Yancoal Australia Ltd
Appendix 4D
Half-Year Report
Half-year ended 30 June 2013

Results for announcement to the market

	30 June 2013 $'000	30 June 2012 $'000*	Change %
Revenue from ordinary activities	**718,360**	601,164	19.5
(Loss) / profit before income tax (before non-recurring items)	**(697,039)**	42,210	(1,751.4)
(Loss) / profit before income tax (after non-recurring items)	**(1,040,039)**	215,790	(582.0)
(Loss) / profit from ordinary activities after income tax attributable to members (before non-recurring items)	**(522,729)**	37,565	(1,491.5)
Net (loss) / profit for the period attributable to members (after non-recurring items)	**(749,441)**	410,025	(282.8)

* Restated to reflect the change in accounting policies due to the implementation of AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. Refer to note 1(a)(ii) Accounting for deferred mining costs - stripping costs in the attached Half-Year Financial Statements.

Earnings per share

	30 June 2013 $	30 June 2012 $*	Change %
(Loss) / earnings per share (before non-recurring items)**	**(0.53)**	0.05	(1,160.0)
(Loss) / earnings per share (after non-recurring items)**	**(0.75)**	0.53	(241.5)

** (Loss) / earnings per share is based on the (loss) / profit after income tax from continuing operations.

Net tangible assets per security

	30 June 2013 $	31 December 2012 $*	Change %
Net tangible assets per share	**0.88**	1.68	(47.6)

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 (2012: nil).

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

(i) Acquisitions

No entities were acquired during the financial period.

(ii) Disposals

No entities were disposed during the financial period.

Details of associates and joint venture entities

	30 June 2013		30 June 2012	
	Holdings %	**Profit / (loss) after income tax contribution $'000**	Holdings %	Profit / (loss) after income tax contribution $'000
Joint venture entities				
Ashton Joint Venture (unincorporated)	**90**	**(8,706)**	90	(7,699)
Moolarben Joint Venture (unincorporated)	**80**	**22,573**	80	46,668 *
Boonal Joint Venture (unincorporated)	**50**	**Not material**	50	Not material
Middlemount Coal Pty Ltd	**49.9997**	**(29,129)**	49.9997	Not material
Associate entities				
Ashton Coal Mines Limited	**90**	**Nil**	90	Nil
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	27	Nil

* Restated to reflect the change in accounting policies due to the implementation of AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. Refer to note 1(a)(ii) Accounting for deferred mining costs - stripping costs in the attached Half-Year Financial Statements.

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

Yancoal Australia Ltd

ABN 82 111 859 119

Half-Year Financial Report
For the half-year ended 30 June 2013

Yancoal Australia Ltd
Half-Year Financial Report
For the half-year ended 30 June 2013

Contents

Directors' Report

The Directors present their report on the Consolidated Entity ("the Group") consisting of Yancoal Australia Ltd ("the Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2013 ("the period").

Directors

The following persons who held office as Directors of Yancoal Australia Ltd during the whole of the half-year ended 30 June 2013 and up to the date of this report is as follows:

Weimin Li (resigned 22 July 2013)
Cunliang Lai
James Mackenzie
Yuxiang Wu
Vincent O'Rourke
Gregory Fletcher
Xinghua Ni
Geoffrey Raby
William Randall
Boyun Xu
Baocai Zhang

Company Secretary

The name of the Company Secretary during the whole of the half-year ended 30 June 2013 and up to the date of this report is as follows:

Ling Zhang

Review of operations

Financial performance

The loss after income tax for the half-year ended 30 June 2013 amounted to $749,441,000 (30 June 2012: net profit from continuing operations $409,561,000) after adding an income tax benefit of $290,598,000 (30 June 2012: $193,771,000).

The loss was mainly attributable to:

- a net unrealised foreign exchange loss amounting to $492,711,000 (30 June 2012: gain $10,184,000) on the conversion of US dollar denominated interest-bearing liabilities resulting from a weakening of the Australian dollar against the US dollar; and
- an impairment of mining tenements amounting to $343,000,000 (30 June 2012: $nil) attributable to the Moolarben ($258,000,000) and Stratford & Duralie ($85,000,000) operations predominantly due to a decline in forecast coal sale prices.

The effective date of the merger between Gloucester Coal Ltd ("Gloucester") was 27 June 2012. As such the Gloucester results were not included in the Group's results for the half-year ended 30 June 2012.

Additionally, on 22 June 2012 the Group disposed of its interest in the Cameby Downs and Premier Coal operating open cut mines, the Athena, Harrybrandt and Wilpeena exploration tenements together with several coal technology companies to fellow Yanzhou Coal Mining Company Limited subsidiaries. These results are included in "Profit / (loss) after income tax from discontinued operations" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2012.

Review of operations (continued)

Corporate activities

During the half-year ended 30 June 2013, the Group has successfully arranged two long term debt facilities as follows:

- From the Company's majority shareholder, Yanzhou Coal Mining Company Limited, amounting to US$596,000,000 with a term of 5 years (the principal repayable in regular installments from June 2015) and provided on an unsecured basis with no covenants. The facility was used to fund the payment of the promissory notes in connection with the capital return for previous Gloucester Coal Ltd shareholders. The promissory note was settled in full in January 2013.
- From Yancoal International (Holding) Co., Limited , a wholly owned subsidiary of the Company's majority shareholder, Yanzhou Coal Mining Company Limited , amounting to US$250,000,000 with a term of 3 years (the principal to be repaid in full at maturity) and provided on an unsecured basis with no covenants. The purpose of the facility is to fund working capital and capital expenditure.

In June 2013, the Company relocated its registered and corporate head office from Level 11, 68 York Street, Sydney NSW 2000 to Level 26, 363 George Street, Sydney NSW 2000.

Mining operations

During the period, the Group operated six mines in Australia: Ashton, Austar, Moolarben, Stratford & Duralie and Donaldson in New South Wales, and Yarrabee in Queensland. The Group also owns a near 50% equity interest in Middlemount Coal Pty Ltd ("Middlemount"), based in Queensland.

Total ROM and saleable coal produced by the seven mines including Middlemount during the period was 12.3Mt and 8.7Mt respectively on a 100% basis. The equity share of ROM and saleable coal produced from these mines was 10.7Mt and 7.5Mt respectively.

Ashton mine (Yancoal 90%)

All production during the period was sourced from the underground mine. The first longwall panel in the Upper Liddell seam was completed during the period. The longwall moved back to the Pikes Gully seam in June to mine the last remaining panel in the seam. Upon completion of the current longwall panel, Ashton will recommence mining in the Upper Liddell seam.

Production in the first panel of the Upper Liddell seam was lower than expected, impacted by a thinning seam. The longwall cut stone in sections of the panel, both in the roof and floor. However, a reduction of the cutting height in future panels is expected to mitigate these impacts.

The South East Open Cut's Land and Environment Court merits appeal saw submissions of expert evidence by the Applicant (Hunter Environmental Lobby), the First Respondent (NSW Department of Planning & Infrastructure) and the Second Respondent (Ashton Coal Operations Pty Limited). The hearing is scheduled to commence on 2 September 2013 and is likely to continue for a two to four week period.

Austar mine (Yancoal 100%)

Longwall production commenced in the new Stage 3 area during the period. This new area is expected to underpin the mine's long term future and while current conditions remain difficult when all associated infrastructure is completed, expected to be late 2013, conditions are expected to improve along with associated production rates. Development driveage is expected to reduce to normal operational levels in the coming periods.

The LEAN business improvement program was introduced at the mine during the period and its benefits are expected to accrue over the coming year and be sustained over the longer term. Initial focus will target the improvement of development rates and longwall moves.

Review of operations (continued)

Mining operations (continued)

Moolarben mine (Yancoal 80%)

It was a record period for Moolarben with quarter on quarter production records being set. Product yields continue to exceed expectations, averaging in the low to mid 70% range over the period.

The NSW Department of Planning & Infrastructure continued to develop its recommendation and assessment of the Stage 2 Project (comprising Open Cut 4, Underground 1 and Underground 2 mines). It will be forwarded to the Planning Assessment Commission for determination upon its completion.

Moolarben has been engaging positively with the community and during the period was nominated for an environmental award for the use of rubber backed truck bodies. These truck bodies are designed to specifically lower noise levels and significantly reduce the amount of intrusive noise.

Yarrabee mine (Yancoal 100%)

Despite above average unseasonal rainfall, the mine performed strongly throughout the period.

The initial box cut of the new Yarrabee-East-North ("YEN") pit was completed during the period with first coal mined in June. This pit will become a major source of high quality coal for Yarrabee for several years into the future.

The LEAN business improvement program has continued at Yarrabee during the period. Benefits of adopting the process are beginning to show in mining operations and are expected to yield further benefits as the year progresses.

Stratford & Duralie mines (Yancoal 100%)

Some minor industrial activity at the coal handling and preparation plant ("CHPP") caused modest disruptions to operations, however, production and product yields have met expectations.

The Stratford Extension Project went under public exhibition during the period with the relevant regulators and members of the public having made their submissions to the NSW Department of Planning & Infrastructure. The Department's assessment is well advanced and its recommendation and assessment will be forwarded to the Planning Assessment Commission for determination upon its completion.

Donaldson mine (Yancoal 100%)

Production at the Donaldson Mines (Abel and Tasman underground and Donaldson open cut) remained strong for the period. Coal from the Donaldson open cut was exhausted during the period and rehabilitation work is currently underway. Production at the existing Tasman mine is due to be completed in the second half of the year.

The Abel mine continued to perform strongly as the LEAN process continued to be implemented across more facets of the operation. The benefits of the program have translated into noteworthy productivity gains and lower unit cash costs.

The Tasman Extension Project was approved by the Minister for Planning & Infrastructure during the period.

Middlemount mine (Yancoal 49.9997%)

Production was significantly impacted early in the period when flood waters flowed into the open cut, however, mining production has progressively increased in each month since the event.

The transition to owner operator was completed in the period with Middlemount employees now responsible for all production activities at the mine. Production ramp up is progressing as expected.

Review of operations (continued)

Coal price outlook

The challenges for the coal industry in Australia and other parts of the world have intensified over the period. Both metallurgical and thermal coal prices have fallen. The weakening Australian dollar has helped producers to some extent, but has not entirely offset the decline in prices.

Steel production across the entire Asian region is stable and spot prices for all metallurgical coal types are currently trading below recently settled contract prices for the July to September period - indicating that the metallurgical coal market is well supplied.

A similar situation exists in the thermal coal market with many producers increasing output in an effort to reduce their operating costs through the benefits of scale. Demand for thermal coal remains strong, however, the demand is being overwhelmed by the increased supply.

For both metallurgical and thermal coal markets to return to balance, the market will require production cuts from some producers. At this stage, there is no sign of any production cuts so the outlook remains weak.

Matters subsequent to the end of the half-year

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

(a) As disclosed to the market on 9 July 2013, the Company has received a non-binding proposal from its parent entity, Yanzhou Coal Mining Company Limited ("Yanzhou") regarding a possible privatisation of the Company. Under this proposal, Yanzhou would acquire via a scheme of arrangement all of the shares in the Company that it does not currently own via a share exchange. As at the date of this report, the Company's Independent Director's are considering the proposal and are undertaking appropriate due diligence investigations to enable it to assess the proposed terms of the proposal.

(b) As disclosed to the market on 23 July 2013, Mr Weimin Li resigned as Chairman and as a Director of the Company with effect from 22 July 2013. This follows Mr Li's resignation as Chairman of the Company's parent entity, Yanzhou Coal Mining Company Limited.

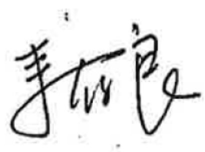
Auditor's independence declaration

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

Rounding of amounts

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

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



Cunliang Lai
Director
Sydney
16 August 2013

信永中和 ShineWing

ShineWing Hall Chadwick
Corporate Advisors &
Certified Practising Accountants
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The Board of Directors
Yancoal Australia Ltd
Level 26
363 George Street
SYDNEY NSW 2000

16 August 2013

Dear Board Members,

YANCOAL AUSTRALIA LTD

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

As lead audit partner for the review of the financial statements of Yancoal Australia Ltd for the half-year ended 30 June 2013, 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

ShineWing Hall Chadwick

M. Schofield

M J Schofield
Partner

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 30 June 2013

	Notes	**30 June 2013 $'000**	30 June 2012 (Restated) $'000
Revenue		**718,360**	601,164
Other income	4	**537**	233,215
Changes in inventories of finished goods and work in progress		**4,649**	(43,207)
Raw materials and consumables used		**(124,545)**	(86,698)
Employee benefits expense	5	**(133,094)**	(96,565)
Depreciation and amortisation expense	5	**(128,619)**	(66,297)
Impairment of mining tenements	10	**(343,000)**	-
Transportation expense		**(123,126)**	(78,722)
Contractual services and plant hire expense		**(194,339)**	(115,733)
Government royalties expense		**(49,430)**	(42,137)
Transaction costs		**-**	(44,503)
Other operating expenses	5	**(578,742)**	(25,848)
Finance costs	5	**(59,561)**	(18,879)
Share of loss of equity-accounted investees, net of tax	8	**(29,129)**	-
Profit / (loss) before income tax		**(1,040,039)**	215,790
Income tax benefit	6	**290,598**	193,771
Profit / (loss) after income tax from continuing operations		**(749,441)**	409,561
Profit after income tax from discontinued operations		**-**	464
Profit / (loss) after income tax		**(749,441)**	410,025
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value gains / (losses) taken to equity		**(71,355)**	25,039
Fair value (gains) / losses transferred to profit and loss		**(8,829)**	(24,319)
Deferred income tax benefit / (expense)		**23,990**	(216)
Other comprehensive income / (expense), net of tax		**(56,194)**	504
Total comprehensive income / (expense)		**(805,635)**	410,529
Total comprehensive income / (expense) for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**(805,635)**	410,065
Discontinued operations		**-**	464
		(805,635)	410,529
		$	$
Earnings / (loss) per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share		**(0.75)**	0.53
Diluted earnings / (loss) per share		**(0.75)**	0.53
Earnings / (loss) per share for profit / (loss) attributable to the ordinary equity holders of the Company:			
Basic earnings / (loss) per share		**(0.75)**	0.53
Diluted earnings / (earnings) per share		**(0.75)**	0.53

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

Consolidated Balance Sheet
As at 30 June 2013

	Notes	**30 June 2013 $'000**	31 December 2012 (Restated) $'000
ASSETS			
Current assets			
Cash and cash equivalents		**380,273**	349,293
Trade and other receivables		**185,575**	213,573
Royalty receivable		**16,546**	17,563
Inventories	7	**150,796**	146,456
Derivative financial instruments		**1,419**	13,482
Current tax receivables		**-**	2,360
Other current assets		**31,120**	11,519
Total current assets		**765,729**	754,246
Non-current assets			
Trade and other receivables		**359,599**	333,084
Royalty receivable		**181,510**	188,891
Investments accounted for using the equity method	8	**123,652**	152,781
Other financial assets		**37**	37
Property, plant and equipment	9	**1,819,036**	1,759,689
Mining tenements	10	**2,293,824**	2,646,868
Deferred tax assets		**749,945**	666,790
Intangible assets	11	**114,898**	116,697
Exploration and evaluation assets	12	**907,222**	945,270
Other non-current assets		**24,215**	20,210
Total non-current assets		**6,573,938**	6,830,317
Total assets		**7,339,667**	7,584,563
LIABILITIES			
Current liabilities			
Trade and other payables		**221,326**	270,867
Interest-bearing liabilities	13	**120,459**	105,276
Contingent value right shares	14	**239,271**	-
Derivative financial instruments		**72,939**	2,089
Provisions		**22,603**	34,833
Promissory note payable		**-**	586,970
Total current liabilities		**676,598**	1,000,035
Non-current liabilities			
Trade and other payables		**1,050**	1,237
Interest-bearing liabilities	13	**4,809,009**	3,473,278
Contingent value right shares	14	**-**	219,113
Deferred tax liabilities		**758,034**	989,462
Provisions		**109,151**	109,978
Total non-current liabilities		**5,677,244**	4,793,068
Total liabilities		**6,353,842**	5,793,103
Net assets		**985,825**	1,791,460
EQUITY			
Contributed equity		**656,701**	656,701
Reserves		**(49,834)**	6,360
Retained earnings		**378,958**	1,128,399
Capital and reserves attributable to owners of Yancoal Australia Ltd		**985,825**	1,791,460
Total equity		**985,825**	1,791,460

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

		Attributable to owners of Yancoal Australia Ltd			
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings (Restated) $'000	Total equity $'000
Balance at 1 January 2012 as previously reported		973,000	6,286	783,218	1,762,504
Impact of changes in accounting policy, net of tax	1(a)(iii)	-	-	(28,552)	(28,552)
Balance at 1 January 2012 (restated)		**973,000**	**6,286**	**754,666**	**1,733,952**
Profit / (loss) after income tax		-	-	410,025	410,025
Other comprehensive income / (expense)		-	504	-	504
Total comprehensive income / (expense)		**-**	**504**	**410,025**	**410,529**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax		336,841	-	-	336,841
Capital reduction		(653,140)	-	-	(653,140)
Deemed distribution to owners - loss on sale of Excluded Assets	1(a)(iii)	-	-	(16,848)	(16,848)
		(316,299)	-	(16,848)	(333,147)
Balance at 30 June 2012 (restated)	**1(a)(iii)**	**656,701**	**6,790**	**1,147,843**	**1,811,334**
Balance at 1 January 2013 (restated)		656,701	6,360	1,128,399	1,791,460
Profit / (loss) after income tax		-	-	(749,441)	(749,441)
Other comprehensive income / (expense)		-	(56,194)	-	(56,194)
Total comprehensive income / (expense)		**-**	**(56,194)**	**(749,441)**	**(805,635)**
Transactions with owners in their capacity as owners:		-	-	-	-
Balance at 30 June 2013		**656,701**	**(49,834)**	**378,958**	**985,825**

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

	Notes	**30 June 2013 $'000**	30 June 2012 $'000
Cash flows from operating activities			
Receipts from customers		**679,448**	818,198
Payments to suppliers and employees		**(730,919)**	(605,752)
Interest paid		**(58,296)**	(18,777)
Interest received		**6,471**	12,912
Income tax refund received / (paid)		**2,365**	(16,922)
Transaction costs relating to acquisition of subsidiaries		**(9,049)**	(3,462)
Net cash (outflow) / inflow from operating activities		**(109,980)**	186,197
Cash flows from investing activities			
Payments for property, plant and equipment		**(115,346)**	(92,950)
Payments for intangible assets		**-**	(21)
Payments for mining tenements		**-**	(51)
Payments for capitalised exploration and evaluation activities		**(2,992)**	(10,505)
Proceeds from sale of property, plant and equipment		**240**	62
Net cash received from acquisition of subsidiaries		**-**	44,127
Net cash received from acquisition - purchase price adjustment		**-**	1,502
Net cash transferred with disposal of subsidiaries		**-**	(96,840)
Advances to other entities		**-**	(663)
Advances to associates		**(664)**	-
Receipt from repayment of advances to associates		**-**	2,810
Advances to joint venture		**(16,999)**	-
Loans to controlled entities prior to acquisition		**-**	(113,000)
Receipt from repayment of loans to related entities		**50,000**	-
Payment of deferred purchase consideration		**(250)**	-
Proceeds from sale of available-for-sale financial assets		**-**	15,371
Dividends received		**2**	-
Cash transferred (to) / from restricted accounts		**(18,238)**	2,119
Net cash (outflow) from investing activities		**(104,247)**	(248,039)
Cash flows from financing activities			
Payment of finance lease liabilities		**(4,660)**	-
Proceeds from interest-bearing liabilities - external		**80,000**	115,143
Repayment of interest-bearing liabilities - external		**(80,000)**	-
Proceeds from interest-bearing liabilities - related entities		**840,817**	-
Repayment of promissory note		**(586,970)**	-
Net cash inflow from financing activities		**249,187**	115,143
Net increase in cash and cash equivalents		**34,960**	53,301
Cash and cash equivalents at the beginning of the financial period		**349,293**	290,974
Effects of exchange rate changes on cash and cash equivalents		**(3,980)**	(349)
Cash and cash equivalents at the end of the half-year		**380,273**	343,926

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

1 Basis of preparation of half-year report

This Half-Year Financial Report for the half-year ended 30 June 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This Half-Year Financial Report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 31 December 2012 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2013 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

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

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

The Half-Year Financial Statements were authorised for issue in accordance with a resolution of the Directors on 16 August 2013.

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

(a) Change in accounting policies

Yancoal Australia Ltd had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 January 2013.

The affected policies and standards are:

- Principles of consolidation - new standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*, and
- Accounting for deferred mining costs - new AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*.

Other new standards that are applicable for the first time for the half-year ended 30 June 2013 are:

- AASB 12 *Disclosure of Interest in Other Entities*,
- AASB 13 *Fair Value Measurement*,
- AASB 119 *Employee Benefits*,
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*, and
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*.

These standards have introduced new disclosures for the Half-Year Financial Report but did not affect the Group's accounting policies or any of the amounts recognised in the Half-Year Financial Statements, except for the following:

(i) Principles of consolidation - subsidiaries and joint arrangements

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation - Special Purpose Entities. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the Half-Year Financial Statements are required as a result of the adoption of AASB 10.

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

(a) Change in accounting policies (continued)

Under AASB 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Yancoal Australia Ltd has assessed the nature of its joint arrangements and determined to have both joint operations and joint ventures.

The accounting for the Group's joint operations has not changed as a result of the adoption of AASB 11. The Group continues to recognise its direct right, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

However, under the Group's previous accounting policy, interests in joint ventures were accounted for using the proportionate consolidation method, whereby the Group combined its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's Financial Statements. This method is no longer permitted under AASB 11. Instead, interests in joint ventures must now be accounted for using the equity method. Under this method, the interests in joint ventures are initially recognised in the Consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

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

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

Yancoal Australia Ltd acquired a 49.9997% interest in the output of Middlemount Coal Pty Ltd, an incorporated joint venture through the merger with Gloucester Coal Ltd which became effective on 27 June 2012, with the merger implementation date being 6 July 2012. As required under AASB 11, when changing from proportionate consolidation to the equity method, the Group recognised its investment in the joint venture as at the acquisition date as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated. This is the deemed cost of the Group's investment in the joint venture for applying equity accounting. As a consequence, the change in policy did not have any impact on the Group's net assets, items of equity, profit after tax and earnings per share for the half-years ended 30 June 2013 and 30 June 2012. Furthermore, the change in policy has not affected the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows for the half-year ended 30 June 2012.

The impact of this change in the Group's accounting policy on individual line items in the Consolidated Balance Sheet has been summarised in note 1 (a)(iii).

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

(a) Change in accounting policies (continued)

(ii) Accounting for deferred mining costs - stripping costs

Under the Group's previous accounting policy, overburden in advance was capitalised and later charged to the Consolidated Statement of Profit or Loss and Other Comprehensive Income on the basis of run of mine ("ROM") coal tonnes mined. This methodology has been amended under AASB Interpretation 20. Production stripping costs are now capitalised as part of an asset, if it can be demonstrated that it is probable that future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of the ore body for which access has been improved. The asset is called "stripping activity asset".

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

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

As required under AASB Interpretation 20, the change in policy has been applied to production stripping costs incurred on or after the beginning of the earliest period presented, being 1 January 2012.

This new interpretation requires a more rigorous asset recognition criteria on a strip-by-strip basis as discussed above. The entire amount of deferred mining costs that relates to surface mining, being $40,791,000 ($28,554,000 net of tax), did not satisfy the asset recognition criteria based on the nature of the mining operations and mine planning. Therefore, it has been transferred to opening retained earnings at the beginning of the earliest period presented, being 1 January 2012 for the Group.

The Group has assessed the deferred mining cost that relates to the surface mining incurred since the date of transition, being 1 January 2012, and was unable to recognise any subsequent cost as an asset due to the recognition criteria under AASB Interpretation 20 not being met.

The impact of this change in the Group's accounting policy on individual line items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and the Consolidated Balance Sheet has been summarised in note 1 (a)(iii).

(iii) Impact of changes in accounting policies

The impact of the changes in the Group's accounting policies on individual line items in the Half-Year Financial Statements can be summarised by the following table.

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

(a) Change in accounting policies (continued)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Prior half-year restatement			
	30 June 2012 (Previously stated) $'000	**Adoption of AASB 11 $'000**	**Adoption of AASB Interpretation 20 $'000**	**30 June 2012 (Restated) $'000**
Revenue	601,164	-	-	**601,164**
Other income	233,215	-	-	**233,215**
Changes in inventories of finished goods and work in progress	(41,983)	-	(1,224)	**(43,207)**
Raw materials and consumables used	(86,698)	-	-	**(86,698)**
Employee benefits expense	(96,565)	-	-	**(96,565)**
Depreciation and amortisation expense	(66,297)	-	-	**(66,297)**
Transportation expense	(78,722)	-	-	**(78,722)**
Contractual services and plant hire expense	(115,733)	-	-	**(115,733)**
Government royalties expense	(42,137)	-	-	**(42,137)**
Changes in deferred mining costs	5,567	-	(5,567)	**-**
Transaction costs	(44,503)	-	-	**(44,503)**
Other operating expenses	(25,848)	-	-	**(25,848)**
Finance costs	(18,879)	-	-	**(18,879)**
Profit before income tax	222,581	-	(6,791)	**215,790**
Income tax benefit	191,734	-	2,037	**193,771**
Profit after income tax from continuing operations	414,315	-	(4,754)	**409,561**
Profit after income tax from discontinued operations	1,351	-	(887)	**464**
Profit after income tax	415,666	-	(5,641)	**410,025**
Other comprehensive income, net of tax	504	-	-	**504**
Total comprehensive income	**416,170**	**-**	**(5,641)**	**410,529**
	$	**$**	**$**	**$**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:				
Basic earning per share	0.53	-	-	**0.53**
Diluted earning per share	0.53	-	-	**0.53**
Earnings per share for profit attributable to the ordinary equity holders of the Company:				
Basic earning per share	0.53	-	-	**0.53**
Diluted earning per share	0.53	-	-	**0.53**

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

(a) Change in accounting policies (continued)

Consolidated Balance Sheet

	Prior year restatement			
	31 December 2012 (Previously stated) $'000	**Adoption of AASB 11 $'000**	**Adoption of AASB Interpretation 20 $'000**	**31 December 2012 (Restated) $'000**
Current assets				
Cash and cash equivalents	350,653	(1,360)	-	**349,293**
Trade and other receivables	231,927	(18,354)	-	**213,573**
Royalty receivable	17,563	-	-	**17,563**
Inventories	152,317	(5,861)	-	**146,456**
Derivative financial instruments	13,482	-	-	**13,482**
Current tax receivables	2,360	-	-	**2,360**
Other current assets	104,480	(31,128)	(61,833)	**11,519**
Total current assets	872,782	(56,703)	(61,833)	**754,246**
Non-current assets				
Trade and other receivables	76,143	256,941	-	**333,084**
Royalty receivable	188,891	-	-	**188,891**
Investments accounted for using the equity method	3,035	163,264	(13,518)	**152,781**
Other financial assets	37	-	-	**37**
Property, plant and equipment	1,987,907	(228,218)	-	**1,759,689**
Mining tenements	2,977,133	(330,265)	-	**2,646,868**
Deferred tax assets	738,486	(69,630)	(2,066)	**666,790**
Intangible assets	118,895	(2,198)	-	**116,697**
Exploration and evaluation assets	945,270	-	-	**945,270**
Other non-current assets	20,210	-	-	**20,210**
Total non-current assets	7,056,007	(210,106)	(15,584)	**6,830,317**
Total assets	7,928,789	(266,809)	(77,417)	**7,584,563**
Current liabilities				
Trade and other payables	315,939	(45,072)	-	**270,867**
Interest-bearing liabilities	105,276	-	-	**105,276**
Derivative financial instruments	2,089	-	-	**2,089**
Provisions	34,843	(10)	-	**34,833**
Promissory note payable	586,970	-	-	**586,970**
Total current liabilities	1,045,117	(45,082)	-	**1,000,035**
Non-current liabilites				
Trade and other payables	1,237	-	-	**1,237**
Interest-bearing liabilities	3,516,949	(43,671)	-	**3,473,278**
Contingent value right shares	219,113	-	-	**219,113**
Deferred tax liabilities	1,186,845	(171,946)	(25,437)	**989,462**
Provisions	116,088	(6,110)	-	**109,978**
Total non-current liabilities	5,040,232	(221,727)	(25,437)	**4,793,068**
Total liabilities	6,085,349	(266,809)	(25,437)	**5,793,103**
Net assets	1,843,440	-	(51,980)	**1,791,460**

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

(a) Change in accounting policies (continued)

	Prior year restatement			
	31 December 2012 (Previously stated) $'000	**Adoption of AASB 11 $'000**	**Adoption of AASB Interpretation 20 $'000**	**31 December 2012 (Restated) $'000**
Equity				
Contributed equity	656,701	-	-	**656,701**
Reserves	6,360	-	-	**6,360**
Retained earnings	1,180,379	-	(51,980)	**1,128,399**
Capital and reserves attributable to owners of Yancoal Australia Ltd	1,843,440	-	(51,980)	**1,791,460**
Total equity	**1,843,440**	**-**	**(51,980)**	**1,791,460**

The adoption of AASB Interpretation 20 had the following impact on retained earnings:

	Previously reported $'000	**Transitional adjustments $'000***	**Adjustments due to adoption of AASB Interpretation 20 $'000****	**Adjusted balance $'000**
Opening balance at 1 January 2012	783,218	-	-	783,218
Derecognition of opening deferred mining costs	-	(40,789)	-	(40,789)
Tax effect	-	12,237	-	12,237
Adjusted retained earnings at 1 January 2012	783,218	(28,552)	-	754,666
Deemed distribution to owners - loss on sale of Excluded Assets for the half-year ended 30 June 2012	(22,610)	-	5,762	(16,848)
Profit after income tax for the half-year ended 30 June 2012	415,666	-	(5,641)	410,025
Adjusted retained earnings at 30 June 2012	1,176,274	(28,552)	121	1,147,843

* Relates to the adjustments required in the opening retained earnings at the beginning of the earliest period presented, that is, 1 January 2012.

** Relates to the adjustments required in the movement of retained earnings since the transitional date, being 1 January 2012 to 30 June 2012.

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

Australian Accounting Standards and Interpretations issued but not yet applicable for the half-year ended 30 June 2013 have not been applied by the Group. The Group has not yet determined the potential impacts of the amendments on the Group's financial statements.

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

(c) Going concern

For the half-year ended 30 June 2013, the Group had a loss before tax from continuing operations of $1,040,039,000 (30 June 2012: profit of $215,790,000) and operating cash outflow after interest expenses of $109,980,000 (30 June 2012: inflow of $186,197,000). The loss was principally attributable to a net unrealised foreign exchange loss on US dollar denominated interest-bearing liabilities amounting to $492,711,000 and an impairment of mining tenements at Moolarben and Stratford & Duralie amounting to $258,000,000 and $85,000,000 respectively.

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

(i) The Group has budgeted positive operating cash flows before finance costs for the next 12 months.
(ii) At 30 June 2013, the Group has a cash balance of $380,273,000.
(iii) At 30 June 2013 the Group has surplus net current assets of $89,131,000 including a $239,271,000 liability in respect of the Contingent Value Rights shares ("CVR"). The CVR liability will be satisfied by the Group's majority shareholder, Yanzhou Coal Mining Company Limited no later than 6 January 2014 and on settlement this liability will be transferred to contributed equity. Excluding the CVR liability the Group has surplus net current assets of $328,402,000.
(iv) The Directors of Yanzhou Coal Mining Company Limited have agreed to make available a US$250,000,000 long term interest-bearing borrowing to the Group. The facility is available to be drawn-down subject to the approval of the Independent Directors of the Company. The utilisation of the facility will be dependent on the funding requirements for future operating and capital projects.

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

2 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

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

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

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2013 and 31 December 2012 on a recurring basis:

At 30 June 2013	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Derivatives used for hedging				
Forward foreign exchange contracts	**-**	**1,325**	**-**	**1,325**
Foreign exchange option contracts	**-**	**94**	**-**	**94**
Royalty receivable	**-**	**-**	**198,056**	**198,056**
Total assets	**-**	**1,419**	**198,056**	**199,475**
Liabilities				
Derivatives used for hedging				
Forward foreign exchange contracts	**-**	**60,913**	**-**	**60,913**
Foreign exchange option contracts	**-**	**12,026**	**-**	**12,026**
Other derivatives				
Contingent value rights	**239,271**	**-**	**-**	**239,271**
Total liabilities	**239,271**	**72,939**	**-**	**312,210**

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

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2013.

2 Fair value measurement of assets and liabilities (continued)

(b) Valuation techniques

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

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

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

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of derivatives used for hedging is determined using forward exchange rates at the balance sheet date; and
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value for the remaining financial instruments.

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

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2013:

	Royalty receivable $'000
Opening balance 1 January 2013	206,454
Cash received / receivable	(4,487)
Unwinding of the discount	11,355
Re-measurement of the royalty receivable	(15,266)
Closing balance 30 June 2013	198,056

(i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2013 has been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has been determined to have a finite life being the life of the Middlemount Mine and will be measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments (refer to note 10). The risk-adjusted post-tax discount rate used to determine the future cash flows is 11%.

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

2 Fair value measurement of assets and liabilities (continued)

(d) Fair values of other financial instruments

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

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

3 Segment information

(a) Description of segments

Management has determined the operating segments based on 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 operating items of 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 interest-bearing liabilities, and the elimination of intersegment transactions and other consolidation adjustments.

(b) Segment information provided to the Executive Committee

The segment information provided to the Executive Committee for the reportable segments for the half-year ended 30 June 2013 is as follows:

30 June 2013	**Coal mining** $'000	**Corporate** $'000	**Total** $'000
Total segment revenue*	690,536	-	690,536
Less: gain on foreign exchange rate contracts	(8,829)	-	(8,829)
Revenue from external customers	**681,707**	**-**	**681,707**
Operating EBIT	**(83,418)**	**(25,925)**	**(109,343)**
Material income or expense items			
Non-cash items			
Re-measurement of royalty receivable	(15,266)	-	(15,266)
Re-measurement of contingent value right shares	-	(20,158)	(20,158)
Depreciation and amortisation expense	(123,929)	(4,690)	(128,619)
Foreign exchange loss on interest-bearing liabilities	-	(492,711)	(492,711)
Impairment of mining tenements	(343,000)	-	(343,000)
	(482,195)	**(517,559)**	**(999,754)**
Total capital expenditure	**143,991**	**127**	**144,118**

3 Segment information (continued)

(b) Segment information provided to the Executive Committee (continued)

The segment information provided to the Executive Committee for the reportable segments for the half-year ended 30 June 2012 is as follows:

30 June 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	**57,909**	**(7,004)**	**50,905**
Material income or expense items			
Non-cash items			
Depreciation and amortisation expense	(63,819)	(2,478)	(66,297)
Foreign exchange gain on interest-bearing liabilities	-	10,184	10,184
Gain on acquisition of subsidiaries	-	218,083	218,083
	(63,819)	**225,789**	**161,970**
Cash expense			
Transaction costs	-	(44,503)	(44,503)
	-	(44,503)	(44,503)
Total capital expenditure	**89,281**	**6,670**	**95,951**

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

There was no impairment charge or other significant non-cash items recognised during the half-years ended 30 June 2013 and 30 June 2012 other than those disclosed above.

(c) Other segment information

(i) Operating EBIT

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBIT. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and significant impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value re-measurements and unrealised gains / (losses) on interest-bearing liabilities. Interest income and expense are not allocated to the Coal Mining segment, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

3 Segment information (continued)

(c) Other segment information (continued)

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

	30 June 2013 $'000	30 June 2012 $'000
Operating EBIT	**(109,343)**	50,905
Finance costs	**(59,561)**	(18,879)
Re-measurement of royalty receivable	**(15,266)**	-
Re-measurement of contingent value right shares	**(20,158)**	-
Foreign exchange (loss) / gain on interest-bearing liabilities	**(492,711)**	10,184
Transaction costs	**-**	(44,503)
Gain on acquisition of subsidiaries	**-**	218,083
Impairment of mining tenements	**(343,000)**	-
(Loss) / profit before income tax from continuing operations	**(1,040,039)**	215,790

(ii) Segment capitalised expenditure

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

Reportable segments' capital expenditure is set out in note 9 Property, plant and equipment, note 10 Mining tenements, note 11 Intangible assets and note 12 Exploration and evaluation assets.

All segment assets are located in Australia.

(iii) Segment liabilities

A measure of total liabilities for reportable segments are not provided to the Executive Committee. The Executive Committee reviews the liabilities of the Group at a consolidated level.

4 Other income

	30 June 2013 $'000	30 June 2012 $'000
Foreign exchange gains (net)	**-**	13,579
Government grants	**2**	7
Deferred income	**-**	2
Sundry income	**535**	1,544
Gain on acquisition of subsidiaries	**-**	218,083
	537	233,215

5 Expenses

	30 June 2013 $'000	30 June 2012 $'000
Profit / (loss) before income tax includes the following specific expenses:		
(a) Employee benefits expense		
Defined contribution superannuation expense	**9,854**	6,649
Other employee benefits expenses	**123,240**	89,916
Total employee benefits expenses from continuing operations	**133,094**	96,565
(b) Depreciation and amortisation		
Depreciation		
Buildings	**1,597**	1,789
Plant and equipment	**55,226**	47,789
Mine development	**21,124**	7,079
Leased plant & equipment	**2,431**	-
Total depreciation	**80,378**	56,657
Amortisation		
Mining tenements	**51,082**	29,409
Other access rights	**26**	27
Computer software	**1,943**	188
Total amortisation	**53,051**	29,624
Total depreciation and amortisation	**133,429**	86,281
Other depreciation and amortisation		
Depreciation and amortisation from discontinued operations	**-**	(19,984)
Depreciation and amortisation capitalised	**(4,810)**	-
Total other depreciation and amortisation	**(4,810)**	(19,984)
Total depreciation and amortisation from continuing operations	**128,619**	66,297
(c) Finance costs		
Finance lease charges	**1,410**	-
Unwinding of discount on provisions and deferred payables	**745**	495
Other interest expenses	**57,406**	18,384
Total finance costs from continuing operations	**59,561**	18,879

5 Expenses (continued)

(d) Other operating expenses

	30 June 2013 $'000	30 June 2012 $'000
Net loss on disposal of property, plant and equipment	**993**	106
Net loss on foreign exchange*	**487,476**	-
Rental expense relating to operating leases	**2,618**	2,240
Re-measurement of royalty receivable	**15,266**	-
Re-measurement of contingent value right shares	**20,158**	-
Insurance	**3,130**	2,328
Bank fees and other charges	**34,123**	8,417
Duties and other levies	**8,807**	2,845
Travel and accomodation	**1,792**	1,849
Other operating expenses	**4,379**	8,063
Total other operating expenses from continuing operations	**578,742**	25,848

* This includes a net unrealised foreign exchange loss amounting to $492,711,000 on the conversion of US dollar denominated interest-bearing liabilities.

6 Income tax benefit

The income tax benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the financial period. The estimated average tax rate used for the half-year ended 30 June 2013 is 29.16%, compared to 1.73% for the half-year ended 30 June 2012. The effective tax rate during the half-year ended 30 June 2012 was significantly lower due to the non-taxable gain on acquisition of subsidiaries recognised in relation to the merger with Gloucester Coal Ltd ("Gloucester") on 27 June 2012, amounting to $218,083,000 (the gain was subsequently revised to $199,967,000 at 31 December 2012 when the purchase price accounting for the acquisition of Gloucester was finalised). The estimated average tax rate does not take into account any permanent differences that may arise from the Research and Development tax concession.

The income tax benefit in the Consolidated Statement of Profit or Loss and Other Comprehensive Income also includes the Minerals Resource Rent Tax ("MRRT") expense for the half-year ended 30 June 2013. MRRT is calculated based on a mine by mine analysis performed for the period. This analysis included but is not limited to a portion of profit/loss (upstream) applicable to MRRT, royalties paid to the State Government and upstream capital expenditure. In performing this calculation, consideration was given to ensure that starting base allowances can be recouped based on future forecasted upstream cash flows.

7 Inventories

	30 June 2013 $'000	31 December 2012 $'000
Coal - at lower of cost and net realisable value	**120,517**	116,221
Tyres and spares - at cost	**29,338**	29,169
Fuel - at cost	**941**	1,066
	150,796	146,456

7 Inventories (continued)

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2013 amounted to $11,841,000 (31 December 2012: $32,838,000). A provision was required to be recognised at 30 June 2013 due to a reduction in forecast coal prices which were slightly offset by a reduction in production costs per tonne. The movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

8 Investments accounted for using the equity method

	30 June 2013 $'000	31 December 2012 $'000
Investment in associates	**3,035**	3,035
Interest in joint venture	**120,617**	149,746
	123,652	152,781

(a) Investment in associates

(i) Summarised financial information of associates

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

		Group's share of:			
		30 June 2013		**30 June 2013**	
	Ownership Interest %	**Assets $'000**	**Liabilities $'000**	**Revenues $'000**	**Loss after income tax $'000**
Ashton Coal Mines Limited	90	35,457	35,316	47,619	-
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	27	940,975	1,042,922	74,308	(53,428)
		976,432	1,078,238	121,927	(53,428)

		Group's share of:			
		31 December 2012		**30 June 2012**	
	Ownership Interest %	Assets $'000	Liabilities $'000	Revenues $'000	Profit after income tax $'000
Ashton Coal Mines Limited	90	44,297	44,156	90,939	-
Newcastle Coal Infrastructure Group Pty Ltd ("NCIG")*	27	784,649	832,540	-	-
		828,946	876,696	90,939	-

* The Group's share of NCIG's loss after income tax has not been recognised for the half-year ended 30 June 2013 since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at 30 June 2013.

All of the above associates are incorporated in Australia.

8 Investments accounted for using the equity method (continued)

(a) Investment in associates (continued)

(ii) Contingent liabilities relating to associates

There were no contingent liabilities in relation to the Group's associates as at the half-year ended 30 June 2013.

(b) Interest in joint venture

(i) Summarised financial information of joint venture

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

The interest in Middlemount is accounted for in the Half-Year Financial Statements in accordance with the new accounting standard AASB 11 *Joint Arrangements*, effective from financial years beginning on or after 1 January 2013. Refer to note 1(a)(i).

Furthermore, Middlemount was also impacted by AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*. Therefore, the amount of deferred mining costs that related to surface mining which did not satisfy the asset recognition criteria of AASB Interpretation 20 during 2012 was transferred to retained earnings in the prior period. Accordingly, the prior period presented has been restated. Refer to note 1(a)(ii).

	30 June 2013 $'000	31 December 2012 $'000
Share of joint venture's assets and liabilities		
Current assets	**26,132**	33,238
Non-current assets	**642,425**	636,413
Total assets	**668,557**	669,651
Current liabilities	**53,787**	46,534
Non-current liabilities	**494,153**	473,371
Total liabilities	**547,940**	519,905
Net assets	**120,617**	149,746

	30 June 2013 $'000	30 June 2012 $'000
Share of joint venture's revenue, expenses and results		
Revenue	**56,096**	-
Expenses	**(109,974)**	-
Loss before income tax	**(53,878)**	-

The liabilities of Middlemount include an amount of $283,335,000 due to the Group at 30 June 2013 (31 December 2012: $257,483,000). The repayment of the loan due to the Group can only be made by Middlemount after the full settlement of all external borrowings (bank loans) and the Priority Loans owed to the other shareholder of Middlemount amounting to $103,093,000 (31 December 2012: $87,347,000).

8 Investments accounted for using the equity method (continued)

(b) Interest in joint venture (continued)

	30 June 2013 $'000	31 December 2012 $'000
Opening net book amount	**149,746**	-
Acquisition through business combination	**-**	179,211
Share of loss of equity-accounted investees, net of tax	**(29,129)**	(29,465)
Closing net book amount	**120,617**	149,746

(ii) Contingent liabilities relating to joint venture

Contingent liabilities in relation to the Group's interest in Middlemount are set out in note 17.

9 Property, plant and equipment

	Assets under construction $'000	**Freehold land & buildings $'000**	**Mine development $'000**	**Plant and equipment $'000**	**Leased plant and equipment $'000**	**Total $'000**
At 31 December 2012						
Cost	294,694	194,748	417,836	1,145,610	35,808	2,088,696
Accumulated depreciation	-	(2,301)	(57,551)	(267,904)	(1,251)	(329,007)
Net book amount	294,694	192,447	360,285	877,706	34,557	1,759,689
Half-year ended 30 June 2013						
Opening net book amount	294,694	192,447	360,285	877,706	34,557	1,759,689
Transfers - assets under construction	(142,588)	17,062	52,535	72,763	-	(228)
Other additions	108,116	308	10,068	1,914	20,722	141,128
Other disposals	-	(208)	-	(967)	-	(1,175)
Depreciation charge	-	(1,597)	(21,124)	(55,226)	(2,431)	(80,378)
Closing net book amount	260,222	208,012	401,764	896,190	52,848	1,819,036
At 30 June 2013						
Cost	260,222	214,969	474,389	1,214,394	56,530	2,220,504
Accumulated depreciation	-	(6,957)	(72,625)	(318,204)	(3,682)	(401,468)
Net book amount	260,222	208,012	401,764	896,190	52,848	1,819,036

10 Mining tenements

	30 June 2013 $'000	31 December 2012 $'000
Opening net book amount	**2,646,868**	2,325,050
Acquisition through business combination	**-**	477,198
Other additions	**-**	62
Transfers - exploration	**41,038**	-
Disposal of entities	**-**	(74,196)
Working capital adjustment - other disposals	**-**	(1,502)
Provision for impairment	**(343,000)**	-
Amortisation for the period	**(51,082)**	(79,744)
Closing net book amount	**2,293,824**	2,646,868

(a) Impairment assessment

The recoverable amount of the Cash Generating Units ("CGU") is assessed by management at the operating segment level. Business performance is reviewed by management on a mine by mine basis and each mine is considered to be a separate CGU.

The recoverable amount of each CGU at 30 June 2013 was determined using the value in use method.

Value in use has been determined using a discounted cash flow model. The key assumptions to which the model is most sensitive include:

- Coal prices
- Foreign exchange rates
- Production and capital costs
- Discount rate
- Coal reserves and resources

In determining the value assigned to each key assumption, management has used external sources of information and utilised the expertise of external consultants and experts within the Group to validate entity specific assumptions such as coal reserves and resources.

Furthermore, the Group's cash flow forecasts are based on estimates of future coal prices, which assume market prices will revert to the Group's assessment of the average long term real coal prices of US$77 - US$171 per tonne. These prices are based on externally verifiable forecast prices per tonne of coal adjusted for specific quality factors of the Group's products.

The long term AUD/USD forecast exchange rate of $0.81 is based on externally verifiable sources, and commences from 2018.

Production and capital costs are based on the Group's estimate of forecasted geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models and project evaluations performed by the Group in its ordinary course of business.

The Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax nominal discount rate is 15.7%. The post-tax discount rate applied to the future cash flow forecasts represent an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in its ordinary course of business.

10 Mining tenements (continued)

(a) Impairment assessment (continued)

The recoverable amount is also dependent on the life of mines (11 to 33 years). This is calculated based on the Group's annual coal production forecast for each mine and coal reserves and resources.

Based on the above factors the recoverable amount is determined to be above book value at 30 June 2013 for all CGUs except for the Moolarben and Stratford & Duralie mines.

A goodwill balance of $97,250,000 is recognised as at 30 June 2013 in relation to the acquisition of Yancoal Resources Limited (formerly known as Felix Resources Limited) on the Ashton and Yarrabee mines amounting to $36,981,000 and $60,269,000 respectively (refer to note 11). These mines were not subject to an impairment charge as the recoverable amount is greater than the carrying amount.

Moolarben and Stratford & Duralie do not have goodwill attributed to them and therefore the impairment has been allocated to mining tenements amounting to $258,000,000 for Moolarben and $85,000,000 for Stratford & Duralie. The impairment is predominantly due to forecast global economic conditions and forecast coal sale prices.

In addition, various sensitivities have been considered for each of the key assumptions which further support the above conclusion.

After considering the inputs of the valuation model, the most sensitive input is determined to be revenue which is primarily dependent on estimated future coal prices and the AUD/USD forecast exchange rate. The models are also sensitive to current coal reserves and the cost of mining those reserves together with expected future expansion projects and any related capital expenditure.

For Moolarben, an increase in the average long term real revenue of 3.9% over the life of the mine due to either an increase in coal prices or the further weakening of the AUD/USD forecast exchange rate, or a combination of both, will increase the value in use to equal the carrying value of the CGU before impairment charges. This would remove the requirement to recognise an impairment provision. Moolarben is projected to have significant expansion in the medium term and variations in the forecast capital expenditure will also impact the value in use of the CGU.

For Stratford & Duralie, an increase in the average long term real revenue of 9% over the life of the mine due to either an increase in coal prices or the further weakening of the AUD/USD forecast exchange rate, or a combination of both, will increase the value in use to equal the carrying value of the CGU before impairment charges. This would remove the requirement to recognise an impairment provision. Stratford & Duralie also has development opportunities with the potential to increase mineable reserves. Further exploration activities will be undertaken in due course that may vary the value in use of the CGU.

11 Intangible assets

	Goodwill $'000	Computer software $'000	Access rights & other licenses $'000	Total $'000
At 31 December 2012				
Cost	97,250	21,706	1,731	120,687
Accumulation amortisation and impairment	-	(3,851)	(139)	(3,990)
Net book amount	97,250	17,855	1,592	116,697
Half-year ended 30 June 2013				
Opening net book amount	97,250	17,855	1,592	116,697
Transfers - assets under construction	-	228	-	228
Other disposals	-	(58)	-	(58)
Amortisation charge	-	(1,943)	(26)	(1,969)
Closing net book amount	97,250	16,082	1,566	114,898
At 30 June 2013				
Cost	97,250	19,775	1,731	118,756
Accumulated amortisation	-	(3,693)	(165)	(3,858)
Net book amount	97,250	16,082	1,566	114,898

(a) Impairment assessment

Brought forward goodwill relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) from an independent third party shareholder in an arm's length transaction. The recoverable amount of goodwill is determined using the value in use method. Refer to note 10 for the details regarding the value in use calculation performed at 30 June 2013.

All the Cash Generating Units ("CGUs") for which goodwill was allocated were not subject to an impairment charge as the recoverable amount is greater than the carrying value for these CGUs.

12 Exploration and evaluation assets

	30 June 2013 $'000	31 December 2012 $'000
Opening net book amount	**945,270**	661,730
Acquisition through business combination	**-**	405,344
Other additions	**2,990**	21,570
Transfers - mining tenements	**(41,038)**	(1,425)
Disposal of entities	**-**	(141,949)
Closing net book amount	**907,222**	945,270

13 Interest-bearing liabilities

	30 June 2013 $'000	31 December 2012 $'000
Current		
Secured		
Bank loans	**112,848**	100,650
Lease liabilities	**7,611**	4,626
Total secured current interest-bearing liabilities	**120,459**	105,276
Total current interest-bearing liabilities	**120,459**	105,276
Non-current		
Secured		
Bank loans	**3,075,139**	2,748,931
Lease liabilities	**45,460**	30,973
Total secured non-current interest-bearing liabilities	**3,120,599**	2,779,904
Unsecured		
Loans from related parties	**1,688,410**	693,374
Total unsecured non-current interest-bearing liabilities	**1,688,410**	693,374
Total non-current interest-bearing liabilities	**4,809,009**	3,473,278
Total interest-bearing liabilities	**4,929,468**	3,578,554

In January 2013, the Company successfully arranged a long term loan facility from its majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for US$596 million and has a term of five years (with the principal repayable in regular instalments from June 2015) and is provided on an unsecured basis with no covenants. The facility funded the payment of the Promissory Notes in connection with the capital return for previous Gloucester Coal Ltd shareholders.

In June 2013, the Company successfully arranged a long term loan facility from Yancoal International (Holding) Co., Ltd, a wholly owned subsidiary of the Company's majority shareholder, Yanzhou Coal Mining Company Limited. The facility is for US$250 million and has a term of three years (with the principal to be repaid in full at maturity) and is provided on an unsecured basis with no covenants. The purpose of the facility is to fund working capital and capital expenditure.

13 Interest-bearing liabilities (continued)

(a) Financing arrangements

	30 June 2013 $'000	31 December 2012 $'000
Financing facilities		
Secured bank loans	**3,188,211**	3,007,581
Bank guarantees	**381,522**	381,543
Unsecured loans from related parties	**1,688,410**	693,374
	5,258,143	4,082,498
Facilities utilised at reporting date		
Secured bank loans	**3,188,211**	2,849,581
Bank guarantees	**312,779**	311,961
Unsecured loans from related parties	**1,688,410**	693,374
	5,189,400	3,854,916
Facilities not utilised at reporting date		
Secured bank loans	**-**	158,000
Bank guarantees	**68,744**	69,582
	68,744	227,582

(b) Contractual maturities of interest-bearing liabilities

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

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Greater than 5 years $'000	Total contractual cash flows $'000
At 30 June 2013					
Bank loans	196,481	204,601	2,283,316	995,942	3,680,340
Lease liabilities	10,655	10,943	37,678	4,628	63,904
Loans from related parties	73,885	180,503	1,185,867	699,898	2,140,153
Total	281,021	396,047	3,506,861	1,700,468	5,884,397
At 31 December 2012					
Bank loans	183,677	217,287	1,333,428	1,901,555	3,635,947
Lease liabilities	6,859	6,859	25,574	5,172	44,464
Loans from related parties	50,443	50,443	308,876	707,546	1,117,308
Total	240,979	274,589	1,667,878	2,614,273	4,797,719

(c) Debt covenants

(i) Syndicated Facility and Bi-lateral Facility

The Group has a US$2,900,000,000 Syndicated Facility and a US$140,000,000 Bi-lateral Facility which was used to fund the acquisition of the Felix Resources Group in 2009. The balance of these secured loans at 30 June 2013 was US$2,939,655,000.

13 Interest-bearing liabilities (continued)

(c) Debt covenants (continued)

These facilities were extended during 2012 as part of the Merger Proposal Deed with Gloucester Coal Ltd and included certain financial covenants to be tested half-yearly.

During the period the Company was granted a deferral of the first test date of the financial covenants to 31 December 2013.

The financial covenants are detailed below:

(a) The gearing ratio of the Group will not exceed 0.90 on 31 December 2013 and 0.80 thereafter;
(b) The interest cover ratio will not be less than 1.5 for the twelve month period ending on 31 December 2013 and 2.0 for the twelve month periods ending thereafter; and
(c) The consolidated net worth of the Group is not less than A$1,600,000,000 on each test date on and after 31 December 2013.

The calculation of the above covenants include certain exclusions with regard to unrealised gains and losses including foreign exchange gains and losses.

The Agent of the facilities confirmed that the deferral at the first test date of the financial covenants requested by the Company was granted before 30 June 2013.

(ii) Chattel Mortgage Facility

As a result of the Gloucester Coal Ltd acquisition during 2012, the Group inherited a chattel mortgage facility of US$21,700,000. The balance of the facility at 30 June 2013 was US$17,411,000.

During the period, the Group requested that the lender waive their breach of the following financial underakings contained in the facility agreement:

(a) The requirement to ensure that the debt to EBITDA ratio not exceed 3:1 (in respect of the twelve month period ending 30 June 2013); and
(b) The requirement to ensure that the interest cover ratio be not less than 3:1 (in respect of the twelve month period ending 30 June 2013).

The lender confirmed that the waiver requested by the Company was granted before 30 June 2013.

14 Contingent value right shares

	30 June 2013 $'000	31 December 2012 $'000
Opening net book amount	**219,113**	-
Issued during the period	**-**	206,843
Re-measurement during the period	**20,158**	12,270
	239,271	219,113
Split between:		
Current	**239,271**	-
Non-currrent	**-**	219,113
	239,271	219,113

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 Gloucester merger (6 January 2014), the volume weighted average price of the Yancoal ordinary shares over a certain period has fallen below A$6.96, CVR shareholders will be compensated by up to A$3.00 per CVR share. This compensation will take the form of either cash paid by Yanzhou Coal Mining Company Limited ("Yanzhou") or a transfer of additional Yancoal ordinary shares held by Yanzhou in a manner that will not dilute the voting or economic interests of other Yancoal shareholders. This form of compensation is at the election of Yanzhou. Therefore, the Group is cash neutral with respect to the CVR liability. The liability to settle the CVRs is recognised by the Group due to the Group being the issuer of the CVR shares. At settlement, this liability will be transferred to contributed equity.

The CVR's are re-measured at fair value based on the share price of the CVR, with gains and losses recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income at each reporting date. This re-measurement has no cash impact for the Group.

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.

15 Commitments

(a) Capital commitments

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

	30 June 2013 $'000	31 December 2012 $'000
Property, plant and equipment		
Not later than one year		
Share of joint operations	**33,467**	37,564
Other	**17,565**	35,799
Later than one year but not later than five years		
Share of joint operations	**-**	10,003
Exploration and evaluation		
Not later than one year		
Share of joint operations	**1,676**	-
Other	**1,061**	-
Intangible assets		
Not later than one year		
Share of joint operations	**5**	5
Other	**7**	-
	53,781	83,371

(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 2013 $'000	31 December 2012 $'000
Not later than one year	**2,139**	4,205
Later than one year but not later than five years	**8,634**	11,110
Later than five years	**-**	935
	10,773	16,250

Operating leases have remaining lease terms ranging from 1 month to 6 years. Items that are subject to operating leases include mining equipment, office space and small items of office equipment. The Group does not have an option to purchase the leased assets at the expiry of the lease period.

15 Commitments (continued)

(b) Lease expenditure commitments (continued)

(ii) Finance leases

Commitments in relation to finance leases are payable as follows:

	30 June 2013 $'000	31 December 2012 $'000
Not later than one year	**10,655**	6,859
Later than one year but not later than five years	**48,620**	32,433
Later than five years	**4,628**	5,172
Minimum lease payments	**63,903**	44,464
Future finance charges	**(10,832)**	(8,865)
Total lease liabilities	**53,071**	35,599
Finance leases are included in the Half-Year Financial Statements as:		
Current	**7,611**	4,626
Non-current	**45,460**	30,973
	53,071	35,599

16 Related party transactions

(a) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2013 $	30 June 2012 $
Sales of goods and services		
Sales of coal to associated entities - Ashton Coal Mines Limited	**185,577,872**	80,356,487
Provision of marketing services to associated entities - Ashton Coal Mines Limited	**101,359**	35,139
Provision of marketing and administrative services to other related parties - Yancoal International Group	**3,337,557**	168,674
Advances / loans to and repayment of advances		
Receipt from repayment of advances to associate - Ashton Coal Mines Limited	**-**	2,809,760
Advances to associate - Ashton Coal Mines Limited	**663,947**	-
Advances to Joint Venture - Middlemount Coal Pty Ltd	**16,998,980**	-
Receipt from repayment of loans to Yancoal Technology Development Pty Ltd	**50,000,000**	-
Loans to Gloucester Coal Ltd (prior to merger)	**-**	(113,000,000)
Debt repayment and debt provision		
Loans from Yanzhou Coal Mining Company Limited	**569,136,746**	-
Loans from Yancoal International (Holding) Co., Ltd	**271,680,070**	-

16 Related party transactions (continued)

(a) Transactions with other related parties (continued)

	30 June 2013 $	30 June 2012 $
Finance costs		
Interest paid on loans from Yancoal International Resources Development Co., Ltd	**(19,182,104)**	-
Interest accrued on loans from Yancoal International Resources Development Co., Ltd	**(5,543,662)**	-
Interest paid on loan from Yanzhou Coal Mining Company Limited	**(7,328,880)**	-
Interest accrued on loan from Yanzhou Coal Mining Company Limited	**(778,656)**	-
Interest accrued on loan from Yancoal International (Holding) Co., Ltd	**(145,325)**	-
Other costs		
Bank guarantee fee paid to Yanzhou Coal Mining Company Limited	**(7,511,061)**	(15,011,932)
Bank guarantee fee accrued to Yanzhou Coal Mining Company Limited	**(3,483,139)**	(6,026,666)
Corporate guarantee fee paid to Yanzhou Coal Mining Company Limited (extended portion)	**(11,966,196)**	-
Corporate guarantee fee accrued to Yanzhou Coal Mining Company Limited (extended portion)	**(684,827)**	-
Arrangement fee paid on loans from Yancoal International Technology Development Co., Ltd	**(4,179,722)**	-
Arrangement fee accrued on loans from Yancoal International Technology Development Co., Ltd	**(1,207,947)**	-
Arrangement fee paid on loan from Yanzhou Coal Mining Company Limited	**(9,810,032)**	-
Arrangement fee accrued on loan from Yanzhou Coal Mining Company Limited	**(737,266)**	-
Arrangement accrued on loan from Yancoal International (Holding) Co., Ltd	**(92,914)**	-
Marketing commission paid to Noble Group Limited	**(986,035)**	-
Marketing commission accrued to Noble Group Limited	**(1,020,946)**	-
Port charges paid to NCIG Holdings Pty Limited	**(34,978,522)**	-
Port charges accrued to NCIG Holdings Pty Limited	**(2,593,200)**	-
Consulting fee paid by Moolarben Joint Venture to Yancoal Technology Development Pty Ltd	**(21,560)**	-
Finance income		
Interest income received on advances to Yancoal International (Holding) Co., Ltd	**771,993**	-
Interest income received on loan to Yancoal Technology Development Pty Ltd	**2,380,690**	57,739
Interest income received on loan to Yanzhou Coal Mining Limited	**-**	840,763
Interest income capitalised into loan receivable from Middlemount Coal Pty Ltd	**8,852,997**	-
Interest income receivable on loan to Gloucester Coal Ltd (prior to merger)	**-**	64,846
Other income		
Royalty income received from Middlemount Coal Pty Ltd	**2,641,709**	-
Royalty income receivable from Middlemount Coal Pty Ltd	**4,936,495**	-
Disposal of entities to related parties		
Loss on transfer of entities to related parties	**-**	1,436,357

16 Related party transactions (continued)

(b) Outstanding balances

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

	30 June 2013 $	31 December 2012 $
Current assets		
Trade and other receivables		
Interest receivable from Yancoal International (Holding) Co., Ltd	**-**	743,147
Interest receivable from Yancoal Technology Development Pty Limited	**-**	1,247,890
Receivable from Yancoal International Group in relation to cost reimbursement	**2,147,252**	1,799,599
Trade receivable from Ashton Coal Mines Limited in relation to sales of coal	**5,754,284**	14,849,887
Trade receivable from Noble Group Limited in relation to sales of coal	**9,329,474**	22,520,432
Loans receivable		
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	**1,469,724**	1,188,367
Receivable from Yancoal International (Holding) Co., Ltd	**21,174,124**	21,174,124
	39,874,858	113,523,446
Non-current assets		
Advances to associated entities		
Receivable from Ashton Coal Mines Limited being an unsecured, non-interest-bearing advance	**29,323,016**	28,659,069
Advances to joint venture		
Receivable from Middlemount Coal Pty Ltd being an unsecured, interest-bearing advance	**283,334,484**	257,482,507
	312,657,500	286,141,576
Current liabilities		
Other payables		
Payables to Yanzhou Coal Mining Company Limited	**(5,683,887)**	(6,883,363)
Payables to Yancoal International Resources Development Co., Ltd	**(5,543,662)**	(6,357,199)
Payables to Yancoal International Technology Development	**(1,207,947)**	-
Payables to Yancoal International (Holding) Co., Ltd	**(238,239)**	-
Marketing fees payable to Noble Group Limited	**(1,020,946)**	(334,051)
Payable to NCIG Holdings Pty Limited	**(2,852,520)**	(2,255,764)
Payable to Syntech Resources Pty Ltd	**(361,858)**	-
Payable to Premier Coal Limited	**(983)**	-
	(16,910,042)	(15,830,377)
Non-current liabilities		
Other payables		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan	**(776,280,323)**	(693,374,422)
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan	**(269,541,779)**	-
Payable to Yanzhou Coal being an unsecured, interest-bearing loan	**(642,587,601)**	-
	(1,688,409,703)	(693,374,422)

16 Related party transactions (continued)

(b) Outstanding balances (continued)

(c) Guarantees

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

	30 June 2013 $	31 December 2012 $
Syntech Resources Pty Ltd	**73,465,799**	73,180,898
Syntech Holdings Pty Ltd	**18,000,000**	18,000,000
AMH (Chinchilla Coal) Pty Ltd	**29,000**	29,000
Premier Coal Limited	**4,000,000**	4,650,000
Tonford Holdings Pty Ltd	**10,000**	10,000
Athena Joint Venture	**2,500**	2,500
	95,507,299	95,872,398

(d) Terms and conditions

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

The US$596,000,000 loan from Yanzhou Coal Mining Company Limited was charged at a weighted average interest rate of 5.2941% p.a (inclusive of arrangment fees).

The US$250,000,000 loan from Yancoal International (Holding) Co., Ltd was charged at a weighted average interest rate of 4.2801% p.a (inclusive of arrangment fees).

17 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

(i) Bank guarantees

	30 June 2013 $'000	31 December 2012 $'000
Parent entity and consolidated entity		
Guarantees secured over deposits	**15,004**	5,665
Performance guarantees provided to external parties	**174,573**	171,281
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**26,453**	31,484
	216,030	208,430
Joint ventures (equity share)		
Guarantees secured over deposits	**185**	170
Performance guarantees provided to external parties	**-**	6,433
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**1,056**	1,056
	1,241	7,659
Guarantees held on behalf of related parties		
Guarantees secured over deposits	**204**	854
Performance guarantees provided to external parties	**86,347**	86,062
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**8,956**	8,956
	95,507	95,872
	312,778	**311,961**

(ii) Tax audit

During the prior financial year, the Australian Taxation Office ("ATO") commenced a Risk Review of the Company's historical tax filings as part of its ordinary processes in reviewing large business taxpayers, taking into account their size and complexity.

The ATO completed the Risk Review during the period and has notified the Company that it has identified a number of matters on which it has made a recommendation to progress to an audit. The Company is awaiting the formal notification from the ATO regarding the commencement of any audit activity. As such, it is too early to make an assessment about the outcome of this audit.

17 Contingencies (continued)

(a) Contingent liabilities (continued)

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

The Company has issued a letter of support to Middlemount, a jointly controlled entity of the Group, during the half-year ended 30 June 2013 confirming:

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

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

(iv) R&D claim

During 2012, the Company was notified of an unfavourable determination by Innovation Australia in relation to certain R&D activities registered by the Group in relation to the June 2005 to December 2009 income tax years. The value of the tax benefits in relation to the relevant R&D project over the period is approximately $19,000,000. Innovation Australia has made a referral to the ATO to undertake a review of the expenditure claims. There have been no amended assessments issued by the Commissioner of Taxation as at 30 June 2013 or to the date of the signing of the Half-Year Financial Statements, as such, no provision has been recognised for the half-year ended 30 June 2013.

(v) Other contingencies

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

18 Events occurring after the reporting period

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

(a) As disclosed to the market on 9 July 2013, the Company has received a non-binding proposal from its parent entity, Yanzhou Coal Mining Company Limited ("Yanzhou") regarding a possible privatisation of the Company. Under this proposal, Yanzhou would acquire via a scheme of arrangement all of the shares in the Company that it does not currently own via a share exchange. As at the date of this report, the Company's Independent Director's are considering the proposal and are undertaking appropriate due diligence investigations to enable it to assess the proposed terms of the proposal.

(b) As disclosed to the market on 23 July 2013, Mr Weimin Li resigned as Chairman and as a Director of the Company with effect from 22 July 2013. This follows Mr Li's resignation as Chairman of the Company's parent entity, Yanzhou Coal Mining Company Limited.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 6 to 40 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 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.

Cunliang Lai
Director

Sydney
16 August 2013

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Independent Auditor's Review Report to the members of Yancoal Australia Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yancoal Australia Ltd, which comprises the consolidated balance sheet as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 6 to 41.

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 (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and 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 company's financial position as at 30 June 2013 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 2013 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

ShineWing Hall Chadwick

M. Schofield

M J Schofield
Partner
Chartered Accountant
Sydney, 16 August 2013

CPA