of the elements required for the project – the Preferred Project Report (PPR), the Definitive Feasibility Study (DFS) for Open Cut 4 and the DFS for the two underground mines. The PPR was submitted to the NSW Department of Planning and Infrastructure (DP&I) in December 2011. The DP&I is still to finalise its assessment of the Stage 2 Project. Once the Department has completed its assessment, the project will be referred to a PAC for approval. The timing for the final PAC approval remains uncertain.

The DP&I assessed the PPR for adequacy and then released the PPR to the public in early 2012 calling for submissions from interested parties. In a situation where a large number of submissions are received then the project is referred on to the Planning and Assessment Commission (PAC) for review. Moolarben, as the project proponent, was required to respond to all the submissions during 2012. It is expected that the DP&I will finalise its assessment report by Q1 2013, where after the project will be referred to the PAC for determination. While the process for obtaining the regulatory approvals for the entire project was underway another team was working on the DFS for Open Cut 4, a major project in its own right as open cut production is intended to increase to about 13Mtpa ROM coal. The Open Cut 4 project requires a significant upgrade to the coal handling facilities at the front end of the CHPP, a new mine infrastructure area and an overland conveyor to transport coal from the open cut to the CHPP.

The capital required for the project is significant and includes additional land purchases required for the mining lease over the open cut area.

Work on the DFS for the underground mines also started during 2012 and is expected to be completed in the first half of 2013. Production from the underground mines will lift output across the site to about 17Mtpa ROM coal when completed. It is intended to commence development work on the underground mine as soon as approvals are obtained as the lead time for the underground development is longer than that required for the open cut mine. Several key people have already been recruited to lead the underground project.

PRODUCTION FROM THIS KEY ASSET IN 2012 ESTABLISHED A NEW RECORD AS THE RAMP UP AT THE MINE CONTINUED

Moolarben commenced a drilling programme during the year aimed at providing reliable data on the carbon dioxide and methane content of the coal in the deposit. Currently carbon tax costs are calculated on the basis of a default estimate of the amount of fugitive gas contained in the coal. When the drilling programme is completed in 2013 and the samples analysed, the results are expected to show that the fugitive gas content of the coal is lower than the default estimate and resulting carbon tax costs are expected to reduce.

Moolarben	CY2012	CY2011	Change (%)
Overburden (Mbcm)	16.05	15.45	4
ROM (Mt)	7.17	7.01	2
Saleable Prod (Mt)	5.18	5.01	3
Coal Sales (Mt)	5.54	5.31	4

Note: All data shown on a 100% basis.

DESPITE POOR CONDITIONS, THERE WERE IMPROVEMENTS IN BOTH SALEABLE COAL PRODUCTION AND ROM COAL PRODUCTION

Open cut mining at Yarrabee

A wetter than average year in 2012 combined with some difficult mining conditions caused production at Yarrabee to be similar to the previous year. ROM coal production was 3.20Mt about 2% higher than in the previous year. Saleable coal production of 2.48Mt was 2% higher and coal sales of 2.09Mt were 10% lower than in 2011. The mine ended the year with relatively high product stocks.

As previously indicated wet weather impacted production activities over the year. Normal wet season rainfall during February and March combined with steady falls through until July when an unseasonal 80mm fall was recorded maintaining wet conditions at the mine site. Overburden removal was restricted resulting in less coal being available for mining. The conditions were compounded by a low wall failure in one of the open cuts and poor geological conditions in another of the open cuts resulting in a lower average yield from the CHPP of 74% for the year, well below budget.

Yarrabee continued its progress towards becoming a fully owner operated mine during 2012. Several new trucks and excavators were delivered and commissioned with Yarrabee staff now responsible for all coal mining activities and some overburden mining. Projects associated with the planned expansion of the mine to reach 3.2Mtpa sales by late 2014 were advanced during the year. New workshops used to service the larger mining fleet were completed and the Boonal haul road was sealed to the mine site ensuring that coal can be transported to the rail load out facilities in most weather conditions.

Following the downturn in coal prices the focus at the mine shifted to cost reduction and improving the overall productivity of the mine. An increase in the average strip ratio for 2013 will not assist, however the focus will shift to reducing the use of contractors for some activities and renegotiating contracting rates for various types of equipment used on site to reduce the costs. Mine management is also considering entering into new joint contracts with other local coal producers where feasible to take additional costs out of the business.

Two positive developments occurred at Yarrabee in the second half of the year – a new mining lease was granted over an open cut area that extends mine life and deeper drilling below one of the previously mined open cuts has encountered a low ratio repeat of the geological sequence in that open cut. A detailed drilling programme has been commenced to determine the extent of the repeat with mining likely to commence once the drilling and modelling has been completed. This development highlights the complex geology of the Yarrabee area and the potential for other upgrades to the deposit.

Yarrabee		CY2012	CY2011	Change (%)
Overburden (Mbcm)	Mbcm	38.01	40.38	(6)
ROM (Mt)	Mt	3.20	3.14	2
Saleable Prod (Mt)	Mt	2.48	2.43	2
Coal Sales (Mt)	Mt	2.09	2.31	(10)

Note: All data shown on a 100% basis.

Stratford/Duralie Mines

YANCOAL 100%

Train on rail loop and rehab at Stratford

Both the Stratford and Duralie mines performed strongly in 2012. ROM coal production was 3.67Mt, 20% higher than the previous year and saleable output was 2.41Mt representing a 27% increase on the prior year. Coal sales were weak in the first half but rebounded in the second half to 2.42Mt for the year.

The key focus of activities for the year were cost reduction and preparing for the lodgement of the Environment Impact Statement (EIS) for the Stratford Extension Project (SEP). Management at the Stratford/Duralie Mines identified a large number of opportunities which included reducing the use of contractors, improved mine planning to shorten haulage distances, increasing the amount of coal placed into the wagons of the shuttle train that runs between Duralie and Stratford and parking up a large dozer. These were progressively introduced during the year and by year end costs were declining. The internal target of a 10% to 15% reduction in costs from late in 2012 remains achievable for 2013 and is incorporated into the 2013 budget for the mines.

The EIS for the SEP was lodged with the NSW DP&I in November 2012, and was placed on public exhibition from 7 November to 19 December 2012. The SEP will extend the mine life at Stratford by 11 years and increase production from about 2.1Mtpa ROM coal to 2.6Mtpa ROM coal through the development of two new open cuts and the extension of an existing open cut. Staff from the mines conducted two community information meetings at Stratford to enable those members of the public to ask questions and become fully informed about the project. The company will be required the respond to all the submissions received from both the regulators and members of the public.

A PAC convened to consider an extension of the railing hours of the shuttle train between Duralie and Stratford handed down its decision in early November. Subject to several conditions the railing hours can be increased from 6.00am to 1.00am the following day. The current permit allows railing between 7.00am and 10.00pm each day. The additional time available for railing will enable the approved rate 3.0Mtpa to be railed each year compared to the currently restricted rate of 2.6Mtpa. The combination of the SEP and increased railings should enable ROM production across the complex to increase to 5.6Mtpa leading to an increase in saleable production to about 3.6Mtpa from the current level of 3.0Mpta.

During 2012 the company conducted a detailed drilling programme costing $1.4 million over the coal deposits in the Stratford and Duralie area in an effort to determine the fugitive gas content of the coal. The analysis of the samples taken from the drilling has proved that the gas content is below the threshold levels required for reporting and that the carbon tax impost will not be applied to coal mined from the deposits. This was a good outcome for the mines as the Australian Government sourced default measures for fugitive gas emissions indicated that carbon tax would be payable on coal mined from the deposits.

ROM COAL PRODUCTION WAS 20% HIGHER THAN THE PREVIOUS YEAR

Stratford/Duralie	CY2012	CY2011	Change (%)
Overburden (Mbcm)	14.42	14.85	(3)
ROM (Mt)	3.67	3.05	20
Saleable Prod (Mt)	2.41	1.89	27
Coal Sales (Mt)	2.53	1.93	31

Note: The Stratford and Duralie mines were acquired by Yancoal as part of the merger with Gloucester that was completed on 6 July 2012 and legally effective on 27 June 2012. Production shown in the table represents output from the mines for the full calendar year of both 2011 and 1012.

Donaldson Group

YANCOAL 100%

Coal from underground at Abel

The operation consists of the Donaldson open cut and two underground mines – Abel and Tasman. Coal output from the three mines is contract washed at the Bloomfield CHPP. ROM coal production in 2012 was 3.48Mt, saleable coal production was 2.31Mt and coal sales amounted to 2.17Mt for the year.

Following the successful introduction of the "LEAN" process into one of the sections of the Abel Mine in early 2012, the operating methodology was adopted throughout the entire mine before the end of the year. Adoption of the process has led to a significant reduction in costs and improved productivity from the mine.

As the Donaldson Group is a shareholder in the development of the NCIG coal terminal at Newcastle and production from the mines has not grown as quickly as originally expected the port take or pay obligation is progressively increasing at Donaldson. The obligation is likely to continue increasing until production from Moolarben can be utilised to fill the capacity at NCIG or alternatively other users can be found for the spare capacity.

Progress was made on two key development activities during 2012. The EIS for the Tasman Extended Project was submitted and the Abel project 75W modification (change in mining method to allow longwall mining) of operations was submitted to the regulatory authorities for adequacy review at the end of the year. The Tasman EIS was on public display in July and August and management have responded to the submissions received from the public on the project. The NSW DP&I is currently preparing their report on the project incorporating the public comments and responses with a release date for the report expected in early 2013. The Abel longwall project was reviewed during the year with the original feasibility study reworked into a prefeasibility study utilising Yancoal methodologies.

THE SUCCESS OF THE "LEAN" PROCESS AT ABEL SUPPORTS ITS INTRODUCTION AT ALL MINES

Donaldson	CY2012	CY2011	Change (%)
Overburden (Mbcm)	2.35	1.55	51
ROM (Mt)	3.48	1.43	143
Saleable Prod (Mt)	2.31	0.84	175
Coal Sales (Mt)	2.17	0.84	158

Note: The Donaldson mines were acquired by Yancoal as part of the merger with Gloucester that was completed on 6 July 2012 and legally effective on 27 June 2012. Production shown in the table represents output from the mines for the full year in 2012. Production for 2011 is for the period from 14 July 2011 when Gloucester acquired Donaldson.

PEABODY ENERGY AUSTRALIA PCI LTD 50% AND YANCOAL AUSTRALIA LTD 50%

THE MIDDLEMOUNT MINE IS STRUCTURED AS AN INCORPORATED JOINT VENTURE BETWEEN PEABODY ENERGY AND YANCOAL. THE MINE IS OPERATED BY MIDDLEMOUNT COAL WHICH HAS A CEO AND OPERATING TEAM.

Scenery near Middlemount

The management team reports to a Board which comprises of three representatives each from Peabody and Yancoal. The Chairman rotates annually between the shareholding companies.

The mine was impacted by unseasonal wet weather in July, a low wall failure and poor performance by the mining contractor during the December half year. The CHPP expansion to 700tph was completed in the second half and testing at the design rate is expected to be completed in the first half of 2013. Approval has been gained under the Federal Environment Protection and Biodiversity Conservation Act (EPBC) to increase output up to 5.4Mtpa ROM coal.

The mine has experienced some difficulty in introducing its new coal products into the market at a time of weak demand and prices. However, as both coal types produced by the mine – coking coal and PCI coal, are good quality products, the current situation is likely to be overcome as coal markets recover.

Middlemount	CY2012	CY2011	Change (%)
Overburden (Mbcm)	27.81	11.74	137
ROM (Mt)	2.23	0.67	231
Saleable Prod (Mt)	1.73	0.45	282
Coal Sales (Mt)	1.85	0.33	467

Note: The Middlemount Mine was acquired by Yancoal as part of the merger with Gloucester that was completed at the end of June 2012. Production shown in the table represents output from the mine for both 2012 and 2011. The production figures are on a 100% basis.

Coal loading at NCIG

Newcastle Infrastructure Group (NCIG) Coal Terminal (Yancoal 27.0%)

Yancoal is one of five company shareholders involved in the development of the NCIG export coal terminal in Newcastle, NSW, which is designed to have a final capacity of 66Mtpa upon completion of a multi-stage development. Yancoal increased its stake in the port facility to 27% (previously 15.4%) following the completion of the merger with Gloucester at the end of June 2012. The increased ownership of the coal terminal will lift Yancoal's allocation to about 14.6Mtpa when the facility achieves its full rated capacity of 66Mtpa.

The first stage of the NCIG, with capacity of 30Mtpa, was completed in early 2011. The second stage of construction lifted throughput capacity to 53Mtpa and was completed in the first half of 2012 with the official opening occurring on 24 July. The financial arrangements for the final stage of the terminal have been finalised and construction has commenced and is currently due to be completed during 2013. The facility effectively runs as a cost centre only and does not make a profit as the users pay a fee to load ships and pay financing costs on a cost recovery basis.

A number of Yancoal's mines currently use the facility to load coal however, in the longer term, the Moolarben Mine is expected to be the largest user of the terminal.

Port Waratah Coal Services (PWCS)

Yancoal currently has several Ship or Pay Contracts with PWCS for the export of coal through the terminals at Newcastle. The contracts are allocated back to each of the mines (Ashton, Austar, Stratford, Donaldson and Moolarben). Yancoal's current port allocation at PWCS is currently about 11.0Mtpa.

Wiggins Island (Yancoal 5.6%)

In October 2008, the Wiggins Island Coal Export Terminal (WICET) Group was granted Preferred Proponent status to develop the Wiggins Island Coal Export Terminal in Gladstone, Queensland. A total of 16 coal companies are currently part of the WICET consortium with Yancoal Australia included as one of the eight owners of Stage One of the project. Some of the other proponent companies will be participating in the next stage of the terminal development.

WICET will have an ultimate throughput capacity of about 80Mtpa; however Stage One will have a capacity of 27Mtpa and is due to be completed in early 2015 at a total cost of about $3 billion. The eight Stage One shareholders have completed arranging finance for the construction of Stage One of the project. The financing will be covered by take or pay contracts for each shareholder's portion of their capacity. Yancoal's share of Stage One will be 1.5Mtpa, which has been allocated to the Yarrabee Mine.

While the coal companies will be the owners of the facility, the terminal will be operated by Gladstone Ports Corporation (GPC) on behalf of the WICET consortium. GPC is an experienced operator of this type of facility as it is already operating the R.G.Tanna and Barney Point export coal terminals at the Port of Gladstone.

JORC Resource and Reserve Statements

Exploration

The major focus of exploration activity by the Company during 2012 was to define the extent of coal resources at each of the operating mines and to increase the level of detailed knowledge of the coal deposits by converting Resources into Reserves. This was successfully achieved with the information included in the revised Resource and Reserve Statements were issued by all of the mines in early 2013. The information was provided to the ASX in a release dated 20 February 2013.

Resources

Project	Ownership (%)	Measured Resource (Mt)	Indicated Resource (Mt)	Inferred Resource (Mt)	Total Resources (Mt)	Competent Person Reference	Report Date
Moolarben (O/C & U/G)	80	423.4	577.9	220.9	1,222.2	1	Jun-12
Austar (U/G)	100	81	70	70	221	2	Jun-12
Ashton (O/C & U/G)	90	134.9	136.3	51.3	322.5	4	Dec-12
Yarrabee (O/C)	100	78.1	89.4	13.1	180.6	1	Jun-12
Stratford (O/C)	100	5.8	67	25	98	6	Sep-12
Duralie (O/C)	100	12.6	67	68	148	6	Sep-12
Grant & Chainey (O/C)	100	3.9	46	27	77	6	Sep-12
Middlemount (O/C)	50	89.3	31.5	1.8	122.6	8	Jun-10
Donaldson (U/G)	100	599.2	212.5	15.7	827.4	10	Dec-12
Monash (U/G)	100	148.1	178.3	278.4	604.8	12	Dec-12
Total					**3,824.0**		

Reserves

		Recoverable Reserves			Marketable Reserves				
Project	Ownership (%)	Proved Reserve (Mt)	Probable Reserve (Mt)	Total Reserves (Mt)	Proved Reserves (Mt)	Probable Reserve (Mt)	Total Reserves (Mt)	Competent Person Reference	Report Date
Moolarben (O/C)	80	75.9	161.9	237.8	52.2	109.7	161.9	1	Jun-12
Moolarben (U/G)	80	35.7	27.4	63.1	35.7	27.4	63.1	1	Jun-12
Austar (UG)	100	15.0	34.8	49.7	12.4	27.2	39.6	3	Jun-12
Ashton (SE O/C)	90	14.9	3.0	17.9	10.2	2.1	12.3	5	Dec-12
Ashton (WP O/C)	90		13.1	13.0		7.0	7.0	1	Jan-12
Ashton (U/G)	90	14.0	29.1	43.1	7.9	17.3	25.2	3	Dec-12
Yarrabee (O/C)	100	39.7	21.7	61.4	14.9	34.5	49.4	1	Jun-12
Stratford (O/C)	100	0.9	39.0	40.0	0.5	21.2	21.7	7	Sep-12
Duralie (O/C)	100	8.4	12.2	20.6	4.8	8.5	13.3	7	Sep-12
Grant & Chainey (O/C)	100		8.8	8.8		5.0	5.0	7	Sep-12
Middlemount (O/C)	50	69.0	27.0	96.0	51.0	18.1	69.1	9	Feb-11
Donaldson (U/G)	100	81.1	67.2	148.3			90.5	11	Jul-12
Total				**799.7**			**558.1**		

Statement of Compliance

Information in this report that relates to Coal Resources and Coal Reserves is based on and accurately reflects reports prepared by the Competent Person named beside the respective information. Jon Barber **(1)** is the Principal Consultant with Jon Barber Mining Consultants. Robert Dyson **(2)** is the General Manager Operations with McElroy Bryan Geological Services Pty Ltd. Michael Barker **(3)** is the General Manager Underground Services with Palaris Mining P/L. Brad Willis **(4)** is the General Manager Geological Services with Palaris Mining P/L. David Lennard **(5)** is the General Manager Open Cut with Palaris Mining P/L. Janet Bartolo **(6)** is the Manager Geological Modelling with McElroy Bryan Geological Services Pty Ltd. Trisha Wilson **(7)** is the Senior Mining Consultant with RungePincockMinarco. Greg Jones **(8)** is the Principal Consultant with JB Mining Services Pty Ltd. Mark Bryant **(9)** is the Principal Mining Consultant with The Minserve group Pty Ltd. Damian James **(10)** is the Manager Technical Services with Ellemby Consulting. Dave Thomas **(11)** is the Principal Consultant with IMC Mining Group Pty Ltd. Paul Wootton **(12)** is the Chief Geologist with Ellemby Consulting.

Named Competent Persons consent to the inclusion of material in the form in which it appears. The tables were compiled by Yancoal Australia Limited. All Competent Persons named are Fellows or Members of the Australasian Institute of Mining and Metallurgy and/or the Australian Institute of Geoscientists and have sufficient experience which is relevant to the style of mineralisation and type of deposit being reported on, by them, to qualify as Competent Persons as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

Note: Refer to ASX Release on Yancoal Resources & Reserves dated 20 February 2013.

FINANCIAL REPORT

Directors' report

The Directors present their report on the consolidated entity ("the Group") consisting of Yancoal Australia Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 31 December 2012.

Directors

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

Weimin Li
Cunliang Lai
Yuxiang Wu
Vincent O'Rourke
James MacKenzie (Appointed 26 June 2012)
Gregory Fletcher (Appointed 26 June 2012)
Xinghua Ni (Appointed 26 June 2012)
Geoffrey Raby (Appointed 26 June 2012)
William Randall (Appointed 26 June 2012)
Boyun Xu (Appointed 26 June 2012)
Baocai Zhang (Appointed 26 June 2012)
Terence Crawford (Resigned 4 March 2012)
Xin Wang (Resigned 26 June 2012)
Murray Bailey (Ceased 28 June 2012)

Secretaries

The names of the Secretaries in office during the whole of the financial year and up to the date of this report are as follows:

Ling Zhang
Boyun Xu (Resigned 26 June 2012)

Principal activities

The Group's principal activities during the financial year were, identifying, developing and operating coal related projects.

Dividends – Yancoal Australia Ltd

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2011: nil).

Review of operations

The operating profit after income tax amounted to $404,597,000 (2011: $301,515,000) after adding an income tax benefit of $242,442,000 (2011: expense $131,212,000).

Safety

As a recently expanded company, Yancoal has spent the last year combining a number of separate entities under the one umbrella and in terms of Health and Safety, progress to date has been rapid and rewarding. A strong Health, Safety and Environment (HSE) Forum has been established under the guidance of the Chief Operating Officer and the Yancoal HSE Committee, regularly bringing together the senior health and safety professionals across all of the mine sites, as well as specialist consultants to discuss Health & Safety systems, issues, direction and the desired corporate structure to best support achieving zero harm across Yancoal.

The Yancoal HSE Committee met on 3 August 2012 in Sydney and 5 November 2012 in Shandong Province, China. The Committee is chaired by Vincent O'Rourke who is also the Chairman of the Queensland Workplace Health and Safety Board. Meetings are to be held four times each year in advance of Board meetings at mine sites following site Health and Safety audits. This allows for extended discussions on critical activities and opportunities to be determined from the audits.

The Company is pleased to report the strong performance of the Health and Safety function within the group with a proactive and coordinated team developing across the newly merged company that is able to benefit from the broad experience across the group whilst becoming a strong centre for the Company's focus on achieving zero harm. During 2013 measures will be undertaken to support this growth through the continued sharing of knowledge and processes across the group and the establishment of corporate facilitative enabling structures that will allow sites to deliver Health and Safety effectively and achieve zero harm.

Mine Production

Following a busy year impacted by several transactions, Yancoal's coal production grew significantly in 2012 when compared to 2011. Both the Cameby Downs and Premier Mines were included in the production statistics in the first half of the year but were excluded in the second half following the transfer of both assets to Yanzhou ownership in June 2012. The merger with Gloucester was completed on 27 June 2012 and was legally effective from 6 July 2012. Production from Gloucester Coal assets was included in the production statistics in the second half of the year. ROM coal production reached 22.2Mt (19.9Mt equity basis) for the year. Saleable coal production was 16.3Mt (14.7Mt equity basis) for the year and coal sales were 16.5Mt (14.8Mt equity basis) for the year.

Ashton Mine (Yancoal 90% and operator, Itochu 10%)

The Ashton Mine produced 2.31Mt (100% basis) of ROM coal in 2012 compared to 2.15Mt (100% basis) in 2011. The increase of 7% was due to strong production performance from the longwall in the Upper Liddell Seam and a single longwall move in the year. Saleable coal production was 10% lower at 1.08Mt (100% basis) as the yield from the coal in the Upper Liddell Seam is lower than in the Pikes Gully Seam due to a larger number of stone bands in the seam. Coal sales for 2012 were 1.22Mt (100% basis) compared to 1.47Mt the previous year.

Austar Mine (Yancoal 100%)

The Austar Mine produced 1.74Mt of ROM coal in 2012 compared to 1.88Mt in 2011; a decrease of 7% but in line with budgeted production for the year. Saleable coal production was 11% lower at 1.47Mt. Coal sales for 2012 were 1.62Mt compared to 1.77Mt the previous year. High stocks of coal at the beginning of the year were the key reason for sales being higher than production. Longwall mining was in the final panel of the Stage 2 area at the end of 2012. The panel is due to be completed early in 2013. Following completion of the panel the longwall will undergo a period of maintenance and be moved into the Stage 3 area as soon as the first panel is available for mining.

Moolarben Mine (Yancoal 80% and operator, Sojitz Corp 10%, Group of Korean Power Companies combined 10%)

Production from this key asset in 2012 hit a new record as the ramp up at the mine continued. ROM coal output reached 7.17Mt (100% basis), 2% higher than in 2011, and saleable coal production was 5.18Mt (100% basis), 3% higher than the previous year. Due to conditions imposed by its development consent, Moolarben ROM coal production was capped at an annualised rate of 7.0Mtpa until the beginning of November 2012 and then increased to an annualised rate of 8.0Mtpa in line with current approvals. Coal sales on a 100% basis reached 5.54Mt in 2012; about 4% higher than the 5.31Mt sold in 2011.

Yarrabee Mine (Yancoal 100%)
A wetter than average year in 2012 combined with some difficult mining conditions caused production at Yarrabee to be similar to the previous year. ROM coal production was 3.20Mt, 2% higher than in the previous year. Saleable coal production of 2.48Mt was 2% higher and coal sales of 2.09Mt were 10% lower than in 2011. The mine ended the year with relatively high product stocks.

Stratford and Duralie Mines (Yancoal 100%)
The Stratford and Duralie mines were acquired by Yancoal as part of the merger with Gloucester Coal.

Both the Stratford and Duralie mines performed strongly in the period since the merger of the two companies. Subsequent to the merger, ROM coal production was 1.76Mt and saleable production was 1.22Mt. Coal sales were weak in the September quarter but rebounded in the December quarter to 1.13Mt.

Donaldson Group (Yancoal 100%)
The Donaldson mines were acquired by Yancoal as part of the merger with Gloucester Coal.

The operations consist of the Donaldson open cut and two underground mines – Abel and Tasman. Coal output from the three mines is processed under contract at the nearby Bloomfield Coal Handling and Preparation Plant and railed to the port of Newcastle from Bloomfield's rail load out facility. ROM coal production for the second half of 2012 was 2.03Mt, saleable coal production was 1.31Mt and coal sales amounted to 1.35Mt for the year.

Middlemount Mine (Peabody Energy Australia PCI Ltd ~50% and Yancoal Australia Ltd ~50%)
A 49.9997% interest in the Middlemount Mine was acquired by Yancoal as part of the merger with Gloucester Coal.

Subsequent to the merger, ROM coal production was 1.17Mt and saleable production was 0.95Mt on a 100% basis in the second half of the year. Coal sales for the period were 0.94Mt on a 100% basis.

Infrastructure
Newcastle Coal Infrastructure Group (NCIG) Coal Terminal (Yancoal 27.0%)
Yancoal is one of six company shareholders involved in the development of the NCIG export coal terminal in Newcastle, NSW, which is designed to have a final capacity of 66Mtpa upon completion of a multi-stage development. Yancoal increased its stake in the port facility to 27% (previously 15.4%) following the completion of the merger with Gloucester Coal. The increased ownership of the coal terminal will lift Yancoal's allocation to about 14.6Mtpa when the facility achieves its full rated capacity of 66Mtpa by the end of 2014.

The first stage of the NCIG coal terminal, with capacity of 30Mtpa, was completed in early 2011. The second stage of construction lifted throughput capacity to 53Mtpa and was completed in the first half of 2012 with the official opening occurring on 24 July. The financial arrangements for the final stage of the terminal have been finalised, with construction well underway. The final stage is currently due to be completed during 2013. The facility effectively runs as a cost centre only and does not make a profit as the users pay a fee to load ships and pay financing costs on a cost recovery basis.

A number of Yancoal's mines currently use the facility to load coal, however in the longer term the Moolarben Mine is expected to be the largest user of the terminal.

Port Waratah Coal Services (PWCS)
Yancoal currently has several Take or Pay Contracts with PWCS for the export of coal through the terminals at Newcastle in NSW. The contracts are allocated back to each of the mines (Ashton, Austar, Stratford / Duralie and Moolarben). Yancoal's current port allocation at PWCS is currently about 11.0Mtpa.

Wiggins Island (Yancoal 5.6%)
In October 2008, the Wiggins Island Coal Export Terminal (WICET) Group was granted Preferred Proponent status to develop the Wiggins Island Coal Export Terminal in Gladstone, Queensland. A total of 16 coal companies are currently part of the WICET consortium with Yancoal included as one of the eight owners of Stage One of the project. Some of the other proponent companies will be participating in subsequent stages of the terminal development.

WICET will have an ultimate throughput capacity of about 80Mtpa; however Stage One will have a capacity of 27Mtpa and is due to be completed in early 2015 at a total cost of about $3 billion. The eight Stage One shareholders have completed arranging finance for the construction of Stage One of the project. The financing will be covered by take or pay contracts for each shareholder's portion of their capacity. Yancoal's share of Stage One will be 1.5Mtpa, which has been allocated to the Yarrabee Mine.

While the coal companies will be the owners of the facility, the terminal will be operated by Gladstone Ports Corporation (GPC) on behalf of the WICET consortium. GPC is an experienced operator of this type of facility as it is already operating the R.G.Tanna and Barney Point export coal terminals at the Port of Gladstone.

Community and Environment
Yancoal actively seeks to comply with all of the environmental conditions applied to its mining activities at each of its mining operations. By satisfying these conditions the company is able to maintain its "licence" to operate in the community and across various jurisdictions throughout Australia.

The company is obliged to report any environmental incidents or issues to the respective authorities in each state. In New South Wales the environmental issues are reported under the following headings: Environmental Incidents – Reportable; Environmental Incidents Not Reportable; and Environmental Complaints. Each mine records these incidents on a monthly basis and resolves the issues where required with the appropriate authorities. There were no significant incidents to report in 2012.

The Company has a strong commitment to providing support to the communities in which each of its mines operate. The Company devolves responsibility of providing assistance to the community to the General Manager at each of the mines. In this way the funding can be directly attributed to the mine rather than the larger corporate entity. Funds are provided to those groups who apply and qualify for assistance and are distributed as donations or sponsorships. In addition some of the mines in the portfolio are required to provide funds directly to the local government authorities for use in community activities and for the provision of facilities. During 2012 Yancoal has contributed a total of $596,975 directly to community groups and a further $668,156 was distributed to various local government authorities under their respective Voluntary Planning Agreements.

Energy Efficiency Opportunities
Yancoal has complied with the requirements of the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007 during 2012. The public reports are available on the Yancoal website (www.yancoal.com.au).

Carbon Pricing
The Australian Government introduced a carbon tax on 1 July 2012 with a price fixed at $23 per tonne of equivalent emissions. Yancoal's estimate of the impact of the tax is approximately $0.93 per tonne of saleable coal from the underground and open cut mines.

Significant changes in the state of affairs
Significant changes in the state of affairs of the Group during the financial year were as follows:

The Merger Proposal Deed with Gloucester Coal Ltd ("Gloucester") became effective on 27 June 2012 with the merger implementation date being 6 July 2012. At 27 June 2012 the Group is deemed to have acquired a 100% interest in Gloucester.

Gloucester's principal activities consist of the production and marketing of metallurgical and thermal coals from the Gloucester Basin, comprising the Stratford and Duralie open cut mines, the Donaldson mines comprising the Abel and Tasman underground mines, and the Donaldson open cut mine, and the jointly controlled Middlemount open cut mine.

On 28 June 2012 the entire share capital of Yancoal Australia Ltd was listed on the Australian Securities Exchange.

On 22 June 2012 the Group disposed of its interest in the Cameby Downs and Premier Coal operating open cut mines, the Athena, Harrybrandt and Wilpeena exploration tenements together with several coal technology companies to fellow Yanzhou Coal Mining Company Limited subsidiaries.

Matters subsequent to the end of the financial year
No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, except for the following matters:

(i) As disclosed to the market on 11 February 2013, Yancoal Australia Ltd has agreed with its CEO, Murray Bailey that his employment with the Company will not be extended beyond his current term, which expires on 6 July 2013. Mr Bailey's departure is due to personal reasons and the Company has commenced a search for Mr Bailey's replacement.

(ii) As disclosed to the market on 29 January and 1 February 2013, heavy rainfall generated by ex-tropical cyclone Oswald has fallen in the central Queensland coalfields region from 24 to 27 January 2013 inclusive. Both the Yarrabee and Middlemount open cut mines were impacted by the event after significant amounts of rainfall.

(iii) As disclosed to the market on 8 January 2013, Yancoal has successfully arranged a long term loan facility at an attractive interest rate from its majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for US$596 million and has a term of five years (with principal repayable in regular instalments from June 2015) and is provided on an unsecured basis with no covenants. The facility funds the payment of the promissory notes in connection with the capital return for previous Gloucester Coal Ltd shareholders. The promissory note was settled in full in January 2013.

(iv) As disclosed to the market on 21 February 2013, an agreement has been reached with the current mining services contractor of the Middlemount mine to restructure the contract into a dry hire contract. The transition commenced on 23 February 2013 and is expected to be completed by mid-2013.

Likely developments and expected results of operations
It is management's intention to implement expansion plans for a number of mines to grow the business and to utilise the available infrastructure capacity. There will be an ongoing focus on growing the resource base of the Group by exploration around each of the current mining operations.

Further information about likely developments in the operations of the Group and expected results of those operations in future financial years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
The Group is subject to significant environmental regulation in respect of its land development and coal mining activities as set out below.

Greenhouse gas and energy data reporting requirements

The Group is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result.

The Group continues to meet its obligations under this Act.

The *National Greenhouse and Energy Reporting Act 2007* requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required and submitted its 2009/10 report to the Greenhouse and Energy Data Officer on 24 October 2011.

Clean Energy Legislation

The Government's Clean Energy Bills received Royal Assent on 9 December 2011. The bills contain a mechanism for pricing carbon emissions and applies from 1 July 2012. The carbon pricing mechanism will impact an entity differently depending on whether it is directly liable under the scheme (liable entity) or is indirectly impacted (e.g. by purchasing goods from a liable entity).

The Carbon Energy Legislation will affect Yancoal in future reporting periods.

Information on Directors

Weimin Li. Chairman and Non-Executive Director DE, EMBA

Experience and expertise

Mr Weimin Li is a researcher in engineering technique application. Since commencing his career, Mr Li has received considerable recognition in his field of expertise including being named a Shandong Provincial Youth and Middle Aged Specialist for Outstanding Contributions, a First Rank Entrepreneur of Shandong Province, a First Class Coal Mine Manager in the Chinese Coal Industry and one of the Top Ten Outstanding Managers of the Chinese Coal Industry. He is highly experienced in coal business management having been appointed as the General Manager of Yanzhou Coal Mining Company Limited in July 2009, the General Manager and Director of Yankuang Group in December 2010, Chairman of the Board of Directors of Yanzhou Coal Mining Company Limited in December 2010 and Chairman of the Board of Directors of the Company in June 2012. He is a graduate of China University of Mining and Technology and Nankai University.

Other current directorships

Mr Li is currently a Director and General Manager of Yankuang Group. He also holds the position of the Chairman of the Board of Directors of Yanzhou Coal.

Former directorships in last 3 years

From 28 December 2012 Mr Li no longer holds the position of Vice Chairman of the Board of Yanmei Heze Neng Hua Co., Ltd; Chairman of the Board of Yanzhou Coal Orders Neng Hua Co., Ltd; Chairman of the Board of Yankuang Xinjiang Neng Hua Co., Ltd; Chairman of the Board of Yanzhou Coal Yulin Nenghua Co., Ltd; Chairman of the Board of Shaanxi Future Energy Chemical Corp. Ltd and Chairman of the Board of Yancoal International (Holding) Co., Ltd.

Special responsibilities

Chairman of the Board

Chair of the Nomination and Remuneration Committee.

Interests in shares and options

None

Cunliang Lai. Co-Vice Chairman and Executive Director DE, EMBA

Experience and expertise

Mr Cunliang Lai is a senior engineer, a researcher in engineering technology application with a Doctorate in Engineering and an Executive Masters in Business Administration. He has been named as one of China National's Top-Ten Coal Mine Managers, China National Coal Industry's Top-100 Achievers and a Shandong Provincial Youth-and-Middle-Aged Specialist for Outstanding Contributions. Mr Lai has more than 20 years of experience in coal mine management and holds the position of Deputy General Manager of Yanzhou Coal Mining Company Limited and is a Director of the Company. Before the merger with Gloucester Coal Ltd, Mr Lai held the position of General Manager of the Company. Mr Lai successfully completed the acquisition of the Austar Coal Mine and the establishment of an appropriate corporate governance structure for the Company. Mr Lai has also successfully applied the Longwall Top Coal Caving (**LTCC**) technology in Australia and has gained considerable experience in Australian coal business management. He is a graduate of Nankai University and Coal Science Research Institute.

Other current directorships

Mr Lai is currently a Director of Yancoal International (Holding) Co., Ltd.

Former directorships in last 3 years

None

Special responsibilities

Co-Vice Chairman of the Board

Chair of Strategy and Development Committee

Interests in shares and options

None

Yuxiang Wu. Non-Executive Director MACC

Experience and expertise

Mr Yuxiang Wu is a senior accountant with a Masters degree in accounting. Mr Wu joined Yanzhou Coal Mining Company Limited's predecessor in 1981. Mr Wu was appointed as the manager of the finance department of Yanzhou Coal in 1997, and was appointed as the Chief Financial Officer and a Director in 2002. He has considerable experience in the financial management and business development in the coal industry. He also has extensive experience in organisational accounting, financial control, capital operation, risk management and corporate compliance for Yanzhou Coal Mining Company Limited and the Company.

Other current directorships

Mr Wu is currently a Director of Yanzhou Coal Mining Company Limited, Yanmei Heze Neng Hua Co., Ltd, Yanzhou Coal Shanxi Neng Hua Company Limited and Yancoal International (Holding) Co., Ltd. He is the Chairman of the Supervisory Committee of Huadian Zouxian Power Generation Company Limited.

Former directorships in last 3 years

None

Special responsibilities

Member of Strategy and Development Committee.

Member of Audit and Risk Management Committee.

Interests in shares and options

None

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

Experience and expertise

Mr Vincent O'Rourke was appointed a Director of the Company on 6 January 2010. Mr O'Rourke brings over 40 years of corporate and railway industry experience spanning operations, finance and business management to the Board of the Company. In 1990, Mr O'Rourke was appointed Queensland Commissioner for Railways and was the Chief Executive Officer of Queensland Rail (**QR**) from 1991 to 2000. As Chief Executive Officer of QR, Mr O'Rourke oversaw a 10 year program of reform and modernisation including corporatisation in 1995.

Other current directorships

Mr O'Rourke is currently Chairman of the Queensland Workplace Health and Safety Board, Chairman of Rail Innovation Australia Pty Ltd and a Director of Mater Health Services Brisbane Limited and White Energy Company Limited.

Former directorships in last 3 years

Bradken Limited

Special responsibilities

Chair of Health, Safety and Environment Committee.

Interests in shares and options

None

James MacKenzie. Co-Vice Chairman and Non-Executive Director BBus, FCA, FAICD
(Appointed 26 June 2012)

Experience and expertise

James MacKenzie has extensive experience as a company director having held a number of directorships over the past 10 years. From 2000 to 2007, he led the transformation of the Victorian Government's Personal Injury Schemes as Chairman of the Transport Accident Commission and Victorian WorkCover Authority. Previously, he held senior executive positions with ANZ Banking Group, Norwich Union and Standard Chartered Bank.

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

Other current directorships

Mr MacKenzie is currently Chairman of the Mirvac Group Board (since 2005), and a Director of Pacific Brands Limited (since 2008), Melco Crown Entertainment Limited (since 2008) and Melco Crown (Philippines) Resorts Corporation (since 2012).

Former directorships in last 3 years

Before the merger of the Company and Gloucester Coal Ltd in June 2012, Mr MacKenzie was Chairman of Gloucester Coal Ltd, holding that office from 16 June 2009.

Special responsibilities

Co-vice Chairman of the Board.

Member of Strategy and Development Committee.

Interests in shares and options

5,600 fully paid ordinary shares and 5,600 fully paid Contingent Value Right shares in the Company.

Gregory Fletcher. Non-Executive Director BCom, CA
(Appointed 26 June 2012)

Experience and expertise

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

Other current directorships

Chairman, SMEG Australia Pty Ltd; Independent Non-Executive Director, WDS Limited; Chair, Audit and Risk Committee, Railcorp; Chair, Audit and Risk Committee, Roads & Maritime Services; Chair, Audit and Risk Committee, City of Sydney Council; Member, NSW Auditor General's Audit and Risk Committee and Member, Audit, Risk and Compliance Committee, Sydney Olympic Park Authority.

Former directorships in last 3 years

Mr Fletcher was a director of Railcorp and Gloucester Coal Ltd

Special responsibilities

Chair of Audit and Risk Management Committee

Interests in shares and options

1,000 fully paid ordinary shares and 1,000 fully paid Contingent Value Right shares in the Company.

Xinghua Ni. Non-Executive Director M.Eng
(Appointed 26 June 2012)

Experience and expertise

Xinghua Ni a researcher in engineering technology application with a Masters degree and is the Chief Engineer of Yanzhou Coal Mining Company Limited. He joined Yanzhou Coal Mining Company Limited's predecessor in 1975 and became the Deputy Chief Engineer of Yankuang Group, in 2000. He was promoted to Chief Engineer of Yanzhou Coal Mining Company Limited in 2002. He graduated from Tianjin University.

Other current directorships

Mr Ni is currently a director of Shaanxi Future Energy Chemical Corp. Ltd.

Former directorships in last 3 years

None

Special responsibilities

Member of Strategy and Development Committee.

Member of Health, Safety and Environment Committee.

Interests in shares and options

None

Dr Geoffrey Raby. Non-Executive Director BEc (Hons), MEc and PhD (economics)
(Appointed 26 June 2012).

Experience and expertise

Dr Geoffrey Raby was Australia's Ambassador to the People's Republic of China from 2007 to 2011. Prior to that, he was a Deputy Secretary in the Department of Foreign Affairs and Trade (**DFAT**).

Dr Raby has extensive experience in international affairs and trade, having been Australia's Ambassador to the World Trade Organisation (1998-2001), Australia's APEC Ambassador (2003-05), Head of DFAT's Office of Trade Negotiations and Head of the Trade Policy Issues Division at the OECD, Paris. Between 1986 and 1991 he was Head of the Economic Section at the Australian Embassy, Beijing. He has been the Chair of DFAT's Audit Committee and served as an ex officio member of the Boards of Austrade and EFIC (Export Finance and Insurance Corporation).

Other current directorships

Dr Raby is currently a Director of Fortescue Metals Group Limited, Oceana Gold and SmartTrans.

Former directorships in last 3 years

None

Special responsibilities

Member of Audit and Risk Management Committee.

Member of Health, Safety and Environment Committee.

Interests in shares and options

None

William Randall. Non-Executive Director BBus
(Appointed 26 June 2012)

Experience and expertise

William Randall is head of Noble's Energy Coal & Carbon Complex division. He holds a bachelor degree in business majoring in international marketing and finance. He started his career at Noble Group Limited in Australia, transferring to Asia in 1999 where he established Noble Group Limited's coal operations, mining and supply chain management businesses.

Following his appointment as Director of Noble Energy Inc in 2001, Mr Randall continued to build the global coal and coke marketing network and asset pipeline. He was appointed global head of Coal & Coke in 2006 and became a member of the Noble Group Executive Board in 2008 and subsequently assumed the title of Head of Hard Commodities. He became an Executive Director of Noble Group Limited in February 2012.

Other current directorships
Mr Randall is also a Director of Noble Group Limited, Blackwood Corporation Limited and East Energy Resources Limited.

Former directorships in last 3 years
Before the merger of the Company and Gloucester Coal Ltd in June 2012, Mr Randall was a director of Gloucester Coal Ltd, holding that office from 16 June 2009.

Special responsibilities
Member of the Nomination and Remuneration Committee.

Interests in shares and options
None

Boyun Xu. Executive Director ME, EMBA
(Appointed 26 June 2012)

Experience and expertise
Boyun Xu joined the Company in 2005. Mr Xu is a Director of the Company and before the merger with Gloucester Coal Ltd, held the position of Deputy Managing Director. Mr Xu has 27 years of international management and engineering experience in the coal mining industry. Prior to joining the Company he served as Deputy Chief Engineer in Yankuang Group in China and China Business Manager in Minarco Asia Pacific Pty Ltd in Australia.

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

Other current directorships
None

Former directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options
None

Baocai Zhang. Non-Executive Director EMBA
(Appointed 26 June 2012)

Experience and expertise
Baocai Zhang is a senior accountant holding an Executive Masters of Business Administration degree. Mr Zhang has considerable experience in the coal mining industry as a Director, Deputy Manager and Company Secretary of Yanzhou Coal Mining Company Limited. Mr Zhang joined Yanzhou Coal Mining Company Limited's predecessor in 1989 and was appointed as the Head of the Planning and Finance department of Yanzhou Coal Mining Company Limited in 2002. He was appointed as a Director and Company Secretary of Yanzhou Coal Mining Company Limited in 2006 and Deputy General Manager in 2011. He is a graduate of Nankai University.

Other current directorships
Mr Zhang is currently a director of Yanzhou Coal Mining Company Limited, Yanzhou Coal Yulin Neng Hua Co., Ltd, Inner Mongolia Haosheng Coal Mining Limited and Yancoal International (Holding) Co., Ltd. He is the Chairman of the Supervisory Committee of Shaanxi Energy Chemical Corp. Ltd.

Former directorships in last 3 years
None

Special responsibilities
Member of the Nomination and Remuneration Committee.

Interests in shares and options
None

Terence Crawford. Non-Executive Director
B.ECON, LLB, Barrister at Law, A.S.I.A.
(Resigned 4 March 2012)

Experience and expertise
Mr Terence Crawford was appointed as a Director of the Company on 23 December 2009. He practiced as a Barrister at Law before working in the finance, investment, banking and management sector for more than 30 years. He is a Director of Opera Queensland Ltd and Mater Health Services Ltd. Mr Crawford resigned as a director of the Company on 4 March 2012.

Other current directorships
Mr Crawford is currently a director of Opera Queensland Ltd and Mater Health Services Ltd.

Former directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options
None

Xin Wang. Non-Executive Director DE, EMBA
(Resigned 26 June 2012).

Experience and expertise
Xin Wang is a researcher in engineering technique application and was appointed as a Director of the Company on 18 November 2004. Before the merger with Gloucester Coal Ltd, he was the Chairman of the Company. Mr Wang is the Chairman of Yankuang Group Company Ltd. Mr Wang has been recognised as being among the Top Professional Talents in the Chinese Coal Industry, the Contributors in Scientific and Technological Progress in the Chinese Coal Industry, the Outstanding Managers of China's Top-Ten Brands and the Most Promising Entrepreneurs in China.

Other current directorships
Chairman of Yankuang Group

Former directorships in last 3 years
None

Special responsibilities
None

Interests in shares and options
None

Murray Bailey. Managing Director (Resigned 28 June 2012) **Chief Executive Officer** (Appointed 26 July 2012 and ceases on 6 July 2013) BE

Experience and expertise

Mr Bailey was appointed to the Board on 5 October 2010. He was appointed Managing Director of Yancoal Australia Limited in September 2010, having previously been in the role of Chief Operating Officer for New Hope Corporation. He has more than 30 years' experience in the coal mining industry and has been responsible for the management of large scale mining projects including Wesfarmers Curragh mine in Queensland.

Other current directorships

None

Member of the Executive Committee of the NSW Minerals Council.

Former directorships in last 3 years

Murray Bailey was previously the Managing Director of Yancoal Australia Ltd. Mr Bailey is a Director of Newcastle Coal Infrastructure Group (NCIG), a Director of Wiggins Island Coal Export Terminal (WICET Holdings), a Director of HVCCC, Chairman of the Project Management sub-committee of WICET.

Special responsibilities

None

Interests in shares and options

None

Company secretary

Ling Zhang BA, MA

Ms Zhang was appointed on 6 September 2005 as Company Secretary and Executive General Manager – Corporate Services for the Company. She oversees the Company's corporate governance, legal issues, corporate compliance, investor relations activities and shareholder communications. Ms Zhang arrived in Australia in 2004 as one of the founding executives for the Company and has played a key role in each of the Company's acquisitions. She brings valuable experiences and contribution to the Company through her understanding of both Australian and Chinese business practices, engagement with the Board and senior management team, as well as cross-cultural communication and management.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2012, and the numbers of meetings attended by each Director were:

			Meetings of Committees									
	Full meetings of Directors		Audit and Risk Management		Health, Safety and Environment		Nomination and Remuneration		Strategy and Development		Independent Board Committee*	
	A	B	A	B	A	B	A	B	A	B	A	B
Weimin Li	4	4					1	1				
Cunliang Lai	4	4							1	1		
James MacKenzie	3	3							1	1	5	5
Yuxiang Wu	4	4	3	3					1	1		
Baocai Zhang	1	3					0	1				
Xinghua Ni	2	3			2	2			1	1		
Boyun Xu	3	3										
William Randall	3	3					1	1				
Vincent O'Rourke	4	4			2	2					5	5
Geoffrey Raby	3	3	3	3	2	2					1	1
Gregory Fletcher	3	3	3	3							5	5
Xin Wang	0	1										
Murray Bailey	1	1										
Terence Crawford	0	0										

A = Number of meetings attended

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

* The Independent Board Committee was constituted twice under different protocols for the purpose of considering related party transactions with the Company's major shareholder, Yanzhou.

Remuneration Report – Audited

Dear Shareholder,

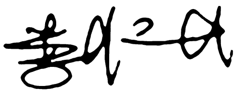
As you are aware, on 27 June 2012 the merger between the Company and Gloucester Coal Ltd ABN 66 008 881 712 ("Merger") became effective with an implementation date of 6 July 2012. On 28 June 2012 the Company became a listed entity on the Australian Securities Exchange, and Australia's largest listed pure-play coal producer.

The Merger prompted the establishment of a new Board and committee structure with an increased focus on expertise and independence. A Nomination and Remuneration Committee was established and its charter was approved by the Board. At the same time, an Executive Committee was established that is responsible for proposing strategic objectives to the Board, monitoring the Company's operational and financial performance and its financial position.

The Company recognises an ongoing need to review the Company's remuneration framework and arrangements to ensure that remuneration remains in step with sound corporate governance for an Australian listed company and for a Company of its size, scale and market capitalisation. It is proposed that a new short term incentive plan will be implemented for executives and employees for 2013 and a long term incentive plan is in the process of being designed.

This report sets out remuneration information for the Company's Key Management Personnel[1] for the 12 months ended 31 December 2012.

Yours sincerely,



Weimin Li
Chairman of the Board,
Chair of the Nomination and Remuneration Committee

1. Key Management Personnel

The Board delegates responsibility for the day to day management of the Company's affairs and implementation of the strategy and policy initiatives set by the Board to the Chair of the Executive Committee, the Chief Executive Officer and a number of senior executives. The Executive Committee is a management committee comprising the Chair of the Executive Committee, the Chief Executive Officer, another director appointed by the majority shareholder, Yanzhou Coal Mining Company Ltd (**Yanzhou**), the Chief Financial Officer, the Chief Operating Officer, the Chief Marketing Officer and any other officers that the Board resolves will be members of the Committee[2].

The Directors and the members of the Executive Committee comprise the 'key management personnel' of the Company (referred to as **Key Management Personnel** or **KMP**). Details of the Key Management Personnel are set out below:

TABLE 1: Details of Key Management Personnel

Name	Position	Nomination and Remuneration Committee Role
Non-Executive Directors		
Weimin Li	Director, Chairman of the Board	Chair
James MacKenzie [A]	Independent Director, Co-Vice Chairman	Not applicable
William Randall [A]	Independent Director	Member
Vincent O'Rourke	Independent Director	Not applicable
Geoffrey Raby [A]	Independent Director	Not applicable
Gregory Fletcher [A]	Independent Director	Not applicable
Yuxiang Wu	Director	Not applicable
Baocai Zhang [A]	Director	Member
Xinghua Ni [A]	Director	Not applicable
Executive Directors and Senior Executives		
Cunliang Lai	Executive Director, Co-Vice Chairman	
Boyun Xu [A]	Executive Director, Executive General Manager – Australian Subsidiaries of Yancoal International (Holding) Co. Ltd	
Murray Bailey [B] (formerly Managing Director)	Chief Executive Officer	
Peng Shen	Chief Financial Officer	
Peter Barton	Chief Operating Officer	
Michael Dingwall [C]	Chief Marketing Officer	

1 Key Management Personnel comprises Directors and members of the Executive Committee.

2 The Board has not resolved to appoint any other officers to the Executive Committee.

Name	Position	Nomination and Remuneration Committee Role
Former Non-Executive Directors		
Terence Crawford [D]	Director	
Xin Wang [E]	Director	

A Appointed 26 June 2012

B Appointed Chief Executive Officer 25 July 2012 and ceased to be Managing Director 28 June 2012

C Appointed Chief Marketing Officer 25 July 2012 formerly General Manager – Marketing and Logistics

D Resigned 4 March 2012

E Resigned 26 June 2012

2. Principles of Remuneration

The Company's governing principles for remuneration are:

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

Remuneration governance framework

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

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

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

In 2012, the Company appointed PricewaterhouseCoopers as its remuneration consultant to design a new long term incentive plan. During 2012, PwC directly provided the Nomination and Remuneration Committee with a remuneration recommendation (as defined in section 9B of the Corporations Act 2001) (**Remuneration Recommendation**) in relation to the design of a long term incentive plan for certain Company employees (including Senior Executives).

The fee for this Remuneration Recommendation, including advice on other ancillary employee share plans, was $60,500. PwC have confirmed that their recommendation was made free from undue influence of any of the Key Management Personnel. Based on this declaration, and the protocols that PwC followed, the Board is satisfied that the recommendations made by PwC were free from undue influence by the Key Management Personnel.

PwC provided other services to the Company during 2012 including tax compliance and due diligence advice, accounting advice, valuation advice and SAP implementation consultancy services. Total fees for these services were $13,181,675.

Remuneration structures

The remuneration structures for Non-Executive Directors and other Key Management Personnel (being Group A Executives and Group B Executives) are separate and distinct in accordance with sound corporate governance.

Consistent with the Constitution, the Company's majority shareholder, Yanzhou, can nominate a person to the position of the Chair of the Executive Committee and the Chairperson of the Board can recommend a person to the position of Chief Financial Officer. Different remuneration structures apply to:

- executive directors and management, other than the Group B Executives (**Group A Executives**); and
- the Chairman of the Executive Committee, Cunliang Lai and Chief Financial Officer, Peng Shen (**Group B Executives**).

The Board considers this is an appropriate reflection of Yanzhou's majority shareholding in the Company (see section B: Senior Executives' Remuneration for further details).

No equity instruments (including shares, options or rights to shares or options) have been issued to Non-Executive Directors or other Key Management Personnel as part of their remuneration in 2012.

The term **Senior Executives** has been used in this report to mean, together, Group A Executives and Group B Executives.

A. Non-Executive Directors' remuneration

Objective

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

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

Structure

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

The total Board and Committee fees paid by the Company to Non-Executive Directors in 2012 was $436,745[3] which is $3,063,255 below the current aggregate cap of $3,500,000 per annum.

During 2012, Non-Executive Directors were remunerated by way of fixed fees in the form of cash and superannuation. No element of their fees was linked to performance.

TABLE 2: Board and Committee fees

	2012 $	2011 A $
Board Fees per annum (including any superannuation)		
Chairman of the Board	Not applicable B	–
Co-Vice Chairman of the Board	115,000 C	–
Director	150,000 B & C	65,000
Committee Fees per annum (including any superannuation)		
Audit and Risk Management Committee – Chair	30,000	–
Audit and Risk Management Committee – member	15,000	–
Health, Safety and Environment Committee – Chair	30,000	–
Health, Safety and Environment Committee – member	15,000	–
Nomination and Remuneration Committee – Chair	Not applicable B	–
Nomination and Remuneration Committee – member	Not applicable B	–
Strategy and Development Committee – Chair	Not applicable C	–
Strategy and Development Committee – member	15,000	–

A The Committees were established during 2012 and hence no comparative information is included.

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

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

The Constitution also provides that if a director performs extra services or makes any special exertions for the benefit of the Company, the director may be paid additional remuneration, decided by the directors as appropriate to reflect the value to the Company of those extra services or special exertions. This additional remuneration does not form part of the aggregate cap on Non-Executive Directors' remuneration. No payments by the Company for extra services or special exertions were made to Non-Executive Directors in 2012.

Details of remuneration for all Non-Executive Directors are set out in Table 8.

B. Senior Executives' remuneration

Objective

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

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

3 In 2012, of the nine current Non-Executive Directors, five were appointed on 26 June 2012 (and therefore were remunerated for a period of about six months only) and five are not remunerated by the Company.

As noted earlier in this report, there is a distinction between the remuneration structures of executive directors and management, other than the Group B Executives (**Group A Executives**) and the Chairman of the Executive Committee, Cunliang Lai and Chief Financial Officer, Peng Shen (**Group B Executives**).

Details of remuneration for all Senior Executives are set out in Table 9.

Structure

All remuneration frameworks for Senior Executives are structured as a combination of fixed and variable remuneration.

Group A Executives' remuneration framework provides:

1. **Fixed remuneration** – comprising cash salary, superannuation and car allowance (referred to as Fixed Annual Remuneration or **FAR**), together with other benefits (outlined in section B(i)); and
2. **Variable remuneration** – comprising participation in the short-term and, for certain Group A Executives, long-term incentive plans (outlined in section B(ii)).

Similarly, the Group B Executives' remuneration framework provides a mix of fixed remuneration comprising cash salary, superannuation benefit and other benefits (outlined in section B(i)) and variable remuneration, comprising participation in a short-term flexible bonus scheme (outlined in section B(ii)).

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

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

	Fixed Remuneration (excl. benefits) [A]		At risk – short term [B]		At risk – Long term Incentive Plan [C]	
Name	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
Cunliang Lai	80	80	20	20	Not applicable	Not applicable
Boyun Xu	81	81	19	19	Not applicable	Not applicable
Murray Bailey	48	47	26	27	26	26
Peng Shen	80	80	20	20	Not applicable	Not applicable
Peter Barton	72	72	17	17	11	11
Michael Dingwall	72	72	17	17	11	11

A Calculations for fixed remuneration entitlement exclude the value of benefits.

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

C The Long Term Incentive Plan is outlined in section B(ii)(c).

i. Fixed Remuneration

Group A Executives

Each Group A Executive receives a cash salary, superannuation benefit and car allowance in the form of a fixed annual remuneration (**FAR**) package, together with certain other benefits. Group A Executives have some scope to determine the combination of cash (including car allowance) and certain non-monetary benefits by which their FAR is delivered, provided that it does not create undue cost for the Company.

Each Group A Executive's level of fixed remuneration is set to provide a base level of remuneration which is appropriate to the position and competitive with companies in a similar industry. Each year a Group A Executive's FAR is reviewed by reference to the Coal Mining Industry Remuneration Report produced by McDonald & Company (Australasia) Pty Ltd (**McDonald Report**). Using the McDonald Report, the Company's Remuneration Policy targets FAR at the 75th percentile of the relevant industry benchmark which reflects market practice in the coal industry in Australia. Having regard to the specific characteristics of the role, each employment position is then assigned a Job Salary Rate (**JSR**), and Group A Executives are paid at between 80% and 120% of the JSR.

There are three components to a Group A Executive's FAR package: cash salary, superannuation benefit and car allowance. Group A Executives' superannuation benefits are paid to their nominated superannuation fund in accordance with relevant state and industry legislation. The Group A Executives' FAR is reviewed annually to ensure each Group A Executive's FAR is internally and externally competitive. No Group A Executive is entitled to a guaranteed increase in FAR.

Each Group A Executive may receive certain benefits as part of their fixed remuneration including car parking, airport lounge membership, travel allowances, relocation allowances, accommodation and meal entitlements.

Specific benefits provided to certain Group A Executives are:

- Murray Bailey – personal travel expenses from his home in Brisbane to his office in Sydney;
- Peter Barton – relocation allowance, accommodation and a motor vehicle allowance; and
- Michael Dingwall – relocation allowance.

Group B Executives

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

Each Group B Executive receives fixed remuneration comprising cash salary, superannuation benefit and other benefits. Group B Executives' superannuation benefits are paid to their nominated superannuation fund in accordance with relevant state and industry legislation.

Other benefits for Group B Executives are accommodation, medical insurance, fully serviced motor vehicle, car parking, an entitlement to two return flights to their city of origin in China, airport lounge membership, certain living expenses and payment of fringe benefit tax.

Details of fixed remuneration (including the value of benefits) for all Senior Executives are set out in Table 9.

ii. Variable remuneration

Variable remuneration for Senior Executives is delivered through participation in short term incentive or bonus plans and for certain Group A Executives, eligibility to participate in a long term incentive plan. For Group A Executives, a short term incentive is delivered through the Short Term Incentive Plan (**STIP**), as outlined in section B(ii)(a). For Group B Executives, a short term incentive is delivered through a short term flexible bonus (**Short Term Bonus**), as outlined in section B(ii)(b).

Certain Group A Executives are eligible to participate in a long term incentive plan (**LTIP**), as outlined in section B(ii)(c). No long term incentive under LTIP has vested or been paid to any Senior Executive.

(a) Short Term Incentive Plan (STIP)

The STIP applies to Group A Executives and other senior management of the Company (other than Group B Executives).

Objective

The objective of the STIP is to align the Company's operational targets with the remuneration received by Group A Executives responsible for meeting those targets.

Consistent with the Company's objective to determine remuneration that is equitable and aligned with the long term interests of the Company and its shareholders, a portion of a Group A Executive's remuneration is 'at risk'. Pursuant to STIP, Senior Executives can realise a designated percentage of their FAR as a cash payment for achievement of annual Company and individual performance targets.

Structure

For 2012, the STIP comprised two performance measures:

- **Part A: Company performance** – measured by Key Performance Indicators (**KPI**). Company performance comprises 50% of the STI. Details of how Company performance is evaluated are set out below. Table 4 shows how that performance is measured and weighted to provide an STI result.
- **Part B: Individual performance** – measured by Key Result Areas (**KRA**). Individual performance comprises 50% of the STI. Details of the how individual performance is evaluated are set out below.

The Chief Executive Officer has a specified target STI opportunity of $550,000 for each of 2012 and 2011. Other Group A Executives have a maximum STI opportunity of 24% of their FAR. The STI targets are reviewed annually.

Part A: Company performance

Part A evaluates the Company's performance in respect of safety, development / overburden, production and cost by each mine site. Each of the Part A KPIs, how they are measured and the reason they were chosen are set out below.

- **Safety performance** – each mine site is set a safety performance target that is benchmarked to the relevant industry / state TRIFR average[4]. This KPI was chosen as an indicator of the Company's commitment to care for, and protect, its people to endeavour to achieve its goals and to provide an incident free and healthy work environment.
- **Development metres / Overburden removed** – development metres advanced for underground mining and volume of overburden removed for open cut are essential mining processes that enable the extraction of coal. This KPI was chosen as an objective measure of production performance.
- **Product Coal produced** – tonnes of product coal produced are a measure of the effectiveness of a coal mine in producing a saleable product. This KPI was chosen as an objective measure of production performance.
- **Operating unit cost** – free on rail operating cost per tonne is a measure of the efficiency of a coal mine in producing a low cost saleable product. This KPI was chosen as an objective measure of production performance.

For Group A Executives, their STI opportunity is determined relative to overall Company results. Accordingly, in relation to safety performance and development metres / overburden removed KPIs, the Company determines a weighted average of each mine site. For product coal produced and operating unit costs KPIs, the Company consolidates the results of each mine site.

TABLE 4: Details of Part A KPIs for STIP 2012

Part A KPIs	Target	Metrics	Weight
Safety performance	Relevant industry / state TRIFR average [A].	Actual vs Target: • Achievement of Target delivers wf [B] of 1 • >Target delivers wf. of nil • 90% Target delivers wf. of 1.2 • 90% > Target delivers linear relationship wf.	12.5%
Development metres / Overburden removed	Development metres advanced for underground mining and volume of overburden removed for open cut.	Actual vs Target: • Achievement of Target delivers wf. of 1 • < 90% Target delivers wf. of nil • 90% Target delivers wf. of 0.8 • 105% or > 105% Target delivers wf. of 1.2 • 90% Target <Actual<105% Target delivers linear relationship wf.	12.5%
Product Coal produced	Tonnes of product coal produced are a measure of the effectiveness of a coal mine in producing a saleable product.	Actual vs Target • Achievement of Target delivers wf. of 1 • < 90% Target delivers wf. of nil • 90% Target delivers wf. of 0.8 • 105% or > 105% Target delivers wf. of 1.2 • 90% Target <Actual<105% Target delivers linear relationship wf.	12.5%
Operating unit cost	Free on rail operating cost per tonne is a measure of the efficiency of a coal mine in producing a low cost saleable product.	Actual vs Target • Achievement of Target delivers wf. of 1 • > 110% Target delivers wf. of nil. • 110% of Target delivers wf. of 0.8 • 90% or <90% Target delivers wf. of 1.2 • 90% Target <Actual < 110% delivers linear relationship wf.	12.5%

A Total Recordable Injury Frequency Rate (**TRIFR**) which measures the frequency of recordable injuries per million hours worked. Recordable injuries include total number of fatalities, lost time injuries / diseases, medical treatment injuries and disabling injuries.

B wf. refers to weighting factor.

For determining Part A KPIs, actual performance data is tracked each month and reviewed at the end of the year.

Part B: Individual performance

For 2012 performance, each Group A Executive is rated on a scale from exceptional to below standard. This rating is subjective and is determined having regard to the following Key Result Areas (**KRAs**):

- achievement of accountabilities as per position description;
- special projects;
- achievement of OPEX and CAPEX budgets;
- the Company's growth initiatives;
- continuous improvement initiatives; and
- general conduct and behaviours.

For Part B, individual performance data for Group A Executives is collected at the Company's Quarterly Business Review (**QBR**) where each Group A Executive is required to report on their previous 90 day plan and provide their next 90 day plan for their department of responsibility. Each 90 day plan incorporates key result areas and also indicators of growth performance. Given the changes and growth initiatives set for the Company in 2012, a quarterly review of KRAs was deemed appropriate.

STI Opportunity 2012

A Group A Executive's STI opportunity is the sum of Part A: Company's performance and Part B: Individual's performance. If targeted performance is not achieved in either Part A or Part B then a Group A Executive may receive a nil STI award or a STI award opportunity equivalent to less than 20% of their FAR. At target performance, the STI opportunity is 20% of FAR and if performance in Part A and Part B is beyond expectations and delivers outstanding results that Group A Executive may be awarded up to 24% of their FAR.

The Chair of the Executive Committee and the Chief Executive Officer are responsible for evaluating Part A and Part B performance to determine the STI award for each Group A Executive. The Chair of the Executive Committee and the Chief Executive Officer submit a recommendation to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee reviews all proposed STI opportunities for Group A Executives and other senior management and makes a recommendation to the Board. The Board approves the delivery of STI awards each year to the Group A Executives and other senior management.

The STI award will be granted as a cash payment to Group A Executives on a date to be determined and will vest immediately.

TABLE 5: Part A: Company Performance for STIP 2012

Part A KPIs	Target	Actual	STIP Outcome
Safety performance	24.18 TRIFR Weighted average of relevant industry / state TRIFRs [A] for each mine site [B]	26.91 TRIFR [A]	> Target delivering wf. of nil
Development / Overburden	Overburden 104,646,176 bcm [C]	Overburden 97,912,658 bcm	> 90% Target delivering wf. 0.870
	Development 46,369 metres	Development 43,329 metres	
Product coal produced	19,180,140 tonnes	18,280,594 tonnes	> 90% Target delivering wf. 0.906
Operating unit costs	$57.12	$57.36	<110% Target delivering wf. of 0.990

A The TRIFR Values for determining weighted average is derived from the Queensland Mines and Quarries Safety Performance and Health Report, QLD Government Department of Natural Resources and Mines, 1 July 2011-30 June 2012 and the NSW Mine Safety Performance Report, NSW Government Trade &Investment Mine Safety.

B The following TRIFR benchmarks were used:
- The TRIFR industry benchmark for NSW underground coal mining was 37.04.
- The TRIFR industry benchmark for NSW open cut coal mining was 7.79.
- The TRIFR industry benchmark for Queensland open cut coal mining was 14.8.
- The TRIFR industry benchmark used for Western Australia was 45.

C bcm refers to bank cubic metres.

*(b) Short term flexible bonus (**Short Term Bonus**)*

The short term flexible bonus (**Short Term Bonus**) applies to the Group B Executives and certain other senior management.

Objective

The objective of the Short Term Bonus is to align the Company's performance with the remuneration received by Group B Executives. Similar to the objective of the STIP, a portion of Group B Executives' remuneration is 'at risk'.

Structure

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

For 2012, the Short Term Bonus was measured by reference to the following KPIs:

- **Safety** – each mine site is set a safety performance target that is benchmarked to the relevant industry / state TRIFR average. This KPI was chosen as an indicator of the Company's commitment to care for, and protect, its people to endeavour to achieve its goals and to provide an incident free and healthy work environment.
- **Net Operating Profit** – net operating profit measures the profitability of the Company and is reported in the financial statements for the Company. This KPI was chosen as an objective measure of the Company's financial performance.
- **Accounts Receivable** – accounts receivable measures the money owed to the Company and is reported in the financial statements for the Company. This KPI was chosen as an objective measure of the Company's financial performance.
- **Energy Conservation** – energy conservation measures implemented by the Company. This KPI was chosen as an indicator of the Company's commitment to safeguarding the environment throughout its mining operations.
- **Net Operating Cash Flow** – net operating cash flow measures the level of cash flow generated by the Company and whether it is sufficient to maintain and grow its operations, or whether it may require external financing. This KPI was chosen as an objective measure of the Company's financial performance.
- **Controllable Expenses** – controllable expenses is a measure of the Company's maintenance of CAPEX and OPEX within budget. This KPI was chosen as an objective measure of the Company's financial performance.
- **Coal Sales Revenue** – coal sales revenue is a measure of earnings from the sale of coal produced at the mine sites. This KPI was chosen as an objective measure of the Company's financial performance.
- **Coal Production** – tonnes of product coal produced measures the effectiveness of a coal mine to produce a saleable product. This KPI was chosen as an objective measure of the Company's production performance.
- **Total Cost Per Tonne Sold** – cost per tonne is a measure of the efficiency of a coal mine in producing a low cost saleable product. This KPI was chosen as an objective measure of the Company's financial performance.
- **Internal Compliance** – internal compliance is a measure of the effectiveness of the Company's compliance function including audit and risk management. This KPI was chosen as a measure of the standard of the Company's corporate governance and compliance with laws.

For 2012, the Company's performance was measured by reference to each of the KPIs. The grant of the Short Term Bonus to Group B Executives is at the discretion of the Board.

Short Term Bonus

Review of the grant of a Short Term Bonus to Group B Executives is currently underway. If granted, the Short Term Bonus will be granted as a cash payment and will vest immediately.

*(c) Long Term Incentive Plan (**LTIP**)*

Murray Bailey, Peter Barton and Michael Dingwall, each a Group A Executive, are eligible to participate in a Long Term Incentive Plan (**LTIP**).

Objective

The objective of the LTIP is to reward and retain certain Senior Management who are in positions to influence the Company's performance.

In 2012, the Company appointed PricewaterhouseCoopers as its remuneration consultant to design a new long term incentive plan for the Company's employees (including Senior Executives). Details of the Company's engagement of a remuneration consultant are outlined in section 2 'Remuneration Governance Framework'.

Structure

Eligible participants in the LTIP are entitled to be considered for an annual LTI opportunity of 15% of their FAR (other than the Chief Executive Officer), subject to the satisfactory performance of the Company and vesting conditions. The Chief Executive Officer has an annual LTI opportunity of 55% of his FAR.

Each annual LTI opportunity cumulatively vests on completion of three continuous years of service and thereafter vests each year. The Company may at its discretion settle an employee's LTI opportunity in the form of options, performance rights, shares, cash or any other instrument.

No long term incentive under LTIP has vested or been granted or paid to any Group A Executive of the Company. No share-based awards were granted by the Company in 2012.

TABLE 6: Details of LTIP applicable to certain Group A Executives

Name	$ LTI Accrued	Vesting Date
Murray Bailey	$1,244,266	13 September 2013 [A]
Peter Barton	$203,707	1 August 2013
Michael Dingwall	$122,912	6 June 2014

A Murray Bailey's Executive Service Agreement expires on 6 July 2013 and will not be renewed. On ceasing to be employed by the Company, Mr Bailey will forfeit any LTI accrued.

If an eligible Group A Executive ceases employment with the Company before the relevant vesting date, the Group A Executive forfeits 100% of their LTI opportunity.

(d) Completion bonus

Murray Bailey is eligible for a completion bonus equating to 12 months FAR on the terms of his Employment Services Agreement (**ESA**). Entitlement to the completion bonus is conditional on him continuing to be employed by the Company until 6 July 2013 and is payable on that date. If Murray Bailey resigns or if his ESA is terminated by the Company before 6 July 2013, his completion bonus will be forfeited.

Share Trading Policy

The Company's Share Trading Policy prohibits dealing in Company securities or Yanzhou securities by Key Management Personnel and other relevant employees, as well as their closely related parties, during specified blackout periods each year. Employees are permitted to deal in Company securities or Yanzhou securities outside these blackout periods, however additional approval requirements apply to Directors.

The Policy precludes relevant employees from entering into any hedge or derivative transactions relating to unvested options or share rights granted to them under incentive plans and securities that are subject to holding locks or restrictions from dealing under such plans. There are also restrictions regarding margin lending arrangements, hedging and short-term trading of the Company's securities. A copy of the Share Trading Policy is available in the Corporate Governance section of the Company's website.

Linking Company performance with remuneration for Key Management Personnel

The Company seeks to align its performance with remuneration for Key Management Personnel:

- in the case of Non-Executive Directors, by attracting and retaining directors of the highest calibre with the appropriate mix of skills, expertise and experience; and
- in the case of Senior Executives, by making a portion of the their remuneration 'at risk' through short term and for certain Group A Executives, long term incentive plans, such as the STIP, Short Term Bonus and the LTIP.

Given the Company listed on the Australian Securities Exchange on 28 June 2012, there is insufficient data to support a comparison and evaluation of the Company's earnings and delivery of shareholder wealth over the last five years relative to the remuneration structures in place for its Key Management Personnel.

3. Service Agreements

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

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

TABLE 7: Certain ESA terms for each of the Senior Executives

Senior Executive	Position	Term of ESA	Notice Period [A]	Termination Benefit
Cunliang Lai	Executive Director, Co-Vice Chairman, Chair of the Executive Committee	Unlimited	1 month	Nil
Boyun Xu	Executive Director, Executive General Manager – Australian Subsidiaries of Yancoal International (Holding) Co. Ltd	Unlimited	3 months	Nil
Murray Bailey	Chief Executive Officer	6 July 2013 [B]	6 months	Pro rata STI [C]
Peter Barton	Chief Operating Officer	Unlimited	6 months	Pro rata STI
Peng Shen	Chief Financial Officer	Unlimited	1 month	Nil
Michael Dingwall	Chief Marketing Officer	Unlimited	6 months	Pro rata STI

A Notice period applicable if the Company terminates the Senior Executive or if the Senior Executive resigns.
B Murray Bailey's ESA will not be renewed upon expiry on 6 July 2013.
C Payable on expiry of the term of Murray Bailey's ESA.

4. Remuneration tables

Table 8 sets out the details of remuneration (in the form of Board and Committee fees and other benefits) earned by Non-Executive Directors, calculated in accordance with applicable Accounting Standards.

Table 9 sets out the details of remuneration earned by Senior Executives, calculated in accordance with applicable Accounting Standards.

Table 10 sets out details of STI awards and cash bonuses granted to Senior Executives in 2012.

TABLE 8: Details of Non-Executive Directors' Remuneration, earned in 2012

		Short Term Benefits		Post-Employment Benefits	
Name		Fees	Non-Monetary Benefits	Superannuation	Total
Non-Executive Directors					
Weimin Li	**2012**	**Nil**	**Nil**	**Nil**	**Nil**
	2011	Nil	Nil	Nil	Nil
James MacKenzie [A]	**2012**	**137,316**	**Nil**	**7,118**	**144,434**
	2011	Not applicable	Not applicable	Not applicable	Not applicable
Vincent O'Rourke	**2012**	**91,611**	**Nil**	**Nil**	**91,611**
	2011	65,000	Nil	Nil	65,000
William Randall [A]	**2012**	**Nil**	**Nil**	**Nil**	**Nil**
	2011	Not applicable	Not applicable	Not applicable	Not applicable
Geoffrey Raby [A]	**2012**	**88,732**	**Nil**	**4,118**	**92,850**
	2011	Not applicable	Not applicable	Not applicable	Not applicable
Gregory Fletcher [A]	**2012**	**87,700**	**Nil**	**5,150**	**92,850**
	2011	Not applicable	Not applicable	Not applicable	Not applicable
Yuxiang Wu	**2012**	**Nil**	**Nil**	**Nil**	**Nil**
	2011	Nil	Nil	Nil	Nil
Baocai Zhang [A]	**2012**	**Nil**	**Nil**	**Nil**	**Nil**
	2011	Not applicable	Not applicable	Not applicable	Not applicable
Xinghua Ni [A]	**2012**	**Nil**	**Nil**	**Nil**	**Nil**
	2011	Not applicable	Not applicable	Not applicable	Not applicable
Former Non-Executive Directors					
Terence Crawford [B]	**2012**	**13,761**	**Nil**	**1,239**	**15,000**
	2011	59,633	Nil	5,367	65,000
Xin Wang [C]	**2012**	**Nil**	**Nil**	**Nil**	**Nil**
	2011	Nil	Nil	Nil	Nil
Total for each category	**2012**	**419,120**	**Nil**	**17,625**	**436,745**
	2011	124,633	Nil	5,367	130,000

A Appointed 26 June 2012.
B Resigned 4 March 2012.
C Resigned 26 June 2012.

TABLE 9: Details of Senior Executives' Remuneration earned in 2012

		Short Term Benefits				Long Term Benefits			
Name		**Cash Salary**	**STI or bonus**	**Non-monetary benefits**	**Other short term employee benefits**	**Superannuation benefits**	**Long Service Leave**	**LTI opportunity[D]**	**Total (including other fees)**
Cunliang Lai	**2012**	**128,000**	**Under review**	**174,017**	**Nil**	**11,520**	**22,306**	**Not applicable**	**335,843[E]**
	2011	128,000	Under review	133,810	Nil	11,520	Nil	Not applicable	273,330[F]
Boyun Xu[A]	**2012**	**303,450**	**54,162**	**12,536**	**Nil**	**27,310**	**39,749**	**Not applicable**	**437,207**
	2011[L]	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Murray Bailey[B]	**2012**	**1,009,530**	**550,000**	**30,241**	**Nil**	**16,470**	**8,938**	**564,300**	**2,179,479**
	2011	934,225	550,000	9,706	Nil	15,775	Nil	522,500	2,032,206
Peter Barton	**2012**	**561,030**	**94,466**	**12,116**	**45,200[G]**	**16,470**	**5,710**	**86,625**	**821,617**
	2011	534,225	108,680	93,054	45,200[H]	15,775	Nil	82,500	879,434
Peng Shen	**2012**	**102,400**	**Under review**	**120,630**	**Nil**	**9,216**	**765**	**Not applicable**	**233,011[I]**
	2011	102,400	Under review	90,384	Nil	9,216	Nil	Not applicable	202,000[J]
Michael Dingwall[C]	**2012**	**513,780**	**86,829**	**12,536**	**Nil**	**16,470**	**1,904**	**79,538**	**711,057**
	2011	285,429[K]	78,896[K]	Nil	Nil	9,154[K]	Nil	43,375[K]	416,854[K]
Total for each category	**2012**	**2,618,190**	**785,457**	**362,076**	**45,200**	**97,456**	**79,372**	**730,463**	**4,718,214**
	2011	1,984,279	737,576	326,954	45,200	61,440	Nil	648,375	3,803,824

A Appointed 26 June 2012.
B Appointed Chief Executive Officer 25 July 2012 and ceased to be Managing Director 28 June 2012.
C Appointed Chief Marketing Officer 25 July 2012 (formerly General Manager – Marketing and Logistics).
D LTI opportunity vests after 3 years of continuous service with the Company (see section B(ii)(c)) for vesting profile). If a Group A Executive ceases employment with the Company before the vesting date for his LTI, then his full LTI opportunity will be forfeited.
E Cunliang Lai's short term bonus award for 2012 is under review and has not been determined.
F Cunliang Lai's short term bonus award for 2011 is under review and has not been determined.
G Peter Barton's short term employee benefit in 2012 comprises a motor vehicle allowance (outlined in section B(i)).
H Peter Barton's short term employee benefit in 2011 comprises a motor vehicle allowance (outlined in section B(i)).
I Peng Shen's short term bonus award for 2012 is under review and has not been determined.
J Peng Shen's short term bonus award for 2011 is under review and has not been determined.
K Michael Dingwall commenced employment with the Company on 6 June 2011. His remuneration has been calculated on a pro rata basis.
L In 2011, Boyun Xu was not part of the KMP of the Company.

TABLE 10: Details of STI opportunities and Short Term Bonus granted to Senior Executives in 2012

Name	STI or Short Term Bonus 2012 $	% of maximum entitlement granted	% of maximum entitlement forfeited
Cunliang Lai [A]	Under review	Not applicable	Not applicable
Boyun Xu [B]	54,162	68% [C]	32%
Murray Bailey [B]	550,000	100%	Nil
Peng Shen [A]	Under review	Not applicable	Not applicable
Peter Barton [B]	94,466	68% [C]	32%
Michael Dingwall [B]	86,829	68% [C]	32%

A Cunliang Lai and Peng Shen participate in the Short Term Bonus.

B Boyun Xu, Murray Bailey, Peter Barton and Michael Dingwall participate in STIP.

C At target performance, the STI opportunity is 20% of FAR, however if a Group A Executive's performance is beyond expectations and the Group A Executive delivers outstanding results the Group A Executive may be awarded up to 24% of their FAR. The percentage of 'maximum entitlement of STI granted' has been calculated on the basis of a maximum STI entitlement of 24% of their FAR.

Insurance of officers

During the financial year, Yancoal Australia Ltd paid a premium of $65,425 to insure the Directors and secretaries of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the Company

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

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

Non-audit services

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

Details of the amounts paid or payable to the auditor (ShineWing Hall Chadwick for the consolidated entity and BDO Australia for two subsidiaries) for non-audit services provided during the year are set out below.

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

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

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

	2012 $	2011 $
Non-audit services		
ShineWing Hall Chadwick		
Other assurance services		
Audit of regulatory returns	**22,400**	46,800
Compliance Audit	**–**	200,000
Due diligence services	**650,000**	400,000
Total non-audit services remuneration of ShineWing Hall Chadwick	**672,400**	646,800
BDO Australia		
Other assurance services		
Liquidation of subsidiaries	**18,500**	–
Total non-audit services remuneration of BDO Australia	**18,500**	–
Related practice of BDO Australia		
Taxation services		
Tax compliance services	**–**	1,742
Total non-audit services remuneration of related practice of BDO Australia	**–**	1,742
Total remuneration for non-audit services	**690,900**	648,542

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 40.

Rounding of amounts

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

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

Mr Cunliang Lai
Director

27 February 2013

信永中和 ShineWing

ShineWing
Hall Chadwick

Corporate Advisors &
Certified Practising Accountants
ABN: 70 579 787 151

Level 9
552 Lonsdale St
Melbourne Vic 3000
Australia

Tel: +61 3 8602 7300
Fax: +61 3 9600 1930

Email: info@shinewing.com.au
www.shinewing.com.au

The Board of Directors
Yancoal Australia Ltd
Suite 1105
Level 11
68 York Street
SYDNEY NSW 2000

27 February 2013

Dear Board Members,

YANCOAL AUSTRALIA LTD

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

As lead audit partner for the audit of the financial statements of Yancoal Australia Ltd for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Yours sincerely,

ShineWing Hall Chadwick

ShineWing Hall Chadwick

M. Schofield

M J Schofield
Partner
Sydney, 27 February 2013

CPA AUSTRALIAN SOCIETY OF CPAs

Corporate Governance Statement

1.1 Introduction

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

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

1.2 Principle 1: Lay solid foundations for management and oversight

The Board is responsible for the overall corporate governance of the Company including directing the affairs of the Company, setting and monitoring the Company's risk management strategy and overseeing the appointment, remuneration and performance of senior executives.

The Board's role and responsibilities and its delegation of authority to standing committees and senior executives have been formalised in a Board Charter. The Board Charter can be found within the Corporate Governance section of the Company's website.

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

Delegation to management

The Board delegates responsibility for the day to day management of the Company's affairs and implementation of the strategy and policy initiatives set by the Board to the Chair of the Executive Committee, the Chief Executive Officer and other senior executives. The Executive Committee is a management committee comprising the Chair of the Executive Committee, the Chief Executive Officer and other senior executives. The Chair of the Executive Committee and Chief Executive Officer will review the performance of senior executives annually against appropriate measures as part of the company's performance management system for all managers and staff. The Board is responsible for the review of the performance of the Chair of the Executive Committee and Chief Executive Officer. The system includes processes for the setting of objectives and the annual assessment of performance against objectives. The review of the performance of the Company's senior executives for 2012 is currently underway using the process disclosed in the Remuneration Report.

1.3 Principle 2: Structure the board to add value

Structure of the Board

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

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

Chairman of the Board

The Chairman of the Board, Weimin Li, is a nominee of the Company's major shareholder, Yanzhou. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functioning. The Chairman ensures that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the Chair of the Executive Committee and the Chief Executive Officer and to review key issues and performance trends. The Chairman, together with the Co- Vice Chairman, also represent the Company in the wider community.

Board Committees

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

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

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

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

An Independent Board Committee is established as and when required in accordance with the Company's Independent Board Committee Protocol to manage any related party transactions. The Independent Board Committee was constituted twice in 2012 for the purposes of considering transactions between the Company and its major shareholder, Yanzhou[5]. In each case, the Committee comprised at least three independent directors.

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

Strategy and Development Committee

In accordance with its Charter, this Committee has at least 3 members. The members of this Committee are Cunliang Lai (Chair of the Committee), Yuxiang Wu, Xinghua Ni and James MacKenzie.

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

Other Standing Committees

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

Director independence

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

5 The Independent Board Committee considered finance transactions between the Company and its majority shareholder, Yanzhou, being the provision by Yanzhou to the Company of US$720 million unsecured debt funding and a US$596 million long term debt facility.

The Board has assessed the independence of each of the non-executive directors (including the Chairman) in light of their interests and relationships. A majority of the Board are not considered independent directors having regard to their affiliation with the Company's major shareholder, Yanzhou. Accordingly, the majority of the Board does not comprise independent directors and the Company does not comply with Recommendation 2.1. However, the Board considers that the composition of the Board appropriately represents the interests of its shareholders including its major shareholder, Yanzhou, and that the Board has put in place appropriate policies and procedures to guide the Board and senior executives in circumstances where conflicts of interest may arise and in its dealings with Yanzhou, including establishing the Independent Board Committee.

Independence Standard

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

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

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

Although as a nominee of Yanzhou, Weimin Li, the Chairman of the Board is not considered independent by the independence standard (as above), the Board considers that this is consistent with market practice. In addition, the Company has appointed two Co-vice Chairs to the Board, Cunliang Lai and James MacKenzie. Mr MacKenzie is an independent non-executive director.

William Randall is an executive director of Noble Group Limited (a substantial shareholder and material customer of the Company). The Board considers that this relationship does not materially interfere with, nor is perceived to interfere with, the independent exercise of Mr Randall's judgement and that he is able to fulfil the role of independent director for the purpose of the ASX Corporate Governance Council's Principles and Recommendations. Whilst Mr Randall has a relationship with the Company which would not be classified as independent having regard to the items listed in box 2.1 of the ASX Corporate Governance Council's Principles and Recommendations, it is open to the Board to adopt different criteria in determining whether directors are independent.

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

Nomination and appointment of directors

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

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

The Board has established a Nomination and Remuneration Committee to make recommendations to the Board on the size and composition of the Board and potential candidates for appointment to the Board. The structure and membership of the Nomination and Remuneration Committee is described further under Principle 8.

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

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

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

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

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

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

To the extent that the ASX Listing Rules require an election of directors to be held and no director would otherwise be required under the Company's Constitution to submit for election or re-election at an AGM, the director who has been the longest in office since their last election or appointment must retire at the AGM. As between directors who were last elected or appointed on the same day, the director to retire must be decided by lot (unless they can agree among themselves).

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

Performance of the Board, its committees and individual directors

The Nomination and Remuneration Committee oversees an annual evaluation process for each director based on a protocol adopted and approved by the Board. During the evaluation process directors provide written feedback in relation to the performance of the Board against a set of agreed criteria. In addition, the Chair of the Executive Committee and Chief Executive Officer will also provide feedback from senior executives in connection with any issues that may be relevant in the context of the Board performance review. Feedback will be collected by the Chairman of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board.

Directors will be evaluated on, amongst other things, their alignment with the values of the Company, their commitment to their duties and their level of financial, technical and specialist knowledge. Periodically, a review of the structure and operation of the Board, the skills and characteristics required by the Board to maximise its effectiveness and whether the blending of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company will be conducted. This evaluation of performance of the Board may be conducted with the assistance of an external facilitator.

Given that the Company was listed on 28 June 2012, review of the Board, its committees and individual directors for 2012 has not yet been conducted in accordance with this process and will take place in 2013.

1.4 Principle 3: Promote ethical and responsible decision making

Conduct and ethics

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

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

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

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

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

Dealings in Company securities

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

In addition, the Company's Share Trading Policy prohibits dealing in Company securities or Yanzhou securities by directors, senior executives and other relevant employees, as well as their closely related parties, during specified blackout periods each year. General employees are permitted to deal in Company securities outside these blackout periods, however additional approval requirements apply to directors.

The Policy precludes relevant employees from entering into any hedge or derivative transactions relating to unvested options or share rights granted to them under incentive plans and securities that are subject to holding locks or restrictions on dealing under such plans. There are also restrictions that apply to relevant employees from entering into margin lending arrangements, hedging, and short-term trading of the Company's securities.

Breaches of the policy are treated seriously and may lead to disciplinary action, including dismissal.

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

Diversity

The Company has adopted a Diversity Policy, approved by the Board to actively facilitate a more diverse and representative management and leadership structure. The Diversity Policy is available in the Corporate Governance section of the Company's website.

Gender has been identified as a key area of focus for the Company. Women hold one of six senior management roles within the Company (being roles which directly report to the Chief Executive Officer) and comprise 9% of the Company's broader workforce. There are no women represented on the Board.

In 2012, the Board set a number of measurable objectives relating to gender diversity at all senior executive and leadership levels and, with the assistance of the Nomination and Remuneration Committee, will periodically assess these objectives, and progress towards these objectives, in accordance with the Diversity Policy. The objectives are:

- to increase employee awareness and understanding of the importance of diversity by implementing training on the Company's Diversity Policy and Workplace Behaviour & Anti-Discrimination Policy;
- to increase employee awareness of the Company's Working Flexibly Policy;
- to target a diverse group of candidates with recruitment and selection procedures that are merit based and non-discriminatory; and
- to ensure our managers are adept recruiters, retainers and motivators of our diverse workplace.

Review of the Company's progress against these objectives is currently underway and the Board will report against these measurable objectives in 2013.

1.5 Principle 4: Safeguard integrity and financial reporting

Audit and Risk Management Committee

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

In accordance with its charter, the Audit and Risk Management Committee has at least three members; Gregory Fletcher (Chairman of the Committee), Yuxiang Wu, and Geoffrey Raby. The Committee consists only of non-executive directors with a majority being independent (including the Chairman). The skills, experience and expertise of each member, is disclosed in the Information of Directors. Three meetings of the Audit and Risk Management Committee were held in 2012 with a record of each member's attendance at meetings of the Committee disclosed in the Information on Directors.

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

Auditor

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

1.6 Principle 5: Make timely and balanced disclosure

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

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

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

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

1.7 Principle 6: Respect the rights of shareholders

Communications with shareholders

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

- posting announcements on the ASX platform in accordance with its continuous disclosure obligations and also making these announcements available on the Company's website; and
- publishing investor presentations made to analysts and media briefings available within the Investor section of the Company's website.

The Company encourages shareholders to attend and participate in all general meetings including annual general meetings. Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and preparation of its reports.

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

1.8 Principle 7: Recognise and manage risk

Risk identification and management

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

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

In 2012, the Board initiated the design of a risk management and internal control system to manage the Company's material business risks. The Board has requested the Company's senior executives and management to report to the Audit and Risk Management Committee and, where appropriate the Board, regarding the effective management of its material business risks.

The Committee has put in place a framework to identify and manage material business risks. This framework includes:

- identification of material business risk by the Executive Committee by reference to a single risk register, approved by the Audit and Remuneration Management Committee;
- implementation of a risk management framework, approved by the Audit and Risk Management Committee; and
- adherence to internal procedures and plans for crisis management.

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

Senior executives and other managers of the Company are also responsible for identifying and managing risks.

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

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

Health, Safety and Environment Compliance
The Company has adopted policies to comply with occupational health, safety, environment and other laws. The Board has approved a Health, Safety and Environment Policy which applies across the Company. The Board has established a Health, Safety and Environment Committee to assist it in overseeing the Company's health, safety and environmental responsibilities. In accordance with its charter, this Committee has at least three members. The members of this Committee are Vincent O'Rourke (Chair of the Committee), Geoffrey Raby and Xinghua Ni. The Committee meets at least four times per year, or as frequently as required. A record of each member's attendance at meetings of the Committee is disclosed in the Information on Directors.

1.9 Principle 8: Remunerate fairly and responsibly

Nomination and Remuneration Committee
The Board has established a Nomination and Remuneration Committee. In accordance with its charter, this Committee has 3 members, Weimin Li (Chair of the Committee), Baocai Zhang and William Randall. Weimin Li and Baocai Zhang are not independent Directors of the Company, however the Board considers that they are appropriate members of this Committee due to their skill set, experience and seniority.

The Committee members are non-executive directors who are not remunerated by the Company for their roles as directors or committee members. One meeting of the Nomination and Remuneration Committee was held in 2012 with a record of each member's attendance at the meeting of the Committee disclosed in the Information on Directors.

The primary role of this Committee is to assist the Board in overseeing:

- remuneration (subject to any shareholder approval that is required under the Constitution) and performance of non-executive directors;
- remuneration (subject to any shareholder approval that is required under the Constitution) and performance of the Company's Executive Committee;
- remuneration disclosures by the Company;
- Board composition and succession;
- succession planning for the Company's Executive Committee;
- designing company policy and regulations with regard to corporate governance; and
- diversity.

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

The Committee has the necessary power and resources to meet its responsibilities under its charter, including rights of access to management, auditors and external advisers. It is intended that the Committee will meet at least once per year, or as frequently as required.

Remuneration of Non-executive Directors

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

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

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

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

Principle		Compliance	Reference / Explanation
1.	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	YES	Website
1.2	Disclose the process for evaluating the performance of senior executives.	YES	43
2	**Structure the Board to add value**		
2.1	A majority of the Board should be Independent Directors	NO	41, 42
2.2	The Chairperson should be an Independent Director.	NO	42
2.3	The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.	YES	41
2.4	The Board should establish a Nominations committee.	YES	42
2.5	Disclose the process for evaluating the performance of its Board, its committees and individual directors.	YES	43
3.	**Promote ethical and responsible decision making**		
3.1	Establish a Code of Conduct to guide directors, the Chief Executive Officer (or equivalent) the Chief Financial Officer (or equivalent) and any other key executives as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	YES	43
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	YES	Website
3.3	Disclose the measurable objectives in the annual report for achieving gender diversity set by the board and progress to achieving these objectives.	YES	43
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	YES	43
4.	**Safeguard Integrity in financial reporting**		
4.1	The Board should establish an Audit Committee.	YES	41, 44
4.2	Structure the Audit Committee so that it consists of: • only Non-Executive Directors; • a majority of Independent Directors; • an independent Chairperson, who is not Chairperson of the Board; and • at least three members.	YES	44
4.3	The Audit Committee should have a formal charter.	YES	Website
5.	**Make timely and balanced disclosure**		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirement and to ensure accountability at a senior management level for that compliance.	YES	Website
6.	**Respect the rights of shareholders**		
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	YES	Website

Principle		Compliance	Reference / Explanation
7.	**Recognise and manage risk**		
7.1	The Board or appropriate committee should establish policies on risk oversight and management of material business risks.	YES	
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management of its material business risks.	YES	44, 45
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	YES	45
8.	**Remunerate fairly and responsibly**		
8.1	The Board should establish a Remuneration Committee.	YES	45
8.2	The Remuneration Committee should be structured so that it consists of mainly independent directors, is chaired by an independent chair and has at least three members.	NO	45
8.3	Clearly distinguish the structure of Non-executive Director's remuneration from that of executives.	YES	29, 45

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	Notes	2012 $'000	2011 $'000
Revenue	4	**1,412,329**	1,461,739
Other income	5	**277,248**	19,449
Changes in inventories of finished goods and work in progress		**(22,908)**	(20,823)
Raw materials and consumables used		**(207,196)**	(161,337)
Employee benefits expense	6(a)	**(233,618)**	(172,132)
Depreciation and amortisation expense	6(b)	**(203,103)**	(127,160)
Transportation expense		**(203,986)**	(148,005)
Contractual services and plant hire expense		**(416,281)**	(216,844)
Government royalties expense		**(98,643)**	(102,622)
Changes in deferred mining costs		**42,699**	11,608
Transaction costs		**(29,480)**	(5,629)
Other operating expenses	6(d)	**(96,899)**	(45,406)
Finance costs	6(c)	**(59,358)**	(55,370)
Profit before income tax		**160,804**	437,468
Income tax benefit / (expense)	8	**242,442**	(131,212)
Profit after income tax from continuing operations		**403,246**	306,256
Profit / (loss) after income tax from discontinued operations	7	**1,351**	(4,741)
Profit after income tax		**404,597**	301,515
Other comprehensive income			
Cash flow hedges:	32(a)		
Fair value gains taken to equity		**28,311**	23,304
Fair value gains transferred to profit or loss		**(28,251)**	(47,048)
Deferred income tax expense		**14**	7,092
Other comprehensive income / (expense), net of tax		**74**	(16,652)
Total comprehensive income		**404,671**	284,863
Total comprehensive income attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**403,320**	289,604
Discontinued operations		**1,351**	(4,741)
		404,671	284,863

		$	$
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings per share	44	**0.45**	0.42
Diluted earnings per share	44	**0.45**	0.42

		$	$
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	44	**0.46**	0.41
Diluted earnings per share	44	**0.46**	0.41

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

Consolidated balance sheet
As at 31 December 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**350,653**	290,974
Trade and other receivables	10	**231,927**	312,103
Royalty receivable	11	**17,563**	–
Inventories	12	**152,317**	137,276
Derivative financial instruments	13	**13,482**	16,368
Current tax receivables		**2,360**	–
Other assets	14	**104,480**	64,967
Total current assets		**872,782**	821,688
Non-current assets			
Trade and other receivables	15	**76,143**	77,834
Royalty receivable	11	**188,891**	–
Investments accounted for using the equity method	16	**3,035**	3,035
Other financial assets	17	**37**	24,983
Property, plant and equipment	18	**1,987,907**	1,400,451
Mining tenements	19	**2,977,133**	2,325,050
Deferred tax assets	20	**738,486**	59,432
Intangible assets	21	**118,895**	132,454
Exploration and evaluation assets	22	**945,270**	661,730
Other non-current assets	23	**20,210**	–
Total non-current assets		**7,056,007**	4,684,969
Total assets		**7,928,789**	5,506,657
LIABILITIES			
Current liabilities			
Trade and other payables	24	**315,939**	203,633
Interest-bearing liabilities	25	**105,276**	999,409
Derivative financial instruments	13	**2,089**	6,627
Current tax liabilities		**–**	9,283
Provisions	26	**34,843**	8,246
Promissory note payable	27	**586,970**	–
Total current liabilities		**1,045,117**	1,227,198
Non-current liabilities			
Trade and other payables	28	**1,237**	1,273
Interest-bearing liabilities	25	**3,516,949**	1,993,895
Contingent value right shares	29	**219,113**	–
Deferred tax liabilities	30	**1,186,845**	471,015
Provisions	26	**116,088**	50,772
Total non-current liabilities		**5,040,232**	2,516,955
Total liabilities		**6,085,349**	3,744,153
Net assets		**1,843,440**	1,762,504
EQUITY			
Contributed equity	31	**656,701**	973,000
Reserves	32(a)	**6,360**	6,286
Retained earnings	32(b)	**1,180,379**	783,218
Capital and reserves attributable to owners of Yancoal Australia Ltd		**1,843,440**	1,762,504
Total equity		**1,843,440**	1,762,504

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

Consolidated statement of changes in equity
For the year ended 31 December 2012

		Attributable to owners of Yancoal Australia Ltd			
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2011		**64,000**	**22,938**	**481,703**	**568,641**
Profit after income tax		–	–	301,515	301,515
Other comprehensive income		–	(16,652)	–	(16,652)
Total comprehensive income		**–**	**(16,652)**	**301,515**	**284,863**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	31	909,000	–	–	909,000
Balance at 31 December 2011		**973,000**	**6,286**	**783,218**	**1,762,504**
Profit after income tax		–	–	404,597	404,597
Other comprehensive income		–	74	–	74
Total comprehensive income		**–**	**74**	**404,597**	**404,671**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	31	336,841	–	–	336,841
Capital reduction	31	(653,140)	–	–	(653,140)
Deemed distribution to owners – loss on sale of excluded assets	7	–	–	(7,436)	(7,436)
		(316,299)	–	(7,436)	(323,735)
Balance at 31 December 2012		**656,701**	**6,360**	**1,180,379**	**1,843,440**

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

Consolidated statement of cash flows
For the year ended 31 December 2012

	Notes	2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers		**1,561,031**	1,380,923
Payments to suppliers and employees		**(1,486,778)**	(906,355)
GST refund received		**83,402**	76,337
Interest received		**22,034**	28,438
Interest paid		**(57,100)**	(54,254)
Income tax refund received		**11,998**	14,679
Transaction costs relating to acquisition of subsidiaries		**(20,258)**	(5,629)
Net cash inflow from operating activities	42	**114,329**	534,139
Cash flows from investing activities			
Payments for property, plant and equipment		**(304,896)**	(144,503)
Payments for intangible assets		**(143)**	(850)
Payments for mining tenements		**(62)**	–
Payments for capitalised exploration and evaluation activities		**(21,574)**	(7,193)
Proceeds from sale of property, plant and equipment		**3,275**	533
Acquisition of subsidiaries, net of cash received		**–**	(498,882)
Net cash received from acquisition of subsidiaries		**38,781**	–
Net cash received from acquisition – purchase price adjustment		**1,502**	–
Purchase of additional interest in joint venture, net of cash received		**–**	(221,225)
Purchase of additional investment in associates		**–**	(2,923)
Net cash transferred with disposal of subsidiaries		**(96,840)**	–
Advances to other entities		**(663)**	(77,167)
Receipt from repayment of advances to other entities		**–**	52,680
Advances to associates		**–**	(4,279)
Receipt from repayment of advances to associates		**2,355**	–
Loans to controlled entities prior to acquisition		**(113,000)**	–
Loans to related entities		**–**	(290,163)
Receipt from repayment of loans to related entities		**98,464**	183,688
Payment of deferred purchase consideration		**(250)**	(750)
Purchase of available-for-sale financial assets		**–**	(24,432)
Proceeds from sale of available-for-sale financial assets		**32,311**	–
Dividends received		**2**	–
Cash transferred from restricted accounts		**51,944**	148,323
Net cash outflow from investing activities		**(308,794)**	(887,143)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	31(b)	**–**	909,000
Proceeds from interest-bearing liabilities – external		**113,544**	6,000
Repayment of interest-bearing liabilities – external		**(208,739)**	(290,000)
Proceeds from interest-bearing liabilities – related entities		**693,374**	–
Repayment of interest-bearing liabilities – related entities		**(344,948)**	(59,987)
Payment of finance lease liabilities		**(1,739)**	(122,938)
Net cash inflow from financing activities		**251,492**	442,075
Net increase in cash and cash equivalents		**57,027**	89,071
Cash and cash equivalents at the beginning of the financial year		**290,974**	196,539
Effect of exchange rate changes on cash and cash equivalents		**2,652**	5,364
Cash and cash equivalents at the end of the year	9	**350,653**	290,974
Non-cash financing and investing activities	43		

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

1. Summary of significant accounting policies

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

(a) Basis of preparation

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

The financial statements were authorised for issue in accordance with a resolution of the Directors on 27 February 2013.

(i) Compliance with IFRS

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

(ii) AASB 1 First-time Adoption of Australian Accounting Standards

These consolidated financial statements are the first Yancoal Australia Ltd general purpose financial statements to be prepared under Australian Accounting Standards ("AAS"). The Group adopted AAS in accordance with AASB 1 *First time Adoption of Australian Accounting Standards*. The first date at which AAS was applied was 1 January 2012.

The Group's first time adoption of AAS did not have an impact on its financial position, equity, total comprehensive income, or cash flows and as such no restatement was required as at 31 December 2011.

(iii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 *Related Party Disclosures* resulted in the disclosure of additional related party transactions and required the restatement of some comparative information in note 38, and the adoption of AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* enabled the revision of certain disclosures in relation to commitments and the franking of dividends.

(iv) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 January 2012.

(v) Historical cost convention

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

(vi) Critical accounting estimates

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

(b) Rounding of amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand ($000) unless otherwise stated.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Yancoal Australia Ltd (''Company'' or ''parent entity'') as at 31 December 2012 and the results of all subsidiaries for the year then ended. Yancoal Australia Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control, which is the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(j)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost (refer to note 16).

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iii) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake economic activities that are subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

Jointly controlled operations

The following is recognised in respect of jointly controlled operations:

- the assets it controlled, and the liabilities incurred, as a result of the interest in the joint venture; and
- the expenses incurred and share of income generated from the sale of goods or services by the joint venture.

Jointly controlled entities

The Company recognises its interest in jointly controlled entities using the proportional consolidation method. Its share of each of the assets, liabilities, income and expenses of the jointly controlled entities is combined with similar items, line by line, in the financial statements.

(iv) Changes in ownership interests

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

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

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

(d) Segment reporting

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

(e) Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(f) Revenue

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

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

(i) Sale of goods

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

1. Summary of significant accounting policies *Continued*

(f) Revenue *Continued*

(ii) Royalties

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

(iii) Dividends

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

(iv) Interest

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

(v) Finance leases

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

(vi) Rental income

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

(vii) Services

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

(g) Government grants

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

(h) Income tax

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

Minerals resource rent tax ("MRRT") is considered, for accounting purposes, to be a tax based on income. Accordingly the current and deferred MRRT expense is measured and disclosed on the same basis as income tax expense.

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

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

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

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

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

(i) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(ii) Tax consolidation legislation

Refer to note 1(af).

(i) Leases

Leases of property, plant and equipment where substantially all the risks and benefits incidental to ownership of the assets, but not the legal ownership, are transferred to the entities in the Group, are classified as finance leases. Finance leases are capitalised at the lease inception date at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

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

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

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

(j) Business combinations

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

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

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

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

(k) Impairment of assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units, "CGUs"). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination.

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

(l) Cash and cash equivalents

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

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

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

(m) Inventories

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

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

(n) Discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

(o) Deferred mining cost

Open cut

During the commercial production stage of open pit operations, overburden in advance comprises the accumulation of expenses incurred to enable access to the coal seams, and includes direct removal costs (inclusive of an allocation of overhead expenditure), machinery and plant running costs. The deferred costs are then charged to the statement of comprehensive income in subsequent periods on the basis of run of mine ("ROM") coal tonnes mined. This is calculated by multiplying the ROM coal tonnes mined during the period by the weighted average cost to remove a bank cubic metre ("BCM") of waste by the average stripping ratio (ratio of waste expected to be removed in BCMs to ROM coal tonnes expected to be mined according to the Plan of Operations, over the expected life of each mine). The Plan of Operations process is undertaken each year. Changes in the average stripping ratio are accounted for prospectively as a change in estimate.

1. Summary of significant accounting policies *Continued*

(o) Deferred mining cost *Continued*

Underground

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

(p) Investments and other financial assets

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

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in current trade and other receivables (note 10) and non-current trade and other receivables (note 15).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets

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

Recognition and measurement

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

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

Subsequent measurement

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

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

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

Impairment

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

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

(q) Royalty receivable

The royalty receivable will be re-valued at each reporting period based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates. Gains or losses arising from changes in the fair value of the royalty receivable is recognised in profit or loss. The cash receipts will be recorded against the royalty receivable and decreased over time. Since the contract is long term, unwinding of the discount (to reflect the time value of money) for the asset will be recognised under interest income (refer to note 11).

(r) Financial liabilities and equity

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

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

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

(s) Derivatives and hedging activities

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

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

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

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 32. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

Certain derivative instruments do not qualify for hedge accounting, such as the contingent value right shares (refer to note 29). Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(t) Property, plant and equipment

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

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

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

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

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

1. Summary of significant accounting policies *Continued*

(t) Property, plant and equipment *Continued*

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

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

Refer to note 1(o), deferred mining cost accounting policy for information regarding capitalisation and amortisation of longwall panel development.

Depreciation and amortisation

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

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

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

The estimated useful lives are as follows:

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

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

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

(u) Mining tenements

Mining tenements have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. A mining tenement's carrying amount is written down immediately to its recoverable amount if the mining tenement's carrying amount is greater than its estimated recoverable amount.

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

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

(v) Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

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

(iii) Research and development

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

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

(iv) Access rights and other licences

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

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

(v) Patents

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

(w) Exploration and evaluation expenditure

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

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

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

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

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

(x) Borrowing costs

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

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

(y) Provisions

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

Marketing services fee

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability.

The provision is amortised on a straight-line basis.

Rehabilitation costs

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

Take or pay

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability.

The provision is amortised on a straight-line basis.

Customer contracts

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where applicable, the risks specific to the liability.

The provision is amortised on a straight-line basis.

1. Summary of significant accounting policies *Continued*

(z) Employee benefits

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

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

(ii) Long service leave

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

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

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

(iii) Superannuation

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

(aa) Goods and services tax ("GST")

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

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

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

(ab) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

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

(ac) Critical accounting estimates and judgements

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

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

(i) Determination of coal resources and reserves

The Company estimates its coal resources and reserves based on information compiled by Competent Persons defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves of December 2004. Reserves determined in this way are used in the calculation of depreciation, amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of rehabilitation costs.

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

(ii) Deferred mining

Open cut

The Group defers mining costs incurred during the production phase of its operation. This calculation requires the use of judgements and estimates relating to the expected tonnes of waste to be removed over the life of the mining area and the expected economically recoverable reserves to be extracted as a result. This information is used to calculate the average life of mine strip ratio (expected waste to expected mineral reserves ratio). Changes in a mine's life and design will usually result in changes to the average life of mine strip ratio. These changes are accounted for prospectively (refer to note 1(o)).

Underground

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

(iii) Exploration and evaluation expenditure

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

(iv) Impairment

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

(v) Rehabilitation

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

(vi) Royalty receivable

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

(vii) Marketing services fee

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

(viii) Take or pay contracts

The recognition of a provision for take or pay is based on management's assessment of contracted port capacity versus forecast usage. Management's judgement relating to the current and future market conditions including the current market for resale of excess contracted capacity have resulted in the recognition of a take or pay liability. The estimate of the provision for take or pay involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits.

(ix) Customer contracts

The estimation of the unfavourable customer contract liability is based on management's assessment of forecast coal prices versus contracted sales prices at the contracted volumes under the sales contracts. Management's estimates of forecast coal prices have resulted in the recognition of a customer contract liability.

(x) Derivatives

The fair value of financial instruments must be estimated for recognition and measurement purposes.

The fair value of financial instruments traded in active markets such as publicly traded derivatives and available-for-sale securities is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market such as over the counter derivatives are determined using valuation techniques that use observable market data at the reporting date where it is available.

(xi) Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(xii) Carbon price

The Australian Government introduced a carbon tax on 1 July 2012 with a price fixed at $23 per tonne of equivalent emissions. Yancoal's estimate of the impact of the tax is approximately $0.93 per tonne of saleable coal from the underground and open cut mines.

(xiii) Minerals resource rent tax ("MRRT")

During the year, as a result of the MRRT legislation that was substantively enacted on 19 March 2012 and that was effective from 1 July 2012, additional deferred tax balances have been recognised. Judgement is required in assessing whether deferred tax assets and deferred tax liabilities arising from MRRT are recognised on the balance sheet.

Deferred tax assets are recognised only when it is considered probable that they will be recovered. Recoverability is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These in turn depend on estimates of future sales volumes, operating costs, capital expenditure and government royalties payable.

Judgements are also required about the application of the MRRT tax legislation, for example, in relation to the hypothetical valuation point.

The judgements and assumptions made by management are subject to risk and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(xiv) Gloucester Coal Ltd merger

The merger with Gloucester Coal Ltd ("Gloucester") was accounted for using the purchase method of accounting. All the separately identifiable assets and liabilities of Gloucester were initially recognised by the Group at their fair value on the date of the merger. This involved additional critical accounting assumptions, judgments and estimates that may have a material impact on the Group's financial statements. The assets and liabilities recognised by the Group following the merger with Gloucester are set out in note 37.

1. Summary of significant accounting policies *Continued*

(ac) Critical accounting estimates and judgements *Continued*

(xv) Tax consolidation

Gloucester and all its wholly owned Australian subsidiaries joined the Yancoal Australia Ltd's tax consolidated group from 6 July 2012. The Company was required to reset the tax value of certain Gloucester assets to the appropriate market value of those assets.

In order to determine the impact of Gloucester joining the Yancoal Australia Ltd's tax consolidation group, the fair value of Gloucester Coal and the fair value of its identifiable assets and liabilities needed to be determined as at 30 June 2012. This required management to make similar critical assumptions, judgments and estimates in determining the fair value of identifiable assets and liabilities on the date of the acquisition.

(ad) Going concern

As at 31 December 2012, the consolidated balance sheet discloses net current liabilities of $172,335,000 (2011: liabilities $405,510,000). This is mainly due to the promissory note for the Gloucester capital return of $586,970,000 which was repaid in January 2013. The Group reported an after tax profit of $404,597,000 (2011: 301,515,000) for the year.

Notwithstanding the above, 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) The above mentioned repayment of the promissory note was funded by a long term borrowing from Yanzhou Coal Mining Company Limited. The amount drawn down in January 2013 was US$596,000,000 and the maturity date of the loan is 31 December 2017 (with principal repayments in regular instalments from June 2015).

(ii) The Group has generated positive operating cash flows and has budgeted positive operating cash flows for the next 12 months.

(iii) The Group has budgeted to be profitable in the coming 12 months.

(iv) The directors of Yanzhou Coal Mining Company Limited have approved a US$300,000,000 long term interest-bearing borrowing to the Group. The facility is available to be drawn-down subject to the approval of the Independent Directors of the Company. The utilisation of the facility will be dependent on the funding requirements for future operating and capital projects.

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.

(ae) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2012 reporting periods and have not yet been applied in the financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 2011-4	*Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. The amendments cannot be adopted early.	The adoption of this amendment will not have any impact on the financial position or the performance of the Group.	1 January 2014
AASB 2011-9	*Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2013

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 10	*Consolidated Financial Statements* AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority of voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.	1 January 2013
AASB 11	*Joint Arrangements* AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly – Controlled Entities – Non-Monetary Contributions by Venturers*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, it removes the option to account for jointly controlled entities ("JCE's") to use proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	The Group's investment in the Middlemount Joint Venture, which is a jointly controlled entity, will be classified as a joint venture under the new rules. The new rules remove the option to account for jointly controlled entities by proportionate consolidation, which is the method used to account for the Middlemount Joint Venture during the year ended 31 December 2012. From 1 January 2013, the Middlemount Joint Venture will be accounted for using the equity method (refer to note 41).	1 January 2013
AASB 12	*Disclosure of Interests in Other Entities* AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. New disclosures have been introduced for the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	The application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.	1 January 2013

1. Summary of significant accounting policies *Continued*

(ae) New accounting standards and interpretations *Continued*

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 13	*Fair Value Measurement* AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.	1 January 2013
AASB 119	*Employee Benefits* The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	The Group has not yet determined the potential impact of the amendments on the Group's financial report. However, it should be noted that the Group does not have any defined benefit pension plans.	1 January 2013

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
Interpretation 20	*Stripping Costs in the Production Phase of a Surface Mine* This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	The Group currently includes capitalised stripping costs in deferred mining costs which is included in "Other assets" on the consolidated balance sheet. At the application date of this interpretation, any previously recognised asset balance that resulted from stripping activity undertaken during the production phase ("predecessor stripping asset") shall be reclassified as a part of an existing asset to which the stripping activity related, to the extent that there remains an identifiable component of the ore body with which the predecessor stripping asset can be associated. Such balances shall be depreciated or amortised over the remaining expected useful life of the identified component of the ore body to which each predecessor stripping asset balance relates. If there is no identifiable component of the ore body to which that predecessor stripping asset relates, it shall be recognised in opening retained earnings at the beginning of the earliest period presented. Based on preliminary analysis the Group transferred $86,751,000 of capitalised stripping costs to retained earnings on 1 January 2013 (refer to note 14).	1 January 2013

1. Summary of significant accounting policies *Continued*

(ae) New accounting standards and interpretations *Continued*

Reference and Title	Details of New Standard / Amendment / Interpretation	Impact on Group	Application date for the Group
AASB 9	*Financial Instruments* AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: – The change attributable to changes in credit risk are presented in other comprehensive income (OCI) – The remaining change is presented in profit or loss	The Group has not yet determined the potential impact of the amendments on the Group's financial report.	1 January 2015

(af) Parent entity financial information
The financial information for the parent entity, Yancoal Australia Ltd, disclosed in note 46 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost less any impairment in the financial statements of Yancoal Australia Ltd. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
Yancoal Australia Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Yancoal Australia Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Yancoal Australia Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Yancoal Australia Ltd for any current tax payable assumed and are compensated by Yancoal Australia Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Yancoal Australia Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(iii) Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

2. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, that is, not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and aging analysis for credit risk.

The Group has the following financial instruments:

(i) cash and cash equivalents;
(ii) trade and other receivables;
(iii) trade and other payables;
(iv) interest bearing liabilities, including bank loans and finance leases;
(v) available for sale investments;
(vi) royalty receivable; and
(vii) derivatives (including contingent value right shares).

The Board of Directors has overall responsibility for determining risk management objectives and policies and risk management is carried out by the Group Risk Management and Audit department along with the Group Treasury department. The Board provides written principles for overall risk management, as well as policies covering specific areas such as the use of derivative financial instruments to mitigate foreign exchange risk and interest rate risk. These derivative instruments create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation.

The overall objective of the Board is to set policies that seek to reduce risk and volatility in financial performance without unduly affecting competitiveness and flexibility. Further details regarding these policies are set out below.

(a) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, securities prices, and coal prices, will affect the Group's income or the value of its holdings of financial instruments.

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

Operating foreign exchange risk that arises from firm commitments or highly probable transactions are managed principally through the use of forward foreign currency derivatives. The Group hedges a portion of these transactions (such as contracted US dollar sales and asset purchases settled in foreign currencies) in each currency in accordance with the hedging policy.

2 Financial risk management *Continued*

The royalty receivable is estimated based on expected future cash flows that are dependent on sales volumes, USD denominated coal prices and the USD foreign exchange rate (refer to note 11).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the statement of comprehensive income or recognised as part of the cost of the asset to which it relates. The ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the statement of comprehensive income. In the current period, the gain relating to the ineffective portion was $1,809,000 (2011: gain of $130,000).

The Group currently does not hedge the foreign exchange risk in respect of USD denominated loans but is reviewing whether, and if so how, these risks may be mitigated.

The Group's exposure to foreign exchange risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2012			2011		
	USD $'000	**GBP $'000**	**RMB $'000**	**USD $'000**	**GBP $'000**	**RMB $'000**
Cash and cash equivalents	**48,604**	**1**	**49**	24,723	1	497
Trade and other receivables	**97,245**	**–**	**–**	203,020	–	–
Available-for-sale financial assets	**–**	**–**	**–**	25,108	–	–
Royalty receivable (refer to note 11)	**206,454**	**–**	**–**	–	–	–
Trade and other payables	**(29,320)**	**–**	**–**	(70,916)	–	–
Interest-bearing liabilities	**(3,543,179)**	**–**	**–**	(2,993,304)	–	–
Derivative financial instruments	**935,915**	**–**	**–**	917,730	–	–
Net exposure	**(2,284,281)**	**1**	**49**	(1,893,639)	1	497

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonable possible change in the USD exchange rate. The Group's exposure to other foreign exchange movements is not material. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. A 10% appreciation / depreciation of the AUD against the USD would have increased / (decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

		10% depreciation of AUD / USD		10% appreciation of AUD / USD	
2012	**Carrying amount $'000**	**Profit after income tax $'000**	**Equity $'000**	**Profit after income tax $'000**	**Equity $'000**
Cash and cash equivalents	350,653	3,780	–	(3,093)	–
Trade and other receivables	308,070	7,563	–	(6,188)	–
Royalty receivable	206,454	14,329	–	(11,724)	–
Derivative financial instruments	13,482	8,874	(53,962)	(4,689)	56,137
Total increase / (decrease) in financial assets		34,546	(53,962)	(25,694)	56,137
Trade and other payables	(317,176)	(2,283)	–	1,864	–
Interest-bearing liabilities	(3,622,225)	(274,114)	(1,467)	224,275	1,200
Derivative financial instruments	(2,089)	–	(20,437)	–	14,057
Total (increase) / decrease in financial liabilities		(276,397)	(21,904)	226,139	15,257
Total increase / (decrease) in profit after tax and equity		(241,851)	(75,866)	200,445	71,394

2011	Carrying amount $'000	10% depreciation of AUD / USD Profit after income tax $'000	Equity $'000	10% appreciation of AUD / USD Profit after income tax $'000	Equity $'000
Cash and cash equivalents	290,974	1,923	–	(1,573)	–
Trade and other receivables	389,937	15,805	–	(12,919)	–
Available-for-sale financial assets	24,983	1,953	–	(1,598)	–
Derivative financial instruments	16,368	–	66,694	–	(63,117)
Total increase / (decrease) in financial assets		19,681	66,694	(16,090)	(63,117)
Trade and other payables	(204,906)	(5,516)	–	4,513	–
Interest-bearing liabilities	(2,993,304)	(232,813)	–	190,483	–
Derivative financial instruments	(6,627)	–	(503)	–	471
Total (increase) / decrease in financial liabilities		(238,329)	(503)	194,996	471
Total increase / (decrease) in profit after tax and equity		(218,648)	66,191	178,906	(62,646)

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from the contingent value right shares ("CVR") liability held by the Group and classified in the consolidated balance sheet at fair value through profit or loss (refer to note 29).

Yancoal are economically exposed to price risk on the contingent value right shares liability but not cash flow risk as the parent company, Yanzhou Coal Mining Company Limited ("Yanzhou"), will provide cash or a transfer of Yancoal ordinary shares held by Yanzhou to settle the liability (refer to note 37).

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sales requirements, such contracts are not settled net.

The Group is exposed to fluctuations in coal price. The Group currently does not have any hedges in place against the movement in the spot coal price.

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a possible change in the market reference price of the contingent value right shares and a possible change in the forecasted coal sales price used to determine the fair value of the royalty receivable. A 10% increase / (decrease) in the market price would have increased / (decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

2012	Carrying amount $'000	-10% Profit after income tax $'000	-10% Equity $'000	+10% Profit after income tax $'000	+10% Equity $'000
Royalty receivable (note 11)	206,454	(12,896)	–	12,896	–
Contingent value right shares (note 29)	(219,113)	15,338	–	(15,338)	–
Total increase / (decrease) in profit after tax and equity		2,442	–	(2,442)	–

2011	Carrying amount $'000	-10% Profit after income tax $'000	-10% Equity $'000	+10% Profit after income tax $'000	+10% Equity $'000
Royalty receivable (note 11)	–	–	–	–	–
Contingent value right shares (note 29)	–	–	–	–	–
Total increase / (decrease) in profit after tax and equity		–	–	–	–

(iii) Cash flow and fair value interest rate risk

The Group is subject to interest rate risk that arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if they are carried at fair value. The Group invests surplus cash in interest-bearing deposits with banks and financial institutions. Investments at variable rates expose the Group to cash flow interest rate risk. Investments at fixed rates expose the Group to fair value interest rate risk if they are carried at fair value.

Interest rate risk that arises from borrowings is managed generally by borrowing at floating interest rates. The Group hedges a proportion of borrowings issued at variable interest rates through the use of floating-to-fixed interest rate swap contracts when required under borrowing agreements.

The Group's floating rate borrowings and receivables are carried at amortised cost. They are therefore not subject to fair value interest rate risk.

2 Financial risk management *Continued*

Generally, no interest is receivable or payable on the Group's trade and other receivables or payables. The Group's cash flow interest rate risk for assets primarily arises from cash at bank and deposits subject to market bank rates and a related party loan to Yancoal Technology Development Pty Ltd which is charged interest at 3 month BBSY + 1.2%.

During the year, the Group had the following variable rate borrowings outstanding:

	2012		2011	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans and other borrowings	1.27	2,874,618	1.31	2,993,304
Net exposure to cash flow interest rate risk		2,874,618		2,993,304

Sensitivity

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to a possible change in variable interest rates. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements. A 25 basis point increase / (decrease) in interest rates would have increased / (decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

		-25 bps		+25 bps	
2012	Carrying amount $'000	Profit after income tax $'000	Equity $'000	Profit after income tax $'000	Equity $'000
Cash and cash equivalents	350,653	(496)	–	496	–
Trade and other receivables	308,070	(55)	–	55	–
Interest-bearing liabilities	(3,622,226)	5,031	–	(5,031)	–
		4,480	–	(4,480)	–
2011					
Cash and cash equivalents	290,974	(361)	–	361	–
Trade and other receivables	389,937	(172)	–	172	–
Available-for-sale financial assets	24,983	(44)	–	44	–
Interest-bearing liabilities	(2,993,304)	5,238	–	(5,238)	–
		4,661	–	(4,661)	–

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the marketing department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Credit risk in trade receivables is managed in the following ways:

(i) payment terms and credit limits are set for individual customers;

(ii) a risk assessment process is used for all customers; and

(iii) letters of credit are required for those customers assessed as posing a higher risk.

The maximum exposure to credit risk on financial assets which have been recognised in the balance sheet is their carrying amount less impairment provision, if any as set out below.

	2012 $'000	2011 $'000
Cash and cash equivalents	**350,653**	290,974
Trade and other receivables	**308,070**	389,937
Available-for-sale financial assets	**37**	24,983
Derivative financial instruments (net)	**11,393**	9,741
	670,153	715,635

Included in trade and other receivables are significant customers located in Singapore, Japan, South Korea and Australia that account for 30%, 18%, 17% and 15% of trade receivables respectively (2011: 0%, 7%, 10% and 47%).

(c) Liquidity risk

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

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

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

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

Liquidity risk is managed by maintaining sufficient cash and liquid deposit balances and having readily accessible standby facilities in place in accordance with the Board's risk management policy. Details regarding finance facilities are set out in note 25.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity grouping based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities **At 31 December 2012**	**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**
Non-derivatives					
Trade and other payables	315,939	500	750	–	317,189
Interest-bearing liabilities (including interest)	204,243	218,868	1,466,316	2,504,696	4,394,123
Total non-derivatives	520,182	219,368	1,467,066	2,504,696	4,711,312
Derivatives					
Gross settled (forward foreign exchange contracts)					
– (inflow)	(241,833)	–	–	–	(241,833)
– outflow	243,926	–	–	–	243,926
Gross settled (contingent value right shares)					
– (inflow)	–	–	–	–	–
– outflow	–	219,113	–	–	219,113
Total derivatives	2,093	219,113	–	–	221,206
At 31 December 2011					
Non-derivatives					
Trade and other payables	203,633	500	1,000	–	205,133
Interest-bearing liabilities (including interest)	1,057,001	1,029,517	1,009,503	–	3,096,021
Total non-derivatives	1,260,634	1,030,017	1,010,503	–	3,301,154
Derivatives					
Gross settled (forward foreign exchange contracts)					
– (inflow)	(6,886)	–	–	–	(6,886)
– outflow	6,993	–	–	–	6,993
Total derivatives	107	–	–	–	107

(d) Fair value measurements

The Group uses various methods in estimating the fair value of a financial instrument. The following fair value measurement hierarchy has been adopted:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) 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

(iii) 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 assets and liabilities measured and recognised at fair value at 31 December 2012 and 31 December 2011.

2 Financial risk management *Continued*

(d) Fair value measurements *Continued*

At 31 December 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	–	**11,326**	–	**11,326**
Foreign exchange option contracts	–	**2,156**	–	**2,156**
Royalty receivable	–	–	**206,454**	**206,454**
Total assets	–	**13,482**	**206,454**	**219,936**
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	–	**2,089**	–	**2,089**
Other derivatives				
Contingent value rights	**219,113**	–	–	**219,113**
Total liabilities	**219,113**	**2,089**	–	**221,202**

At 31 December 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	–	16,368	–	16,368
Available-for-sale financial assets				
Investment in NCIG	–	–	24,983	24,983
Total assets	–	16,368	24,983	41,351
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	–	6,627	–	6,627
Total liabilities	–	6,627	–	6,627

The fair value of financial instruments traded in active markets (such as contingent value right shares) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial liabilities held by the Group is the closing price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and the royalty receivable.

Specific valuation techniques used to value financial instruments include:

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

The following table present the changes in level 3 instruments for the years ended 31 December 2012 and 31 December 2011:

	Available-for-sale investments $'000	Royalty receivable $'000	Total $'000
Opening balance 1 January 2011	–	–	–
Additions	24,432	–	24,432
Mark-to-market losses	(126)	–	(126)
Foreign exchange loss on revaluation	677	–	677
Closing balance 31 December 2011	24,983	–	24,983
Opening balance 1 January 2012	**24,983**	–	**24,983**
Acquired through business combination	**7,397**	**203,235**	**210,632**
Disposals	**(31,703)**	–	**(31,703)**
Cash received / receivable	–	**(4,314)**	**(4,314)**
Unwinding of the discount	–	**11,178**	**11,178**
Re-measurement of the royalty receivable	–	**(3,645)**	**(3,645)**
Foreign exchange loss on revaluation	**(640)**	–	**(640)**
Closing balance 31 December 2012	**37**	**206,454**	**206,491**

Available-for-sale investments

At 1 January 2012, the investment included unlisted US dollar denominated bonds being A Class Hunter Infrastructure Term Redeemable Securities ("HITRS Notes") in Newcastle Coal Infrastructure Group Pty Ltd ("NCIG") of $24,983,000. Additional HITRS Notes were acquired as a result of the Gloucester acquisition during the year ended 31 December 2012. All the HITRS Notes were subsequently disposed of and the remaining balance of $37,000 at 31 December 2012 relates to the investment in Port Waratah Coal Services Limited ("PWCS") which was acquired as part of the Gloucester acquisition (refer to note 17).

Royalty receivable

The fair value of the royalty receivable as at 31 December 2012 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. This project was acquired as part of the Gloucester acquisition. 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 (refer to note 11).

3. Segment information

(a) Description of segments

Management has determined the operating segments based on 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 Executive Committee considers the Group on a mine-by-mine basis and has identified one reportable segment. The reportable segment represents the aggregation of the operating segments (mine sites) into one "Coal Mining" segment. The mine sites have been aggregated into one reportable segment as the nature of the businesses in each segment and the environment in which they operate are similar. The primary product from which the Coal Mining segment derives its revenues is coal (thermal and metallurgical).

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

(b) Segment information

The segment information provided to the Executive Committee for the reportable segments from continuing operations for the period ended 31 December 2012 is as follows:

2012	Coal mining $'000	Corporate $'000	Total $'000
Total segment revenue	1,375,146	–	1,375,146
Less: gain on foreign exchange rate contracts	(28,251)	–	(28,251)
Revenue from external customers	**1,346,895**	**–**	**1,346,895**
Operating EBIT	**8,886**	**(14,104)**	**(5,218)**
Material income or expense items			
Gain on acquisition of subsidiaries	–	199,967	199,967
Foreign exchange gain on interest-bearing liabilities	–	67,163	67,163
Mark to market on CVR shares	–	(12,270)	(12,270)
Transaction costs	–	(29,480)	(29,480)
Material non-cash items			
Depreciation and amortisation expense	199,248	3,855	203,103
Total capital expenditure	364,210	6,421	370,631

2011			
Total segment revenue	1,425,919	–	1,425,919
Less: gain on foreign exchange rate contracts	(61,052)	–	(61,052)
Revenue from external customers	1,364,867	–	1,364,867
Operating EBIT	486,162	7,762	493,924
Material income or expense items			
Gain on acquisition of subsidiaries	–	2,481	2,481
Foreign exchange gain on interest-bearing liabilities	–	2,062	2,062
Transaction costs	–	5,629	5,629
Material non-cash items			
Depreciation and amortisation expense	125,773	1,387	127,160
Total capital expenditure	129,338	24,994	154,332

There was no impairment charge or other significant non-cash item recognised in 2012 and 2011 other than those disclosed above.

3. Segment information *Continued*

(c) Other segment information

(i) Segment revenue

Sales between segments are at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that in the consolidated statement of comprehensive income.

Revenue from external customers are derived from the sale of coal from operating mines.

Segment revenues are allocated based on the country in which the customer is located.

Revenue from external customers can be attributed to the following geographical regions:

	2012 $'000	2011 $'000
Australia (Yancoal's country of domicile)	**283,914**	108,094
China	**108,266**	91,900
Japan	**245,419**	298,419
South Korea	**368,975**	614,231
Singapore	**262,282**	83,461
Taiwan	**42,883**	80,158
All other foreign countries	**35,156**	88,604
Total revenue from external customers	**1,346,895**	1,364,867

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

	2012 $'000	2011 $'000
Total segment revenue	**1,375,146**	1,425,919
Management and marketing fees	**2,785**	4,045
Rents and sub-lease rentals	**154**	214
Interest income	**33,964**	31,561
Dividends income	**2**	–
Royalty income	**278**	–
Total revenue from continuing operations (note 4)	**1,412,329**	1,461,739

Revenues from the top five external customers were $707,202,000 (2011: $608,197,000) which in aggregate represent approximately 53% (2011: 42%) of the Group's revenues from the sale of coal. These revenues are attributable to the coal producing segment.

(ii) Operating EBIT

The Executive Committee assess 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 goodwill impairments if the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of unrealised gains/(losses) on the interest-bearing liabilities. Interest income and expense are not allocated to the coal mining segment, 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 profit before income tax from continuing operations is provided as follows:

	2012 $'000	2011 $'000
Operating EBIT	**(5,218)**	493,924
Finance costs	**(59,358)**	(55,370)
Foreign exchange gain on acquisition loans	**67,163**	2,062
Mark to market on CVR shares	**(12,270)**	–
Transaction costs	**(29,480)**	(5,629)
Gain on acquisition of subsidiaries	**199,967**	2,481
Profit before income tax from continuing operations	**160,804**	437,468

(iii) Segment capitalised expenditure

Amounts provided to the Executive Committee 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 18 Property, plant and equipment, note 19 Mining tenements, note 21 Intangible assets, and note 22 Exploration and evaluation assets.

All segment assets are located in Australia.

4. Revenue

	2012 $'000	2011 $'000
From continuing operations		
Sales revenue		
Sale of coal	**1,346,895**	1,364,867
Gain on foreign exchange rate contracts	**28,251**	61,052
	1,375,146	1,425,919
Other revenue		
Management fees	**2,785**	4,045
Rents and sub-lease rentals	**154**	214
Interest income	**33,964**	31,561
Dividend income	**2**	–
Royalty income	**278**	–
	37,183	35,820
Total revenue	**1,412,329**	1,461,739
From discontinued operations (note 7)		
Sales revenue		
Sale of coal	**151,067**	60,604
Gain on foreign exchange rate contracts	**–**	295
Other revenue		
Interest income	**381**	1,103
	151,448	62,002

5. Other income

	2012 $'000	2011 $'000
Foreign exchange gains (net)	**74,507**	14,718
Government grants	**9**	15
Deferred income	**–**	1,657
Sundry income	**2,765**	578
Gain on acquisition of subsidiaries (note 37)	**199,967**	2,481
	277,248	19,449

6. Expenses

	2012 $'000	2011 $'000
Profit before income tax includes the following specific expenses:		
(a) Employee benefits expenses		
Defined contribution superannuation expense	**12,888**	12,016
Other employee benefits expenses	**220,730**	160,116
Total employee benefits expense from continuing operations	**233,618**	172,132
(b) Depreciation and amortisation		
Depreciation		
Buildings	**5,968**	1,499
Plant and equipment	**103,431**	63,286
Mine development	**27,847**	9,314
Leased plant and equipment	**1,493**	4,470
Total depreciation	**138,739**	78,569
Amortisation		
Mining tenements	**83,803**	51,261
Other access rights	**51**	51
Computer software	**2,315**	1,337
Total amortisation	**86,169**	52,649
Total depreciation and amortisation	**224,908**	131,218
Depreciation and amortisation from discontinued operations	**(19,984)**	(4,058)
Depreciation and amortisation capitalised	**(1,821)**	–
Total other depreciation and amortisation	**(21,805)**	(4,058)
Total depreciation and amortisation from continuing operations	**203,103**	127,160
(c) Finance costs		
Finance lease charges	**589**	11,088
Unwinding of discount on provisions and deferred payables	**1,267**	1,394
Other interest expenses	**57,502**	42,888
Total finance costs from continuing operations	**59,358**	55,370
(d) Other operating expenses		
Net loss on disposal of property, plant and equipment	**207**	2,447
Rental expense relating to operating leases	**4,984**	4,033
Re-measurement of royalty receivable	**3,645**	–
Re-measurement of contingent value right shares	**12,270**	–
Insurance	**8,818**	4,460
Bank fees and other charges	**25,741**	17,332
Duties and other levies	**12,704**	3,832
Travel and accommodation	**11,507**	5,691
Other operating expenses	**17,023**	7,611
Total other operating expenses from continuing operations	**96,899**	45,406

7. Discontinued operations

On 22 June 2012, the Group disposed of its interest in the following assets:

Yancoal Technology Development Pty Ltd, Athena Coal Mines Pty Ltd, Premier Coal Limited, Premier Char Pty Ltd, Syntech Holdings Pty Ltd, Syntech Holdings II Pty Ltd, AMH (Chinchilla Coal) Pty Ltd, Syntech Resources Pty Ltd, Mountfield Properties Pty Ltd, Tonford Pty Ltd, UCC Energy Pty Limited and the Wilpeena tenement (collectively referred to as the "Excluded Assets") to fellow Yanzhou Coal Mining Company Limited subsidiaries (related parties). The Excluded Assets are reported in these financial statements as discontinued operations.

The transfer of the Excluded Assets was concluded at the historical book values of the assets and liabilities disposed of. The disposal consideration was the issuance of a series of promissory notes from the fellow subsidiaries.

The calculation of the book values of the Excluded Assets for the purpose of the issuance of the promissory notes was performed on 30 April 2012, prior to the disposal date, in order to facilitate the disposal process. Promissory notes to the value of $674,314,000 were issued to the Group on this date, including promissory notes of $21,174,000 with regard to the expected tax on the disposal.

On the disposal date of 22 June 2012, the actual book values of the Excluded Assets were no longer equal to the value of the promissory notes as determined on 30 April 2012, giving rise to a loss on disposal of $1,436,000.

Similarly, the expected tax arising on the disposal is no longer equal to the value of the promissory notes as determined on 30 April 2012. At the time of separation of the Excluded Assets from the Group, the tax was expected to be $21,174,000, as such, the promissory notes issued by Yancoal International (Holding) Co., Ltd was for that amount in order to make the transaction cash neutral to the Group. The promissory notes are recognised as a current receivable from Yancoal International (Holding) Co., Ltd and will be settled in cash. However, further analysis performed subsequent to the separation provided a more accurate estimate of the tax arising on the disposal amounting to $6,000,000. This will not have any impact on the value of the promissory notes as it is part of the consideration to settle the disposal of the Excluded Assets.

The remaining promissory notes of $653,140,000 were endorsed to Yanzhou Coal Mining Company Limited by means of a capital reduction (refer to note 31).

As the disposal transaction was concluded with related entities at historical book values rather than market related terms, the Group has accounted for the difference between the value of the consideration received and the book values of the assets and liabilities disposed of (as stated in the Group's consolidated accounts) directly in equity. The loss on disposal has been reflected as a distribution to the parent company, Yanzhou Coal Mining Company Limited, with a debit to retained earnings of $7,436,000.

An analysis of the carrying value of assets and liabilities disposed, net cash inflow from the disposal, and total loss on disposal is shown below:

(a) Financial performance information

The financial performance information presented is for the period 1 January 2012 to 22 June 2012 and the year ended 31 December 2011.

	2012 $'000	2011 $'000
Revenue (note 4)	**151,448**	62,002
Other income	**2,518**	3,622
Changes in inventories of finished goods and work in progress	**(1,659)**	(2,519)
Raw materials and consumables used	**(23,358)**	(1,162)
Employee benefits expense	**(24,271)**	(2,867)
Depreciation and amortisation expense (note 6)	**(19,984)**	(4,058)
Transportation expense	**(27,880)**	(25,386)
Contractual services and plant hire expense	**(34,990)**	(28,424)
Government royalties expense	**(7,989)**	(3,610)
Changes in deferred mining costs	**4,662**	(23)
Other operating expenses	**(7,730)**	(1,814)
Finance costs	**(2,408)**	(62)
Profit / (loss) before income tax	**8,359**	(4,301)
Income tax expense	**(7,008)**	(440)
Profit / (loss) after income tax of discontinued operations recognised in statement of comprehensive income	**1,351**	(4,741)
Loss on sale of the Excluded Assets before income tax	**(1,436)**	–
Income tax expense	**(6,000)**	–
Loss on sale of the Excluded Assets after income tax recognised in retained earnings (note 32)	**(7,436)**	–

7. Discontinued operations *Continued*

	2012 $	2011 $
Basic earnings / (losses) per share	**0.01**	(0.01)
Diluted earnings / (losses) per share	**0.01**	(0.01)

	2012 $'000	2011 $'000
Net cash inflow from operating activities	**54,030**	4,660
Net cash outflow from investing activities	**(15,390)**	(4,787)
Net cash inflow from financing activities	**50,000**	–
Net cash inflows / (outflows) from discontinued operations	**88,640**	(127)

The expected tax expense of $6,000,000 arising from the disposal will be fully recovered through the promissory notes receivable of $21,174,000.

(b) Total loss on divestment of the disposal group

	2012 $'000	2011 $'000
Consideration received or receivable:		
Promissory notes	**(674,314)**	–
Total disposal consideration	**(674,314)**	–
Carrying amount of net assets disposed (refer to (c))	**675,750**	–
Loss on sale before income tax	**1,436**	–
Income tax expense	**6,000**	–
Loss on sale after income tax recognised in retained earnings	**7,436**	–

(c) Carrying amounts of assets and liabilities
The carrying amounts of assets and liabilities as at 22 June 2012 were:

	22 June 2012 $'000
Cash and cash equivalents	**96,840**
Trade and other receivables	**19,780**
Inventories	**18,943**
Other assets	**8,758**
Property, plant and equipment	**418,632**
Mining tenements	**74,196**
Deferred tax assets	**17,422**
Intangible assets	**32,870**
Exploration and evaluation assets	**141,949**
Total assets	**829,390**
Trade and other payables	**(40,052)**
Interest-bearing liabilities – current	**(50,000)**
Provisions – current	**(9,277)**
Deferred tax liabilities	**(20,935)**
Provisions – non-current	**(33,376)**
Total liabilities	**(153,640)**
Net assets	**675,750**

8. Income tax benefit / (expense)

	2012 $'000	2011 $'000
(a) Net tax benefit / (expense):		
Income tax benefit / (expense)	**63,400**	(131,652)
Minerals resource rent tax ("MRRT") benefit	**245,762**	–
Income tax expense attributable to MRRT	**(73,728)**	–
Net tax benefit / (expense)	**235,434**	(131,652)
Net tax benefit / (expense) is attributable to:		
Continuing operations	**242,442**	(131,212)
Discontinued operations	**(7,008)**	(440)
Net tax expense	**235,434**	(131,652)
(b) Income tax benefit / (expense):		
Current tax benefit / (expense)	**21,054**	(17,887)
Deferred tax benefit / (expense)	**42,346**	(113,765)
	63,400	(131,652)
Deferred tax benefit / (expense) included in income tax benefit / (expense) comprises:		
Increase / (decrease) in deferred tax assets (note 20)	**148,049**	(67,382)
Increase in deferred tax liabilities (note 30)	**(105,703)**	(46,383)
	42,346	(113,765)
(c) Minerals resource rent tax ("MRRT")		
Current tax benefit	**–**	–
Deferred tax benefit	**24,425**	–
Tax benefit arising on introduction of the legislation	**221,337**	–
	245,762	–
Income tax expense attributable to MRRT	**(73,728)**	–
Deferred tax benefit included in MRRT benefit comprises:		
Increase in deferred tax assets (note 20)	**92,744**	–
Increase in deferred tax liabilities (note 30)	**(68,319)**	–
	24,425	–
(d) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	**160,804**	437,468
Profit / (loss) from discontinued operations before income tax	**8,359**	(4,301)
Profit before income tax	**169,163**	433,167
Tax at the Australian tax rate of 30% (2011 – 30%)	**(50,749)**	(129,950)
Tax effect of amounts which are not deductible / taxable in calculating taxable income:		
Gain on acquisition of subsidiaries	**59,990**	(4,684)
Acquisition costs	**(8,009)**	(827)
R&D tax benefits	**3,650**	–
Reversal of temporary differences – transaction related	**35,561**	–
Other	**1,177**	(1,952)
	41,620	(137,413)
Adjustments for current tax of prior periods	**21,780**	5,761
Income tax benefit / (expense)	**63,400**	(131,652)

8. Income tax benefit / (expense) *Continued*

	2012 $'000	2011 $'000
(e) Reconciliation of MRRT expense		
Profit from continuing operations before tax	**160,804**	437,468
Profit / (loss) from discontinued operations before tax	**8,359**	(4,301)
Profit before tax	**169,163**	433,167
Tax at the MRRT rate of 22.5% (2011 – nil%)	**(38,062)**	–
Tax effect of amounts which are not deductible / taxable in calculating taxable income:		
Gain on acquisition of subsidiaries	**44,993**	–
Other income not subject to MRRT	**21,853**	–
Tax benefit of royalty allowances	**43,511**	–
De-recognition of tax benefit on allowances	**(47,870)**	–
MRRT benefit arising on introduction of the legislation	**221,337**	–
MRRT benefit	**245,762**	–

(f) Amounts recognised directly in equity

	2012 $'000	2011 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:		
Current tax – debited directly to equity	**(6,000)**	–
	(6,000)	–

(g) Tax benefit relating to items of other comprehensive income

	2012 $'000	2011 $'000
Cash flow hedges	**14**	7,092
	14	7,092

(h) Tax consolidation legislation

Yancoal Australia Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation for both income tax and MRRT purposes. The accounting policy in relation to this legislation is set out in note 1(af).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Yancoal Australia Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Yancoal Australia Ltd for any current tax payable assumed and are compensated by Yancoal Australia Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Yancoal Australia Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

9. Cash and cash equivalents

	2012 $'000	2011 $'000
Cash at bank and in hand	**310,653**	133,573
Deposits at call	**40,000**	157,401
	350,653	290,974

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk on cash balances at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

10. Trade and other receivables – current

	2012 $'000	2011 $'000
Trade receivables	**114,083**	123,350
Loan to related entities (i)	**50,000**	98,464
Other receivables (ii)	**36,629**	29,898
Cash – restricted	**10,041**	60,391
Promissory note receivable (note 7)	**21,174**	–
	231,927	312,103

(i) Loans to related entities consist of amounts receivable from Yancoal Technology Development Pty Ltd amounting to $50,000,000 (2011: $nil) and Yanzhou Coal Mining Company Limited amounting to $nil (2011: $98,464,000). Details regarding loans to related entities are set out in note 38.

(ii) Other receivables include GST receivable of $12,851,000 (2011: $7,129,000) and a stamp duty refund receivable of $14,201,000 (2011: $nil).

(a) Past due but not impaired
As at 31 December 2012, there were no trade receivables that were past due.

The other classes within trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The consolidated entity does not hold any collateral in relation to these receivables.

(b) Foreign exchange and interest rate risk
Information about the Group's exposure to foreign exchange risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(c) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

11. Royalty receivable

	2012 $'000	2011 $'000
Opening balance	–	–
Acquisition through business combination	**203,235**	–
Cash received / receivable	**(4,314)**	–
Unwinding of the discount	**11,178**	–
Re-measurement of royalty receivable	**(3,645)**	–
Closing balance	**206,454**	–
Split between:		
Current	**17,563**	–
Non-Current	**188,891**	–
	206,454	–

A right to receive a royalty of 4% of Free on Board Trimmed sales from the Middlemount Mine was acquired as part of the merger with Gloucester Coal Ltd. This financial asset has been determined to have a finite life being the life of the Middlemount Mine and will be measured on a fair value basis.

The royalty receivable is measured based on management's expectations of the future cash flows with the re-measurement recorded in the statement of comprehensive income at each reporting date.

The amount expected to be received during the next 12 months will be disclosed as a current receivable and the discounted expected future cash flow beyond 12 months will be disclosed as a non-current receivable.

Unwinding of the discount is included in interest income (refer to note 4).

Risk exposure and fair value measurements
Information about the Group's exposure to price risk, foreign exchange risk and methods and assumptions used in determining fair value is provided in note 2.

12. Inventories

	2012 $'000	2011 $'000
Coal – at lower of cost and net realisable value	**121,352**	107,488
Fuel – at cost	**1,066**	793
Tyres and stores – at cost	**29,899**	28,995
	152,317	137,276

Inventory expense
Write-downs of inventories to net realisable value recognised as an expense during the year ended 31 December 2012 amounted to $22,442,000 (2011: $nil). The expense has been included in "changes in inventories of finished goods and work in progress" in the consolidated statement of comprehensive income.

13. Derivative financial instruments

	2012 $'000	2011 $'000
Current assets		
Forward foreign exchange contracts – receivable ((a)(i))	**11,326**	16,368
Collar option contracts ((a)(ii))	**2,156**	–
Total current derivative financial instrument assets	**13,482**	16,368
Current liabilities		
Forward foreign exchange contracts – payable ((a)(i))	**2,089**	6,627
Total current derivative financial instrument liabilities	**2,089**	6,627

(a) Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

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

The outstanding sell USD contracts are hedging highly probable forecasted sales of coal, whereas the outstanding buy USD, Euro and Yen contracts relate to the purchase of mining equipment. The contracts are timed to mature when funds for coal sales are forecast to be received and when payments for mining equipment are scheduled to be made.

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

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

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the consolidated balance sheet by removing the related amount from other comprehensive income.

(b) Risk exposures and fair value measurements
Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains.

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk and about the methods and assumptions used in determining fair values is provided in note 2.

14. Other assets

	2012 $'000	2011 $'000
Prepayments	**11,488**	24,176
Deferred mining costs (i)	**92,438**	40,791
Marketing services fee	**554**	–
	104,480	64,967

(i) Based on preliminary analysis, the deferred mining costs balance at 31 December 2012 includes capitalised stripping costs of $86,751,000 which will be transferred to retained earnings on 1 January 2013 in accordance with Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* (refer to note 1(ae)).

15. Trade and other receivables – non-current

	2012 $'000	2011 $'000
Advances to associate – Ashton Coal Mines Limited (refer to note 38)	**28,659**	31,014
Receivables from other entities	**46,820**	46,820
Cash – restricted	**664**	–
	76,143	77,834

Receivables from other entities represent the Group's investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ('WICET'). These include E Class Wiggins Island Preference Securities ('WIPS') of $15,319,862 (2011: $15,319,862) and Gladstone Long Term Securities ('GiLTS') of $31,500,000 (2011: $31,500,000).

(a) Impaired receivables and receivables past due
None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values
The carrying values of non-current receivables approximate their fair values

(c) Risk exposure
Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2.

16. Investments accounted for using the equity method

		Percentage owned		Carrying amount of investment	
Name of company	**Principal activity**	**2012 %**	**2011 %**	**2012 $'000**	**2011 $'000**
Unlisted					
Australian Coal Processing Holdings Pty Ltd (i)	Holding company	**90**	90	**–**	–
Ashton Coal Mines Limited (ii)	Real estate holder and sales company	**90**	90	**3,035**	3,035
Australian Coal Processing Pty Ltd (iii)	Dormant	**90**	90	**–**	–
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")	Infrastructure	**27**	15	**–**	–
				3,035	3,035

(i) A controlled entity of White Mining Limited, White Mining (NSW) Pty Limited ("WMNSW"), holds 90% (2011: 90%) of the ordinary shares of Australian Coal Processing Holdings Pty Ltd. Under the shareholders agreement between WMNSW and the other shareholder, ICRA Ashton Pty Ltd, all major financial and operating policy decisions must be passed unanimously and therefore WMNSW's voting power is equivalent to 50% (2011: 50%).

(ii) A controlled entity of White Mining Limited, White Mining (NSW) Pty Limited ("WMNSW"), holds 90% (2011: 90%) of the ordinary shares of Ashton Coal Mines Limited. Under the shareholders agreement between WMNSW and the other shareholder, ICRA Ashton Pty Ltd, all major financial and operating policy decisions must be passed unanimously and therefore WMNSW's voting power is equivalent to 50% (2011: 50%).

(iii) A controlled entity of White Mining Limited, White Mining (NSW) Pty Limited ("WMNSW"), holds 90% (2011: 90%) of the ordinary shares of Australian Coal Processing Pty Ltd. Under the shareholders agreement between WMNSW and the other shareholder, ICRA Ashton Pty Ltd, all major financial and operating policy decisions must be passed unanimously and therefore WMNSW's voting power is equivalent to 50% (2011: 50%).

16. Investments accounted for using the equity method *Continued*

(a) 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:			
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit after income tax $'000
2012					
Australian Coal Processing Holdings Pty Ltd	90	–	–	–	–
Ashton Coal Mines Limited	90	15,636	15,495	161,948	–
Australian Coal Processing Pty Ltd	90	–	–	–	–
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG") (i)	27	784,649	832,540	35,497	628
		800,285	848,035	197,445	628
2011					
Australian Coal Processing Holdings Pty Ltd	90	–	–	–	–
Ashton Coal Mines Limited	90	29,455	29,313	255,337	–
Australian Coal Processing Pty Ltd	90	–	–	–	–
		29,455	29,313	255,337	–

All of the above associates are incorporated in Australia.

(i) The Group's ownership interest in NCIG increased from 15.4% to 27% as a result of the Gloucester acquisition, where Donaldson Coal Pty Ltd (a wholly owned subsidiary of Gloucester) had an existing 11.6% interest. The Group's share of NCIG's profit after tax has not been recognised for the year ended 31 December 2012 since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 31 December 2012.

17. Other financial assets

	2012 $'000	2011 $'000
Available-for-sale investments		
Opening net book amount	**24,983**	–
Additions	**–**	24,432
Acquired through business combination	**7,397**	–
Disposals	**(31,703)**	–
Mark-to-market losses	**–**	(126)
Foreign exchange loss on revaluation	**(640)**	677
Closing net book amount	**37**	24,983
Split between		
Current	**–**	–
Non-Current	**37**	24,983
	37	24,983

At 1 January 2012, the investment included unlisted US dollar denominated bonds, A Class Hunter Infrastructure Term Redeemable Securities ("HITRS Notes") in Newcastle Coal Infrastructure Group Pty Ltd ("NCIG") of $24,983,000. Additional HITRS Notes were acquired as a result of the Gloucester acquisition during the year ended 31 December 2012. All the HITRS Notes were subsequently disposed of and the remaining balance of $37,000 at 31 December 2012 relates to the investment in Port Waratah Coal Services Limited ("PWCS") which was acquired as part of the Gloucester acquisition.

Impairment and risk exposure

Due to the nature of these financial assets, their carrying amount is assumed to approximate their fair value.

None of the financial assets are either past due or impaired.

Information about the Group's exposure to foreign exchange risk and interest rate risk is provided in note 2.

18. Property, plant and equipment

	Assets under construction $'000	Freehold land & buildings $'000	Mine development $'000	Plant & equipment $'000	Leased plant & equipment $'000	Total $'000
At 1 January 2011						
Cost	90,015	71,387	151,008	571,913	132,696	1,017,019
Accumulated depreciation	–	(2,286)	(26,223)	(114,708)	(5,069)	(148,286)
Net book amount	90,015	69,101	124,785	457,205	127,627	868,733
Year ended 31 December 2011						
Opening net book amount	90,015	69,101	124,785	457,205	127,627	868,733
Acquisition through business combination	35,326	45,183	83,426	305,810	609	470,354
Other additions	125,152	5,035	3,548	13,138	–	146,873
Transfers – assets under construction	(112,748)	1,613	19,255	91,880	–	–
Transfers – reclassification	–	–	–	123,744	(123,744)	–
Other disposals	(124)	(216)	(5,662)	(916)	(22)	(6,940)
Depreciation charge	–	(1,499)	(9,314)	(63,286)	(4,470)	(78,569)
Closing net book amount	137,621	119,217	216,038	927,575	–	1,400,451
At 31 December 2011						
Cost	137,621	123,002	249,283	1,112,151	–	1,622,057
Accumulated depreciation	–	(3,785)	(33,245)	(184,576)	–	(221,606)
Net book amount	137,621	119,217	216,038	927,575	–	1,400,451
Year ended 31 December 2012						
Opening net book amount	137,621	119,217	216,038	927,575	–	1,400,451
Acquisition through business combination	55,318	178,007	330,929	247,459	5,093	816,806
Other additions	215,208	11,831	43,266	47,594	30,957	348,856
Transfers – assets under construction	(75,174)	15,527	15,531	28,931	–	(15,185)
Transfers – reclassification	–	(13,099)	13,099	(2,173)	–	(2,173)
Disposal of entities	(38,063)	(42,696)	(70,862)	(267,011)	–	(418,632)
Other disposals	(216)	–	(2,929)	(332)	–	(3,477)
Depreciation charge	–	(5,968)	(27,847)	(103,431)	(1,493)	(138,739)
Closing net book amount	294,694	262,819	517,225	878,612	34,557	1,987,907
At 31 December 2012						
Cost	294,694	268,454	581,489	1,143,967	35,808	2,324,412
Accumulated depreciation	–	(5,635)	(64,264)	(265,355)	(1,251)	(336,505)
Net book amount	294,694	262,819	517,225	878,612	34,557	1,987,907

(a) Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the Group.

19. Mining tenements

	2012 $'000	2011 $'000
Opening net book amount	**2,325,050**	2,163,852
Acquisition through business combination	**811,522**	212,181
Other additions	**62**	278
Disposal of entities	**(74,196)**	–
Working capital adjustment – other disposals	**(1,502)**	–
Amortisation for the period	**(83,803)**	(51,261)
Closing net book amount	**2,977,133**	2,325,050

20. Deferred tax assets

	2012 $'000	2011 $'000
(a) Deferred tax assets:		
Deferred tax assets from income tax	**304,250**	59,432
Deferred tax assets from MRRT	**352,646**	–
Income tax deferred tax asset attributable to the MRRT deferred tax liabilities (refer to note 30)	**81,590**	–
	738,486	59,432

	2012 $'000	2011 $'000
(b) Income tax		
Deferred tax assets from income tax comprises temporary differences attributable to:		
Tax losses and tax offsets	**215,140**	–
Intangible assets	**6,763**	14,908
Provisions	**43,419**	17,705
Trade and other payables	**23,116**	14,775
Finance lease liabilities	**10,680**	–
Other	**5,132**	12,044
Total deferred tax assets	**304,250**	59,432
Deferred tax assets expected to be recovered within 12 months	**23,116**	2,738
Deferred tax assets expected to be recovered after more than 12 months	**281,134**	56,694
	304,250	59,432

Movements	Tax losses and offsets $'000	Intangible assets $'000	Provisions $'000	Trade and other payables $'000	Finance lease liabilities $'000	Other $'000	Total $'000
At 1 January 2011	54,138	145	6,962	13,522	–	4,841	79,608
(Charged) / credited							
– to profit or loss	(54,138)	7,851	(475)	(3,235)	(152)	(17,233)	(67,382)
Acquisition of subsidiaries	–	6,912	11,218	4,488	152	24,436	47,206
At 31 December 2011	–	14,908	17,705	14,775	–	12,044	59,432
At 1 January 2012	–	14,908	17,705	14,775	–	12,044	59,432
(Charged) / credited							
– to profit or loss	146,517	493	(2,958)	6,543	8,942	(11,488)	148,049
– directly to equity	(6,000)	–	–	–	–	–	(6,000)
Reclassification to DTL (note 30)	–	–	–	–	–	(6,270)	(6,270)
Disposal of subsidiaries	–	(8,638)	(12,795)	(3,610)	–	7,621	(17,422)
Acquisition of subsidiaries	74,623	–	41,467	5,408	1,738	3,225	126,461
At 31 December 2012	215,140	6,763	43,419	23,116	10,680	5,132	304,250

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses / credits can be utilised. The Group has unrecognised capital tax losses (tax effected) of $17,709,000 (2011: capital tax losses $4,643,000).

	2012 $'000	2011 $'000
(c) MRRT		
Deferred tax assets from MRRT comprises temporary differences attributable to:		
Starting base assets	**222,713**	–
Royalty allowance	**54,048**	–
Tax losses	**52,633**	–
Other	**23,252**	–
Total deferred tax assets	**352,646**	–
Income tax deferred tax liability attributable to MRRT deferred tax assets	**(105,794)**	–
Deferred tax assets expected to be recovered within 12 months	**–**	–
Deferred tax assets expected to be recovered after more than 12 months	**352,646**	–
	352,646	–

Movements	Starting base assets $'000	Royalty allowance $'000	Tax losses $'000	Other $'000	Total $'000
At 1 July 2012	–	–	–	–	–
Introduction of the legislation	231,919	–	–	4,881	236,800
(Charged) / credited					
– to profit or loss	(24,749)	54,048	52,633	10,812	92,744
Reclassification to DTL (note 30)	3,126	–	–	–	3,126
Acquisition of subsidiaries	12,417	–	–	7,559	19,976
At 31 December 2012	222,713	54,048	52,633	23,252	352,646

The amount of unrecognised MRRT deferred tax assets at 31 December 2012 was $144,614,000 and the attributable income tax deferred tax liability was $43,384,000.

21. Intangible assets

	Goodwill $'000	Patents $'000	Computer software $'000	Access rights & other licences $'000	Total $'000
At 1 January 2011					
Cost	98,014	25,000	1,820	1,731	126,565
Accumulated amortisation	–	–	(342)	(37)	(379)
Net book amount	98,014	25,000	1,478	1,694	126,186
Year ended 31 December 2011					
Opening net book amount	98,014	25,000	1,478	1,694	126,186
Acquisition through business combination	7,094	–	12	–	7,106
Other additions	–	–	550	–	550
Amortisation charge	–	–	(1,337)	(51)	(1,388)
Closing net book amount	105,108	25,000	703	1,643	132,454
At 31 December 2011					
Cost	105,108	25,000	2,382	1,731	134,221
Accumulated amortisation	–	–	(1,679)	(88)	(1,767)
Net book amount	105,108	25,000	703	1,643	132,454

21. Intangible assets *Continued*

	Goodwill $'000	Patents $'000	Computer software $'000	Access rights & other licences $'000	Total $'000
Year ended 31 December 2012					
Opening net book amount	105,108	25,000	703	1,643	132,454
Acquisition through business combination	–	–	2,751	–	2,751
Other additions	–	–	143	–	143
Transfers – assets under construction	–	–	16,610	–	16,610
Transfers – reclassification	–	–	(25)	2,198	2,173
Disposal of entities	(7,858)	(25,000)	(12)	–	(32,870)
Amortisation charge	–	–	(2,315)	(51)	(2,366)
Closing net book amount	97,250	–	17,855	3,790	118,895
At 31 December 2012					
Cost	97,250	–	21,706	3,929	122,885
Accumulated amortisation	–	–	(3,851)	(139)	(3,990)
Net book amount	97,250	–	17,855	3,790	118,895

(a) Impairment tests for goodwill

Brought forward goodwill relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third-party shareholder in an arms-length transaction. The recoverable amount of goodwill is determined using the value in use method.

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

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

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

Further, 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$99 – US$172 per tonne. These prices are based on externally verifiable prices per tonne of coal adjusted for specific quality factors of the Group's products.

The long-term AUD / USD exchange rate of $0.82 is based on externally verifiable sources, and commences from 2018.

Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The post-tax nominal discount rate of 11% applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in its ordinary course of business.

The recoverable amount is also dependent on the life of mines (14 to 35 years). This is calculated based on the Group's annual coal production forecast for each mine and coal reserves and resources.

Based on the above factors the recoverable amount is determined to be above the book value and no impairment has been recognised.

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

22. Exploration and evaluation assets

	2012 $'000	2011 $'000
Opening net book amount	**661,730**	579,030
Acquisition through business combination	**405,344**	75,507
Other additions	**21,570**	7,193
Transfers – assets under construction	**(1,425)**	–
Disposal of entities	**(141,949)**	–
Closing net book amount	**945,270**	661,730

23. Other non-current assets

	2012 $'000	2011 $'000
Deferred mining costs (note 14)	**902**	–
Prepayments	**16,745**	–
Customer contracts (note 26)	**2,563**	–
	20,210	–

24. Trade and other payables – current

	2012 $'000	2011 $'000
Trade payables	**231,996**	147,955
Other payables	**21,830**	16,924
Deferred payables	**500**	500
Payroll costs payable	**45,180**	38,254
Deferred income	**16,433**	–
	315,939	203,633

(a) Risk exposure
Information about the Group's exposure to foreign exchange risk is provided in note 2.

25. Interest-bearing liabilities

	2012 $'000	2011 $'000
Current		
Secured		
Bank loans	**100,650**	999,409
Lease liabilities (note 36(b))	**4,626**	–
Total secured current interest-bearing liabilities	**105,276**	999,409
Total current interest-bearing liabilities	**105,276**	999,409
Non-Current		
Secured		
Bank loans	**2,748,931**	1,993,895
Lease liabilities (note 36(b))	**30,973**	–
Total secured non-current interest-bearing liabilities	**2,779,904**	1,993,895
Unsecured		
Loans from other entity	**43,671**	–
Loans from related party	**693,374**	–
Total unsecured non-current interest-bearing liabilities	**737,045**	–
Total non-current interest-bearing liabilities	**3,516,949**	1,993,895
Total interest-bearing liabilities	**3,622,225**	2,993,304
Financing Facilities		
Secured bank loans	**3,007,581**	3,033,304
Bank guarantees	**381,543**	256,389
Unsecured loan from related party	**693,374**	–
Unsecured loan from other entity	**43,671**	–
Total financing facilities	**4,126,169**	3,289,693
Facilities utilised at reporting date		
Secured bank loans	**2,849,581**	2,993,304
Bank guarantees	**311,961**	217,272
Unsecured loan from related party	**693,374**	–
Unsecured loan from other entity	**43,671**	–
Total facilities utilised	**3,898,587**	3,210,576
Facilities not utilised at reporting date		
Secured bank loans	**158,000**	40,000
Bank guarantees	**69,582**	39,117
Total facilities not utilised	**227,582**	79,117

(a) Risk exposures

Details of the Group's exposure to risks arising from current and non-current interest-bearing liabilities are set out in note 2.

(b) Fair value disclosures

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest rate method.

(c) 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:

Syndicated facility agreements

Bank guarantee facility

A bank guarantee facility of AUD 250,000,000 has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. At 31 December 2012 the aggregated amount of guarantees issued is AUD 189,592,000. Securities are held over the Yarrabee, Ashton, and Moolarben mine assets with a carrying value of AUD 1,847,088,000.

Term debt facility

A loan facility was taken out to fund the acquisition of the Felix Resources Group in 2009. The facility is for up to USD 2,900,000,000 and had been fully drawn down in 2009. During 2012, the Group has repaid USD 100,345,000 in relation to the facility (2011: $nil). Security is held in the form of a standby line of credit for the full amount of the facility.

Multi-option facility agreements

Working capital facility

A working capital facility has been taken out as funding for general operations. The facility is for up to AUD 40,000,000. At 31 December 2012 the drawn down amount is AUD nil. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited for the full amount of the facility. This facility will expire within the next 12 months.

Bi-lateral facility agreements

Bank guarantee facility

(i) A bank guarantee facility of AUD 50,000,000 has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. At 31 December 2012 the aggregated amount of guarantees issued is AUD 41,892,000. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited for the full amount of the facility.

(ii) A bank guarantee facility of AUD 73,789,000 has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. At 31 December 2012 the aggregated amount of guarantees issued is AUD 73,789,000. Security held over this facility is 10% cash, included in cash – restricted (refer to note 10).

Term debt facility

(i) A loan facility was taken out to fund the acquisition of the Felix Resources Group in 2009. The facility is for up to USD 140,000,000. At 31 December 2012 the entire facility had been drawn down. Security is held in the form of a standby line of credit for the full amount of the facility.

(ii) A loan facility of AUD 118,000,000 has been taken out as funding for general operations. At 31 December 2012 the drawn down amount is AUD nil. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited for the full amount of the facility. This facility will expire within the next 12 months.

Chattel Mortgage

As a result of the Gloucester Coal Ltd acquisition, the Group inherited a chattel mortgage facility of USD 21,700,000. At 31 December 2012 the balance of the facility was USD 19,600,000. Security is held in the form of eleven trucks with a carrying value of AUD 16,208,000.

26. Provisions

	2012 $'000	2011 $'000
Current		
Employee benefits – long service leave	**365**	7,374
Customer contracts	**12,212**	–
Rehabilitation	**5,252**	872
Take or pay provision	**17,014**	–
	34,843	8,246
Non-Current		
Employee benefits – long service leave	**76**	–
Marketing services fee	**6,115**	–
Rehabilitation	**48,344**	50,772
Take or pay provision	**61,553**	–
	116,088	50,772

(a) Movements in provisions

Movements in current provisions during the financial year are set out below:

	Employee benefits – long service leave $'000	Marketing services fee $'000	Customer contracts $'000	Rehab-ilitation $'000	Take or pay provision $'000	Total $'000
2012						
Opening net book amount	7,374	–	–	51,644	–	59,018
Charged / (credited) to profit or loss						
– re-measurement of provisions	673	–	–	13,003	–	13,676
– unwinding of discount	263	–	–	2,622	–	2,885
– release of the provision	–	–	(9,148)	–	(10,310)	(19,458)
Transfers – reclassification to trade and other receivables – non-current	–	–	2,563	–	–	2,563
Transfers – reclassification to other assets – current	–	(188)	–	–	–	(188)
Amounts paid on termination of employment	(1,423)	–	–	–	–	(1,423)
Additional provision recognised on business combination	1,275	6,303	18,797	21,259	88,877	136,511
Amounts derecognised on disposal of entities	(7,721)	–	–	(34,932)	–	(42,653)
Closing net book amount	441	6,115	12,212	53,596	78,567	150,931
Split between:						
Current	365	–	12,212	5,252	17,014	34,843
Non-Current	76	6,115	–	48,344	61,553	116,088
	441	6,115	12,212	53,596	78,567	150,931

	Employee benefits – long service leave $'000	Marketing services fee $'000	Customer contracts $'000	Rehab-ilitation $'000	Take or pay provision $'000	Total $'000
2011						
Opening net book amount	–	–	–	23,207	–	23,207
Charged / (credited) to profit or loss						
– re-measurement of provisions	108	–	–	(3,404)	–	(3,296)
– unwinding of discount	–	–	–	1,714	–	1,714
Additional provision recognised on business combination	7,266	–	–	30,127	–	37,393
Closing net book amount	7,374	–	–	51,644	–	59,018
Split between:						
Current	7,374	–	–	872	–	8,246
Non-Current	–	–	–	50,772	–	50,772
	7,374	–	–	51,644	–	59,018

Marketing services fee provision

At the time of acquisition of Gloucester, a liability was recognised for the portion of Marketing services fee payable to Noble Group Limited ("Noble") by Donaldson Coal Pty Ltd (a wholly-owned subsidiary of Gloucester) which is deemed to be above market norms. The agreement was entered into with Noble, for Noble Marketing to provide international marketing services, advice and information in relation to the sale and marketing of export coal. The agreement expires on 31 December 2040 and the fee is calculated as 2 per cent times the actual export sales in excess of 3.5 mtpa (but not exceeding 11.75 mtpa) times the volume weighted average gross sales price per tonne of Free on Board Trimmed Sales ("FOBT").

Customer contract provision

At the time of acquisition of Gloucester, a liability was recognised for the out of the money sales contracts held by Donaldson Coal Pty Ltd (a wholly-owned subsidiary of Gloucester). The value of the liability is representative of the discounted value of the out of the money portion of the contracts. The liability will be released over the life of the contracts as the sales commitments are satisfied.

Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2032. These provisions have been created based on managements' internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain (note 1(ac)).

Take or pay provision

At the time of acquisition of Gloucester, the Gloucester Group held forecast excess capacity for port and rail contracts. A liability was recognised for the discounted estimated excess capacity contracted for at the time of the acquisition. The provision has a finite life and will be released over the period in which excess capacity is realised.

27. Promissory note payable

	2012 $'000	2011 $'000
Opening net book amount	–	–
Incurred through business combination	**586,970**	–
Closing net book amount	**586,970**	–

The promissory note payable is in respect of the Gloucester Coal Ltd capital return approved by former Gloucester shareholders at the general meeting on 4 June 2012. The capital return of $2.68 per Gloucester share amounted to $586,970,000. The capital return was paid in January 2013 and as such, the promissory note was fully settled.

28. Trade and other payables – non-current

	2012 $'000	2011 $'000
Deferred payables	**1,237**	1,273

Risk exposure
The book value of trade and other payables is assumed to approximate their fair value. The carrying value of the deferred payables is based on cash flows discounted using a rate of 7.5%.

Refer to note 2 for the Group's liquidity risk management policy.

29. Contingent value right shares

	2012 $'000	2011 $'000
Opening net book amount	**–**	–
Issued during the period	**206,843**	–
Re-measurement during the period	**12,270**	–
Closing net book amount	**219,113**	–

For details of the contingent value right shares refer to note 37.

Risk exposure
Details of the Group's exposure to price risk arising from contingent value right shares are set out in note 2.

30. Deferred tax liabilities

	2012 $'000	2011 $'000
(a) Deferred tax liabilities:		
Deferred tax liabilities from income tax	**809,083**	471,015
Deferred tax liabilities from MRRT	**271,968**	–
Income tax deferred tax liability attributable to the MRRT deferred tax assets (refer to note 20)	**105,794**	–
	1,186,845	471,015

(b) Income tax

	2012 $'000	2011 $'000
Deferred tax liabilities from income tax comprises temporary differences attributable to:		
Property, plant and equipment	**33,945**	18,491
Mining tenements and exploration and evaluation assets	**581,473**	321,724
Deferred mining costs	**26,555**	10,320
Cash flow hedges	**3,324**	2,206
Inventories	**5,252**	4,842
Unrealised foreign exchange gains	**148,803**	109,854
Other	**9,731**	3,578
Total deferred tax liabilities	**809,083**	471,015
Deferred tax liabilities expected to be settled within 12 months	**5,829**	8,147
Deferred tax liabilities expected to be settled after more than 12 months	**803,254**	462,868
	809,083	471,015

Movements	Property, plant and equipment $'000	Mining tenements and exploration and evaluation assets $'000	Deferred mining costs $'000	Cash flow hedges $'000	Inventories $'000	Unrealised foreign exchange gains $'000	Other $'000	Total $'000
At 1 January 2011	6,760	226,699	6,674	10,046	3,098	122,390	4,449	380,116
Charged / (credited)								
– to profit or loss	(6,266)	61,733	3,646	(748)	1,456	(12,536)	(902)	46,383
– directly to equity	–	–	–	(7,092)	–	–	–	(7,092)
Acquisition of subsidiaries	17,997	33,292	–	–	288	–	31	51,608
At 31 December 2011	18,491	321,724	10,320	2,206	4,842	109,854	3,578	471,015

Movements	Property, plant and equipment $'000	Mining tenements and exploration and evaluation assets $'000	Deferred mining costs $'000	Cash flow hedges $'000	Inventories $'000	Unrealised foreign exchange gains $'000	Other $'000	Total $'000
At 1 January 2012	18,491	321,724	10,320	2,206	4,842	109,854	3,578	471,015
Charged / (credited)								
– to profit or loss	30,775	10,007	18,705	1,132	6,127	37,777	1,180	105,703
– directly to equity	–	–	–	(14)	–	–	–	(14)
Reclassification from DTA (note 20)	(6,270)	–	–	–	–	–	–	(6,270)
Disposal of subsidiaries	(3,160)	(12,633)	(2,470)	–	(2,893)	221	–	(20,935)
Acquisition of subsidiaries	(5,891)	262,375	–	–	(2,824)	951	4,973	259,584
At 31 December 2012	33,945	581,473	26,555	3,324	5,252	148,803	9,731	809,083

	2012 $'000	2011 $'000
(c) MRRT		
Deferred tax liabilities from MRRT comprises temporary differences attributable to:		
Inventories	**31,123**	–
Deferred mining costs	**10,241**	–
Property, plant and equipment	**48,636**	–
Exploration and evaluation assets	**4,542**	–
Starting base assets	**167,390**	–
Other	**10,036**	–
Total deferred tax liabilities	**271,968**	–
Income tax deferred tax asset attributable to MRRT deferred tax liabilities	**(81,590)**	–
Deferred tax liabilities expected to be settled within 12 months	**35,063**	–
Deferred tax liabilities expected to be settled after more than 12 months	**236,905**	–
	271,968	–

30. Deferred tax liabilities *Continued*

Movements	Inventories $'000	Deferred mining costs $'000	Property, plant and equipment $'000	Exploration and evaluation assets $'000	Starting base assets $'000	Other $'000	Total $'000
At 1 July 2012	–	–	–	–	–	–	–
Introduction of the legislation	11,363	–	–	1,893	–	2,207	15,463
Charged / (credited)							
– to profit or loss	10,976	10,241	48,636	2,649	(11,428)	7,245	68,319
Reclassification to DTA (note 20)	–	–	–	–	3,126	–	3,126
Acquisition of subsidiaries	8,784	–	–	–	175,692	584	185,060
At 31 December 2012	31,123	10,241	48,636	4,542	167,390	10,036	271,968

31. Contributed equity

	2012 Shares	2011 Shares	2012 $'000	2011 $'000
(a) Share capital				
Ordinary shares				
Issued and fully paid up	**994,216,659**	76,975,000	**656,701**	973,000
	994,216,659	76,975,000	**656,701**	973,000

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 January 2011	Opening balance	64,000,000		64,000
8 August 2011	Share issue*	12,975,000	$70.06	909,000
31 December 2011	Balance	76,975,000		973,000
1 January 2012	Opening balance	76,975,000		973,000
10 June 2012	Additional shares from share split**	698,513,994		–
22 June 2012	Capital reduction (note 7)	–		(653,140)
27 June 2012	Share issue on acquisition of Gloucester (note 37)	218,727,665	$1.54	336,841
31 December 2012	Balance	994,216,659		656,701

* On 8 August 2011 Yancoal issued 12,975,000 ordinary shares. Consideration for these shares totalled $909,000,000 and was received on 21 April 2011. The weighted average number of ordinary shares for the earnings per share calculation is calculated using the cash receipt date of 21 April 2011 (note 44).

** On 10 June 2012, under the Separation Agreement and the Merger Proposal Deed the Company was required to reconstruct its share capital resulting in an additional 698,513,994 ordinary shares being held by Yanzhou Coal Mining Company Limited.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Capital risk management

Total capital comprises total equity as shown on the balance sheet plus total interest-bearing liabilities. The Group's primary objectives when managing capital are to ensure the continued ability to provide a consistent return for equity stakeholders through a combination of capital growth and distributions and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve these objectives, the Group seeks to maintain a debt to debt plus equity ratio (gearing ratio) that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or alter the amount of debt.

The gearing ratios at 31 December 2012 and 31 December 2011 were as follows:

	2012 $'000	2011 $'000
Total interest-bearing liabilities (refer to note 25)	**3,622,225**	2,993,304
Less: cash and cash equivalents (refer to note 9)	**(350,653)**	(290,974)
Net debt	**3,271,572**	2,702,330
Total equity	**1,843,440**	1,762,504
Total capital	**5,115,012**	4,464,834
Gearing ratio	**64.0%**	60.5%

Yancoal Australia Ltd has complied with the financial covenants of its borrowing facilities during the 2012 and 2011 reporting periods.

32. Other reserves and retained earnings

	2012 $'000	2011 $'000
(a) Reserves		
Hedging reserve	**6,360**	6,286
	6,360	6,286
Movements:		
Hedging reserve – cash flow hedges		
Opening balance	**6,286**	22,938
Gain recognised	**28,311**	23,304
Transferred to profit or loss	**(28,251)**	(47,048)
Deferred income tax expense	**14**	7,092
Closing balance	**6,360**	6,286

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, as described in note 1. Amounts are recognised in the statement of comprehensive income or as part or property, plant and equipment when the associated hedge transaction occurs.

(b) Retained earnings

	2012 $'000	2011 $'000
Opening balance	**783,218**	481,703
Profit for the period attributable to the members of Yancoal Australia Ltd	**404,597**	301,515
Loss on sale of subsidiaries, net of tax	**(7,436)**	–
Closing balance	**1,180,379**	783,218

Loss on sale of subsidiaries, net of tax arises on the transfer of subsidiaries, recognised directly in retained earnings as this is a transaction occurring within the common control of the Group (note 7).

33. Dividends

(a) Franked dividends

The franked portion of any dividends recommended after 31 December 2012 will be franked out of existing franking credits.

	2012 $'000	2011 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2011 – 30%)	**5,438**	–

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax and franking debits that will arise as a result of refunds of tax that are reflected in the current tax receivable balance at the reporting date;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the end of each reporting period; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of each reporting period.

34. Key management personnel disclosures

(a) Directors

The following persons were directors of Yancoal Australia Ltd during the financial year:

(i) Chairman – non-executive

Mr Weimin Li

(ii) Executive directors

Mr Cunliang Lai

Mr Boyun Xu (Appointed 26 June 2012)

Mr Murray Bailey (Resigned 28 June 2012)

(iii) Non-executive directors

Mr Yuxiang Wu

Mr Vincent O'Rourke

Mr James MacKenzie (Appointed 26 June 2012)

Mr Gregory Fletcher (Appointed 26 June 2012)

Mr Xinghua Ni (Appointed 26 June 2012)

Dr Geoffrey Raby (Appointed 26 June 2012)

Mr William Randall (Appointed 26 June 2012)

Mr Baocai Zhang (Appointed 26 June 2012)

Mr Terence Crawford (Resigned 4 March 2012)

Mr Xin Wang (Resigned 26 June 2012)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*
Mr Murray Bailey*	Chief Executive Officer
Mr Peter Barton	Chief Operations Officer
Mr Peng Shen	Chief Financial Officer
Mr Michael Dingwell**	Chief Marketing Officer

* Appointed Chief Executive Officer on 25 July 2012 and ceased to be Managing Director on 28 June 2012.

** Appointed Chief Marketing Officer on 25 July 2012 (formerly General Manager – Marketing and Logistics).

(c) Key management personnel compensation

	2012 $	2011 $
Short-term employee benefits	**4,230,043**	3,218,642
Post-employment benefits	**115,081**	66,807
Other long-term benefits	**809,835**	648,375
	5,154,959	3,933,824

Information regarding individual Director's and executive's compensation and equity instrument disclosures as permitted by the Corporations Regulations are provided in the Remuneration Report included in the Directors' report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the consolidated entity since the end of the previous financial year and there were no material contracts involving Director's interests existing at the reporting date.

(d) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The numbers of shares in the company held during the financial year by each director of Yancoal Australia Ltd and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

(i) Mr Yuxiang Wu holds 20,000 (2011: 20,000 shares) fully paid ordinary shares in Yanzhou Coal Mining Company Limited. There have been no movement during 2011 and 2012 in respect of these shares.

(ii) A related entity of Mr James MacKenzie received 5,600 fully paid ordinary shares and 5,600 fully paid CVR shares on 6 July 2012 in Yancoal Australia Ltd pursuant to the scheme of arrangement between Gloucester Coal Ltd and Yancoal Australia Ltd in respect of shares held in Gloucester Coal. These shares were held at 31 December 2012 and there were no movements during the year.

(iii) Mr Gregory Fletcher received 1,000 fully paid ordinary shares and 1,000 fully paid CVR shares on 6 July 2012 in Yancoal Australia Ltd pursuant to the scheme of arrangement between Gloucester Coal Ltd and Yancoal Australia Ltd in respect of shares held in Gloucester Coal. These shares were held at 31 December 2012 and there were no movements during the year.

(iv) No other Directors or key management personnel held any shares in respect of Yancoal Australia Ltd or its related entities at, or during the year ended 31 December 2012 (2011: nil).

(e) Other transactions with and loans to key management personnel

A number of related parties and key management personnel hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

These entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director-related entities on an arm's length basis (refer to note 38).

35. Remuneration of auditors

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

	2012 $'000	2011 $'000
(a) ShineWing Hall Chadwick		
Audit and other assurance services		
Audit and review of financial statements	**619**	500
Other assurance services		
Audit of regulatory returns	**22**	47
Compliance audit	**–**	200
Due diligence services	**650**	400
Total remuneration of ShineWing Hall Chadwick	**1,291**	1,147
(b) Ernst & Young Australia		
Audit and other assurance services		
Audit and review of financial statements	**32**	–
Total remuneration of Ernst & Young Australia	**32**	–
(c) BDO Australia		
Other assurance services		
Liquidation of subsidiaries	**19**	–
Total remuneration of BDO Australia	**19**	–
(d) Related practices of BDO Australia		
Audit and other assurance services		
Audit and review of financial statements	**4**	5
Taxation services		
Tax compliance services	**–**	2
Total remuneration of related practices of BDO Australia	**4**	7
Total auditors' remuneration	**1,346**	1,154

On 27 June 2012, the Group acquired 100% of the share capital of Gloucester Coal Ltd ("Gloucester"). Subsequently ShineWing Hall Chadwick replaced Ernst & Young Australia as the auditor of Gloucester.

36. Commitments

(a) Capital expenditure commitments

Capital expenditure contracted for at the reporting date but not provided for:

	2012 $'000	2011 $'000
Property, plant and equipment		
Not later than one year		
Share of joint ventures	**37,961**	27,954
Other	**35,798**	204,942
Later than one year but not later than five years		
Share of joint ventures	**10,003**	18,933
Exploration expenditure		
Not later than one year		
Other	**–**	201
Intangibles		
Not later than one year		
Share of joint ventures	**5**	25
Other	**–**	304
	83,767	252,359

(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:

	2012 $'000	2011 $'000
Not later than one year	**4,205**	5,356
Later than one year but not later than five years	**11,110**	4,737
Later than five years	**935**	–
Commitments not recognised in the financial statements	**16,250**	10,093

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

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	2012 $'000	2011 $'000
Commitments in relation to finance leases are payable as follows:		
Not later than one year	**6,859**	–
Later than one year and not later than five years	**32,433**	–
Later than five years	**5,172**	–
Total minimum lease payments	**44,464**	–
Less future finance charges	**(8,865)**	–
Recognised as a liability	**35,599**	–
Finance leases are included in the financial statements as:		
Current lease liability (note 25)	**4,626**	–
Non-current lease liability (note 25)	**30,973**	–
	35,599	–

37. Business combination

Gloucester Coal Ltd

(a) Summary of acquisition

The Merger Proposal Deed with Gloucester Coal Ltd ("Gloucester") became effective on 27 June 2012 with the merger implementation date being 6 July 2012. On 27 June 2012, the Group was deemed, for accounting purposes, to have acquired a 100% interest in Gloucester. Gloucester's principal activities consist of the production and marketing of metallurgical and thermal coal from the Gloucester Basin comprising the Stratford and Duralie open cut mines, the Donaldson mines comprising the Abel and Tasman underground mines and, the Donaldson open cut mine, and the Middlemount Joint Venture mine.

The accounting for the Gloucester acquisition was determined on a provisional basis at 30 June 2012 as the fair values assigned to the acquiree's identifiable assets and liabilities were determined provisionally.

At 31 December 2012, adjustments were made in finalising the acquisition accounting of Gloucester Coal Ltd, resulting in the fair value of identifiable assets recognised on acquisition being decreased by $19,541,000 compared to the provisional fair value amounts previously reported at 30 June 2012. The decrease is largely due to decreases in property, plant and equipment, mining tenements and take or pay provisions offset by increases in trade and other receivables and the royalty receivable reported in the interim financial statements at 30 June 2012 together with the resulting deferred tax impacts. The changes have resulted from further analysis and new information obtained about 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 $1,425,000 compared to the interim financial statements at 30 June 2012 due to the finalisation of stamp duty costs on the acquisition.

The above movements in the fair value of identifiable assets and liabilities recognised on acquisition and total purchase consideration resulted in a corresponding decrease to the recognised gain on acquisition by $18,116,000 compared to the gain on acquisition reported in the interim financial statements at 30 June 2012.

Details of the purchase consideration, the net assets and liabilities acquired and gain on acquisition of subsidiaries are as follows:

	$'000
Purchase consideration (refer to (c) below):	
Fair value of ordinary shares issued	**336,841**
Contingent consideration – contingent value rights	**206,843**
Direct costs relating to the acquisition – stamp duty	**5,346**
Total purchase consideration	**549,030**
Gain on acquisition of subsidiaries (note 5)	**199,967**
Fair value of net identifiable assets acquired (refer to (b) below)	**748,997**

(b) Assets and liabilities acquired

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

	Fair value $'000
Cash and cash equivalents	**44,127**
Trade and other receivables	**46,438**
Royalty receivable	**203,235**
Inventories	**44,628**
Other assets	**14,915**
Other financial assets	**7,397**
Property, plant and equipment	**816,806**
Mining tenements	**811,522**
Deferred tax asset	**201,955**
Intangible assets	**2,751**
Exploration and evaluation assets	**405,344**
Trade and other payables	**(147,484)**
Interest-bearing liabilities	**(528,519)**
Provisions	**(22,534)**
Marketing services fee provision	**(6,303)**
Provision for take or pay	**(88,877)**
Customer contracts	**(18,797)**
Promissory note payable	**(586,970)**
Deferred tax liability	**(450,637)**
Fair value of net identifiable assets acquired	**748,997**

37. Business combination *Continued*

(i) Contingent consideration

The contingent value right ("CVR") shares provide a level of downside price protection for certain former Gloucester shareholders or new CVR shareholders in that if, in the 18 months following completion of the Merger Proposal (6 January 2014), the volume weighted average price of the Yancoal ordinary shares over a certain period has fallen below A$6.96, CVR shareholders will be compensated by up to A$3.00 per CVR share. This compensation will take the form of cash paid by Yanzhou Coal Mining Company Limited ("Yanzhou") or a transfer of additional Yancoal ordinary shares held by Yanzhou in a manner that will not dilute the voting or economic interests of other Yancoal shareholders.

The CVR's are measured at fair value based on the share price of the CVR, with gains and losses recorded in the statement of comprehensive income at each reporting date (refer to note 29).

The estimation of undiscounted CVR outcomes range from $nil to $262,936,000. It is not possible to estimate the most likely amount in this range.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $292,225,000 and an after tax loss of $32,698,000 to the Group for the period from 27 June 2012 to 31 December 2012. If the acquisition had occurred on 1 January 2012, consolidated revenue and after tax profit from continuing operations for the year ended 31 December 2012 would have been $1,765,989,000 and $190,588,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and mining tenements had applied from 1 January 2012, together with the consequential tax effects.

(c) Purchase consideration – cash outflow

Consideration for the acquisition of Gloucester shares was provided in the form of ordinary shares and CVR shares. As such, no cash outflow occurred as a result of the transaction, other that the directly attributable stamp duty costs.

Acquisition-related costs

Acquisition-related costs of $29,480,000 are included in transaction costs in the statement of comprehensive income and acquisition related costs paid amounting to $20,258,000 included in operating cash flows in the consolidated statement of cash flows.

Prior Period

The following acquisitions were made during the year ended 31 December 2011:

(i) On 1 August 2011, the Group acquired 100% of the issued share capital of Syntech Holdings Pty Ltd and Syntech Holdings II Pty Ltd.

(ii) On 30 December 2011, the Group acquired a 100% interest in Premier Coal Limited and Premier Char Pty Ltd,

These entities were disposed as part of the Excluded Asset Group on 22 June 2012 (refer to note 7).

Details of these business combinations were disclosed in note 30 of the Group's special purpose financial report for the year ended 31 December 2011.

38. Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 39.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 34.

(d) Associates and jointly controlled entities

Associated entities are set out in note 16 and jointly controlled entities in which the consolidated entity is a venturer are set out in note 41.

Transactions with associates and jointly controlled entities during the year ended 31 December 2012 and 2011 are included as part of "Transactions with other related parties" and "Outstanding balances arising from transactions with related parties".

Disclosure in respect of transactions with jointly controlled entities represents the amount of such transactions which do not eliminate on proportionate consolidation.

(e) Transactions with other related parties

The following transactions occurred with related parties:

	2012 $	2011 $
Sales of goods and services		
Sales of coal to associated entities	**396,132,194**	207,760,533
Provision of marketing services to associated entities	**70,279**	141,756
Provision of marketing and administrative services to other related parties	**3,813,718**	–
	400,016,191	207,902,289

	2012 $	2011 $
Advances/loans to and repayment of advances		
Receipt from repayment of advances to associate – Ashton Coal Mines Limited	**2,355,167**	–
Receipt from repayment of advances to Yancoal International (Holding) Co., Ltd	**98,463,965**	183,687,863
Advances to associate – Ashton Coal Mines Limited	**–**	(4,278,725)
Loans to Yancoal Technology Development Pty Ltd	**(50,000,000)**	–
Loans to Gloucester Coal Ltd (prior to merger)	**(113,000,000)**	–
Debt repayment and debt provision		
Repayment of loans from Noble Group Limited	**(343,859,007)**	–
Repayment of loans from Yanzhou Coal Mining Company Limited	**–**	(59,987,178)
Loans from Yancoal International Resources Development Co., Ltd	**693,374,422**	–
Finance costs		
Interest paid on loans from Noble Group Limited	**(9,028,215)**	–
Interest paid on loans from Yanzhou Coal Mining Company Limited	**–**	(494,398)
Interest paid on loans from Yancoal International Resources Development Co., Ltd	**(9,204,714)**	–
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	**(5,219,817)**	–
Other costs		
Bank guarantee fee paid to Yanzhou Coal Mining Company Limited	**(15,011,932)**	(17,457,002)
Bank guarantee fee accrued to Yanzhou Coal Mining Company Limited	**(6,883,363)**	(9,892,830)
Arrangement fee paid on loans from Yancoal International Resources Development Co., Ltd	**(2,005,679)**	–
Arrangement fee accrued on loans from Yancoal International Resources Development Co., Ltd	**(1,137,382)**	–
Marketing commission paid to Noble Group Limited	**(1,814,103)**	–
Marketing commission accrued to Noble Group Limited	**(334,051)**	–
Port charges paid to NCIG Holdings Pty Limited	**(23,538,121)**	–
Port charges accrued to NCIG Holdings Pty Limited	**(2,255,764)**	–
Finance income		
Interest income received on advances to Yancoal International (Holding) Co., Ltd	**1,823,345**	–
Interest income receivable on advances to Yancoal International (Holding) Co., Ltd	**743,147**	1,411,435
Interest income received on loan to Yancoal Technology Development Pty Ltd	**1,247,890**	–
Other income		
Royalty income received from Middlemount Joint Venture	**1,407,939**	–
Royalty income receivable from Middlemount Joint Venture	**2,905,939**	–
*Disposal of entities to related parties**		
Loss on transfer of entities to related parties (note 7)	**(1,436,357)**	–

(f) Outstanding balances arising from transactions with related parties

Balances outstanding at the reporting date to related parties are unsecured. Balances outstanding at the reporting date from related parties are also unsecured, non-interest bearing (except for loans receivable) and repayable on demand.

38. Related party transactions *Continued*

The following balances are outstanding at the reporting date in relation to transactions with related parties.

	2012 $	2011 $
Current assets		
Trade and other receivables		
Interest receivable from Yancoal International (Holding) Co., Ltd	**743,147**	1,411,434
Interest receivable from Yancoal Technology Development Pty Limited	**1,247,890**	–
Receivable from Yancoal International Group in relation to cost reimbursement	**1,799,599**	–
Loans receivable		
Receivable from Yancoal International (Holding) Co., Ltd being an unsecured, interest bearing loan	**–**	98,463,962
Receivable from Yancoal Technology Development Pty Ltd being an unsecured, interest bearing loan	**50,000,000**	–
Other assets		
Prepayments to Yanzhou Coal Mining Company Limited	**1,188,367**	1,647,863
Receivable from Yancoal International (Holding) Co., Ltd	**21,174,124**	–
	76,153,127	101,523,259
Non-current assets		
Advances to associated entities		
Receivable from Ashton Coal Mines Limited being an unsecured, non-interest bearing advance	**28,659,069**	31,014,236
	28,659,069	31,014,236
Current liabilities		
Other liabilities	**–**	–
Payables to Yanzhou Coal Mining Company Limited	**(6,883,363)**	9,892,830
Payables to Yancoal International Resources Development Co., Ltd	**(6,357,199)**	–
Marketing fees payable to Noble Group Limited	**(334,051)**	–
Payable to NCIG Holdings Pty Limited	**(2,255,764)**	–
	(15,830,377)	9,892,830
Non-current liabilities		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest bearing loan	**(693,374,422)**	–
	(693,374,422)	–

(g) Guarantees

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

	2012 $	2011 $
Syntech Resources Pty Ltd	**73,180,898**	72,927,403
Syntech Holdings Pty Ltd	**18,000,000**	18,430,350
AMH (Chinchilla Coal) Pty Ltd	**29,000**	29,000
Premier Coal Limited	**4,650,000**	4,650,000
Tonford Holdings Pty Ltd	**10,000**	–
Athena Joint Venture	**2,500**	–
	95,872,398	96,036,753

(h) Terms and conditions

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

The US$100,000,000 loan to Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 1.71% p.a. The A$50,000,000 loan to Yancoal Technology Development Pty Ltd was charged at a fixed interest rate of 4.68% p.a.

The US$550,000,000 and US$170,000,000 loans from Yancoal International Resources Development Co., Ltd were charged at a fixed interest rate of 5.730% and 4.461%p.a respectively.

39. Controlled entities

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(c).

			Equity holding	
Name of entity	Country of incorporation	Class of shares	2012 %	2011 %
The Company				
Yancoal Australia Ltd*	Australia	Ordinary		
Controlled entities – at cost				
Austar Coal Mine Pty Limited*	Australia	Ordinary	**100**	100
Yancoal Resources Limited	Australia	Ordinary	**100**	100
Moolarben Coal Mines Pty Ltd	Australia	Ordinary	**100**	100
Moolarben Coal Operations Pty Ltd	Australia	Ordinary	**100**	100
Moolarben Coal Sales Pty Ltd	Australia	Ordinary	**100**	100
Felix NSW Pty Ltd	Australia	Ordinary	**100**	100
SASE Pty Ltd	Australia	Ordinary	**90**	90
Yarrabee Coal Company Pty. Ltd.	Australia	Ordinary	**100**	100
Proserpina Coal Pty Ltd	Australia	Ordinary	**100**	100
Athena Coal Operations Pty Ltd	Australia	Ordinary	**100**	100
Athena Coal Sales Pty Ltd	Australia	Ordinary	**100**	100
White Mining Limited	Australia	Ordinary	**100**	100
White Mining Services Pty Limited	Australia	Ordinary	**100**	100
White Mining (NSW) Pty Limited	Australia	Ordinary	**100**	100
Ashton Coal Operations Pty Limited	Australia	Ordinary	**100**	100
UCC Energy Pty Ltd	Australia	Ordinary	**–**	100
Premier Char Pty Ltd	Australia	Ordinary	**–**	100
Yancoal Technology Development Pty Ltd	Australia	Ordinary	**–**	100
Athena Coal Mines Pty Ltd	Australia	Ordinary	**–**	100
Tonford Pty Ltd	Australia	Ordinary	**–**	100
Premier Coal Limited	Australia	Ordinary	**–**	100
Syntech Holdings Pty Limited	Australia	Ordinary	**–**	100
Syntech Holdings II Pty Limited	Australia	Ordinary	**–**	100
Syntech Resources Pty Ltd	Australia	Ordinary	**–**	100
AMH (Chinchilla Coal) Pty Ltd	Australia	Ordinary	**–**	100
Mountfield Properties Pty Ltd	Australia	Ordinary	**–**	100
Gloucester Coal Ltd*	Australia	Ordinary	**100**	–
Westralian Prospectors NL*	Australia	Ordinary	**100**	–
Eucla Mining NL*	Australia	Ordinary	**100**	–
CIM Duralie Pty Ltd**	Australia	Ordinary	**100**	–
Duralie Coal Marketing Pty Ltd**	Australia	Ordinary	**100**	–
Duralie Coal Pty Ltd*	Australia	Ordinary	**100**	–
Gloucester (SPV) Pty Ltd	Australia	Ordinary	**100**	–
Gloucester (Sub Holdings 1) Pty Limited*	Australia	Ordinary	**100**	–
Gloucester (Sub Holdings 2) Pty Limited**	Australia	Ordinary	**100**	–
CIM Mining Pty Ltd*	Australia	Ordinary	**100**	–
Donaldson Coal Holdings Limited*	Australia	Ordinary	**100**	–
Monash Coal Holdings Pty Limited**	Australia	Ordinary	**100**	–
CIM Stratford Pty Ltd*	Australia	Ordinary	**100**	–
CIM Services Pty Ltd**	Australia	Ordinary	**100**	–
Donaldson Coal Pty Ltd*	Australia	Ordinary	**100**	–
Donaldson Coal Finance Pty Ltd**	Australia	Ordinary	**100**	–
Monash Coal Pty Ltd**	Australia	Ordinary	**100**	–
Stratford Coal Pty Ltd**	Australia	Ordinary	**100**	–
Stratford Coal Marketing Pty Ltd**	Australia	Ordinary	**100**	–
Abakk Pty Ltd**	Australia	Ordinary	**100**	–
Newcastle Coal Company Pty Ltd*	Australia	Ordinary	**100**	–
Primecoal International Pty Ltd**	Australia	Ordinary	**100**	–
Paway Limited	British Virgin Islands	Ordinary	**100**	–
Ballymoney Power Limited	Ireland	Ordinary	**100**	100
Auriada Limited	Ireland	Ordinary	**100**	100

* These subsidiaries have been granted relief from the requirement to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. These subsidiaries represent the closed group for the purposes of the class order. For further information refer to note 40.

** These subsidiaries are members of the extended closed group for the purposes of Class Order 98/1418. For further information refer to note 40.

40. Deed of cross guarantee

During the year ended 31 December 2012, Yancoal Australia Ltd and certain subsidiaries (refer to note 39), entered into a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statement of comprehensive income

Set out below is a consolidated statement of comprehensive income and summary of movements in consolidated retained earnings for the year ended 31 December 2012 of the entities included in the deed of cross guarantee consisting of Yancoal Australia Ltd and certain subsidiaries. For details regarding the closed group and the extended closed group refer to note 39.

	2012 $'000
Consolidated statement of comprehensive income	
Revenue	**713,536**
Other income	**487,281**
Changes in inventories of finished goods and work in progress	**(10,825)**
Raw materials and consumables used	**(95,220)**
Employee benefits expense	**(107,522)**
Depreciation and amortisation expense	**(76,499)**
Transportation expense	**(57,211)**
Contractual services and plant hire expenses	**(187,806)**
Government royalties expense	**(29,570)**
Changes in deferred mining costs	**8,690**
Transaction costs	**(29,480)**
Other operating expenses	**(117,511)**
Finance costs	**(58,083)**
Profit before income tax	**439,780**
Income tax benefit	**201,586**
Profit after income tax	**641,366**
Other comprehensive income	
Cash flow hedges:	
Fair value gains taken to equity	**2,835**
Fair value gains transferred to profit or loss	**(7,071)**
Deferred income tax expense	**1,303**
Other comprehensive loss, net of tax	**(2,933)**
Total comprehensive income	**638,433**
Summary of movements in consolidated retained earnings	
Retained earnings at the beginning of the financial year	**497,404**
Profit after income tax	**641,366**
Retained earnings at the end of the financial year	**1,138,770**

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 December 2012 of the entities included in the deed of cross guarantee consisting of Yancoal Australia Ltd and certain subsidiaries. For details regarding the closed group and the extended closed group refer to note 39.

	2012 $'000
ASSETS	
Current assets	
Cash and cash equivalents	**218,392**
Trade and other receivables	**1,039,982**
Inventories	**58,528**
Derivative financial instruments	**2,481**
Current tax receivables	**2,360**
Other assets	**18,129**
Total current assets	**1,339,872**
Non-current assets	
Trade and other receivables	**31,622**
Other financial assets	**3,354,231**
Property, plant and equipment	**868,640**
Mining tenements	**461,851**
Deferred tax assets	**528,100**
Intangible assets	**3,851**
Exploration and evaluation assets	**413,274**
Other non-current assets	**3,465**
Total non-current assets	**5,665,034**
Total assets	**7,004,906**
LIABILITIES	
Current liabilities	
Trade and other payables	**151,599**
Interest-bearing liabilities	**101,201**
Derivative financial instruments	**2,089**
Provisions	**34,539**
Promissory note payable	**586,970**
Total current liabilities	**876,398**
Non-current liabilities	
Interest-bearing liabilities	**3,449,951**
Contingent value right shares	**219,113**
Deferred tax liabilities	**575,492**
Provisions	**89,507**
Total non-current liabilities	**4,334,063**
Total liabilities	**5,210,461**
Net assets	**1,794,445**
EQUITY	
Contributed equity	**656,701**
Reserves	**(1,026)**
Retained earnings	**1,138,770**
Total equity	**1,794,445**

41. Interests in joint ventures

(a) Jointly controlled assets

Name and principal activity

A controlled entity, Yarrabee Coal Company Pty. Ltd., has a 50% interest in the output of Boonal Joint Venture, whose principal activity is the provision of a coal haul road and train load out facility.

A controlled entity, White Mining (NSW) Pty Limited, has a 90% interest in the output of Ashton Coal Joint Venture whose principal activity is the development and operation of open-cut and underground coal mines.

A controlled entity, Moolarben Coal Mines Pty Limited, has an 80% interest in the output of the Moolarben Joint Venture whose principal activity is the development and operation of open-cut and underground coal mines.

Due to the disposal of a controlled entity, Athena Coal Mines Pty Ltd, the Group disposed its 51% interest in the Athena Joint Venture whose principal activity is coal exploration.

(b) Jointly controlled entities

Name and principal activity

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

The interest in Middlemount is accounted for in the financial statements under the proportionate consolidation method of accounting.

In accordance with the new accounting standard AASB 11 Joint Arrangements, effective from financial years beginning on or after 1 January 2013, Middlemount is accounted for using the equity method from 1 January 2013. As a result, the Group's share of Middlemount's assets and liabilities will be aggregated into one line item on the face of the consolidated balance sheet after adjusting for the share of profit or loss after tax, which will be disclosed as a separate line item on the face of the consolidated statement of comprehensive income, and adjusting for the share of amounts recognised directly in equity.

The Group acquired Middlemount Coal Pty Ltd as part of the merger with Gloucester Coal Ltd on 27 June 2012.

The Group's interest in the assets, liabilities, revenue and expenses of the jointly controlled entity are included in the consolidated financial statements as follows:

	2012 $'000	2011 $'000
Share of joint venture entity's assets and liabilities:		
Current assets	**58,156**	–
Non-current assets	**630,806**	–
Total assets	**688,962**	–
Current liabilities		
Current liabilities	**46,534**	–
Non-current liabilities	**479,164**	–
Total liabilities	**525,698**	–
Net assets	**163,264**	–
Share of joint venture revenue, expenses and results:		
Revenue	**54,036**	–
Expenses	**(87,641)**	–
Loss before income tax	**(33,605)**	–

For capital expenditure commitments relating to joint ventures, refer to note 36.

42. Reconciliation of profit after income tax to net cash inflow from operating activities

	2012 $'000	2011 $'000
Profit after income tax	**404,597**	301,515
Depreciation of non-current assets	**138,739**	78,569
Amortisation of mining tenements	**83,803**	51,261
Amortisation of intangible assets	**2,366**	1,388
Release of the provision for customer contracts	**(9,148)**	–
Release of the provision for take or pay contracts	**(10,310)**	–
Unwinding of discount on royalty receivable	**(11,178)**	–
Unwinding of discount on provisions and deferred payables	**2,836**	1,456
Non-cash gain on acquisition of subsidiaries	**(199,967)**	(2,481)
Non-cash deferred income included in sales revenue	**(8,074)**	(1,657)
Net loss on disposal of property, plant and equipment and available-for-sale financial assets	**250**	476
Fair value loss on financial assets / liabilities	**15,915**	126
Non-cash cash flow hedge gain transferred to profit for the period	**(1,809)**	(130)
Unrealised foreign exchange gains	**(69,415)**	(55)
(Increase) / decrease in deferred tax assets	**(542,708)**	77,428
Decrease in inventories	**10,644**	14,050
Decrease / (increase) in operating receivables	**25,905**	(54,835)
Increase in operating payables	**17,894**	27,684
Decrease / (increase) in prepayments	**5,725**	(17,549)
Increase in deferred mining costs	**(60,782)**	(12,009)
(Decrease) / increase in current tax liabilities	**(15,283)**	32,777
Increase in deferred tax liabilities	**334,329**	36,125
Net cash inflow from operating activities	**114,329**	534,139

43. Non-cash investing and financing activities

	2012 $'000	2011 $'000
Acquisition of plant and equipment by means of finance leases (refer to note 18)	**30,957**	–
Non-cash consideration paid to former Gloucester shareholders (refer to note 37)		
Fair value of ordinary shares issued	**336,841**	–
Contingent consideration – contingent value right shares	**206,843**	–
	574,641	–

44. Earnings per share

	2012 $	2011 $
(a) Basic earnings per share		
From continuing operations attributable to the ordinary owners of the Company	**0.45**	0.42
From discontinued operation (note 7)	**0.01**	(0.01)
Total basic earnings per share attributable to the ordinary equity holders of the Company	**0.46**	0.41
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary owners of the Company	**0.45**	0.42
From discontinued operation (note 7)	**0.01**	(0.01)
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**0.46**	0.41

44. Earnings per share *Continued*

	2012 $'000	2011 $'000
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary owners of the Company used in calculating basic earnings per share		
From continuing operations	**403,246**	306,256
From discontinued operations	**1,351**	(4,741)
	404,597	301,515
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary owners of the Company:		
Used in calculating basic earnings per share	**403,246**	306,256
Used in calculating diluted earnings per share	**403,246**	306,256
Profit / (loss) from discontinued operations	**1,351**	(4,741)
Profit attributable to the ordinary owners of the Company used in calculating diluted earnings per share	**404,597**	301,515

	2012 Number	2011 Number
(d) Weighted average number of shares used in calculating earnings per share		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (note 31(b))	**887,243,293**	736,452,847
Adjustments for calculation of diluted earnings per share	**–**	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**887,243,293**	736,452,847

45. Contingent liabilities

	2012 $'000	2011 $'000
Bank Guarantees		
Parent entity and consolidated entity		
Guarantees secured over deposits	**5,665**	929
Performance guarantees provided to external parties	**171,281**	83,565
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**31,484**	32,184
Joint ventures (equity share)		
Guarantees secured over deposits	**170**	114
Performance guarantees provided to external parties	**6,433**	–
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**1,056**	4,443
Guarantees held on behalf of related parties (refer to note 38)		
Guarantees secured over deposits	**854**	700
Performance guarantees provided to external parties	**84,062**	86,393
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**10,956**	8,944
	311,961	217,272

Other contingencies

On 7 August 2012, the Group was advised by AusIndustry that Innovation Australia did not accept AusIndustry's recommendation in relation to an R&D claim dating from 2006 to 2009. The total amount of the claim is approximately $19,300,000 plus interest and penalties. There have been no amended assessment issues by the Commissioner of Taxation as at 31 December 2012 or to the date of the signing of the financial statements, as such, no provision has been recognised for the year ended 31 December 2012.

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. Furthermore, the Group is of the view that it is not liable for all or some of the amounts claimed. The Directors do not believe that the outcome of these claims will have a material impact on the Group's financial position.

46. Parent Entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $'000	2011 $'000
Current assets	**1,065,490**	1,389,996
Non-current assets	**3,884,816**	2,928,398
Total assets	**4,950,306**	4,318,394
Current liabilities	**139,970**	1,165,403
Non-current liabilities	**3,660,354**	2,027,476
Total liabilities	**3,800,324**	3,192,879
Net Assets	**1,149,982**	1,125,515
Equity		
Contributed equity	**656,701**	973,000
Reserves	**(1,432)**	(106)
Retained earnings	**494,713**	152,621
Capital and reserves attributable to owners of Yancoal Australia Ltd	**1,149,982**	1,125,515
Profit after income tax	**349,907**	147,497
Other comprehensive income		
Changes in the fair value of cash flow hedges	**(1,326)**	(106)
Total comprehensive income	**348,581**	147,391

(b) Contingent liabilities of the parent entity

As at 31 December 2012, the parent entity had contingent liabilities in the form of bank guarantees amounting to $115,875,000 (2011: $71,905,000) in support of the operations of the entity, its subsidiaries and related parties (refer to note 38).

47. Events occurring after the reporting period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods, except for the following matters:

(i) As disclosed to the market on 11 February 2013, Yancoal Australia Ltd has agreed with its CEO, Murray Bailey that his employment with the Company will not be extended beyond his current term, which expires on 6 July 2013. Mr Bailey's departure is due to personal reasons and the Company has commenced a search for Mr Bailey's replacement.

(ii) As disclosed to the market on 29 January and 1 February 2013, heavy rainfall generated by ex-tropical cyclone Oswald has fallen in the central Queensland coalfields region from 24 to 27 January 2013 inclusive. Both the Yarrabee and Middlemount open cut mines were impacted by the event after significant amounts of rainfall.

(iii) As disclosed to the market on 8 January 2013, Yancoal has successfully arranged a long term loan facility at an attractive interest rate from its majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for US$596,000,000 and has a term of five years (with principal repayable in regular instalments from June 2015) and is provided on an unsecured basis with no covenants. The facility funds the payment of the promissory notes in connection with the capital return for previous Gloucester Coal Ltd shareholders. The promissory notes were settled in full in January 2013.

(iv) As disclosed to the market on 21 February 2013, an agreement has been reached with the current mining services contractor of the Middlemount Mine to restructure the contract into a dry hire contract. The transition commenced on 23 February 2013 and is expected to be completed by mid-2013.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 48 to 111 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the financial year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group and the extended closed group identified in note 40 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 40.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Mr Cunliang Lai
Director

27 February 2013

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

信永中和 ShineWing

ShineWing
Hall Chadwick

Corporate Advisors &
Certified Practising Accountants
ABN: 70 579 787 151

Level 9
552 Lonsdale St
Melbourne Vic 3000
Australia

Tel: +61 3 8602 7300
Fax: +61 3 9600 1930

Email: info@shinewing.com.au
www.shinewing.com.au

Report on the Financial Report

We have audited the accompanying financial report of Yancoal Australia Ltd, which comprises the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the year as set out on pages 20 to 112.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

(a) the financial report of Yancoal Australia Ltd is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with *International Financial Reporting Standards* as disclosed in Note 1.

ShineWing Hall Chadwick
Corporate Advisors & Certified
Practising Accounts

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 28 to 38 of the directors’ report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporation Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Yancoal Australia Ltd for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

ShineWing Hall Chadwick

ShineWing Hall Chadwick

M. Schofield

M J Schofield

Partner
Chartered Accountant

Sydney, 27 February 2013

Shareholder information

Ordinary Fully Paid (Total) As of 13 March 2013

Range	Total holders	Units	% of Issued Capital
1 – 1,000	1,304	552,911	0.06
1,001 – 5,000	937	2,333,586	0.24
5,001 – 10,000	168	1,233,804	0.12
10,001 – 100,000	120	3,060,564	0.31
100,001 – 9,999,999,999	24	987,035,794	99.28
Total	**2,553**	**994,216,659**	**100.00**

Rank	Name	Units	% of Units
1.	YANZHOU COAL MINING COMPANY LIMITED	775,488,994	78.00
2.	OSENDO PTY LIMITED	91,764,626	9.23
3.	MT VINCENT HOLDINGS PTY LTD	36,923,076	3.71
4.	NATIONAL NOMINEES LIMITED	16,628,306	1.67
5.	J P MORGAN NOMINEES AUSTRALIA LIMITED	16,379,122	1.65
6.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	14,378,047	1.45
7.	CS FOURTH NOMINEES PTY LTD	8,777,207	0.88
8.	PORTFOLIO SERVICES PTY LTD	6,265,403	0.63
9.	CITICORP NOMINEES PTY LIMITED	5,091,901	0.51
10.	BNP PARIBAS NOMS PTY LTD <DRP>	3,619,405	0.36
11.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,034,892	0.31
12.	PORTFOLIO SERVICES PTY LTD	1,797,601	0.18
13.	OSENDO PTY LIMITED	1,713,294	0.17
14.	WOODROSS NOMINEES PTY LTD	1,300,000	0.13
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	953,312	0.10
16.	ECAPITAL NOMINEES PTY LIMITED <SETTLEMENT A/C>	910,000	0.09
17.	ACCUMULATION CHESS ENTREPOT	590,395	0.06
18.	OSENDO PTY LIMITED	480,709	0.05
19.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	274,758	0.03
20.	CELAR PTY LTD	156,514	0.02
Total		**986,527,562**	**99.23**

Substantial Holder	Units	% of Issued Capital
Yanzhou Coal Mining Company Limited and each of its related corporations (including Yankuang Group Corporation Limited)	775,488,994	78.00
Noble Group Limited	130,881,705	13.16

There were 889 holders with unmarketable parcels.

Voting Rights

Ordinary Shares: At a general meeting of Yancoal Australia, every holder of an Ordinary Share present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Ordinary Share held. As a condition of the approval by the Commonwealth Treasurer of the merger of Yancoal Australia with Gloucester Coal, Yanzhou Coal must cast the votes attaching to any shares in Yancoal Australia that it holds above 70% consistently with the votes cast by minority holders of Ordinary Shares.

CVRs: Each CVR Share confers a right on its holder to receive accounts, reports and notice of meetings of Yancoal Australia and to attend any general meetings of Yancoal Australia but confers no right on the holder to:

- vote at a general meeting of Yancoal Australia (except in circumstances set out in ASX Listing Rule 6.3)
- receive dividends;
- participate in a return of capital (other than in certain limited respects); or
- subscribe for new securities of Yancoal Australia or to participate in any bonus issues of securities of Yancoal Australia.

Contingent Value Right Shares As of 13 March 2013

Range	Total holders	Units	% of Issued Capital
1 – 1,000	1,234	513,566	0.60
1,001 – 5,000	854	2,101,619	2.41
5,001 – 10,000	124	901,048	1.03
10,001 – 100,000	110	3,068,732	3.50
100,001 – 9,999,999,999	24	81,060,219	92.46
Total	**2,346**	**87,645,184**	**100.00**

Rank	Name	Units	% of Units
1.	BUTTONWOOD NOMINEES PTY LTD	20,000,000	22.82
2.	NATIONAL NOMINEES LIMITED	10,995,164	12.55
3.	CS FOURTH NOMINEES PTY LTD	10,363,701	11.82
4.	PORTFOLIO SERVICES PTY LTD	6,265,403	7.15
5.	CITICORP NOMINEES PTY LIMITED	4,617,728	5.27
6.	HSBC CUSTODY NOMINEES <AUSTRALIA>	4,533,412	5.17
7.	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,418,837	5.04
8.	PORTFOLIO SERVICES PTY LTD	4,014,601	4.58
9.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	3,949,292	4.51
10.	ACCUMULATION CHESS ENTREPOT	3,255,317	3.71
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED — A/C 2	2,147,830	2.45
12.	UBS NOMINEES PTY LTD	1,636,312	1.87
13.	BNP PARIBAS NOMS PTY LTD <DRP>	1,049,952	1.20
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED — A/C 3	765,761	0.87
15.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	609,808	0.70
16.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	477,901	0.55
17.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	473,012	0.54
18.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	305,600	0.35
19.	MS FRANCISKA LASIC	279,588	0.32
20.	MR FRITZ LEE DUDA + MRS MARY LEE DUDA <FLD INTERESTS UTD 111781 AC>	270,000	0.31
Total		**80,429,219**	**91.77**

Corporate Directory

Directors
Weimin LI
Cunliang LAI
James MACKENZIE
Yuxiang WU
Baocai ZHANG
Xinghua NI
Boyun XU
William RANDALL
Vincent O'ROURKE
Geoffrey RABY
Gregory FLETCHER

Company Secretary
Ling ZHANG

Registered and Principal Place of Business
Level 11, 68 York St, Sydney NSW 2000

Australia Company Number
111 859 119

Stock Exchange Listing
Australian Securities Exchange Ltd (ASX)
ASX Code: YAL

Auditor
ShineWing Hall Chadwick
Level 9, 552 Lonsdale St
Melbourne Vic 3000, Australia

Share Registry
Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney, NSW, 2000, Australia
Ph: 02 8234 5000
Fax: 02 8235 8150

Country of Incorporation
Australia

Web Address
www.yancoal.com.au