

YANCOAL AUSTRALIA LIMITED

(FORMERLY YANCOAL AUSTRALIA PTY LIMITED)

ACN: 111 859 119

ANNUAL FINANCIAL REPORT STATUTORY ACCOUNTS IN AUSTRALIA

31 December 2009

YANCOAL AUSTRALIA LIMITED
(FORMERLY YANCOAL AUSTRALIA PTY LIMITED)

ABN: 111 859 119

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

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YANCOAL AUSTRALIA LIMITED
(FORMERLY YANCOAL AUSTRALIA PTY LIMITED)

ACN: 111 859 119

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entity for the financial year ended 31 December 2009.

Directors

The names of the Directors in office at any time during and since the end of the year are:

Name

- Mr. Cunliang Lai
- Mr. Xin Wang
- Mr. Yuxiang Wu
- Mr. Brain Joseph Flannery (Appointed 22 December 2009)
- Mr. Terence Kevin Crawford (Appointed 22 December 2009)
- Mr. Weimin Li (Appointed 31 August 2009)
- Mr. Vincent O'Rourke (Appointed 22 December 2009)
- Mr. Baocai Zhang (Resigned 22 December 2009)
- Mr. Boyun Xu (Resigned 22 December 2009)
- Mr. Deyu Yang (Resigned 31 August 2009)
- Mr. Tai Jin (Resigned 22 December 2009)

Secretaries

The names of the Secretaries in office at any time during and since the end of the year are:

Name

- Mr. Boyun Xu
- Ms. Ling Zhang

Principal Activities

The principal activities of the consolidated entity in the course of the year included assisting its subsidiary companies in its longwall coal mining endeavours, as well as related finance, marketing, logistics and administration activities.

Review of Operations and Operating Result

During the year the Company continued to support the activities of its subsidiary Austar Coal Mine Pty Limited. Support was by way of Australian Dollar loans and secondment of technical personnel to the mine. The Company provide leadership to Austar Coal Mine in respect of coal sales contract negotiations, logistics and financial and taxation matters. The provision of technical staff was necessary due to the ongoing development and refinement of the Top Coal Caving Longwall Mining techniques in Australia.

The Company made an after tax operating profit for the year of \$20,484,000 (2008: \$36,743,000 loss). The consolidated entity made an after-tax profit of \$45,598,000. (2008: \$64,736,000).

Dividends Paid or Recommended

No dividends have been paid during the year.

Significant Changes in State of Affairs

No significant changes in the consolidated group's state of affairs occurred during the financial year, except for the following matter:

Towards the later part of the year, the group successfully negotiated the acquisition of the entire issued share capital of Felix Resources Limited, a ASX listed company. Funding was through a syndicated loan lead by Bank of China, Sydney Branch with parent company guarantee. The transaction settlement date was 23 December, 2009. It is expected that significant work would be carried out next year to achieve reporting requirements and staff and system integration.

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DIRECTORS' REPORT

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years, excepts for the following matter:

On the 20 January 2010 the Company changed its company status from "Proprietary Limited" to "Limited".

Future Developments

The Company will continue to offer significant support to the operations of Austar Coal Mine, in order to ensure successful production using Longwall Top Coal Caving mining technology ("LTCC"), and the safe and efficient operations of Austar Coal Mine as the first user of LTCC in Australia.

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

Yancoal Australia's subsidiaries hold environmental permits that form part of mining tenements issued by the Queensland and New South Wales Departments of Primary Industries. All of the operations are subject to general obligations under the various Environmental Acts. As well, the company operations are subject to monitoring by the supervisory bodies including the Environmental Protection Authority and the Department of Environment and Climate Change.

The environmental permits set standards for processing water discharges, tailings, dam management and engineering requirements, rehabilitation obligations and environmental practice relating to the operations. There have been no known breaches of the environmental permits and obligations.

Carbon Pollution Reduction Scheme

The group started to report emission statistics in accordance with current legislation.

Corporate Governance

Yancoal Australia will continue to develop corporate strategy while at the same time monitor risk management, compliance and control issues across the company as well as its subsidiaries.

Options

No options over issued shares or interests in the Company or controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying Officers or Auditor

During the year, the Company paid a premium in respect of a contract insuring the Directors of the Company and all of the executive officers and employees of the Company and any related body corporate against a liability incurred as such a director, executive officer or employee to the extent permitted by the Corporations Act 2001. The Company has not otherwise, during or since the year, indemnified or agreed to indemnify an officer or auditor of the Company or any subsidiary company against a liability incurred as such an officer or auditor.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached.

Rounding off of amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.298(2) of the Corporation Act 2001.

A handwritten signature in black ink, appearing to read 'Cunliang Lai', is positioned above the printed name and title.

**Cunliang Lai
Executive Director**

Sydney, NSW
30 April 2010



ShineWing McBain
Audit Services
Certified Practising
Accountants
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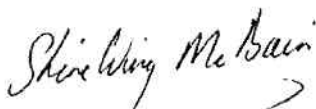
Email: info@shinewing.com.au
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Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

To: the Directors of Yancoal Australia Limited

We declare that, to the best of our knowledge and belief, during the year ended 31 December 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.


ShineWing McBain Audit Services


Ken Glynn
Partner
Chartered Accountants

Melbourne, VIC
30 April 2010

YANCOAL AUSTRALIA LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	<u>Notes</u>	<u>Consolidated Group</u>		<u>Parent Entity</u>	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
Revenue		224,537	296,990	12,224	19,856
Cost of Sales		(101,765)	(78,182)	-	-
Gross profit		<u>122,772</u>	<u>218,808</u>	<u>12,224</u>	<u>19,856</u>
Distribution Costs		(36,444)	(38,845)	-	-
Employee benefits expense		(3,364)	(3,646)	(3,364)	(3,646)
Depreciation and amortisation expense		(22,124)	(32,822)	(6,146)	(6,140)
Deferred mining costs and plant and equipment written off	2b	-	(10,684)	-	-
Administration expenses		(8,669)	(6,980)	(3,310)	(1,690)
Finance costs		(4,787)	(7,738)	(4,733)	(7,666)
Foreign exchange gain/(loss)		8,638	(35,765)	32,417	(54,825)
Other income		<u>8</u>	<u>9</u>	<u>1</u>	<u>9</u>
Profit/(Loss) before income tax	2a	56,030	82,337	27,089	(54,102)
Income tax (expense)/benefit		<u>(10,432)</u>	<u>(17,601)</u>	<u>(6,605)</u>	<u>17,359</u>
Net profit/(loss) for the year		<u>45,598</u>	<u>64,736</u>	<u>20,484</u>	<u>(36,743)</u>
Other comprehensive income					
Cash flow hedges:					
Gain/(Loss) take to equity		3,612	(2,489)	-	-
Other comprehensive income for the year, net of tax		<u>3,612</u>	<u>(2,489)</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>49,210</u>	<u>62,247</u>	<u>-</u>	<u>-</u>
Profit attributable to:					
Members of the parent entity		45,598	-		
Minority equity interests		-	-		
		<u>45,598</u>	<u>-</u>		
Total comprehensive income attributable to:					
Members of the parent entity		49,210	-		
Minority equity interests		-	-		
		<u>49,210</u>	<u>-</u>		

The accompanying notes form part of these financial statements.

YANCOAL AUSTRALIA LIMITED
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	Consolidated Group		Company	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	3	226,450	40,706	61,793	14,848
Trade and other receivables	4	90,452	802	2,332	13
Inventories	5	61,820	17,599	-	-
Derivative financial instruments	6	6,160	-	-	-
Current tax recoverable		9,296	-	1,664	-
Other current assets	7	62,474	385	85	121
TOTAL CURRENT ASSETS		456,652	59,492	65,874	14,982
NON-CURRENT ASSETS					
Investments accounted for using the equity method	8	204	-	-	-
Other financial assets	9	31,320	16,716	75,943	66,244
Property, plant and equipment	12	743,535	150,251	54,701	60,786
Deferred tax assets	13	120,222	14,196	92,336	14,196
Intangible assets	14	2,423,065	16,703	-	-
Other non-current assets	7	650,972	13,190	3,361,624	34,805
TOTAL NON-CURRENT ASSETS		3,969,318	211,056	3,584,604	176,031
TOTAL ASSETS		4,425,970	270,548	3,650,478	191,013
CURRENT LIABILITIES					
Trade and other payables	15	210,264	16,668	81,495	3,134
Interest bearing liabilities	16	257,186	355	-	-
Derivative financial instruments	6	4,156	6,245	-	-
Short-term provisions	17	18,708	4,602	317	397
TOTAL CURRENT LIABILITIES		490,314	27,870	81,812	3,531
NON-CURRENT LIABILITIES					
Trade and other payables	15	38,955	45,781	35,300	45,781
Interest bearing liabilities	16	3,456,316	94,896	3,456,316	94,544
Derivative financial instruments	6	467	-	-	-
Deferred tax liabilities	13	284,014	6,441	12,411	3,002
Long-term provisions	17	19,995	12,702	-	-
TOTAL NON-CURRENT LIABILITIES		3,799,747	159,820	3,504,027	143,327
TOTAL LIABILITIES		4,290,061	187,690	3,585,839	146,858
NET ASSETS		135,909	82,858	64,639	44,155
EQUITY					
Issued Capital	18	64,000	64,000	64,000	64,000
Reserves		1,123	(2,489)	-	-
Retained earnings/(accumulated Losses)		66,945	21,347	639	(19,845)
Parent interest		132,068	82,858	64,639	44,155
Minority equity interests		3,841	-	-	-
TOTAL EQUITY		135,909	82,858	64,639	44,155

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Issued Capital	(Accumulated losses) / Retained Earnings	Hedging reserve - Cash flow hedges	Minority Equity Interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated Group					
Balance at 1 January 2008	64,000	(43,389)	-	-	20,611
Net profit for the year	-	64,736	-	-	64,736
Cash flow hedges:					
Loss take to equity	-	-	(2,489)	-	(2,489)
Total comprehensive gain/(loss) for the year	-	64,736	(2,489)	-	62,247
Balance at 31 December 2008	64,000	21,347	(2,489)	-	82,858
Balance at 1 January 2009	64,000	21,347	(2,489)	-	82,858
Net profit for the year	-	45,598	-	-	45,598
Increase in minority interests as a result of acquisition	-	-	-	3,841	3,841
Cash flow hedges:					
Gain take to equity	-	-	3,612	-	3,612
Total comprehensive gain/(loss) for the year	-	45,598	3,612	3,841	53,051
Balance at 31 December 2009	64,000	66,945	1,123	3,841	135,909
Parent Entity					
Balance at 1 January 2008	64,000	16,898	-	-	80,898
Net loss for the year	-	(36,743)	-	-	(36,743)
Total comprehensive gain/(loss) for the year	-	(36,743)	-	-	(36,743)
Balance at 31 December 2008	64,000	(19,845)	-	-	44,155
Balance at 1 January 2009	64,000	(19,845)	-	-	44,155
Net profit for the year	-	20,484	-	-	20,484
Total comprehensive gain/(loss) for the year	-	20,484	-	-	20,484
Balance at 31 December 2009	64,000	639	-	-	64,639

a. Cash Flow Hedge Reserve

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges, net of deferred tax.

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated Group		Parent Entity	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		203,554	298,951	-	-
Receipts from other operating activities		53	442	8,308	8,404
Interest received		1,918	1,738	4,003	25,019
Payments to suppliers and employees		(174,073)	(159,336)	(11,110)	(24,251)
Tax (paid)/received		8,613	9,090	(1,333)	198
Net cash provided by/(used in) operating activities	21	40,065	150,885	(132)	9,370
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal of property and Equipment		7	-	-	-
Amounts (advanced to)/repaid from related parties		-	-	(3,332,794)	106,390
Payment for property, plant and equipment and deferred mining costs		(36,039)	(76,896)	(61)	(53,372)
Acquisition of subsidiaries	11	(3,190,940)	-	-	-
Increase/(decrease) in bank deposits in escrow		14,603	(9,033)	15,142	(473)
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		(3,212,369)	(85,929)	(3,317,713)	52,545
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings to related parties		(19,682)	(27,588)	-	(27,588)
Proceeds from borrowings		3,400,089	-	3,380,407	-
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		3,380,407	(27,588)	3,380,407	(27,588)
Net increase in cash held		208,103	37,368	62,562	34,327
Cash and cash equivalents at the beginning of the year		40,706	10,388	14,848	8,514
Effect of exchange rate changes (loss) / gain		(22,359)	(7,050)	(15,617)	(27,993)
Cash and cash equivalents at the end of the year	3	226,450	40,706	61,793	14,848

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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**YANCOAL AUSTRALIA LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

1 Summary of significant accounting policies

Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) is a company limited by shares, incorporated and domiciled in Australia.

Reporting Basis and Conventions

The directors' have prepared the financial statements on the basis that the company and its controlled entities are a non-reporting entity because there are no users dependent on general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the Corporations Act 2001.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern

The consolidated entity and the parent entity have a net current asset deficiency of \$33,662 ('000) and \$15,938 ('000) respectively. The contributing factor to the deficiency for the consolidated entity is technical breaches of a subsidiary's (Felix Resources Limited) finance facility with the CBA. The result of these breaches is that the consolidated entity lost its unconditional right at 31 December 2009 to defer repayment of the facility beyond a period of 12 months resulting in amounts totalling \$257,140 ('000) under the facility being classified as current liabilities at 31 December 2009. Subsequent to year end the consolidated entity has obtained waivers and consents from the CBA for the technical breaches resulting in the facility being reclassified to non current post year end. The contributing factor to the net current asset deficiency in the parent entity is a intragroup loan relating to amounts payable for deferred tax balances transferred to the parent entity under the tax consolidation regime. The directors of the Company have determined that no adjustments are required relating to the realisation value of the recorded asset amounts, and to the amounts and classification of liabilities. The directors of the Company believe that the assets and liabilities of the consolidated entity and the parent company will be realised in the normal course of business.

Unless otherwise indicated, all amounts are presented in Australian dollars.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1 Summary of significant accounting policies (Continued)

Reporting Basis and Conventions

The following is a summary of the material accounting policies adopted by the company and consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

a Principles of Consolidation

A controlled entity is any entity over which Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 10 to the consolidated financial statements.

As at reporting date, the assets and liabilities of the controlled entities have been incorporated into the consolidated financial statements, as well as its results for the year then ended.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the subsidiaries are consistent with the policies adopted by the parent entity.

Minority interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The minority interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in the statement of comprehensive income.

b Cash and Cash Equivalents

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 with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

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NOTES TO THE FINANCIAL STATEMENTS
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1 Summary of significant accounting policies (Continued)

c Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Coal Stocks

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. 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.

d Overburden in advance

Overburden in advance comprises the accumulation of expenses incurred to enable access to the coal seams, and includes direct removal costs, 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 stripping ratio (ratio of waste removed in BCMs to ROM coal tonnes mined). The stripping ratio is based on the Joint Ore Reserves Committee ("JORC") reserves of each mine.

e Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost as indicated less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount for property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

Leasehold improvements relate to Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) and include improvements to leased premises.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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NOTES TO THE FINANCIAL STATEMENTS
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1 Summary of significant accounting policies (Continued)

e Property, Plant and Equipment (continued)

- | | |
|------------------------------|----------------|
| • Buildings | • 10-25 years |
| • Mine development | • 10-30 years |
| • Leasehold improvements | • 3-5 years |
| • Plant and equipment | • 2.5-20 years |
| • Leased plant and equipment | • 2.5-18 years |

Where the life of the equipment is shorter than the life of mine, the shorter period will be used for depreciation purpose.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

f Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amount of goodwill. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and 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.

Mining tenements

Mining tenements have finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. The carrying values of mining tenements are reviewed to ensure they are not in excess of their recoverable amounts.

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 basis of JORC reserves, or in the case of the Yarrabee Mine on a straight line basis.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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1 Summary of significant accounting policies (Continued)

f Intangible assets (continued)

Computer software

Computer software has a finite useful life and is carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. The carrying values of computer software is reviewed to ensure they are not in excess of their recoverable amounts.

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 4 years.

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 for clean coal technology) 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 (including depreciation on property, plant and equipment). 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. The carrying value of capitalised development costs are reviewed to ensure they are not in excess of their recoverable amounts.

Rail access rights

Rail access rights have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. The carrying values of rail access rights are reviewed to ensure they are not in excess of their recoverable amounts.

Rail access rights are amortised over the shorter of life of the mine or agreement using a unit of production basis in tonnes for the Minerva mine. The remaining estimated economically recoverable reserves of the Minerva mine at 31 December 2009 are 24.9 million tonnes.

g Deferred Mining Costs

Deferred mining costs include mine development costs, both direct and indirect relating to longwall development and underground mains development. Mains development costs relate to development of access roads that will lead to future longwall mining areas and related production.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward 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.

At the commencement of panel development work for the mine during July 2005, it was acknowledged that longwall mining would not commence for at least one additional year. As a consequence, all mine development costs were carried forward in the statement of financial position at 2006 year end and some relevant costs were carried forward to 2007 year end.

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1 Summary of significant accounting policies (Continued)

g Deferred Mining Costs (continued)

During 2008, the initial longwall panels developed from 2005 have been mined and completed. As a consequence, the related expenditure was expensed in the statement of comprehensive income during 2008.

Longwalls have an operational cycle of twelve months (with the present operational cycle of the mine) and all development costs relating to the longwall are expensed as incurred.

Mains development costs are capitalised and amortised over the life of the mine as these 'mains' service the entire mine.

h Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at individual mine 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.

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

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward 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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

i Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to the statement of comprehensive income immediately.

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1 Summary of significant accounting policies (Continued)

i Financial Instruments (continued)

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

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

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the statement of comprehensive income.

(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 and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivative that are either in this category or not classified in any of other financial assets categories. Note 1(j) provides further information on investments classified as available-for-sale.

(iv) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently recorded at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Trade payables and other accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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1 Summary of significant accounting policies (Continued)

j Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments in shares in listed companies classified as available-for-sale are measured at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the consolidated group has transferred substantially all the risks and rewards of ownership.

Fair value for shares in listed companies is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the reporting date. Gains or losses on these available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

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 the statement of comprehensive income when the investments are derecognised or impaired.

Investment in controlled entities are carried in the parent entity's financial statements at the lower of cost and recoverable amount. Investment in associates are accounted for in the consolidated financial statements are set out in note 1(k).

k Investment in associates

Associate companies are those entities over which the consolidated group exercises significant influence, but not control. Investments in associates are accounted for in the financial statements by applying the equity method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the consolidated group's share of net assets of the associate company. In addition the consolidated group's share of the profit or loss of the associate company is included in the consolidated group's statement of comprehensive income.

Profits and losses resulting from transactions between the consolidated group and the associate are eliminated to the extent of the relation to the consolidated group's investment in the associate.

When the consolidated group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the consolidated group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Details of the consolidated group's investments in associates are shown at Note 8.

l Investment in joint ventures

The consolidated group's share of the assets, liabilities, revenue and expenses of jointly controlled assets have been included in the appropriate line items of the consolidated financial statements.

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1 Summary of significant accounting policies (Continued)

m Impairment of Assets

At each reporting date, the Directors of the company and consolidated group review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the statement of comprehensive income.

n 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 in income in the period in which they are incurred.

o Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

p Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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1 Summary of significant accounting policies (Continued)

q Provisions

Provisions are recognised when the Company and consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Rehabilitation Costs

Provision is made for the consolidated entity'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 plant removal and land fill costs. An asset is created as part of the current and non-current development assets, to the extent that the development relates to future production activities, which is offset by a current and non-current provision for rehabilitation.

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

r Revenue and Other Income

Sale of goods

Revenue from the sale of goods is recognised when the Company or consolidated group has transferred to the buyer the significant risks and rewards of ownership of the goods. Risks and rewards are considered passed to the buyer at the time of delivery, usually on a Free On Board, Trimmed (FOBT) basis.

Royalties

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

Dividend and interest

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

s Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

t Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy.

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1 Summary of significant accounting policies (Continued)

u Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency is measured using the currency of the primary economic environment in which that Company and consolidated group operate. The financial statements are presented in Australian dollars which is the parent entity and consolidated groups functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

v Superannuation Fund

Austar Coal Mine Pty Limited employees belong to the Auscoal Superannuation Fund. The Company is required in accordance with the Industry Restructuring Agreement of 1992 to make employer contributions to a statutory fund for all employees who are by definition mineworkers (as defined in the NSW Coal & Oil Shale Mineworkers Superannuation Act 1941, as amended).

w Derivatives

The company and controlled entities use derivative financial instruments such as forward exchange contracts and exchange rate options to hedge its risks associated with foreign currency fluctuations.

The forward exchange contracts and exchange rate options entered into by company are designated and qualify as cash flow hedges.

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the company's risk management objective and strategy for undertaking various hedge transactions is documented. The company 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, are also documented.

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 and transferred to profit or loss when the hedged item affects the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

The net amount receivable or payable as a result of a hedge transaction is included as an asset or liability in the statement of financial position from the date of inception of the hedge. The corresponding unrealised gain or loss is recognised in equity in the hedging reserve. Changes in the fair value of the forward foreign contracts and exchange rate options are recognised through 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.

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1 Summary of significant accounting policies (Continued)

w Derivatives (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedging accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity and is recognised when the forecast transaction is ultimately recognised. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the statement of comprehensive income for the year.

x Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current Tax

Current income tax expense charged to the statement of comprehensive income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred Tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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1 Summary of significant accounting policies (Continued)

x Income Tax (continued)

Tax consolidation

Yancoal Australia Ltd (formerly Yancoal Australia Pty Ltd) and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The consolidated group notified the Australian Tax Office that it had formed an income tax consolidated group. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the consolidated group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the parent entity.

y Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report 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.

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 this Financial Information.

(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 amortisation and impairment charges, the assessment of mine lives and for forecasting the timing of the payment of rehabilitation costs.

(ii) Amortisation

The amortisation of mine development assets and mining tenements where the related area of interest is being or has been developed, and the expensing of deferred mining costs is based on saleable coal production over estimated economically recoverable reserves. The amount of reserves that may actually be mined in the future and company's estimate of reserves from time to time in the future may vary from current reserve estimates.

(iii) Impairment

The company assesses impairment at each reporting date by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of mine development assets and mining tenements where the related area of interest is being or has been developed, for the reporting period.

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1 Statement of Significant Accounting Policies (Continued)

y Critical Accounting Estimates and Judgments (continued)

(iv) Rehabilitation

The calculation of the provisions of rehabilitation and where applicable the related development assets rely on estimates of the cost to rehabilitate an area which is currently disturbed, based on legislative requirements and current 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 and discount rates. When these expectations change in the future the provision and where applicable the development asset are recalculated in the period in which they change.

(v) Income taxes

The company is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company estimates its tax liabilities based on the consolidated 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.

z New Accounting Standards for Application in Future Periods

(i) Adoption of New and Revised Accounting Standards

During the current year the company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition and disclosure of certain transactions. The following is an explanation of the impact that the adoption of these standards and interpretations has had on the financial statements of Austar Coal Mine Pty Ltd.

AASB 101: Presentation of Financial

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises income and expenses that are not recognised in the statement of comprehensive income as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

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1 Statement of Significant Accounting Policies (Continued)

z New Accounting Standards for Application in Future Periods (continued)

(ii) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company follows:

- AASB 1: First-time Adoption of Australian Accounting Standards (applicable for annual reporting periods commencing from 1 July 2009).

The structure of this standard has been amended for ease of use, and as it applies only to first time adoption of Australian Equivalents to International Financial Reporting Standards, it is not expected to impact the company.

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1,2,4,5,7,101,107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107] and AASB 2008-11: Amendments to Australian Accounting Standard — Business Combinations Among Not-for-Profit Entities [AASB 3] (applicable for annual reporting periods commencing from 1 July 2009).

These standards are applicable prospectively and will therefore only affect relevant transactions and consolidations occurring after the date of application. As such, the company is unable to determine any potential impact on the financial statements.

The following changes to accounting requirements are included below:

- acquisition costs incurred in a business combination will no longer be included as part of the cost of the business combination, but will be expensed (unless the cost relates to issuing debt or equity securities);
- contingent considerations will be measured at fair value at the acquisition date and may only be provisionally accounted for up to 12 months after the acquisition date. Any subsequent changes in the fair value of contingent considerations does not affect the cost of the business combination or goodwill;
- in a step acquisition where control is obtained, previous ownership interests are to be remeasured at their fair value and the resulting gain/loss is recognised in the income statement/equity as applicable;
- there shall be no gain or loss from transactions affecting a parent's ownership interest in a subsidiary with all transactions required to be accounted for as equity transactions (this will not represent a change to the company's policy);
- dividends declared out of pre-acquisition profits will no longer be deducted from the cost of an investment but will be recognised as income;

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1 Statement of Significant Accounting Policies (Continued)

z New Accounting Standards for Application in Future Periods (continued)

(ii) New Accounting Standards for Application in Future Periods (continued)

- impairment of investments in subsidiaries, joint ventures and associates shall be considered when a dividend is paid by the respective investee;
- where there is, in substance, no change to group interests, parent entities inserted above existing groups shall measure the cost of their investments at the carrying amount of their share of the equity items shown in the statement of financial position of the original parent at the date of reorganisation; and
- entities now have an accounting policy choice when measuring non-controlling interests. Non-controlling interests can be measured at either the proportionate share of net assets acquired or at the fair value of the non-controlling interest.

- AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (applicable for annual reporting periods commencing from 1 July 2009).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

- AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the company.

The company does not anticipate the early adoption of any of the above reporting requirement and does not expect them to have any material effect on the company's financial statements.

The financial report was authorised for issue on 30 April 2010 by the Board of Directors.

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		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
2	PROFIT/(LOSS) BEFORE INCOME TAX				
2a	The profit/(loss) before income tax includes the following items of income and expense:				
	Interest income on bank deposits	3,253	2,203	2,362	618
	Interest income from controlled entities	-	-	1,523	11,421
	Rental income	-	3	6,486	6,178
	Gain on disposal of property, plant and equipment	7	-	-	-
	Other (including management fees)	54	15	1,853	1,650
		<u>3,314</u>	<u>2,221</u>	<u>12,224</u>	<u>19,867</u>
	Cost of Sales	101,765	78,182	-	-
	Foreign exchange gain/(loss)	8,638	(35,765)	32,417	(54,825)
	<i>Remuneration of auditors</i>				
	Audit or review of the financial report	660	90	660	90
	Taxation services	-	-	-	-
		<u>660</u>	<u>90</u>	<u>660</u>	<u>90</u>
	<i>Depreciation of property, plant and equipment:</i>				
	Depreciation of non-current assets	19,756	17,702	6,146	6,140
	Amortisation of non-current assets	2,368	15,120	-	-
		<u>22,124</u>	<u>32,822</u>	<u>6,146</u>	<u>6,140</u>
2b	<i>Significant revenues and expenses</i>				
	The following expense item is relevant in explaining the financial performance:				
	Deferred mining costs written off relating to initial longwall panels developed from 2005 now mined and completed during 2008.	-	9,428	-	-
	Plant and equipment written off	-	1,256	-	-
		<u>-</u>	<u>10,684</u>	<u>-</u>	<u>-</u>
3	CASH AND CASH EQUIVALENTS				
	Cash and cash equivalents at the end of the financial year as shown in the cash flow statement reconciled to the related items in the statement of financial position as follows:				
	Cash at bank and on hand	210,450	23,489	50,793	9,848
	Short-term deposits	16,000	17,217	11,000	5,000
		<u>226,450</u>	<u>40,706</u>	<u>61,793</u>	<u>14,848</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
4 TRADE AND OTHER RECEIVABLES					
<i>CURRENT</i>					
Trade receivables		65,573	-	-	-
Receivable from controlled entities		-	-	451	-
Other receivables		15,892	-	1,837	-
Goods and services tax (GST) recoverable		8,987	802	44	13
		<u>90,452</u>	<u>802</u>	<u>2,332</u>	<u>13</u>
5 INVENTORIES					
Stock of coal (refer to Note 1c)		53,314	13,848	-	-
Fuel - at cost		5,036	-	-	-
Consumables - at cost		3,470	3,751	-	-
		<u>61,820</u>	<u>17,599</u>	<u>-</u>	<u>-</u>
6 DERIVATIVE FINANCIAL INSTRUMENTS					
Assets					
<i>CURRENT</i>					
Forward exchange contracts - receivable		<u>6,160</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities					
<i>CURRENT</i>					
Interest rate swap contracts - payable		244	-	-	-
Forward exchange contracts - payable		3,912	6,245	-	-
		<u>4,156</u>	<u>6,245</u>	<u>-</u>	<u>-</u>
<i>NON-CURRENT</i>					
Interest rate swap contracts - payable		<u>467</u>	<u>-</u>	<u>-</u>	<u>-</u>
7 OTHER ASSETS					
<i>CURRENT</i>					
Prepayments		5,262	385	85	121
Overburden - at cost		57,212	-	-	-
		<u>62,474</u>	<u>385</u>	<u>85</u>	<u>121</u>
<i>NON-CURRENT</i>					
Advances to controlled entities		-	-	3,361,624	34,805
Advances to associated entities		10,820	-	-	-
Receivables from other entities		-	-	-	-
Exploration and evaluation assets	7a	626,464	-	-	-
Deferred mining costs		51,068	49,162	-	-
Less: Accumulated amortisation		(37,380)	(35,972)	-	-
		<u>650,972</u>	<u>13,190</u>	<u>3,361,624</u>	<u>34,805</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

7 OTHER ASSETS (CONTINUED)

- 7a** Expenditure carried forward relates to exploration expenditure by subsidiary companies in respect of each separately identifiable area of interest. The ultimate recoupment of this expenditure is dependent on the successful development and commercial exploitation, or alternatively, the sale, at a minimum value of book value, of each areas.

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

- 8a** Interests are held in the following associated companies:

Name of entity	Principal activity	Carrying amount of investment		Ownership of interest	
		2009 \$'000	2008 \$'000	2009 %	2008 %
Unlisted					
Australian Coal Processing Holdings Pty Ltd (i)	Holding Company	21	-	60	-
Ashton Coal Mines Limited (ii)	Real estate holder and sales	183	-	60	-
Australian Coal Processing Pty Ltd	Dormant	-	-	60	-
		204	-		

Each of the above associates is incorporated in Australia. The consolidated group does not hold any investments in associates.

(i) A controlled entity of White Mining Limited, White Mining (NSW) Pty Ltd (WMNSW), holds 60% of the ordinary shares of Australian Coal Processing Holdings Pty Ltd. Under the shareholders agreement between WMNSW and the other shareholders, ICRA Ashton Pty Ltd (ICRA) and Austral-Asia Coal Holdings Pty Ltd (Austral), all major financial and operating policy decisions require a vote by Directors who together represent shareholders holding 100% of the shares or a vote by shareholders who together hold 100% of the shares. Therefore decisions must be passed unanimously and WMNSW's voting power is equivalent to 33.33%.

(ii) A controlled entity of White Mining Limited, White Mining (NSW) Pty Ltd (WMNSW), holds 60% of the ordinary shares of Ashton Coal Mines Limited. Under the shareholders agreement between WMNSW and the other shareholders, ICRA Ashton Pty Ltd (ICRA) and Austral-Asia Coal Holdings Pty Ltd (Austral), all major financial and operating policy decisions require a vote by Directors who together represent shareholders holding 100% of the shares or a vote by shareholders who together hold 100% of the shares. Therefore decisions must be passed unanimously and WMNSW's voting power is equivalent to 33.33%.

YANCOAL AUSTRALIA LIMITED
(FORMERLY YANCOAL AUSTRALIA PTY LIMITED)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

		Consolidated Group	
		2009	2008
		\$'000	\$'000
8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)			
8b Movements in carrying amounts			
Carrying amount at the beginning of the financial year		-	-
New investments through acquisition of entity		204	-
Carrying amount at the end of the financial year		<u>204</u>	<u>-</u>

8c Summarised financial information of associates

Assets	39,946	-
Liabilities	(242,929)	-
Net profits	(1,697)	-

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
9 NON-CURRENT FINANCIAL ASSETS					
Bank deposit in escrow		31,319	16,716	11,943	2,244
Available-for-sale financial assets	9a	1	-	-	-
Other Investments		-	-	64,000	64,000
Shares in subsidiary (at cost)		-	-	-	-
		<u>31,320</u>	<u>16,716</u>	<u>75,943</u>	<u>66,244</u>

		Consolidated Group	
		2009	2008
		\$'000	\$'000
9a Available-for-sale financial assets comprise:			
Unlisted investments, at recoverable amount:			
— shares in other corporations		<u>1</u>	<u>-</u>

10 CONTROLLED ENTITY

Name of entity		Country of incorporation	Ownership of interest	
			2009	2008
			%	%

Parent entity

Yancoal Australia Limited (Formerly Yancoal Australia Pty Limited) (i)	Australia
--	-----------

Subsidiary

Austar Coal Mine Pty Ltd (ii)	Australia	100	100
Felix Resources Ltd (ii)	Australia	100	-
White Mining Limited (iii)	Australia	100	-
Yarrabee Coal Company Pty Ltd (iii)	Australia	100	-
Auriada Limited (iii)	Northern Ireland	100	-
Ballymoney Power Limited (iii)	Northern Ireland	100	-
Balhoil Nominees Pty Ltd (iii)	Australia	100	-
SASE Pty Ltd (iii)	Australia	90	-
Athena Coal Pty Ltd (iii)	Australia	100	-
Minerva Mining Pty Ltd (iii)	Australia	100	-

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10 CONTROLLED ENTITY (CONTINUED)

Name of entity	Country of incorporation	Ownership of interest	
		2009 %	2008 %
Felix Coal Sales Pty Ltd (iii)	Australia	100	-
Proserpina Coal Pty Ltd (iii)	Australia	100	-
Minerva Coal Pty Ltd (iii)	Australia	51	-
White Mining Services Pty Ltd (iii)	Australia	100	-
Tonford Pty Ltd (iii)	Australia	100	-
Moolarben Coal Operations Pty Ltd (iii)	Australia	100	-
Moolarben Coal Mines Pty Limited (iii)	Australia	100	-
Ashton Coal Operations Pty Limited (iii)	Australia	100	-
White Mining (NSW) Pty Limited (iii)	Australia	100	-
UCC Energy Pty Limited (iii)	Australia	100	-
Agrarian Finance Pty Limited (iii)	Australia	100	-
Advanced Clean Coal Technology Pty Limited (iii)	Australia	100	-
White Mining Research Pty Limited (iii)	Australia	100	-
Felix NSW Pty Limited (iii)	Australia	100	-
Moolarben Coal Sales Pty Ltd (iii)	Australia	100	-

- (i) Yancoal Australia Limited (Formerly Yancoal Australia Pty Limited) is the head entity within the tax-consolidated group.
- (ii) This company is a member of the tax-consolidated group.
- (iii) This company is owned by Felix as of the reporting period.

11 ACQUISITION OF A SUBSIDIARY

On 23 December 2009, the group acquired 100% of share capital of Felix Resources Ltd ('Felix') for a total consideration of \$3,332,794,000. In addition to cash consideration, the group incurred \$21,388,000 in transaction costs.

The acquisition date of Felix by the group was 23 December 2009. From 23 December 2009, because financial data of Felix did not change significantly, financial information of acquisitions on 31 December 2009 shall prevail.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair Value \$'000
Property, plant and equipment	460,983	581,888
Intangible assets	216,806	2,908,654
Deferred tax asset	19,566	106,298
Inventories	49,996	43,576
Trade and other receivables	169,349	169,349
Cash and cash equivalents	142,336	142,336
Trade and other payables	(454,124)	(454,124)
Deferred tax liability	(80,996)	(268,900)
Goodwill on acquisition		125,105
Net Assets Acquired	523,916	3,354,182

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NOTES TO THE FINANCIAL STATEMENTS
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	Acquiree's carrying amount \$'000	Fair Value \$'000
11 ACQUISITION OF A SUBSIDIARY (CONTINUED)		
Purchase consideration settled in cash		3,354,182
Other payables and accruals		(20,906)
Cash and cash equivalents in subsidiary acquired		(142,336)
Net cash outflow arising on acquisition		<u>3,190,940</u>

As above, fair value of the identifiable assets, liabilities of Felix is determined on the basis of the evaluation report issued by American Appraisal China Limited in April 2010, of which fair value of mainly long-term assets is determined on future earnings method or the replacement cost method.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
12 PROPERTY, PLANT AND EQUIPMENT				
Freehold land at cost	53,173	8,970	-	-
Buildings:				
At cost	2,282	1,862	-	-
Accumulated depreciation	(756)	(566)	-	-
	<u>1,526</u>	<u>1,296</u>	<u>-</u>	<u>-</u>
Mine Development:				
At cost	79,410	-	-	-
Accumulated depreciation	-	-	-	-
	<u>79,410</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plant and equipment including leasehold improvements				
At cost	667,221	178,187	74,751	74,690
Accumulated depreciation	(57,795)	(38,202)	(20,050)	(13,904)
	<u>609,426</u>	<u>139,985</u>	<u>54,701</u>	<u>60,786</u>
Total property, plant and equipment	<u>743,535</u>	<u>150,251</u>	<u>54,701</u>	<u>60,786</u>
13 DEFERRED TAXATION				
Assets				
NON-CURRENT				
Deferred tax assets	<u>120,222</u>	<u>14,196</u>	<u>92,336</u>	<u>14,196</u>
Liabilities				
NON-CURRENT				
Deferred tax liabilities	<u>(284,014)</u>	<u>(6,441)</u>	<u>(12,411)</u>	<u>(3,002)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
14 INTANGIBLE ASSETS				
Mining tenements (including rehabilitation)	2,266,957	18,362	-	-
Accumulated amortisation	(2,593)	(1,659)	-	-
	<u>2,264,364</u>	<u>16,703</u>	<u>-</u>	<u>-</u>
Computer software	622	-	-	-
Accumulated amortisation	-	-	-	-
	<u>622</u>	<u>-</u>	<u>-</u>	<u>-</u>
Rail access rights	6,774	-	-	-
Accumulated amortisation	-	-	-	-
	<u>6,774</u>	<u>-</u>	<u>-</u>	<u>-</u>
Patents and licenses	26,200	-	-	-
Accumulated amortisation	-	-	-	-
	<u>26,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
Goodwill	125,105	-	-	-
	<u>125,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intangible assets	<u>2,423,065</u>	<u>16,703</u>	<u>-</u>	<u>-</u>
14a The consolidated group acquired most of the intangible assets through acquisition of subsidiaries. Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income. Goodwill has an infinite life.				
15 TRADE AND OTHER PAYABLES				
<i>CURRENT</i>				
Trade payables	68,072	4,327	-	-
Other payables and accruals	138,948	9,697	2,175	640
Interest payable for bank loan	2,271	-	1,492	-
Loan from subsidiary - deferred tax asset transferred	-	-	77,828	2,494
Deferred Minerva payment	500	-	-	-
Deferred income	473	-	-	-
Amounts owed to suppliers of fixed assets				
Deferred asset purchase consideration	-	2,644	-	-
	<u>210,264</u>	<u>16,668</u>	<u>81,495</u>	<u>3,134</u>
<i>NON-CURRENT</i>				
Advanced from parent entity	35,300	45,781	35,300	45,781
Deferred Minerva payment	1,998	-	-	-
Deferred income	1,657	-	-	-
	<u>38,955</u>	<u>45,781</u>	<u>35,300</u>	<u>45,781</u>

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	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
16 INTEREST BEARING LIABILITIES				
<i>CURRENT</i>				
Secured				
Bank loans	150,000	-	-	-
Finance lease	107,186	355	-	-
	<u>257,186</u>	<u>355</u>	<u>-</u>	<u>-</u>
<i>NON-CURRENT</i>				
Unsecured - no fixed term liabilities				
Loan from parent entity	72,899	94,544	72,899	94,544
Secured				
Bank loans	3,383,417	-	3,383,417	-
Finance lease	-	352	-	-
	<u>3,456,316</u>	<u>94,896</u>	<u>3,456,316</u>	<u>94,544</u>
17 PROVISIONS				
<i>CURRENT</i>				
Employee benefits	18,142	4,602	317	397
Rehabilitation costs	566	-	-	-
	<u>18,708</u>	<u>4,602</u>	<u>317</u>	<u>397</u>
<i>NON-CURRENT</i>				
Rehabilitation costs	<u>19,995</u>	<u>12,702</u>	<u>-</u>	<u>-</u>
18 ISSUED CAPITAL				
64,000,000 fully paid ordinary shares (2008: 64,000,000)	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>	<u>64,000</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Capital management

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure that the company can fund its operations and continue as a going concern.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues, as and where applicable.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

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NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
19 COMMITMENTS AND CONTINGENT LIABILITIES				
19a Finance leasing and hire purchase				
Payable - minimum lease payments				
- not later than 12 months	137,351	355	-	-
- between 12 months and 5 years	-	402	-	-
- greater than 5 years	-	-	-	-
Minimum lease payments	137,351	757	-	-
Less future finance charges	(30,165)	(51)	-	-
Present value of minimum lease payments	107,186	707	-	-
19b Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable - minimum lease payments				
- not later than 12 months	576,594	3,366	408	171
- between 12 months and 5 years	127,252	8,646	854	592
- greater than 5 years	6,618	27,633	-	-
	710,464	39,645	1,262	763
19c Capital expenditure commitments				
Plant and equipment purchases:				
Contracted for but not provided in the accounts	115,980	1,980	-	-
Authorised but not contracted for	-	20,763	-	-
	115,980	22,743	-	-
Payable:				
- not later than 12 months	115,980	22,743	-	-
- between 12 months and 5 years	-	-	-	-
	115,980	22,743	-	-
19d Contingent liabilities	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Guarantees				
(a) Consolidated group				
Guarantees secured over deposits	700,549	-	-	-
Performance guarantees provided to external parties	32,216,154	-	-	-
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	6,743,584	-	-	-
(b) Joint ventures				
Guarantees secured over deposits	75,000	-	-	-
Performance guarantees provided to external parties	69,000	-	-	-
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	6,885,578	-	-	-
	46,689,864	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

20 ECONOMIC DEPENDENCY

Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) is dependent on its ultimate parent company Yanzhou Coal Mining Company Limited to provide support for the development and equipment purchases required to bring the Austar Coal Mine into full productions.

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
21 CASH FLOW INFORMATION				
Reconciliation of Cash Flow from Operations with profit/(loss) after income tax:				
Net profit/(loss) for the year	45,598	64,736	20,484	(36,743)
Gain on disposal of plant and equipment	(7)	-	-	-
Depreciation and amortisation of non-current assets	22,124	32,822	6,146	6,140
Deferred mining costs and plant and equipment written off	-	10,684	-	-
Foreign exchange loss/(gain)	(8,638)	35,765	(32,417)	54,825
Increase/(decrease) in deferred tax balances	8,767	17,601	23,189	14,735
Less amount transferred from subsidiary in tax consolidation group	-	-	(16,585)	(32,094)
Changes in net assets and liabilities net of effects from acquisition of business:				
(Increase)/decrease in assets:				
Trade and other receivables	(20,600)	3,519	(2,150)	13,511
Inventories	(645)	(2,242)	-	-
Other assets	(1,723)	(2)	(31)	(16)
Increase/(decrease) in liabilities:				
Trade and other payables	(6,318)	(14,434)	1,312	(11,202)
Provisions	1,507	2,436	(80)	214
Net cash provided by operations	<u>40,065</u>	<u>150,885</u>	<u>(132)</u>	<u>9,370</u>

22 PARENT ENTITY

The parent entity and ultimate parent entity is Yanzhou Coal Mining Company Limited which is incorporated in the People's Republic of China.

23 EVENTS AFTER BALANCE SHEET DATE

On the 20 January 2010 the Company changed its company status from "Proprietary Limited" to "Limited".

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs in future financial years, except that the price of coal continues to be subject to market volatility as a consequence of the economic climate.

24 COMPANY DETAILS

Yancoal Australia Pty Limited (Formerly Yancoal Australia Pty Limited) is a limited company, incorporated and operating in NSW Australia.

Registered Office

Yancoal Australia Limited (Formerly Yancoal Australia Pty Limited)
Suite 1105, Level 11,
68 York Street
Sydney, NSW 2000

Principal

Yancoal Australia Limited (Formerly Yancoal Australia Pty Limited)
Suite 1105, Level 11,
68 York Street
Sydney, NSW 2000

YANCOAL AUSTRALIA LIMITED
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DIRECTORS' DECLARATION

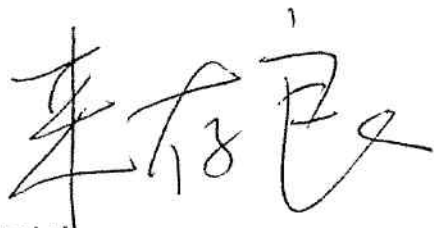
Directors' declaration

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the Company declare that:

- 1 The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2009 and of the performance for the year ended on that date of the Company and consolidated entity in accordance with the accounting policies described in Note 1 to the financial statements.
- 2 In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to be 'Cunliang Lai', written in a stylized cursive script.

Cunliang Lai
Executive Director

Sydney, NSW
30 April 2010



ShineWing McBain
Audit Services
Certified Practising
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Independent Auditor's Report to the Member of Yancoal Australia Limited

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) (the company) and Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) and Controlled Entities (the consolidated group), which comprises the Statement of Financial Position as at 31 December 2009, and the Statement of Comprehensive Income, Statement of changes in Equity and Statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the member. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgment, 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 control relevant to the entity's preparation and fair presentation of the financial report 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.

Independent Auditor's Report to the Member of Yancoal Australia Limited

The financial report has been prepared for distribution to the member for the purpose of fulfilling the Directors' financial reporting under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the member, or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

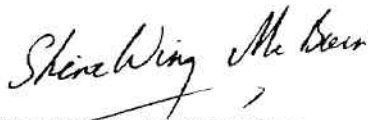
Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) would be in the same terms if provided to the Directors as at the date of this auditor's report.

Auditor's opinion

In our opinion the financial report of Yancoal Australia Limited (formerly Yancoal Australia Pty Limited) and Controlled Entities is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- b. complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.



ShineWing McBain Audit Services



Ken Glynn
Partner
Chartered Accountants

Melbourne, VIC
30 April 2010