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Yancoal Australia Ltd

ABN 82 111 859 119

Interim financial report for the half-year ended 30 June 2012

Yancoal Australia Ltd
Half-year financial report
For the half-year ended 30 June 2012

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Appendix 4D

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1. Results for Announcement to the Market

	30 June 2012 $'000	30 June 2011 $'000	% Change
Revenue from ordinary activities	**601,164**	742,560	-19.0%
Profit before income tax (before non-recurring items)	**49,001**	361,472	-86.4%
Profit before income tax (after non-recurring items)	**222,581**	361,472	-38.4%
Profit / (loss) from ordinary activities after tax attributable to members (before non-recurring items)	**42,319**	253,596	-83.3%
Net profit / (loss) for the period attributable to members (after non-recurring items)	**415,666**	250,788	65.7%

2. Earnings per share

	30 June 2012 $	30 June 2011 $	% Change
Earnings per share (before non-recurring items)*	**0.05**	0.33	-84.8%
Earnings per share (after non-recurring items)*	**0.53**	0.33	60.6%

* Earnings per share is based on the profit after tax from continuing operations.

3. Net tangible assets per security

	30 June 2012 $	31 December 2011 $	% Change
Net tangible assets per share	**0.81**	12.58	-93.6%

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

a. Acquisitions

The following entities were acquired as part of the merger with Gloucester Coal Limited.

	Date	Profit / (loss) contribution $'000
Gloucester Coal Ltd	27 June 2012	Not material
Westralian Prospectors NL	27 June 2012	Not material
Eucla Mining NL	27 June 2012	Not material
CIM Duralie Pty Limited	27 June 2012	Not material
Duralie Coal Marketing Pty Ltd	27 June 2012	Not material
Duralie Coal Pty Ltd	27 June 2012	Not material
Gloucester (SPV) Pty Ltd	27 June 2012	Not material
Gloucester (Sub Holdings 1) Pty Limited	27 June 2012	Not material
Gloucester (Sub Holdings 2) Pty Limited	27 June 2012	Not material
CIM Mining Pty Ltd	27 June 2012	Not material
Donaldson Coal Holdings Limited	27 June 2012	Not material
Monash Coal Holdings Pty Limited	27 June 2012	Not material
CIM Stratford Pty Ltd	27 June 2012	Not material

	Date	Profit / (loss) contribution $'000
CIM Services Pty Ltd	27 June 2012	Not material
Donaldson Coal Pty Ltd	27 June 2012	Not material
Donaldson Coal Finance Pty Ltd	27 June 2012	Not material
Monash Coal Pty Ltd	27 June 2012	Not material
Monash Coal Unit Trust	27 June 2012	Not material
Stratford Coal Pty Ltd	27 June 2012	Not material
Stratford Coal Marketing Pty Ltd	27 June 2012	Not material
Abakk Pty Ltd	27 June 2012	Not material
Newcastle Coal Company Pty Ltd	27 June 2012	Not material
Primecoal International Pty Ltd	27 June 2012	Not material
Paway Limited	27 June 2012	Not material

b. Disposals

The following entities were transferred out from Yancoal Australia Ltd to wholly owned entities of Yanzhou Coal Mining Company Limited (parent entity of Yancoal Australia Ltd) as part of the merger proposal deed dated 22 December 2011 between Yancoal Australia Ltd and Gloucester Coal Limited.

	Date	Profit / (loss) contribution $'000
Yancoal Technology Development Pty Ltd	22 June 2012	Not material
Athena Coal Mines Pty Ltd	22 June 2012	Not material
Premier Coal Limited	22 June 2012	5,833
Premier Char Ltd	22 June 2012	Not material
Syntech Holdings Pty Ltd	22 June 2012	Not material
Syntech Holdings II Pty Ltd	22 June 2012	Not material
AMH (Chinchilla Coal) Pty Ltd	22 June 2012	Not material
Syntech Resources Pty Ltd	22 June 2012	(5,059)
Mountfield Properties Pty Ltd	22 June 2012	Not material
Tonford Pty Ltd	22 June 2012	Not material
UCC Energy Pty Ltd	22 June 2012	Not material

5. Dividends

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

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6. Details of associates and joint venture entities

	30 June 2012		30 June 2011	
	Holdings %	**Profit / (loss) contribution $'000**	Holdings %	Profit / (loss) contribution $'000
Joint venture entities				
Ashton Joint Venture (unincorporated)	**90**	**(7,699)**	90	10,693
Moolarben Joint Venture (unincorporated)	**80**	**48,331**	80	48,876
Boonal Joint Venture (unincorporated)	**50**	**Not material**	50	Not material
Athena Joint Venture (unincorporated)	**-**	**Not material**	51	Not material
Middlemount Coal Pty Ltd Joint Venture	**49.9997**	**Not material**	-	Nil
Ribfield Pty Ltd	**49.9997**	**Not material**	-	Nil
Middlemount Mine Management Pty Ltd	**49.9997**	**Not material**	-	Nil
Associate entities				
Ashton Coal Mines Ltd	**90**	**Nil**	90	Nil
Australian Coal Processing Holdings Pty Ltd	**90**	**Nil**	90	Nil
Australian Coal Processing Pty Ltd	**90**	**Nil**	90	Nil
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	15.4	Nil

All other information can be obtained from the attached financial statements, accompanying notes and Director's report.

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Directors' report

Your directors present their report on the consolidated entity ("the Group") consisting of Yancoal Australia Ltd ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2012.

Directors

The following persons were directors of Yancoal Australia Ltd at any time during the half-year ended 30 June 2012 up to the date of this report:

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

Secretaries

The names of the Secretaries in office at any time during the half-year ended 30 June 2012 and up to the date of this report are:

Ms Ling Zhang
Mr Boyun Xu (Resigned 26 June 2012)

Review of operations

Financial Performance

The operating profit after income tax amounted to $415,666,000 (2011: $250,788,000) after adding an income tax benefit of $184,726,000 (2011: expense $107,146,000).

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

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

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

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

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Review of operations (continued)
Mining Operations

During the first half of 2012, Yancoal operated six mines within Australia, Ashton, Austar and Moolarben in New South Wales and Yarrabee in Queensland; together with Cameby Downs in Queensland and Premier Coal in Western Australia.

On 22 June 2012, the Cameby Downs and Premier Coal mines were disposed of but remained 100% owned by Yanzhou Coal Mining Company Ltd Group in China. Although managed by Yancoal on behalf of Yanzhou, the output from these two mines has been treated as discontinued operations in this half-year report. Additionally, the output from the Gloucester mines has not been included in this half-year report.

Total ROM and saleable coal produced by the four mines during the first half was 6.64Mt and 4.77Mt respectively on a 100% basis. The equity share of production from the mines was 5.80Mt and 4.21Mt respectively.

- Ashton (Yancoal 90%): All production during the period was sourced from the underground mine. Coal production was restricted by the delay in the Bowmans Creek diversions which are required to fully mine the Pikes Gully seam under the current water course. In addition, the longwall completed mining available areas in the Pikes Gully seam and was moved down into the Upper Liddell seam late in the period. Saleable coal output from the mine was 0.40Mt (equity basis) for the half year.

  Ashton successfully appealed the original decision by the Planning Assessment Commission ("PAC") made in December 2011 to decline the development application for the SEOC. The PAC will reconsider its original decision and has asked for further information to be provided by the mine to assist in its decision making process. A ruling is expected during the third quarter of the year.

- Austar: The longwall was moved into the final panel of the Stage 2 area during the half-year and saleable coal production was 0.62Mt.

  Development continued in the Stage 3 area during the half-year with substantial progress made on the new ventilation shafts, the underground bin drift and the mains development. Longwall production from the area is expected to commence during 2013.

- Moolarben (Yancoal 80%): The mine continued to operate at its approved annualised rate of 7.0Mtpa during the half year and produced 3.04Mt ROM coal and 2.06Mt saleable coal on an equity basis. Minor operating time was lost due to wet weather in the half year.

  There was significant progress on the Definitive Feasibility Study ("DFS") for the Stage 2 expansion project which is designed to lift open cut output from the current level of 7.0Mtpa to 13Mtpa. The DFS is due to be completed during the third quarter of the year. A public consultation process was conducted during the first quarter with the mine subsequently responding to a number of submissions.

- Yarrabee: Production at Yarrabee during the half-year was impacted by a prolonged period of rainfall events. While total rainfall over the period was largely in line with annual averages the events occurred at regular intervals during the period under review and caused a number of stoppages as the ground was not able to dry. Overburden removal and coal mining was lower than expected and ROM coal output was 1.26Mt. Saleable coal production reached 1.13Mt.

Following the deterioration of all coal markets and falling coal prices in recent months each mine is now focussed on reducing its costs to maintain their position in the current market environment.

Yancoal is responding to the downturn by reviewing each of its assets with a target of reducing operating costs and reining in non-essential capital expenditure. As part of the process, expansion plans at each of the mines will also be reviewed in the next quarter with the results to be released when the work is completed.

Review of operations (continued)

Infrastructure

Yancoal is a 5.6% shareholder in Stage 1 of the Wiggins Island Coal Export Terminal (WICET) at Gladstone in Queensland and a 27.0% shareholder in the NCIG terminal in Newcastle, New South Wales, following the completion of the merger with Gloucester Coal. These infrastructure assets are one of the key elements required for Yancoal being able to grow production across its portfolio of mines. The interest in WICET entitles Yancoal to 1.5Mtpa allocation at the terminal. This allocation will enable the Yarrabee Mine to expand to an output of 3.2Mtpa which is timed to match the completion of construction activities at the facility. The current schedule is for an October 2014 completion date.

Yancoal's 27.0% equity stake in NCIG will entitle the company to about 14.5Mtpa capacity out of a total capacity of 66Mtpa at the port when the final stage 2F is completed in mid-2013. The second stage 2AA of the port which increases port capacity to 53Mtpa is currently in the commissioning phase and due for completion in the next few weeks.

Marketing

Coal sales from the four mines owned by Yancoal during the half year amounted to 5.0Mt (100% basis) and 4.44Mt on an equity basis. The sales comprised both metallurgical and thermal coal with production from Moolarben being sold into the thermal coal market and output from Ashton and Yarrabee mines sold to steel makers in the metallurgical coal market. Output from Austar was sold to steel makers and into the thermal market priced on an energy adjusted basis. Despite the recent downturn in all coal prices, Yancoal managed to sell all of its output during the half year.

Outlook

The coal market outlook is subdued with prices of both metallurgical and thermal coals declining during the half-year under review. As indicated in the June quarter production report, Yancoal does not see any signs of improvement in coal markets in the next few months. All coal producers around the world that sell into the global export markets are under pressure in the current environment. While there have been modest cutbacks in production in some countries, more will be required in the coming months to balance the market.

Several reasons have been provided by industry experts and analysts for the current market environment. These include slowing economic activity in a number of countries, a cooler than usual summer in the northern hemisphere and switching to cheap gas fired power generation in the United States. All of these events are likely to unwind in time and combined with more production cuts are likely to bring the coal markets back to balance.

Minerals Resource Rent Tax

Legislation governing the minerals resource rent tax ("MRRT") has been passed through both houses of the Australian Parliament and received Royal Assent on 29 March 2012. The MRRT is a tax on 30% of the 'super profits' from the mining of iron ore and coal in Australia. Effective from 1 July 2012 the MRRT may increase the tax burden on these mines and hence the Group. At the date of this financial report, this legislation was considered to be enacted and the resulting deferred taxation has been accounted for.

Deductible expenditure will include a starting base allowance to be based on the value of the mining assets as at 1 May 2010 plus capital expenditure to 30 June 2012, depreciated over the life of the mines. Projects will also be eligible for the 25% extraction allowance which reduces the effective statutory tax rate to 22.5% of the 'super profits'. State royalties will be creditable for MRRT purposes, and MRRT payments will be deductible from company income tax purposes.

Clean Energy Legislation

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

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

Dividends - Yancoal Australia Ltd

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

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Matters subsequent to the end of the financial half-year

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

(i) On 8 August 2012, the syndicated loan facilities from the Bank of China and China Construction Bank were varied to extend the maturity dates from 2012, 2013, and 2014 by 5 years to 2017, 2018, and 2019, effectively moving $897,512,680 to non-current liabilities.

(ii) Yancoal International Resources Development Co. Limited, a wholly owned subsidiary of Yanzhou Coal Mining Company Limited has agreed to provide loan funding of at least US$720,000,000 for a period of no less than 5 years at a market competitive interest rate with no financial covenants attached, to enable Yancoal Australia Ltd to fund its net current liabilities position at 30 June 2012.

(iii) On 7 August 2012, the Group was advised by AusIndustry that the Board did not accept AusIndustry's recommendation in relation to an R&D claim dating from 2009. The Group is yet to receive written notification from AusIndustry of the details of the Board decision. The total amount of the claim is approximately $19,300,000.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts

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

This report is made in accordance with a resolution of directors.

Mr Cunliang Lai
Director

Sydney
17 August 2012

信永中和 ShineWing

ShineWing
Hall Chadwick

Corporate Advisors &
Certified Practising Accountants
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The Board of Directors
Yancoal Australia Ltd
Suite 1105
Level 11
68 York Street
SYDNEY NSW 2000

17 August 2012

Dear Board Members,

YANCOAL AUSTRALIA LTD

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

As lead audit partner for the review of the financial statements of Yancoal Australia Ltd for the half year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

ShineWing Hall Chadwick

K Glynn
Partner

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Standards Legislation

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Consolidated statement of comprehensive income
For the half-year ended 30 June 2012

	Notes	**30 June 2012 $'000**	30 June 2011 $'000
Revenue	4	**601,164**	742,560
Other income	5	**234,672**	154,007
Changes in inventories of finished goods and work in progress		**(41,983)**	(40,995)
Raw materials and consumables used		**(86,698)**	(85,673)
Employee benefits expense		**(96,378)**	(77,260)
Depreciation and amortisation expense		**(66,297)**	(59,897)
Transportation expense		**(78,722)**	(79,762)
Contractual services and plant hire expense		**(115,733)**	(81,480)
Government royalties expense		**(42,137)**	(52,229)
Changes in overburden in advance		**5,567**	4,881
Transaction costs		**(44,503)**	-
Other operating expenses		**(27,348)**	(26,715)
Finance costs		**(19,023)**	(35,965)
Profit before income tax		**222,581**	361,472
Income tax benefit / (expense)	8	**191,734**	(107,876)
Profit from continuing operations		**414,315**	253,596
Profit / (loss) from discontinued operations	7	**1,351**	(2,808)
Profit for the half-year	6	**415,666**	250,788
Other comprehensive income			
Cash flow hedges:	36(a)		
Fair value gains taken to equity		**25,039**	55,211
Fair value gains transferred to profit or loss		**(24,319)**	(28,254)
Deferred income tax expense		**(216)**	(8,087)
Other comprehensive income for the half-year, net of tax		**504**	18,870
Total comprehensive income for the half-year		**416,170**	269,658
Total comprehensive income for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**414,819**	272,466
Discontinued operations		**1,351**	(2,808)
		416,170	269,658
		$	$
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
Basic earnings per share	43	**0.53**	0.33
Diluted earnings per share	43	**0.53**	0.33

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

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	Notes	**30 June 2012 $'000**	31 December 2011 $'000	1 January 2011 $'000
ASSETS				
Current assets				
Cash and cash equivalents	9	**343,926**	290,974	196,539
Trade and other receivables	10	**329,086**	314,955	314,261
Royalty receivable	11	**16,500**	-	-
Inventories	12	**122,383**	137,276	121,396
Derivative financial instruments	13	**21,650**	16,368	35,669
Current tax receivables		**-**	-	23,494
Other assets	14	**58,295**	64,967	25,787
Total current assets		**891,840**	824,540	717,146
Non-current assets				
Trade and other receivables	15	**76,660**	77,834	17,200
Royalty receivable	16	**175,400**	-	-
Investments accounted for using the equity method	17	**3,035**	3,035	112
Other financial assets	18	**16,833**	24,983	-
Property, plant and equipment	19	**1,867,932**	1,400,451	868,733
Mining tenements	20	**3,208,682**	2,325,050	2,163,852
Deferred tax assets	21	**532,400**	59,432	79,608
Intangible assets	22	**102,190**	132,454	126,186
Exploration and evaluation	23	**936,857**	661,730	579,030
Other non-current assets	24	**17,312**	-	-
Total non-current assets		**6,937,301**	4,684,969	3,834,721
Total assets		**7,829,141**	5,509,509	4,551,867
LIABILITIES				
Current liabilities				
Trade and other payables	25	**330,672**	206,485	110,595
Interest bearing liabilities	26	**1,128,223**	999,409	154,513
Derivative financial instruments	13	**10,882**	6,627	2,204
Current tax liabilities	27	**13,218**	9,283	-
Provisions	28	**39,007**	872	479
Promissory note payable	29	**586,190**	-	-
Total current liabilities		**2,108,192**	1,222,676	267,791
Non-current liabilities				
Trade and other payables	30	**5,673**	1,273	3,119
Interest bearing liabilities	31	**2,380,221**	1,993,895	3,309,363
Derivative financial instruments		**-**	-	109
Contingent value right shares	32	**206,843**	-	-
Deferred tax liabilities	33	**1,086,565**	471,015	380,116
Provisions	34	**201,882**	58,146	22,728
Total non-current liabilities		**3,881,184**	2,524,329	3,715,435
Total liabilities		**5,989,376**	3,747,005	3,983,226
Net assets		**1,839,765**	1,762,504	568,641
EQUITY				
Contributed equity	35	**656,701**	973,000	64,000
Reserves	36(a)	**6,790**	6,286	22,938
Retained earnings	36(b)	**1,176,274**	783,218	481,703
Capital and reserves attributable to owners of Yancoal Australia Ltd		**1,839,765**	1,762,504	568,641
Total equity		**1,839,765**	1,762,504	568,641

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

	Notes	Attributable to owners of Yancoal Australia Ltd			
		Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2011		**64,000**	**22,938**	**481,703**	**568,641**
Profit for the half-year		-	-	250,788	250,788
Other comprehensive income		-	18,870	-	18,870
Total comprehensive income for the half-year		**-**	**18,870**	**250,788**	**269,658**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	35	909,000	-	-	909,000
Balance at 30 June 2011		**973,000**	**41,808**	**732,491**	**1,747,299**
Balance at 1 January 2012		**973,000**	**6,286**	**783,218**	**1,762,504**
Profit for the half-year		-	-	415,666	415,666
Other comprehensive income		-	504	-	504
Total comprehensive income for the half-year		**-**	**504**	**415,666**	**416,170**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	35	336,841	-	-	336,841
Capital reduction	35	(653,140)	-	-	(653,140)
Deemed distribution to owners - loss on sale of excluded assets (note 7)		-	-	(22,610)	(22,610)
		(316,299)	-	(22,610)	(338,909)
Balance at 30 June 2012		**656,701**	**6,790**	**1,176,274**	**1,839,765**

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

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	Notes	30 June 2012 $'000	30 June 2011 $'000
Cash flows from operating activities			
Receipts from customers		**818,198**	743,342
Payments to suppliers and employees		**(640,332)**	(451,629)
GST refund received		**34,580**	21,134
Interest received		**12,912**	13,183
Interest paid		**(18,777)**	(37,348)
Income taxes (paid) / received		**(16,922)**	14,679
Transaction costs relating to acquisition of subsidiaries		**(3,462)**	-
Net cash inflow from operating activities	42	**186,197**	303,361
Cash flows from investing activities			
Payments for property, plant and equipment	19	**(92,950)**	(62,384)
Payments for intangible assets	22	**(21)**	(537)
Payments for mining tenements	20	**(51)**	-
Proceeds from sale of property, plant and equipment		**62**	81
Purchase of additional interest in joint venture		**-**	(221,225)
Purchase of additional investment in associates		**-**	(2,923)
Net cash received from acquisition of subsidiaries	38	**44,127**	-
Net cash received from acquisition purchase price adjustment		**1,502**	-
Payments for exploration and evaluation activities		**(10,505)**	(3,023)
Net cash transferred with disposal of subsidiaries		**(96,840)**	-
Advances to other entities		**(663)**	(16,842)
Proceeds from sale of available-for-sale financial assets		**15,371**	-
Advances to associated entities		**-**	(2,125)
Repayment of advances to associated entities		**2,810**	-
Advances to controlled entities prior to acquisition		**(113,000)**	-
Payment of deferred purchase consideration		**-**	(250)
Cash transferred to restricted account		**2,119**	197,646
Net cash outflow from investing activities		**(248,039)**	(111,582)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	35(b)	**-**	909,000
Proceeds of borrowings		**115,143**	6,000
Repayment of borrowings		**-**	(290,000)
Repayment of advances from related entities		**-**	(59,987)
Payment of finance lease liabilities		**-**	(122,938)
Net cash inflow from financing activities		**115,143**	442,075
Net increase in cash and cash equivalents		**53,301**	633,854
Cash and cash equivalents at the beginning of the half-year		**290,974**	196,539
Effects of exchange rate changes on cash and cash equivalents		**(349)**	(11,984)
Cash and cash equivalents at end of the half-year	9	**343,926**	818,409

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

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1 Summary of significant accounting policies

Yancoal Australia Ltd (the "Company" or "Parent entity") is a company domiciled in Australia and is listed on the Australian Stock Exchange from 28 June 2012.

The consolidated interim financial report for the half-year ended 30 June 2012 comprises the Company and its subsidiaries and the Group's interest in jointly controlled entities (together referred to as the "Group" or the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at 31 December 2011 is available upon request from the Company's registered office at Level 11, 68 York Street, Sydney, NSW 2000 or at www.yancoal.com.au.

(a) Basis of preparation

The consolidated interim financial report for the half-year ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 *Interim Financial Reporting*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the special purpose financial report for the year ended 31 December 2011 and any public announcements made by Yancoal Australia Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

This financial report was authorised for issue by the Board of Directors on 17 August 2012.

The accounting policies adopted are consistent with those of the previous financial year.

These consolidated interim financial statements are presented in Australian dollars, which is the Company's functional currency.

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

No new Australian Accounting Standards that have been issued but are not yet effective have been applied in the preparation of these financial statements. Such standards are not expected to have a material impact on the consolidated entity's financial statements on initial application, other than those disclosed in note 1(ac).

(i) Compliance with IFRS

The consolidated interim financial statements of the Group also comply with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board (IASB).

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

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

The most recent financial report for the year ended 31 December 2011 were special purpose financial statements and were prepared in accordance with the recognition and measurement principles of AAS. However the level of disclosures were not aligned with those required for general purpose financial statements under AAS only.

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

Comparatives have been included for additional disclosures for the half-year report.

(iii) Historical cost convention

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

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1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated interim financial statements incorporate the assets and liabilities of all subsidiaries of Yancoal Australia Ltd as at 30 June 2012 and the results of all subsidiaries for the period then ended.

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

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

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

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost (refer to note 17).

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

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

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

(iii) Joint ventures

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

Jointly controlled operations

The following is recognised in respect of jointly controlled operations:

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

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1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

Jointly controlled entities

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

(iv) Changes in ownership interests

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

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

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

(c) Segment reporting

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

(d) Foreign currency transactions and balances

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(e) Revenue

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

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

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1 Summary of significant accounting policies (continued)

(e) Revenue (continued)

(i) Sale of goods

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

(ii) Royalties

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

(iii) Dividends

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

(iv) Interest

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

(v) Finance leases

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

(vi) Rental income

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

(vii) Services

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

(f) Government grants

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

(g) Income tax

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

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

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

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1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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

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

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

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

(i) Investment allowances

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

(ii) Tax consolidation legislation

Yancoal Australia Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation regime. The Company is responsible for recognising the current tax assets and liabilities for the tax consolidated group. Each entity in the tax consolidated group recognises its own deferred tax assets and liabilities, except where the deferred tax assets relate to unused tax losses and credits, in which case the Company recognises the assets. The tax consolidated group has entered into a tax sharing agreement whereby each company in the tax consolidated group contributes to the income tax payable in proportion to their contribution to the profit before tax of the tax consolidated group. The tax consolidated group has also entered into a tax funding agreement whereby each entity in the tax consolidated group can recognise their share of the balance of the current tax assets and liabilities through inter-entity accounts.

(h) Leases

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

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

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

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

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1 Summary of significant accounting policies (continued)

(i) Business combinations

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

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

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

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

(j) Impairment of assets

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

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

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

(k) Cash and cash equivalents

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

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

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

(l) Inventories

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

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

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1 Summary of significant accounting policies (continued)

(m) Non-current assets (or disposal groups) held for sale and discontinued operations

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

(n) Deferred Mining cost

Open cut

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

Underground

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

(o) Investments and other financial assets

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

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1 Summary of significant accounting policies (continued)

(o) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets

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

Recognition and measurement

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

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

Subsequent measurement

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

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

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

Impairment

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

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

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

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1 Summary of significant accounting policies (continued)

(p) Financial liabilities and equity

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

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

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

(q) Derivatives and hedging activities

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

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

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

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(r) Property, plant and equipment

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

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1 Summary of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

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

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

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

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

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

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

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

Depreciation and amortisation

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

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

Assets for which their useful life is linked to passage of time are depreciated on a straight-line basis including mine development assets which relate to rehabilitation and restoration assets.

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

The estimated useful lives are as follows:

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

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

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

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1 Summary of significant accounting policies (continued)

(s) Mining tenements

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

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

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

(t) Intangible assets

(i) Goodwill

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

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

(ii) Computer software

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

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

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products 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. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

(iv) Access rights and other licences

Access rights and other licences have a finite useful life and are carried at cost less, where applicable, any accumulated amortisation and accumulated impairment losses. Access rights or other licences 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.

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1 Summary of significant accounting policies (continued)

(t) Intangible assets (continued)

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

(v) Patents

Patents represent the cost to acquire rights relating to new or improved products for clean coal technology. Amortisation is calculated using the straight-line method to allocate the cost of the patents over their estimated useful lives and is calculated from the day the asset is available for use. Patents are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

(u) Exploration and evaluation expenditure

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

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

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

A regular review is undertaken 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.

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

(v) Borrowing costs

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

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

(w) Provisions

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

Rehabilitation costs

Provision is made for the Group's estimated liability arising under specific legislative requirements and the conditions of its exploration permits and mining leases for future costs expected to be incurred in restoring mining areas of interest. The estimated liability is based on the restoration work required using existing technology as a result of activities to date. The liability includes the cost of reclamation of the site, including infrastructure removal and land fill costs. An asset is created as part of the mine development asset, to the extent that the development relates to future production activities, which is offset by a current and non-current provision for rehabilitation (refer to note 1(r)).

Take or pay contracts

Take or pay provisions are recognised at the time the Group determines that the minimum contracted tonnage exceeds forecast usage. The provision is based on the preset obligation of the contract.

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1 Summary of significant accounting policies (continued)

(w) Provisions (continued)

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

The increase in the provision due to the passage of time is recognised as a finance cost.

Customer contracts

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

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

The increase in the provision due to the passage of time is recognised as a finance cost.

(x) Employee benefits

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

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

(ii) Long service leave

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

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

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

(iii) Superannuation

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

(y) Goods and Services Tax (GST)

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

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

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

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1 Summary of significant accounting policies (continued)

(z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

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

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

(aa) Critical accounting estimates and judgements

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

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

(i) Determination of coal resources and reserves

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

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

(ii) Deferred mining

Open cut

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

Underground

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

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1 Summary of significant accounting policies (continued)

(aa) Critical accounting estimates and judgements (continued)

(iii) Exploration and evaluation expenditure

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

(iv) Impairment

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

(v) Rehabilitation

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

(vi) Take or pay contracts

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

(vii) Customer contracts

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

(viii) Derivatives

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

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

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

(ix) Income taxes

The Group 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 Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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1 Summary of significant accounting policies (continued)

(aa) Critical accounting estimates and judgements (continued)

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

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

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

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

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

(xi) Gloucester Coal Ltd merger

The merger with Gloucester Coal Ltd ("Gloucester") was accounted for using the purchase method of accounting. All the separately identifiable assets and liabilities of Gloucester were initially recognised by the Group at their fair value on the date of the merger. This involved additional critical accounting assumptions, judgments and estimates that may have a material impact on the Group's financial statements. The assets and liabilities recognised by the Group following the merger with Gloucester are set out in note 38.

Tax consolidation

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

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

(ab) Going concern

As at 30 June 2012, the consolidated balance sheet discloses net current liabilities of $1,216,352,000 (31 December 2011: liabilities $398,136,000). This is mainly due to the maturing of interest bearing liabilities to the amount of $1,128,223,000 and the promissory note for the Gloucester capital return of $586,190,000. The Group reported an after tax profit of $415,666,000 for the half-year.

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

(i) On 8 August 2012, the syndicated loan facilities from the Bank of China and China Construction Bank were varied to extend the maturity dates from 2012, 2013, and 2014 by 5 years to 2017, 2018, and 2019, effectively moving $897,512,680 to non-current liabilities.

(ii) Yancoal International Resources Development Co. Limited, a wholly owned subsidiary of Yanzhou Coal Mining Company Limited has agreed to provide loan funding of at least US$720,000,000 for a period of no less than 5 years at a market competitive interest rate with no financial covenants attached, to enable Yancoal Australia Ltd to fund its net current liabilities position at 30 June 2012.

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1 Summary of significant accounting policies (continued)

(ab) Going concern (continued)

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

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

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

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting period and have not yet been applied in the consolidated interim financial statements. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt instruments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Group recognised $nil of such gains in other comprehensive income.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation - Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The Group has not yet determined the potential effect of the standard on the Group's financial results, however the change may be accounted for using equity accounting instead of the proportional consolidation method that is currently applied.

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1 Summary of significant accounting policies (continued)

(ac) New accounting standards and interpretations (continued)

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the half-year reporting period ending 30 June 2013.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the half-year reporting period ending 30 June 2013.

(iv) AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20* (effective 1 January 2013)

Interpretation 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the ore body) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body. This is different to the Group's current accounting policy which is to capitalise stripping costs based on a general waste-to-ore stripping ratio and amortise the costs over the life of the mine. The interpretation must be applied retrospectively and the Group will have to write off existing stripping cost asset balances to retained earnings on the date of transition, unless they relate to an identifiable component of the ore body. Management estimates that the total amount capitalised as at 30 June 2012 may need to be written off, reducing total assets and retained earnings by the same amount.

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2 Financial risk management

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

The Group holds the following financial instruments:

(i) cash and cash equivalents;

(ii) trade and other receivables;

(iii) payables;

(iv) interest bearing liabilities, including bank loans and finance leases;

(v) available for sale investments; and

(vi) derivatives (including contingent value right shares).

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

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

(a) Market risk

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

(i) Foreign exchange risk

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

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

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

During the period, the realised gain arising from foreign exchange hedging activities for the Group was $25,039,000 (2011: gain of $55,211,000) as a result of the Australian dollar appreciating above the average hedged price. Of this amount, a realised gain of $24,319,000 (2011: $28,254,000) represents the effective portion of the hedges which has been recognised in the relevant expenditure category which the contract was hedging or capitalised to a project. A realised gain of $720,000 (2011: $26,957,000) represents the ineffective portion of hedges and non-designated derivatives, which has been recognised as income.

2 Financial risk management (continued)

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

	30 June 2012				31 December 2011		
	USD $'000	**GBP $'000**	**RMB $'000**	**EUR $'000**	USD $'000	GBP $'000	RMB $'000
Cash and cash equivalents	**37,818**	**1**	**49**	**-**	24,723	1	497
Trade and other receivables	**156,064**	**-**	**-**	**-**	203,020	-	-
Available-for-sale financial assets	**16,976**	**-**	**-**	**-**	25,108	-	-
Trade and other payables	**(65,323)**	**-**	**-**	**-**	(70,916)	-	-
Interest bearing liabilities	**(3,114,201)**	**-**	**-**	**-**	(2,993,304)	-	-
Derivative financial instruments	**831,541**	**-**	**-**	**(8,732)**	917,730	-	-
Net exposure	**(2,137,125)**	**1**	**49**	**(8,732)**	(1,893,639)	1	497

Sensitivity

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to a reasonable possible change in the USD. The Group's exposure to other foreign exchange movements is not material. A 10% appreciation / depreciation of the AUD against the USD would have increased / (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

		USD -10%		**USD +10%**	
2012	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Cash and cash equivalents	343,926	4,202	-	(3,438)	-
Trade and other receivables	405,746	17,340	-	(14,188)	-
Available-for-sale financial assets	16,833	1,886	-	(1,543)	-
Derivative financial instruments	21,650	-	109,703	-	(102,395)
Total increase / (decrease) in financial assets		23,428	109,703	(19,169)	(102,395)
Trade and other payables	(336,344)	(7,258)	-	5,938	-
Interest bearing liabilities	(3,508,444)	(346,022)	-	283,109	-
Derivative financial instruments	(10,882)	-	(3,795)	-	2,755
Total increase / (decrease) in financial liabilities		(353,280)	(3,795)	289,047	2,755
Total increase / (decrease)		(329,852)	105,908	269,878	(99,640)

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2 Financial risk management (continued)

2011	Carrying amount $'000	USD -10% Profit $'000	USD -10% Equity $'000	USD +10% Profit $'000	USD +10% Equity $'000
Cash and cash equivalents	290,974	2,747	-	(2,248)	-
Trade and other receivables	392,789	22,578	-	(18,456)	-
Available-for-sale financial assets	24,983	2,790	-	(2,283)	-
Derivative financial instruments	16,368	-	66,694	-	(63,117)
Total increase / (decrease) in financial assets		28,115	66,694	(22,987)	(63,117)
Trade and other payables	(207,758)	(7,880)	-	6,447	-
Interest bearing liabilities	(2,993,304)	(332,589)	-	272,119	-
Derivative financial instruments	(6,627)	-	(503)	-	471
Total increase / (decrease) in financial liabilities		(340,469)	(503)	278,566	471
Total increase / (decrease)		(312,354)	66,191	255,579	(62,646)

(ii) Price risk

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

Yancoal are economically exposed to price risk on the contingent value right shares liability but not cash flow risk as the parent company, Yanzhou Coal Mining Company Limited, will provide cash or a transfer of Yancoal ordinary shares held by Yanzhou to settle the liability (note 38).

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

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

Sensitivity

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

2012	**Carrying amount $'000**	**-10% Profit $'000**	**-10% Equity $'000**	**+10% Profit $'000**	**+10% Equity $'000**
Contingent value right shares (note 32)	206,843	(20,684)	-	20,684	-
		(20,684)	-	20,684	-
2011					
Contingent value right shares (note 32)	-	-	-	-	-
		-	-	-	-

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2 Financial risk management (continued)

(iii) Cash flow and fair value interest rate risk

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

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

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

Generally no interest is receivable or payable on the Group's trade and other receivables or payables. The Group's cash flow interest rate risk for assets primarily arises from cash at bank and deposits subject to market bank rates and related party loans to Yanzhou Coal Mining Company Limited and Yancoal Technology Development Pty Ltd who are charged interest at US 3 month LIBOR + 1.2% and 3 month BBSY + 1.2% respectively.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	30 June 2012		31 December 2011	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Bank loans and other borrowings	**1.92 %**	**3,502,652**	1.31 %	2,993,304
Net exposure to cash flow interest rate risk		**3,502,652**		2,993,304

Sensitivity

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to a possible change in variable interest rates. A 50 basis point increase / (decrease) in interest rates would have increased / (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables remain constant.

		-50 bps		**+50 bps**	
2012	**Carrying amount $'000**	**Profit $'000**	**Equity $'000**	**Profit $'000**	**Equity $'000**
Cash and cash equivalents	343,926	(1,006)	-	1,006	-
Trade and other receivables	405,746	(1,213)	-	1,213	-
Available-for-sale financial assets	16,833	(85)	-	85	-
Interest bearing liabilities	(3,508,444)	17,407	-	(17,407)	-
		15,103	-	(15,103)	-
2011					
Cash and cash equivalents	290,974	(1,029)	-	1,029	-
Trade and other receivables	392,789	(492)	-	492	-
Available-for-sale financial assets	24,983	(126)	-	126	-
Interest bearing liabilities	(2,993,304)	14,967	-	(14,967)	-
		13,320	-	(13,320)	-

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2 Financial risk management (continued)

(b) Credit risk

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

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

(i) payment terms are set for individual customers;

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

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

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

	Consolidated Half-year ended 30 June 2012 $'000	Consolidated Half-year ended 31 December 2011 $'000
Cash and cash equivalents	**343,926**	290,974
Trade and other receivables	**405,746**	392,789
Available-for-sale financial assets	**16,833**	24,983
Derivative financial instruments (net)	**10,768**	9,741
	777,273	718,487

Included in trade and other receivables are significant customers located in South Korea, Japan, Singapore, and China that account for 37%, 22%, 13% and 0% of trade receivables respectively at 30 June 2012 (31 December 2011: 10%, 7%, 0%, and 29%).

(c) Liquidity risk

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

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

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

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

Liquidity risk is managed by maintaining sufficient cash and liquid deposit balances and having readily accessible standby facilities in place in accordance with the Board's risk management policy. Details regarding finance facilities are set out in note 31.

Maturities of financial liabilities

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

(a) all non-derivative financial liabilities, and

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

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

2 Financial risk management (continued)

Contractual maturities of financial liabilities

At 30 June 2012	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Greater than 5 years $'000	Total contractual cash flows $'000
Non-derivatives					
Trade and other payable	330,672	4,900	773	-	336,345
Interest bearing liabilities	1,164,898	1,039,476	1,391,283	5,831	3,601,488
Total non-derivatives	1,495,570	1,044,376	1,392,056	5,831	3,937,833
Derivatives					
Gross settled (forward foreign exchange contracts)					
Assets					
- (inflow)	(700,544)	-	-	-	(700,544)
- outflow	694,165	-	-	-	694,165
Liabilities					
- (inflow)	(38,734)	-	-	-	(38,734)
- outflow	38,503	-	-	-	38,503
Gross settled (foreign exchange option contracts)					
Assets					
- (inflow)	(259,529)	-	-	-	(259,529)
- outflow	255,859	-	-	-	255,859
Gross settled (contingent value right shares)					
- (inflow)	-	-	-	-	-
- outflow	-	206,843	-	-	206,843
Total derivatives	(10,280)	206,843	-	-	196,563

At 31 December 2011	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Greater than 5 years $'000	Total contractual cash flows $'000
Non-derivatives					
Trade and other payable	206,485	500	1,000	-	207,985
Interest bearing liabilities	1,057,001	1,029,517	1,009,503	-	3,096,021
Total non-derivatives	1,263,486	1,030,017	1,010,503	-	3,304,006
Derivatives					
Gross settled (forward foreign exchange contracts)					
Assets					
- (inflow)	(646,659)	-	-	-	(646,659)
- outflow	639,942	-	-	-	639,942
Liabilities					
- (inflow)	(6,886)	-	-	-	(6,886)
- outflow	6,993	-	-	-	6,993
Gross settled (foreign exchange option contracts)					
Assets					
- (inflow)	(268,315)	-	-	-	(268,315)
- outflow	263,890	-	-	-	263,890
Total derivatives	(11,035)	-	-	-	(11,035)

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2 Financial risk management (continued)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2012 and 31 December 2011.

At 30 June 2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	**-**	**17,345**	**-**	**17,345**
Foreign exchange option contracts	**-**	**4,305**	**-**	**4,305**
Available-for-sale financial assets				
Investment in NCIG	**-**	**-**	**16,833**	**16,833**
Royalty receivable	**-**	**-**	**191,900**	**191,900**
Total assets	**-**	**21,650**	**208,733**	**230,383**
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	**-**	**10,882**	**-**	**10,882**
Contingent value rights	**206,843**	**-**	**-**	**206,843**
Total liabilities	**206,843**	**10,882**	**-**	**217,725**

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

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

2 Financial risk management (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates are included in level 2 except for unlisted equity securities, a contingent consideration receivable and certain forward exchange contracts explained below.

The following table presents the changes in level 3 instruments for the period ended 30 June 2012:

	Available-for-sale investments $'000	Royalty receivable $'000	Total $'000
Opening balance 1 January 2011	24,983	-	24,983
Closing balance 31 December 2011	24,983	-	24,983
Opening balance 1 January 2012	**24,983**	**-**	**24,983**
Disposals	**(15,460)**	**-**	**(15,460)**
Acquired through business combination	**7,409**	**191,900**	**199,309**
Mark-to-market losses	**(144)**	**-**	**(144)**
Foreign exchange loss on revaluation	**45**	**-**	**45**
Closing balance 30 June 2012	**16,833**	**191,900**	**208,733**

Available-for-sale investments

This mainly includes an investment in Newcastle Coal Infrastructure Group ("NCIG"). The Group has a 27% shareholding in NCIG, the developer of a third coal export terminal for the port of Newcastle. In 2011, NCIG reached financial close. The opening balance together with the current period contributions were refunded by way of issued notes - NCIG "A" Class Hunter Infrastructure Term Redeemable Securities" ("HITRS Notes") (note 18).

Royalty receivable

The fair value of the royalty receivables as at 30 June 2012 had been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Project. This project was acquired as part of the Gloucester Coal Ltd acquisition. The financial asset has been determined to have a finite life being the life of the Middlemount mine and will be amortised on a units of production basis over this period.

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3 Segment information

(a) Description of segments

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

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

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

(b) Segment information

The segment information provided to the Executive Committee for the reportable segments from continuing operations for the period ended 30 June 2012 is as follows:

2012	**Coal mining $'000**	**Corporate $'000**	**Total $'000**
Total segment revenue	585,841	-	585,841
Less: gain on foreign exchange rate contracts	(13,673)	-	(13,673)
Revenue from external customers	**572,168**	**-**	**572,168**
Operating EBIT	**64,844**	**(7,004)**	**57,840**
Material income or expense items			
Gain on acquisition of subsidiaries	-	218,083	218,083
Foreign exchange gain on acquisition loans	-	10,184	10,184
Transaction costs	-	(44,503)	(44,503)
Material non-cash items			
Depreciation and amortisation expense	(63,819)	(2,478)	(66,297)
Total capital expenditure	89,281	6,670	95,951

2011			
Total segment revenue	726,599	-	726,599
Less: gain on foreign exchange rate contracts	(28,296)	-	(28,296)
Revenue from external customers	**698,303**	**-**	**698,303**
Operating EBIT	**245,543**	**(7,042)**	**238,501**
Material income or expense items			
Foreign exchange gain on acquisition loans	-	158,936	158,936
Material non-cash items			
Depreciation and amortisation expense	(59,177)	(720)	(59,897)
Total capital expenditure	67,281	2,774	70,055

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

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3 Segment information (continued)

(c) Other segment information

(i) Segment revenue

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

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

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

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

	30 June 2012 $'000	30 June 2011 $'000
Australia (Yancoal's country of domicile)	**66,556**	18,839
China	**45,575**	65,409
Japan	**138,890**	174,029
South Korea	**162,933**	363,284
India	**16,252**	22,075
All other foreign countries	**141,962**	54,667
Total revenue from external customers	**572,168**	698,303

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

	30 June 2012 $'000	30 June 2011 $'000
Total segment revenue	**585,841**	726,599
Sundry income	**1,378**	2,475
Rents and sub-lease rentals	**72**	112
Interest revenue	**13,595**	13,374
Royalties received	**278**	-
Total revenue from continuing operations (note 4)	**601,164**	742,560

Revenues from the top five external customers were $330,374,000 (2011: $412,409,000) which on aggregate represent approximately 45% (2011: 59%) of the revenues of the Group. These revenues are attributable to the coal producing segment.

(ii) Operating EBIT

The Executive Committee assess the performance of the operating segments based on a measure of Operating EBIT. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination-related expenses and goodwill impairments if the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of unrealised gains / (losses) on the Felix Resources Group acquisition loans. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

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3 Segment information (continued)

(c) Other segment information (continued)

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

	30 June 2012 $'000	30 June 2011 $'000
Operating EBIT	**57,840**	238,501
Finance costs	**(19,023)**	(35,965)
Foreign exchange gain on acquisition loans	**10,184**	158,936
Transaction costs	**(44,503)**	-
Gain on acquisition of subsidiaries	**218,083**	-
Profit before income tax from continuing operations (note 7)	**222,581**	361,472

(iii) Segment capitalised expenditure

Amounts provided to the Executive Committee with respect to capital expenditure are measured in a manner consistent with that of the financial statements.

Reportable segments' capital expenditure is reconciled to total assets in note 19 Property, plant and equipment, note 20 Mining tenements, note 22 Intangible assets, and note 23 Exploration and evaluation assets.

4 Revenue

	30 June 2012 $'000	30 June 2011 $'000
From continuing operations		
Sales revenue		
Sale of coal	**572,168**	698,303
Gain on foreign exchange rate contracts	**13,673**	28,296
Total sales revenue	**585,841**	726,599
Other revenue		
Management fees	**1,378**	2,475
Rents and sub-lease rentals	**72**	112
Interest received - other parties	**13,595**	13,374
Royalties received	**278**	-
	15,323	15,961
Total revenue	**601,164**	742,560
From discontinued operations (note 7)		
Sales revenue		
Sale of coal	**151,067**	-
Other revenue		
Interest received - other parties	**381**	7
	151,448	7

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5 Other income

	30 June 2012 $'000	30 June 2011 $'000
Foreign exchange gains (net)	**15,036**	152,207
Government grants	**7**	15
Deferred income	**2**	1,657
Sundry income	**1,544**	128
Gain on acquisition of subsidiaries (note 38)	**218,083**	-
	234,672	154,007

6 Profit for the half-year

	30 June 2012 $'000	30 June 2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	**1,789**	717
Plant and equipment	**47,789**	26,138
Mine development	**7,079**	3,660
Total depreciation	**56,657**	30,515
Amortisation		
Leased plant and equipment	**-**	4,470
Mining tenements	**29,409**	24,285
Other access rights	**27**	26
Computer software	**188**	769
Total amortisation	**29,624**	29,550
Total depreciation and amortisation	**86,281**	60,065
Depreciation and amortisation from discontinued operations	**(19,984)**	(168)
Total depreciation and amortisation from continuing operations	**66,297**	59,897
Finance costs		
Finance lease charges	**-**	11,088
Fair value loss on available-for-sale financial assets	**144**	-
Other interest charges	**18,879**	24,877
Finance costs expensed	**19,023**	35,965
Net loss on disposal of property, plant and equipment	**106**	1,168
Rental expense relating to operating leases		
Minimum lease payments	**2,615**	2,577
Defined contribution superannuation expense	**6,649**	5,351

7 Discontinued operation

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

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

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

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

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

The expected capital gains cost of $21,174,000 arising on the disposal will be recovered by the group through a promissory note which is receivable from Yancoal International (Holding) Company Limited at 30 June 2012, making the transaction cash neutral to the Group.

The remaining after tax promissory notes of $653,140,000 were endorsed back to Yanzhou Coal Mining Company Limited by means of a capital reduction (refer to note 35).

As the disposal transaction was concluded with related entities at historical book values rather than market related terms, the Group has accounted for the difference between the value of the consideration received and the book values of the assets and liabilities disposed of (as stated in the Group's consolidated accounts) directly in equity. The loss on disposal has been reflected as a distribution to the parent company, Yanzhou Coal Mining Company Limited, with a debit to retained earnings of $22,610,000.

The tax promissory notes with respect to the capital gains tax on the disposal of $21,174,000 are recognised as a current receivable from Yancoal International (Holding) Company Limited and will be settled for cash when the tax liability is settled.

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

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7 Discontinued operation (continued)

(a) Financial performance information

The financial performance information presented is for the period 1 January 2012 to 22 June 2012 and the 6 month period ended 30 June 2011.

	22 June 2012 $'000	30 June 2011 $'000
Revenue (note 4)	**151,448**	7
Other income	**1,061**	39
Changes in inventories of finished goods and work in progress	**(1,659)**	-
Raw materials and consumables used	**(23,358)**	(270)
Employee benefits expense	**(24,271)**	(1,194)
Depreciation and amortisation expense (note 6)	**(19,984)**	(168)
Transportation expense	**(27,880)**	(51)
Contractual services and plant hire expense	**(34,990)**	(1,424)
Government royalties expense	**(7,989)**	-
Changes in overburden in advance	**4,662**	-
All other operating expenses	**(6,273)**	(477)
Finance costs	**(2,408)**	-
Profit / (loss) before income tax	**8,359**	(3,538)
Income tax (expense) / benefit	**(7,008)**	730
Profit / (loss) after income tax of discontinued operations recognised in statement of comprehensive income	**1,351**	(2,808)
Loss on sale of the excluded assets before income tax	**(1,436)**	-
Income tax expense	**(21,174)**	-
Loss on sale of the excluded assets after income tax recognised in retained earnings (note 36)	**(22,610)**	-
Net cash inflow / (outflow) from operating activities	**54,030**	510
Net cash inflow / (outflow) from investing activities	**(15,390)**	(645)
Net cash inflow / (outflow) from financing activities	**50,000**	-
Net cash inflows / (outflows) from discontinued operations	**88,640**	(135)

The expected capital gains cost of $21,174,000 will be recovered through the promissory note receivable of $21,174,000 making the transaction cash neutral to the Group.

(b) Total loss on divestment of the disposal group

	22 June 2012 $'000	31 December 2011 $'000
Consideration received or receivable:		
Promissory notes	**(674,314)**	-
Total disposal consideration	**(674,314)**	-
Carrying amount of net assets disposed (refer to (c))	**675,750**	-
Loss on sale before income tax	**1,436**	-
Income tax expense	**21,174**	-
Loss on sale after income tax recognised in retained earnings	**22,610**	-

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7 Discontinued operation (continued)

(c) Carrying amounts of assets and liabilities

The carrying amounts of assets and liabilities as at 22 June 2012 were:

	22 June 2012 $'000
Cash and cash equivalents	**96,840**
Trade and other receivables	**19,781**
Inventories	**18,943**
Other assets	**8,758**
Property, plant and equipment	**418,632**
Mining tenement	**74,196**
Deferred tax assets	**65,609**
Intangible assets	**32,870**
Exploration and evaluation assets	**141,949**
Total assets	**877,578**
Trade and other payables	**(40,053)**
Interest bearing liabilities - current	**(50,000)**
Provisions - current	**(9,277)**
Deferred tax liability	**(69,122)**
Provisions - non-current	**(33,376)**
Total liabilities	**(201,828)**
Net assets	**675,750**

8 Income tax expense

	30 June 2012 $'000	30 June 2011 $'000
(a) Income tax expense:		
Current tax	**1,361**	49,537
Deferred tax	**(1,022)**	57,609
Minerals resource rent tax*	**(185,065)**	-
	(184,726)	107,146
Income tax (benefit) / expense is attributable to:		
Profit from continuing operations	**(191,734)**	107,876
Loss from discontinued operation	**7,008**	(730)
Aggregate income tax expense	**(184,726)**	107,146
Deferred income tax (benefit) / expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets (note 21)	**(292,894)**	43,837
Increase in deferred tax liabilities (note 33)	**106,807**	13,772
	(186,087)	57,609

* The minerals resource rent tax benefit of $185,065,000 (2011: $nil) is net of applicable income tax deductions.

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8 Income tax expense (continued)

(b) Reconciliation of income tax expense to prima facie tax payable

	30 June 2012 $'000	30 June 2011 $'000
Profit from continuing operations before income tax expense	**222,581**	361,472
Profit / (loss) from discontinuing operation before income tax expense	**8,359**	(3,538)
	230,940	357,934
Tax at the Australian tax rate of 30% (2011 - 30%)	**69,282**	107,380
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Gain on acquisition of subsidiaries	**(65,425)**	-
Non-assessable income	**(171)**	-
Other non-deductible expenses	**304**	2,054
	3,990	109,434
Adjustments for current tax of prior periods	**(6,573)**	(2,288)
Transfer tax on cash flow hedges to equity	**2,922**	-
Minerals resource rent tax*	**(185,065)**	-
	(188,716)	(2,288)
Income tax expense	**(184,726)**	107,146

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:	30 June 2012 $'000	30 June 2011 $'000
Current tax - credited directly to equity	**21,174**	13,516
Net deferred tax - debited (credited) directly to equity	**(840)**	67,137
	20,334	80,653

(d) Tax expense / (income) relating to items of other comprehensive income

	30 June 2012 $'000	30 June 2011 $'000
Cash flow hedges	**216**	8,087
	216	8,087

9 Current assets - Cash and cash equivalents

	30 June 2012 $'000	31 December 2011 $'000
Cash at bank and in hand	**152,422**	133,573
Deposits at call	**191,504**	157,401
	343,926	290,974

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk on cash balances at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

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10 Current assets - Trade and other receivables

	30 June 2012 $'000	31 December 2011 $'000
Trade receivables	**72,885**	123,350
Loan to related entities	**148,126**	98,464
Other receivables	**28,205**	32,750
Cash - restricted	**58,696**	60,391
Promissory note receivable (note 7)	**21,174**	-
	329,086	314,955

Other receivables include receivables from Wiggins Island Coal Export Terminal Pty Ltd ('WICET') of $nil (2011: $1,425,859).

Loans to related entities consist of amounts receivable from Yanzhou Coal Mining Company Limited and Yancoal Technology Development Pty Ltd. Details regarding loans to related entities are set out in note 39.

11 Current assets - Royalty receivable

	30 June 2012 $'000	31 December 2011 $'000
Opening balance	**-**	-
Acquisition through business combination	**16,500**	-
Closing balance	**16,500**	-

A right to receive a royalty of 4% of Free on Board Trimmed sales from the Middlemount Project was acquired as part of the merger with Gloucester Coal Ltd. This financial asset has been determined to have a finite life being the life of the Middlemount Mine and will be amortised on a units of production basis over this period.

The royalty receivable is measured based on management's expectations of the future cash flows with gains and losses recorded in the statement of comprehensive income at each reporting date.

The amount receivable during the next 12 months will be disclosed as a current receivable and the discounted future cashflow beyond 12 months will be disclosed as a non-current receivable (note 16).

12 Current assets - Inventories

	30 June 2012 $'000	31 December 2011 $'000
Coal - at cost and net realisable value	**95,548**	107,488
Fuel - at cost	**993**	793
Tyres and stores - at cost	**25,842**	28,995
	122,383	137,276

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13 Derivative financial instruments

	30 June 2012 $'000	31 December 2011 $'000
Current assets		
Forward foreign exchange contracts - receivable (a)	**17,345**	16,368
Foreign exchange option contracts (a)	**4,305**	-
Total current derivative financial instrument assets	**21,650**	16,368
Current liabilities		
Forward foreign exchange contracts - payable (a)	**10,882**	6,627
Total current derivative financial instrument liabilities	**10,882**	6,627

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies (note 2).

14 Current assets - Other assets

	30 June 2012 $'000	31 December 2011 $'000
Prepayments	**17,678**	24,176
Deferred mining costs	**40,617**	40,791
	58,295	64,967

15 Non-current assets - Trade and other receivables

	30 June 2012 $'000	31 December 2011 $'000
Advances to associate entities - Ashton Coal Mines Limited (note 39)	**28,204**	31,014
Receivables from other entities	**46,820**	46,820
Cash - restricted	**1,636**	-
	76,660	77,834

Receivables from other entities represent the Group's investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ('WICET'). These include E Class Wiggins Island Preference Securities ('WIPS') of $15,319,862 (2011: $15,319,862) and Gladstone Long Term Securities ('GILTS') of $31,500,000 (2011: $31,500,000).

Trade receivables include receivables from associate company Ashton Coal Mines Limited, amounting to $28,204,476 (2011: $31,014,236).

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16 Non-current assets - Royalty receivable

	30 June 2012 $'000	31 December 2011 $'000
Opening balance	**-**	-
Acquisition through business combination	**175,400**	-
Closing balance	**175,400**	-

Information relating to Royalty receivable is set out in note 11.

17 Investments accounted for using the equity method

Name of company	Principal activity	Percentage owned 30 June 2012 %	31 December 2011 %	Carrying amount of investment 30 June 2012 $'000	31 December 2011 $'000
Unlisted					
Australian Coal Processing Holdings Pty Ltd	Holding company	**90**	90	**-**	-
Ashton Coal Mines Limited	Real estate holder and sales company	**90**	90	**3,035**	3,035
Australian Coal Processing Pty Ltd	Dormant	**90**	90	**-**	-
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")	Infrastructure	**27**	15	**-**	-
				3,035	3,035

Each of the above associates is incorporated in Australia.

18 Non-current assets - Other financial assets

	30 June 2012 $'000	31 December 2011 $'000
Available-for-sale investments	**16,833**	24,983
	16,833	24,983

This investment includes, unlisted US dollar denominated bonds, A Class Hunter Infrastructure Term Redeemable Securities ("HITRS Notes") in Newcastle Coal Infrastructure Group Pty Ltd ("NCIG") of $16,784,000 (2011: $24,983,000).

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19 Property, plant and equipment

	Assets under construction $'000	Freehold land & buildings $'000	Mine development $'000	Plant & equipment $'000	Leased plant & equipment $'000	Total $'000
At 1 January 2011						
Cost	90,015	71,387	151,008	571,913	132,696	1,017,019
Accumulated depreciation / amortisation	-	(2,286)	(26,223)	(114,708)	(5,069)	(148,286)
Net book amount	90,015	69,101	124,785	457,205	127,627	868,733
Year ended 31 December 2011						
Opening net book amount	90,015	69,101	124,785	457,205	127,627	868,733
Acquisition through business combination	35,326	45,183	83,426	305,810	609	470,354
Other additions	125,152	5,035	3,548	13,138	(6)	146,867
Transfers - assets under construction	(112,748)	1,613	19,255	91,880	-	-
Transfers - reclassification	-	-	-	123,744	(123,744)	-
Other disposals	(124)	(216)	(5,662)	(916)	(16)	(6,934)
Depreciation charge	-	(1,499)	(9,314)	(63,286)	(4,470)	(78,569)
Closing net book amount	137,621	119,217	216,038	927,575	-	1,400,451
At 31 December 2011						
Cost	137,621	123,002	249,283	1,112,151	-	1,622,057
Accumulated depreciation / amortisation	-	(3,785)	(33,245)	(184,576)	-	(221,606)
Net book amount	137,621	119,217	216,038	927,575	-	1,400,451
Half-year ended 30 June 2012						
Opening net book amount	137,621	119,217	216,038	927,575	-	1,400,451
Acquisition through business combination	55,318	108,742	327,585	339,897	5,100	836,642
Other additions	88,726	-	12,978	4,815	-	106,519
Transfers - assets under construction	(37,130)	816	11,546	24,768	-	-
Disposal of entities	(38,063)	(42,696)	(70,862)	(267,011)	-	(418,632)
Other disposals	(216)	-	-	(175)	-	(391)
Depreciation charge	-	(1,789)	(7,079)	(47,789)	-	(56,657)
Closing net book amount	206,256	184,290	490,206	982,080	5,100	1,867,932
At 30 June 2012						
Cost	206,256	188,177	527,780	1,196,400	5,100	2,123,713
Accumulated depreciation / amortisation	-	(3,887)	(37,574)	(214,320)	-	(255,781)
Net book amount	206,256	184,290	490,206	982,080	5,100	1,867,932

(a) Non-current assets pledged as security

Refer to note 31 for information on non-current assets pledged as security by the Group.

20 Non-current assets - Mining tenements

	30 June 2012 $'000	31 December 2011 $'000
Opening net book amount	**2,325,050**	2,163,852
Acquisition through business combination	**988,688**	212,181
Other additions	**51**	278
Disposal of entities	**(74,196)**	-
Working capital adjustment - other disposals	**(1,502)**	-
Amortisation for the period	**(29,409)**	(51,261)
Closing net book amount	**3,208,682**	2,325,050

21 Non-current assets - Deferred tax assets

	30 June 2012 $'000	31 December 2011 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**40,647**	-
Minerals resource rent tax	**286,726**	-
Minerals resource rent tax income tax deductibility	**68,573**	-
Property, plant and equipment	**1,320**	-
Employee benefits	**14,010**	14,389
Rehabilitation provision	**7,993**	15,493
Take or pay contracts	**50,040**	-
Other	**63,091**	29,550
Total deferred tax assets	**532,400**	59,432
Set-off of deferred tax liabilities pursuant to set-off provisions	**-**	-
Net deferred tax assets	**532,400**	59,432
Deferred tax assets expected to be recovered within 12 months	**2,738**	2,738
Deferred tax assets expected to be recovered after more than 12 months	**529,662**	56,694
	532,400	59,432

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22 Non-current assets - Intangible assets

	Goodwill $'000	Patents $'000	Computer software $'000	Access rights & other licences $'000	Total $'000
At 1 January 2011					
Cost	98,014	25,000	1,820	1,731	126,565
Accumulated amortisation	-	-	(342)	(37)	(379)
Net book amount	98,014	25,000	1,478	1,694	126,186
Year ended 31 December 2011					
Opening net book amount	98,014	25,000	1,478	1,694	126,186
Acquisition through business combination	7,094	-	12	-	7,106
Other additions	-	-	550	-	550
Amortisation charge	-	-	(1,337)	(51)	(1,388)
Closing net book amount	105,108	25,000	703	1,643	132,454
At 31 December 2011					
Cost	105,108	25,000	2,382	1,731	134,221
Accumulated amortisation	-	-	(1,679)	(88)	(1,767)
Net book amount	105,108	25,000	703	1,643	132,454
Year ended 30 June 2012					
Opening net book amount	105,108	25,000	703	1,643	132,454
Acquisition through business combination	-	-	2,800	-	2,800
Other additions	-	-	21	-	21
Disposal of entities	(7,858)	(25,000)	(12)	-	(32,870)
Amortisation charge	-	-	(188)	(27)	(215)
Closing net book amount	97,250	-	3,324	1,616	102,190
At 30 June 2012					
Cost	97,250	-	5,184	1,731	104,165
Accumulated amortisation	-	-	(1,860)	(115)	(1,975)
Net book amount	97,250	-	3,324	1,616	102,190

23 Non-current assets - Exploration and evaluation assets

	30 June 2012 $'000	31 December 2011 $'000
Opening net book amount	**661,730**	579,030
Acquisition through business combination	**408,000**	75,507
Other additions	**10,505**	7,193
Disposal of entities	**(141,949)**	-
Other disposals	**(1,429)**	-
Closing net book amount	**936,857**	661,730

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24 Non-current assets - Other non-current assets

	30 June 2012 $'000	31 December 2011 $'000
Prepayments	**17,112**	-
Security deposits	**200**	-
	17,312	-

25 Current liabilities - Trade and other payables

	30 June 2012 $'000	31 December 2011 $'000
Unsecured		
Trade payables	**255,540**	147,955
Other payables	**16,481**	19,776
Deferred payables	**500**	500
Payroll costs payable	**37,215**	38,254
Deferred income	**20,936**	-
	330,672	206,485

26 Current liabilities - Interest-bearing liabilities

	30 June 2012 $'000	31 December 2011 $'000
Secured		
Bank loans	**1,109,856**	999,409
Lease liabilities (note 37(b))	**498**	-
Total secured current borrowings	**1,110,354**	999,409
Unsecured		
Loans from other entity	**17,869**	-
Total unsecured current borrowings	**17,869**	-
Total current borrowings	**1,128,223**	999,409

Information about the terms and conditions relating to the bank loans and loans from other entity are set out in note 31.

27 Current liabilities - Current tax liabilities

	30 June 2012 $'000	31 December 2011 $'000
Income tax	**13,218**	9,283
	13,218	9,283

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28 Current liabilities - Provisions

	30 June 2012 $'000	31 December 2011 $'000
Customer contracts	**18,300**	-
Rehabilitation	**4,607**	872
Take or pay contracts	**16,100**	-
	39,007	872

(a) Movements in provisions

Movements in current provision for rehabilitation during the financial period is set out below:

	Employee benefits - long service leave $'000	**Customer contracts $'000**	**Rehabilitation $'000**	**Take or pay contracts $'000**	**Total $'000**
2012					
Current					
Opening net book amount	-	-	872	-	872
Transfers from non-current provision	5,836	-	2,998	-	8,834
Additional provision recognised on business combination	-	18,300	4,178	16,100	38,578
Amounts derecognised on disposal of entities	(5,836)	-	(3,441)	-	(9,277)
Closing net book amount	-	18,300	4,607	16,100	39,007
2011					
Current					
Opening net book amount	-	-	479	-	479
Transfers from non-current assets	-	-	153	-	153
Additional provision recognised on business combination	-	-	240	-	240
Closing net book amount	-	-	872	-	872

Customer contract provision

At the time of acquisition of Gloucester, a liability was recognised for the out of the money sales contracts held by Donaldson. The value of the liability is representative of the discounted value of the out of the money portion of the contracts. The liability will be released over the life of the contracts as the sales commitments are satisfied.

Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2026. These provisions have been created based on managements' internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future coal prices, which are inherently uncertain (note 1(aa)).

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28 Current liabilities - Provisions (continued)

Take or pay provision

At the time of acquisition of Gloucester, Donaldson, and Middlemount Joint Venture held forecast excess capacity for port and rail contracts. A liability was recognised for the discounted estimated excess capacity contracted for at the time of the acquisition. The provision has a finite life and will be released over the period in which excess capacity is realised.

29 Current liabilities - Promissory note payable

	30 June 2012 $'000	30 June 2011 $'000
Opening net book amount	**-**	-
Incurred through business combination	**586,190**	-
Closing net book amount	**586,190**	-

The promissory note payable is in respect of the Gloucester Coal Limited capital return was approved by former Gloucester shareholders at the general meeting on 4 June 2012. The capital return of $2.68 per Gloucester shares amounting to $586,190,000.

30 Non-current liabilities - Trade and other payables

	30 June 2012 $'000	31 December 2011 $'000
Unsecured		
Other payables	**4,400**	-
Deferred payables	**1,273**	1,273
	5,673	1,273

The fair value of trade and other payables is assumed to approximate their fair value. The carrying value of the deferred payables is based on cash flows discounted using a rate of 7.5%.

31 Non-current liabilities - Interest bearing liabilities

	30 June 2012 $'000	31 December 2011 $'000
Secured		
Bank loans	**2,004,176**	1,993,895
Lease liabilities (note 37(b))	**5,294**	-
Total secured non-current borrowings	**2,009,470**	1,993,895
Unsecured		
Loans from other entity	**26,892**	-
Loans from related party	**343,859**	-
Total unsecured non-current borrowings	**370,751**	-
Total non-current borrowings	**2,380,221**	1,993,895

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31 Non-current liabilities - Interest bearing liabilities (continued)

(i) Terms and conditions relating to above financial instruments

At 30 June 2012 bank loans represent a number of facilities as detailed below.

Syndicated facility agreements

Working capital facility

This working capital facility has been taken out as funding for general operations. The facility is for up to A$50,000,000 with interest charged monthly at BBSY plus a margin of 2%. At 30 June 2012 the drawn down amount is A$nil. Securities are held over the Yarrabee, Ashton, and Moolarben mine assets.

Bank guarantee facility

This bank guarantee facility has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. The facility is for up to A$250,000,000 with an issue fee of 1.2% per annum charged quarterly. At 30 June 2012 the aggregated amount of guarantees issued is A$154,434,000. Securities are held over the Yarrabee, Ashton, and Moolarben mine assets.

Term debt facility

This loan facility has been taken out to fund the acquisition of the Felix Resources Group in 2009. The facility is for up to US$2,900,000,000. As at 30 June 2012, interest is charged at LIBOR plus a margin of 0.75%. At the first scheduled repayment date of December 2012 US$970,000,000 is required for payment. US$100,000,000 will be repaid with the remaining US$870,000,000 extended until December 2017 (note 45). Interest on the extended facility is charged at LIBOR plus a margin of 2.8% while the remaining US$1,930,000,000 is charged at LIBOR plus a margin of 0.75% until the second and third scheduled repayment dates of December 2013 and 2014 respectively. At 30 June 2012 the entire facility had been drawn down. Security is held in the form of a standby line of credit.

Multi-option facility agreements

Working capital facility

This working capital facility has been taken out as funding for general operations. The facility is for up to A$40,000,000 with interest charged monthly at BBSY plus a margin of 3%. At 30 June 2012 the drawn down amount is A$nil. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited.

Foreign exchange facility

This foreign exchange facility has been taken out to cover foreign currency hedging contracts required for general operations. The facility is for up to A$2,000,000. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited.

Bi-lateral facility agreements

Bank guarantee facility

(i) This bank guarantee facility has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. This guarantee is restricted to non-open ended bank guarantee usage. The guarantee is for up to A$50,000,000 with an issue fee of 1.2% per annum charged semi-annually. At 30 June 2012 the aggregated amount of guarantees issued is A$38,155,000. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited.

(ii) This bank guarantee facility has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. This guarantee is to support open ended bank guarantee issuance. The guarantee is for up to A$10,000,000 with an issue fee of 1% per annum charged semi-annually. At 30 June 2012 the aggregated amount of guarantees issued is A$9,904,000. Security held over this facility is 100% cash.

(iii) This bank guarantee facility has been issued for operational purposes in favour of ports, rails, government departments and other operational functions. This guarantee is restricted to non-open ended bank guarantee usage. The guarantee is for up to A$60,874,619 with an issue fee of 1.2% per annum charged semi-annually. At 30 June 2012 the aggregated amount of guarantees issued is A$60,874,619. Security held over this facility is 10% cash, included in cash -restricted (note 10).

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31 Non-current liabilities - Interest bearing liabilities (continued)

(iv) This bank guarantee facility has been issued in favour of the Sydney office building owner as a rental bond. The guarantee is for up to A$345,871 with an issue fee of 1.5% per annum charged monthly. At 30 June 2012 the aggregated amount of guarantees issued is A$345,871.

Term debt facility

(i) This loan facility has been taken out to fund the acquisition of the Felix Resources Group in 2009. The facility is for up to US$140,000,000. As at 30 June 2012, interest is charged at LIBOR plus a margin of 0.85%. At the first scheduled repayment date of December 2012 US$45,000,000 is required for payment. This has been extended until December 2017 (note 45). Interest on the extended facility is charged at LIBOR plus a margin of 2.8% while the remaining US$95,000,000 is charged at LIBOR plus a margin of 0.85% until the second and third scheduled repayment dates of December 2013 and 2014 respectively. At 30 June 2012 the entire facility had been drawn down. Security is held in the form of a standby line of credit.

(ii) This loan facility has been taken out as funding for general operations. The facility is for up to A$118,000,000 with interest charged semi-annually at LIBOR plus a margin of 2.6%. At 30 June 2012 the drawn down amount is US$112,000,000. Security over this facility is held in the form of letter of comfort from Yanzhou Coal Mining Company Limited.

Other loan agreements

Noble Group Ltd loan agreement

This loan has been taken out as funding for general operations. The loan is for up to A$400,000,000. As at 30 June 2012, interest is charged at BBSY plus a margin of 3.00%. The full amount is repayable at 30 June 2015. At 30 June 2012 A$343,859,000 had been drawn down. No security is held on this loan. The loan contains certain financial covenants. A waiver of the financial covenants has been granted by the lender and the next measurement date is 30 June 2013.

Middlemount shareholder loan agreement

This loan has been taken out as funding for the Middlemount joint venture operations. The loan is for A$44,591,000. As at 30 June 2012, interest is charged at BBSY plus a margin of 3.50%. The loan is repayable on 24 December 2015. No security is held on this loan.

32 Non-current liabilities - Contingent value right shares

	30 June 2012 $'000	31 December 2011 $'000
Opening net book amount	-	-
Issued during the period	206,843	-
Closing net book amount	206,843	-

For details of the contingent value right shares refer to note 38.

33 Non-current liabilities - Deferred tax liabilities

	30 June 2012 $'000	31 December 2011 $'000
The balance comprises temporary differences attributable to:		
Minerals resource rent tax	228,576	-
Minerals resource rent tax income tax deductibility	86,018	-
Property, plant and equipment	12,809	14,165
Mining rights	572,303	275,964
Exploration and evaluation	46,162	45,760
Cash flow hedges	3,231	2,206
Unrealised foreign exchange gains	113,910	109,854
Other	23,556	23,066
Total deferred tax liabilities	1,086,565	471,015
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	-	-
Net deferred tax liabilities	1,086,565	471,015
Deferred tax liabilities expected to be settled within 12 months	-	-
Deferred tax liabilities expected to be settled after more than 12 months	1,086,565	471,015
	1,086,565	471,015

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34 Non-current liabilities - Provisions

	30 June 2012 $'000	31 December 2011 $'000
Employee benefits - long service leave	**1,543**	7,374
Customer contracts	**500**	-
Rehabilitation	**49,139**	50,772
Take or pay contracts	**150,700**	-
	201,882	58,146

For details of provisions refer to note 28.

(a) Movements in provisions

Provision for future rehabilitation of mine sites is made in accordance with note 1(w).

	Employee benefits - long service leave $'000	Customer contracts $'000	Rehabilitation $'000	Take or pay contracts $'000	Total $'000
2012					
Non-current					
Opening net book amount	7,374	-	50,772	-	58,146
Charged / (credited) to the profit or loss					
- additional provisions recognised	1,460	-	13,519	-	14,979
- unwinding of discount	-	-	2,255	-	2,255
Transfers to current provision	(5,837)	-	(2,997)	-	(8,834)
Additional provision recognised on business combination	431	500	17,081	150,700	168,712
Amounts derecognised on disposal of entities	(1,885)	-	(31,491)	-	(33,376)
Closing net book amount	1,543	500	49,139	150,700	201,882
2011					
Non-current					
Opening net book amount	-	-	22,728	-	22,728
Charged / (credited) to the consolidated income statement					
- additional provisions recognised	108	-	(3,404)	-	(3,296)
- unwinding of discount	-	-	1,714	-	1,714
Transfers to current provision	-	-	(153)	-	(153)
Additional provision recognised on business combination	7,266	-	29,887	-	37,153
Closing net book amount	7,374	-	50,772	-	58,146

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35 Contributed equity

	30 June 2012 Shares	31 December 2011 Shares	**30 June 2012 $'000**	31 December 2011 $'000
(a) Share capital				
Ordinary shares				
Issued and fully paid up	**994,216,659**	76,975,000	**656,701**	973,000
	994,216,659	76,975,000	**656,701**	973,000

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 January 2011	Opening balance	64,000,000		64,000
8 August 2011	Share issue*	12,975,000	$70.06	909,000
31 December 2011	Balance	76,975,000		973,000
1 January 2012	Opening balance	76,975,000		973,000
10 June 2012	Additional shares from share split**	698,513,994		-
22 June 2012	Capital reduction (note 7)	-		(653,140)
27 June 2012	Share issue on acquisition of Gloucester (note 38)	218,727,665	$1.54	336,841
30 June 2012	Balance	994,216,659		656,701

* On 8 August 2011 Yancoal issued 12,975,000 ordinary shares. Consideration for these shares totalled $909,000,000 and was received on 21 April 2011. The weighted average number of ordinary shares for the earnings per share calculation is calculated using the cash receipt date of 21 April 2011 (note 43).

** On 10 June 2012, under the Separation Agreement and the Merger Proposal Deed the Company was required to reconstruct its share capital resulting in 775,488,994 ordinary shares being held by Yanzhou Coal Mining Company Limited.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Enforcement Share

Yancoal Australia Ltd has issued to Gloucester Coal Ltd a redeemable cumulative preference share at an issue price of A$1.00 (Enforcement Share). The Enforcement Share secures the performance by Yancoal Australia Ltd of its obligation under the Merger Proposal Deed dated 22 December 2011, by providing that any breach by Yancoal Australia Ltd of its obligations under that deed will be a variation or cancellation of rights attached to the Enforcement Share.

The Enforcement Share will be redeemed by Yancoal Australia Ltd on the earliest of:

- termination of the Merger Proposal Deed;
- Gloucester Coal Ltd requesting such redemption;

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35 Contributed equity (continued)

- Yancoal Australia Ltd giving notice of such redemption after the Merger Proposal End Date (which is 31 July 2012, subject to any extension of this date which may be agreed to by Gloucester Coal Ltd and Yancoal Australia Ltd); and
- the mandatory redemption date of 31 December 2012.

(e) Capital risk management

Total capital comprises total equity as shown in the balance sheet (including non-controlling interest) plus total interest bearing liabilities. The Group's primary objectives when managing capital are to ensure the continued ability to provide a consistent return for equity stakeholders through a combination of capital growth and distributions and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve these objectives, the consolidated entity seeks to maintain a debt to debt plus equity ratio (gearing ratio) that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the consolidated entity to meet its working capital and strategic investment needs. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or alter the amount of debt.

The gearing ratios at 30 June 2012 and 31 December 2011 were as follows:

	30 June 2012 $'000	31 December 2011 $'000
Total interest bearing borrowings	**3,508,444**	2,993,304
Less: cash and cash equivalents	**(343,926)**	(290,974)
Net debt	**3,164,518**	2,702,330
Total equity	**1,839,765**	1,762,504
Total capital	**5,004,283**	4,464,834
Gearing ratio	**63.2 %**	60.5 %

Yancoal Australia Ltd has complied with the financial covenants of its borrowing facilities during the 2012 and 2011 reporting periods.

36 Other reserves and retained earnings

	30 June 2012 $'000	31 December 2011 $'000
(a) Reserves		
Hedging reserve	**6,790**	6,286
	6,790	6,286
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**6,286**	22,938
Gain recognised	**25,039**	23,304
Transferred to profit	**(24,319)**	(47,048)
Deferred tax	**(216)**	7,092
Closing balance	**6,790**	6,286

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36 Other reserves and retained earnings (continued)

Hedging reserves

The hedging reserve is used to record gains or losses on a cash flow hedge that are recognised directly in equity, as described in note 1. Amounts are recognised in the statement of comprehensive income or as part or property, plant and equipment when the associated hedge transaction occurs.

(b) Retained earnings

	30 June 2012 $'000	31 December 2011 $'000
Opening balance	**783,218**	481,703
Profit for the period attributable to the members of Yancoal Australia Ltd	**415,666**	301,515
Loss on sale of subsidiaries, net of tax	**(22,610)**	-
Closing balance	**1,176,274**	783,218

Loss on sale of subsidiaries after tax arises on the transfer of subsidiaries, recognised directly in retained earnings as this is a transaction occurring within the common control of the Group (note 7).

37 Commitments

(a) Capital expenditure commitments

Capital expenditure contracted for at the reporting date but not provided for:

	30 June 2012 $'000	31 December 2011 $'000
Property, plant and equipment		
Not later than one year		
Share of joint ventures	**34,651**	27,954
Other	**113,477**	204,942
Later than one year but not later than five years		
Share of joint ventures	**-**	18,933
Exploration expenditure		
Not later than one year		
Share of joint ventures	**27**	-
Other	**561**	201
Intangibles		
Not later than one year		
Share of joint ventures	**42**	25
Other	**-**	304
	148,758	252,359

37 Commitments (continued)

(b) Lease expenditure commitments

(i) Non-cancellable operating leases

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

	30 June 2012 $'000	31 December 2011 $'000
Not later than one year	**1,535**	5,356
Later than one year but not later than five years	**11,286**	4,737
Commitments not recognised in the financial statements	**12,821**	10,093

Operating leases have remaining lease terms ranging from 1 month to 3 years. Items that are subject to operating leases include mining equipment, office space and small items of office equipment. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	30 June 2012 $'000	31 December 2011 $'000
Commitments in relation to finance leases are payable as follows:		
Not later than one year	**879**	-
Later than one year and not later than five years	**3,516**	-
Later than five years	**5,831**	-
Total minimum lease payments	**10,226**	-
Less future finance charges	**(4,434)**	-
Recognised as a liability	**5,792**	-
Finance leases are included in the financial statements as:		
Current lease liability (note 26)	**498**	-
Non-current lease liability (note 31)	**5,294**	-
	5,792	-

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38 Business combination

Gloucester Coal Ltd

(a) Summary of acquisition

The Merger Proposal Deed with Gloucester Coal Limited ("Gloucester") became effective on 27 June 2012 with the merger implementation date being 6 July 2012. On 27 June 2012, the Group is deemed to have acquired a 100% interest in Gloucester Coal Ltd ("Gloucester"). Gloucester's principal activities consist of the production and marketing of metallurgical and thermal coals from the Gloucester Basin comprising the Stratford and Duralie mines, Donaldson comprising the Abel, Tasman, Donaldson Open Cut mines, and the Middlemount Joint Venture mine.

The accounting for the Gloucester acquisition has been determined on a provisional basis at 30 June 2012 as the fair values assigned to the acquiree's identifiable assets and liabilities have only been determined provisionally. Any adjustments to these provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

Details of the purchase consideration, the net assets and liabilities acquired and gain on acquisition of subsidiaries are as follows:

	$'000
Purchase consideration (refer to (c) below):	
Fair value of ordinary shares issued	336,841
Contingent consideration - contingent value rights	206,843
Direct costs relating to the acquisition - stamp duty	6,771
Total purchase consideration	550,455
Gain on acquisition of subsidiaries (note 5)	218,083
Fair value of net identifiable assets acquired (refer to (b) below)	768,538

(b) Assets and liabilities acquired

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

	Fair value $'000
Cash and cash equivalents	44,127
Trade and other receivables	35,953
Royalty receivable	191,900
Inventories	44,665
Other assets	11,074
Other financial assets	7,409
Property, plant and equipment	836,642
Mining tenements	988,688
Deferred tax asset	218,081
Intangible assets	2,800
Exploration and evaluation assets	408,000
Trade and other payables	(147,229)
Interest bearing liabilities	(528,519)
Provisions	(22,534)
Provision for take or pay	(166,800)
Customer contracts	(18,800)
Promissory note payable	(586,190)
Deferred tax liability	(550,729)
Fair value net identifiable assets acquired	768,538

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38 Business combination (continued)

(i) Contingent consideration

The contingent value right ("CVR") shares provide a level of downside price protection for certain former Gloucester shareholders or new CVR shareholders in that if, in the 18 months following completion of the Merger Proposal, the volume weighted average price of the Yancoal ordinary shares over a certain period has fallen below A$6.96, CVR shareholders will be compensated by up to A$3.00 per CVR share. This compensation will take the form of cash or a transfer of additional Yancoal ordinary shares held by Yanzhou Coal Mining Company Limited ("Yanzhou") in a manner that will not dilute the voting or economic interests of other Yancoal shareholders (note 32).

The CVR's are measured at fair value based on the share price of the CVR, with gains and losses recorded in the statement of comprehensive income at each reporting date.

The estimation of undiscounted CVR outcomes range from $nil to $262,936,000. It is not possible to estimate the most likely amount in this range.

(ii) Revenue and profit contribution

The acquired business contributed no revenues or net profit to the Group for the period from 27 June 2012 to 30 June 2012. If the acquisition had occurred on 1 January 2012, consolidated revenue and net profit for the period ended 30 June 2012 would have been $931,430,000 and $228,018,000 respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and mining tenements had applied from 1 January 2012, together with the consequential tax effects.

(c) Purchase consideration - cash outflow

Consideration for the acquisition of Gloucester shares was provided in the form of ordinary shares and CVR shares. As such, no cash outflow occurred as a result of the transaction.

Acquisition-related costs

Acquisition-related costs of $44,503,000 are included in transaction costs in the statement of comprehensive income and acquisition related costs paid amounting to $3,462,000 included in operating cash flows in the consolidated statement of cash flows.

Prior Period

The following acquisitions were made during 2011:

(i) On 1 August 2011, the Group acquired 100% of the issued share capital of Syntech Holdings Pty Ltd and Syntech Holdings II Pty Ltd.

(ii) On 30 December 2011, the Group acquired 100% interest in Premier Coal Limited and Premier Char Pty Ltd,

Details of these business combinations were disclosed in note 30 of the Group's special purpose financial report for the year ended 31 December 2011.

39 Related party transactions

(a) Parent entity and subsidiaries

The parent entity within the Group is Yancoal Australia Ltd. The Group's parent entity is Yanzhou Coal Mining Company Limited (incorporated in the People's Republic of China). The ultimate parent entity and ultimate controlling party is Yankuang Group Corporation Limited (incorporated in the People's Republic of China).

The consolidated entity consists of Yancoal Australia Ltd and its controlled entities, the ownership interests of which are set out in note 40.

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39 Related party transactions (continued)

Transactions between Yancoal Australia Ltd and other entities in the consolidated group during the periods ended 30 June 2012 and 2011 consisted of:

(i) loans advanced by Yancoal Australia Ltd;

(ii) loans repaid to Yancoal Australia Ltd;

(iii) the payment of interest on the above loans;

(iv) the payment of dividends to Yancoal Australia Ltd;

(v) the provision of administration, management, marketing and hire services by Yancoal Australia Ltd and other entities in the consolidated group, and

(vi) transactions between Yancoal Australia Ltd and its Australian controlled entities under the tax sharing agreement described in note 1(g).

(vii) the transfer of certain assets and businesses to fellow subsidiaries of Yanzhou, the majority shareholder of Yancoal Australia Ltd (note 7).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(b) Associates and joint ventures

Associated entities are set out in note 17 and joint ventures in which the consolidated entity is a venturer are set out in note 41.

Transactions with associates and joint ventures during the periods ended 30 June 2012 and 2011 consisted of:

(i) loans advanced by Yancoal Australia Ltd, subsidiaries or joint ventures to associated entities;

(ii) loans repaid to Yancoal Australia Ltd, subsidiaries or joint ventures from associated entities;

(iii) sale of coal by a subsidiary to an associated entity under terms and conditions specified in the Ashton Coal Joint Venture Agreement;

(iv) sale of coal by a subsidiary to a joint venture; and

(v) the provision of administration, accounting, marketing, management and hire services by Yancoal Australia Ltd or subsidiaries to associated entities and joint ventures.

(c) Key management personnel

Key management personnel compensation for the 6 months ended 30 June 2012 and 2011 is set out below. The key management personnel of Yancoal Australia Ltd include the directors, chief executive officer, and those executives that report directly to the chief executive officer. Key management personnel include those directors and executives in the role at the period end or at any time during the 6 months.

	Short-term benefits $	Post-employment benefits $	Other long-term benefits $	Total $
2012	2,584,269	41,917	21,729	2,647,915
2011	1,955,805	41,722	-	1,997,527

39 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2012 $	30 June 2011 $
Sales of goods and services		
Sales of coal to associated entities	**80,356,487**	106,660,756
Sales of marketing services to associated entities	**35,139**	110,321
Sales of marketing and administrative services to other related parties	**168,674**	-
	80,560,300	106,771,077
Advances to and repayment of advances		
Repayment of advances to associate entity - Ashton Coal Mines Limited	**2,809,760**	-
Advances to associate entity - Ashton Coal Mines Limited	**-**	(2,124,542)
Debt repayment and debt provision		
Repayment of advances from Yanzhou Coal Mining Company Limited	**-**	(59,987,178)
Advances to Gloucester Coal Ltd (prior to merger)	**(113,000,000)**	-
Finance costs		
Interest paid on loans to Yanzhou Coal Mining Company Limited	**-**	(494,398)
Bank guarantee fee accrued to Yanzhou Coal Mining Company Limited	**(6,026,666)**	(6,676,680)
Bank guarantee fee paid on loans to Yanzhou Coal Mining Company Limited	**(15,011,932)**	(18,359,765)
Finance income		
Interest revenue on Loan to Yanzhou Coal Mining Limited	**840,763**	-
Interest revenue on Loan to Yancoal Technology Development Pty Ltd	**57,739**	-
Interest revenue on loan to Gloucester Coal Ltd (prior to merger)	**64,846**	-
*Disposal of entities to related parties**		
Loss on transfer of entities to related parties (note 7)	**1,351,040**	-
	(128,914,450)	(87,642,563)

(e) Outstanding balances arising from transactions with related parties

Balances outstanding at the reporting date to related parties are unsecured and subordinate to other liabilities. Balances outstanding at the reporting date from related parties are also unsecured, non-interest bearing (except for loans receivable) and repayable on demand.

The following balances are outstanding at the reporting date in relation to transactions with related parties.

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39 Related party transactions (continued)

	30 June 2012 $	31 December 2011 $
Current assets		
Trade and other receivables		
Interest receivable from Yanzhou Coal Mining Company Limited	**2,252,198**	1,411,434
Interest receivable from Yancoal Technology Development Pty Limited	**57,739**	-
Loans receivable		
Receivable from Yanzhou Coal Mining Company Limited being an unsecured, interest bearing loan	**98,125,797**	98,463,962
Receivable from Yancoal Technology Development Pty Ltd being an unsecured, interest bearing loan	**50,000,000**	-
Other assets		
Prepayments to Yanzhou Coal Mining Company Limited	**1,876,549**	1,647,863
Receivable from Yancoal International (Holdings) Company Limited	**21,174,124**	-
	173,486,407	101,523,259
Non-current assets		
Advances to associated entities		
Receivable from Ashton Coal Mines Limited being an unsecured, non-interest bearing advance	**28,204,476**	31,014,236
	28,204,476	31,014,236
Current liabilities		
Other liabilities	**-**	-
Payables to Yanzhou Coal Mining Company Limited	**(2,271,612)**	(9,892,830)
Interest payable to Noble Group Limited	**(4,358,101)**	-
	(6,629,713)	(9,892,830)
Non-current liabilities		
Payable to Noble Group Limited being an unsecured, interest bearing loan	**(343,859,007)**	-
	(343,859,007)	-

(f) Guarantees

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

	30 June 2012 $	30 June 2011 $
Syntech Resources Pty Ltd	**72,927,403**	72,927,403
Syntech Holding Pty Ltd	**18,430,350**	18,430,350
AMH (Chinchilla) Coal Pty Ltd	**29,000**	29,000
Premier Coal Limited	**4,650,000**	4,650,000
	96,036,753	96,036,753

39 Related party transactions (continued)

(g) Terms and conditions

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

The US$ loan to Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 1.705% p.a. The loan to Yancoal Technology Development Pty Ltd was charged at a weighted average interest rate of 4.68% p.a.

40 Controlled entities

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding 2012 %	Equity holding 2011 %
The Company				
Yancoal Australia Ltd	Australia	Ordinary		
Controlled entities - at cost				
Austar Coal Mine Pty Limited	Australia	Ordinary	**100**	100
Yancoal Resources Limited	Australia	Ordinary	**100**	100
Moolarben Coal Mines Pty Ltd	Australia	Ordinary	**100**	100
Moolarben Coal Operations Pty Ltd	Australia	Ordinary	**100**	100
Moolarben Coal Sales Pty Ltd	Australia	Ordinary	**100**	100
Felix NSW Pty Ltd	Australia	Ordinary	**100**	100
SASE Pty Ltd	Australia	Ordinary	**90**	90
Yarrabee Coal Company Pty. Ltd.	Australia	Ordinary	**100**	100
Proserpina Coal Pty Ltd	Australia	Ordinary	**100**	100
Athena Coal Operations Pty Ltd	Australia	Ordinary	**100**	100
Athena Coal Sales Pty Ltd	Australia	Ordinary	**100**	100
White Mining Limited	Australia	Ordinary	**100**	100
White Mining Services Pty Limited	Australia	Ordinary	**100**	100
White Mining (NSW) Pty Limited	Australia	Ordinary	**100**	100
Ashton Coal Operations Pty Limited	Australia	Ordinary	**100**	100
Ashton Coal Mines Limited	Australia	Ordinary	**100**	100
UCC Energy Pty Ltd	Australia	Ordinary	**-**	100
Premier Char Pty Ltd	Australia	Ordinary	**-**	100
Yancoal Technology Development Pty Ltd	Australia	Ordinary	**-**	100
Athena Coal Mines Pty Ltd	Australia	Ordinary	**-**	100
Tonford Pty Ltd	Australia	Ordinary	**-**	100
Premier Coal Limited	Australia	Ordinary	**-**	100
Syntech Holdings Pty Limited	Australia	Ordinary	**-**	100
Syntech Holdings II Pty Limited	Australia	Ordinary	**-**	100
Syntech Resources Pty Ltd	Australia	Ordinary	**-**	100
AMH (Chinchilla Coal) Pty Ltd	Australia	Ordinary	**-**	100
Mountfield Properties Pty Ltd	Australia	Ordinary	**-**	100
Gloucester Coal Ltd	Australia	Ordinary	**100**	-
Westralian Prospectors NL	Australia	Ordinary	**100**	-
Eucla Mining NL	Australia	Ordinary	**100**	-
CIM Duralie Pty Ltd	Australia	Ordinary	**100**	-
Duralie Coal Marketing Pty Ltd	Australia	Ordinary	**100**	-
Duralie Coal Pty Ltd	Australia	Ordinary	**100**	-
Gloucester (SPV) Pty Ltd	Australia	Ordinary	**100**	-
Gloucester (Sub Holdings 1) Pty Limited	Australia	Ordinary	**100**	-
Gloucester (Sub Holdings 2) Pty Limited	Australia	Ordinary	**100**	-

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40 Controlled entities (continued)

Name of entity	Country of incorporation	Class of shares	Equity holding 2012 %	Equity holding 2011 %
CIM Mining Pty Ltd	Australia	Ordinary	**100**	-
Donaldson Coal Holdings Limited	Australia	Ordinary	**100**	-
Monash Coal Holdings Pty Limited	Australia	Ordinary	**100**	-
CIM Stratford Pty Ltd	Australia	Ordinary	**100**	-
CIM Services Pty Ltd	Australia	Ordinary	**100**	-
Donaldson Coal Pty Ltd	Australia	Ordinary	**100**	-
Donaldson Coal Finance Pty Ltd	Australia	Ordinary	**100**	-
Monash Coal Pty Ltd	Australia	Ordinary	**100**	-
Stratford Coal Pty Ltd	Australia	Ordinary	**100**	-
Stratford Coal Marketing Pty Ltd	Australia	Ordinary	**100**	-
Abakk Pty Ltd	Australia	Ordinary	**100**	-
Newcastle Coal Company Pty Ltd	Australia	Ordinary	**100**	-
Primecoal International Pty Ltd	Australia	Ordinary	**100**	-
Paway Limited	British Virgin Islands	Ordinary	**100**	-
Ballymoney Power Limited	Ireland	Ordinary	**100**	100
Auriada Limited	Ireland	Ordinary	**100**	100

41 Interests in joint ventures

(a) Jointly controlled assets

Name and principal activity

A controlled entity, Yarrabee Coal Company Pty Ltd, has 50% interest in the output of Boonal Joint Venture, whose principal activity is provision of a coal haul road and train load out facility.

A controlled entity, White Mining (NSW) Pty Limited, has a 90% interest in the output of Ashton Joint Venture whose principal activity is the development and operation of open-cut coal mines.

A controlled entity, Moolarben Coal Mines Pty Limited, has an 80% interest in the output of the Moolarben Coal Joint Venture whose principal activity is the development and operation of open-cut and underground coal mines.

Due to the disposal of a controlled entity, Athena Coal Mines Pty Ltd, the Group disposed its 51% interest in the Athena Joint Venture whose principle activity is coal exploration.

(b) Jointly controlled entities

Name and principal activity

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

The interest in the Middlemount Coal Pty Ltd Joint Venture is accounted for in the financial statements under the proportionate consolidation method of accounting. Information relating to the joint venture is set out below.

The Group acquired Middlemount Coal Pty Ltd as part of the merger with Gloucester Coal Limited on 27 June 2012.

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41 Interests in joint ventures (continued)

The Group's interest in the assets, liabilities, revenue and expenses of the joint ventures are included in the consolidated financial statements as follows:

	30 June 2012 $'000	31 December 2011 $'000
Share of joint venture operations' assets and liabilities:		
Current assets	**35,389**	-
Non-current assets	**834,575**	-
Total assets	**869,964**	-
Current liabilities	**60,697**	-
Non-current liabilities	**505,391**	-
Total liabilities	**566,088**	-
Net assets	**303,876**	-

For capital expenditure commitments relating to the joint venture operations refer to note 37.

Share of joint venture operations' revenue, expenses and results:

The acquisition date of Gloucester group was 27 June 2012, therefore profit and loss impact subsequent to the acquisition is ignored as it is considered immaterial.

42 Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2012 $'000	30 June 2011 $'000
Profit for the half-year	**415,666**	250,788
Depreciation of non-current assets	**56,657**	30,515
Amortisation of leased assets	**-**	4,470
Amortisation of mining tenements	**29,409**	24,285
Amortisation of intangible assets	**215**	795
Interest on unwinding of discount	**2,255**	250
Non-cash deferred income recognised in profit	**-**	(1,657)
Net loss on disposal of property, plant and equipment and available for sale financial assets	**195**	1,168
Loss on changes in fair value of available for sale financial assets	**144**	-
Gain on acquisition of subsidiaries recognised in profit	**(218,083)**	-
Non-cash cash flow hedge (loss) / gain transferred to profit for the period	**(306)**	781
Unrealised foreign currency gains	**(14,881)**	(152,917)
(Increase) / decrease in deferred tax assets	**(320,496)**	53,883
Decrease in inventory	**40,615**	41,269
Decrease / (increase) in operating receivable	**63,519**	(12,790)
Increase in operating payable	**27,017**	10,446
Decrease in prepayments	**1,103**	697
Increase in deferred mining costs	**(8,058)**	(4,881)
(Decrease) / increase in tax provision	**(14,881)**	12,391
Increase in deferred tax liability	**133,728**	55,551
Increase in advances to other entities	**(7,621)**	(11,683)
Net cash inflow from operating activities	**186,197**	303,361

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43 Earnings per share

(a) Reconciliations of earnings used in calculating earnings per share

	30 June 2012 $'000	30 June 2011 $'000
Basic earnings per share		
Profit attributable to the ordinary owners of the company used in calculating basic earnings per share		
From continuing operations	**414,315**	253,596
From discontinued operation	**1,351**	(2,808)
	415,666	250,788
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary owners of the company:		
Used in calculating basic earnings per share	**414,315**	253,596
Used in calculating diluted earnings per share	**414,315**	253,596
Profit from discontinued operation	**1,351**	(2,808)
Profit attributable to the ordinary owners of the company used in calculating diluted earnings per share	**415,666**	250,788

(b) Weighted average number of shares used in calculating earnings per share

	30 June 2012 Number	30 June 2011 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (note 35(b))	**779,094,395**	767,646,961
Adjustments for calculation of diluted earnings per share	**-**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**779,094,395**	767,646,961

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44 Contingent liabilities

	30 June 2012 $'000	31 December 2011 $'000
Guarantees		
Parent entity and consolidated entity		
Guarantees secured over deposits	**5,642**	1,629
Performance guarantees provided to external parties	**167,734**	169,958
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**49,593**	41,128
Joint ventures		
Guarantees secured over deposits	**114**	114
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**4,443**	4,443
Related parties		
Guarantees secured over deposits	**700**	700
Performance guarantees provided to external parties	**86,392**	86,392
Guarantees provided in respect of the cost of restoration of certain mining leases, given to government departments as required by statute	**8,944**	8,944
	323,562	313,308

45 Events occurring after the reporting period

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

(i) On 8 August 2012, the syndicated loan facilities from the Bank of China and China Construction Bank were varied to extend the maturity dates from 2012, 2013, and 2014 by 5 years to 2017, 2018, and 2019, effectively moving $897,512,680 to non-current liabilities.

(ii) Yancoal International Resources Development Co. Limited, a wholly owned subsidiary of Yanzhou Coal Mining Company Limited has agreed to provide loan funding of at least US$720,000,000 for a period of no less than 5 years at a market competitive interest rate with no financial covenants attached, to enable Yancoal Australia Ltd to fund its net current liabilities position at 30 June 2012.

(iii) On 7 August 2012, the Group was advised by AusIndustry that the Board did not accept AusIndustry's recommendation in relation to an R&D claim dating from 2009. The Group is yet to receive written notification from AusIndustry of the details of the Board's decision. The total amount of the claim is approximately $19,300,000.

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 73 are in accordance with the *Corporations Act 2001,* including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date, and

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

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

Mr Cunliang Lai
Director

Sydney
17 August 2012

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Independent Auditor's Review Report To the Members of Yancoal Australia Ltd

We have reviewed the accompanying half-year financial report of Yancoal Australia Ltd, which comprises the consolidated balance sheet as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 74.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidate entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of Yancoal Australia Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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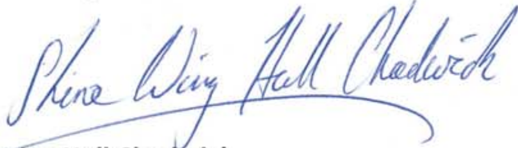
Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

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



ShineWing Hall Chadwick

K Glynn
Partner
Melbourne: 17 August 2012

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