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Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

WAMBO COAL PTY LIMITED

ACN

000 668 057

Lodgement details

Registered agent number

20850

Registered agent name

PEABODY ENERGY AUSTRALIA COAL PTY LIMITED

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date

31-12-2015

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

588919000

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

551717000

How many employees are employed by the large proprietary company and the entities that it controls?

486

How many members does the large proprietary company have?

2

Auditor's report

Were the financial statements audited?

Yes

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

No

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

Yes

Details of current auditor or auditors

Current auditor

Date of appointment **10-01-2007**

Name of auditor

ERNST & YOUNG

Address

LEVEL 49
111 EAGLE STREET
BRISBANE QLD 4000

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

Yes

Signature

Select the capacity in which you are lodging the form

Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

Yes

Authentication

This form has been authenticated by

Name	PEABODY ENERGY AUSTRALIA COAL PTY LIMITED

This form has been submitted by

Name	Murray HUNDLEBY
Date	29-04-2016

For more help or information

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Wambo Coal Pty Limited
and its controlled entities
ABN 13 000 668 057

GENERAL PURPOSE FINANCIAL REPORT

For the year ended
31 December 2015

Wambo Coal Pty Limited
Directors' report

The directors present their report together with the financial report of Wambo Coal Pty Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities ("the consolidated entity" or "the Group") for the year ended 31 December 2015 and the auditors' report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are as follows. Directors were in office for this entire period unless otherwise stated.

S Hedges (appointed 14 March 2016)
P Baker (appointed 22 August 2013, resigned 1 March 2014 and re-appointed 29 May 2015)
G Lee (appointed 8 August 2013 and resigned 14 March 2016)
I Livingstone-Blevins (appointed 1 March 2014 and resigned 29 May 2015)
G Harvey (alternate to P Baker, appointed 14 March 2016)

Principal activities

The principal continuing activity of the consolidated entity during the year was operating a coal mine in New South Wales. There were no significant changes in the nature of the activities of the consolidated entity during the financial year.

Dividends

Following the proceedings filed against the Company by its B Class shareholder on 25 March 2013 concerning the proper construction of article 2.1B of the Constitution of the Company in its application to the dividend rights of the B Class shares, the Supreme Court of New South Wales issued a judgement that on its proper construction, article 2.1B conferred the right, to the exclusion of any discretion given to the directors with respect to the declaration or payment of dividends or the capitalising, reserving or carrying forward of profits, to receive a dividend, by the dates specified in the article, of 1/25,000,000 of 25% of the maximum amount of the profit of the Company which is capable of lawfully being distributed as a dividend for the 6 month period specified in the article based on the relevant interim account or accounts. That decision was upheld by the New South Wales Court of Appeal in a judgement handed down on 17 September 2014. On 13 March 2015, the Company ran an application for special leave to appeal to the High Court against the New South Wales Court of Appeal decision. Leave was not granted.

The total amounts of disputed dividends claimed by the B Class shareholder in the proceedings, and interest, that were previously transferred into the trust account in compliance with the conditions of the stay of the Supreme Court order for payment, which applied until the appeal was determined, was released to the B Class shareholder on 20 January 2015, less applicable withholding taxes. This balance transferred from the trust account included an amount of $48.5 million representing the amount of disputed dividends that was unfranked for tax purposes.

As a consequence of the court ruling and in applying the relevant accounting standards, in the prior year, the Company amended the classification of the B Class shares to a financial liability rather than equity.

A dividend of $5,324,750 on B Class shares ($0.213 per B Class share) was declared by the Directors in respect of the half year ended 30 June 2015, unfranked for tax purposes.

A dividend of $3,258,250 on B Class shares ($0.13033 per B Class share) was declared by the Directors in respect of the half year ended 31 December 2015, unfranked for tax purposes.

No dividend on Ordinary shares is recommended by the directors in respect of the year ended 31 December 2015.

Review of operations

The consolidated entity recorded an operating profit after tax of $44,194,000 for the year ended 31 December 2015 (2014: loss $2,384,000). The Company recorded an operating profit after tax of $44,194,000 for the year ended 31 December 2015 (2014: loss $2,384,000).

Significant changes in the state of affairs

During the year ended 31 December 2015 the Company continued to experience weak market conditions.

On 20 January 2015, the B Class shareholder was transferred from the trust account an amount representing disputed dividends claimed and interest.

The Company's unsecured revolving credit facility with Peabody Australia Mining Pty Ltd expired on 26 September 2015. Financing requirements are being considered by management.

Significant changes in the state of affairs (continued)

On 20 November 2015, the directors approved the South Bates Wambo Seam Underground Project. This is a short-lived project which will extend the life of underground operations to 2018.

There were no other significant changes in the state of affairs of the Company or the consolidated entity during the year ended 31 December 2015.

Matters subsequent to the end of the financial year

On 13 April 2016, the company's ultimate parent entity, Peabody Energy Corporation ("PEC"), together with a majority of PEC's wholly-owned U.S. subsidiaries and a Gibraltar subsidiary (together with PEC, "the Debtors"), voluntarily filed petitions under Chapter 11 of the U.S. Bankruptcy Code ("the Bankruptcy Code") in the U.S. Bankruptcy Court for the Eastern District of Missouri ("the Bankruptcy Court"). The Debtors will continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Neither the company nor any of its subsidiaries are included in the Chapter 11 filings and the Wambo mine is planned to continue to operate in the ordinary course of business for the duration of the Chapter 11 reorganisation.

A US$250 million revolving intercompany loan facility (the "Intercompany Loan Facility") was entered into on 13 April 2016 between a wholly-owned subsidiary of the company, Peabody Energy Australia Coal Pty Ltd ("PEAC") (as borrower) and another subsidiary of PEC, Global Center for Energy and Human Development, LLC ("Global Center") (as lender). Global Center is not a party to PEC's Chapter 11 filing. The Intercompany Loan Facility is designed to provide additional liquidity to support ongoing operations of the company and consolidated entity's Australian business during PEC's Chapter 11 reorganisation for a period up to 13 March 2019, with draw amounts being tied to operating budgets and subject to certain availability restrictions. The Intercompany Loan Facility is secured against certain Australian assets, with appropriate exclusions.

For additional information in relation to this event refer to Note 1(a) of the financial report.

In response to ongoing difficult market conditions post 31 December 2015, the company has implemented a cost saving initiative project.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years; or
(b) The results of those operations in future financial years; or
(c) The Group's state of affairs in future financial years.

Likely developments and expected results of operations

No other information on likely developments in operations of the Company or the consolidated entity and the expected results of operations has not been included in this report as the directors believe it may result in unreasonable prejudice to the Group.

Environmental regulation and performance

The Company's coal mining operation is located in the Hunter Valley, New South Wales (NSW), and is subject to environmental regulation under Australian Commonwealth and State legislation. Licence requirements relating to waste disposal, water and air pollution exist in relation to mining activities.

The Company is committed to achieving a high standard of environmental performance. Management and staff are responsible for regular monitoring of environmental exposures and compliance with environmental regulations.

On 14 May 2014 a blast generated unexpected blast vibration and the presence of oxides of nitrogen (NOx). On 25 September 2015, the Company pleaded guilty in the Land and Environment Court with penalty hearing held on the 17 December 2015. The penalty judgement is pending.

On 21 April 2015 there was an unauthorised release of surface water to Wollombi Brook due to a significant rainfall event. No compliance action was taken by NSW Environment Protection Authority ("the Authority"), however no correspondence has been received to close out this matter.

On 11 January 2016 there was a failure of a temporary Erosion & Sediment Control dam as a result of a significant rainfall event causing the release of 3 mega litres of sediment laden water into the flooded creek and river system. The Authority issued a Clean-up Notice and a Notice to produce relevant information and/or records with both notices being complied with. The Authority has issued a supplementary information request and is arranging formal legal interviews with relevant staff. Further compliance action may be taken.

The Board is not aware of any other significant breaches during the period covered by this report.

Indemnification and insurance of officers

During the financial year, a related party paid premiums in respect of Directors' and Officers' Liability and Legal Expenses Insurance contracts. The insurance contracts insure against certain liabilities (subject to exclusions) for persons who are or have been directors or officers of the Company and controlled entities. The nature of the liabilities indemnified and the premium payable shall not be disclosed.

Class orders applied

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

In preparing the financial report, the Company has applied Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the inclusion of parent entity financial statements in the financial report.

Auditor's independence declaration

The auditor's independence declaration made under Section 307C of the *Corporations Act 2001* is set out on page 39 and forms part of this Directors' Report.

Non-audit services

Non-audit services were provided by the Company's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for audits imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service means that auditor independence was not compromised.

Signed in accordance with a resolution of the Board of directors:

Steven Hedges

S Hedges
Director

Date: 29 April 2016

Wambo Coal Pty Limited
Financial report

This financial report covers both Wambo Coal Pty Limited as an individual entity and the consolidated entity consisting of Wambo Coal Pty Limited and it controlled entities. All amounts in this financial report are stated in Australian dollars unless stated otherwise.

Wambo Coal Pty Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Wambo Coal Pty Limited
100 Melbourne Street
South Brisbane QLD 4101

A description of the nature of the entity's operations and its principal activities is included in the directors' report starting on page 1, which is not part of this financial report.

Wambo Coal Pty Limited
Statements of comprehensive income
For the year ended 31 December 2015

		Consolidated		The Company	
		2015	2014	2015	2014
	Note	$000	$000	$000	$000
Revenue	4	580,508	658,010	580,508	658,010
Cost of sales	6(a)	(349,496)	(440,492)	(353,450)	(444,450)
Gross profit		**231,012**	**217,518**	**227,058**	**213,560**
Other income	5	8,411	14,639	8,411	14,639
Selling and distribution expenses		(80,335)	(74,339)	(80,335)	(74,339)
Royalty expenses		(42,271)	(46,597)	(42,271)	(46,597)
Depreciation and amortisation		(61,268)	(63,114)	(57,314)	(59,156)
B Class dividend liability adjustment		9,862	(1,584)	9,862	(1,584)
Finance costs	6(b)	(7,586)	(19,552)	(7,586)	(19,552)
Profit before tax		**57,825**	**26,971**	**57,825**	**26,971**
Income tax expense	7(a)	(13,631)	(29,355)	(13,631)	(29,355)
Profit/(Loss) and comprehensive income attributable to the members of Wambo Coal Pty Limited		**44,194**	**(2,384)**	**44,194**	**(2,384)**

The statements of comprehensive income should be read in conjunction with the accompanying notes.

Wambo Coal Pty Limited
Statements of financial position
As at 31 December 2015

		Consolidated		The Company	
		2015	2014	2015	2014
	Note	$000	$000	$000	$000
Current assets					
Cash and cash equivalents	8	4,603	60,361	4,603	60,361
Trade and other receivables	9	213,359	153,656	209,798	150,347
Inventories	10	30,216	39,708	30,216	39,708
Other		2,015	1,875	1,967	1,847
Total current assets		**250,193**	**255,600**	**246,584**	**252,263**
Non-current assets					
Trade and other receivables	9	9,664	9,678	48,179	52,149
Other financial assets	11	1,051	1,051	1,051	1,051
Property, plant and equipment	12	259,255	280,169	217,349	234,309
Deferred tax assets	13	30,029	34,753	27,144	31,749
Other		1,525	1,961	93	65
Total non-current assets		**301,524**	**327,612**	**293,816**	**319,323**
Total assets		**551,717**	**583,212**	**540,400**	**571,586**
Current liabilities					
Trade and other payables	14	82,263	74,238	91,955	82,079
Interest bearing loans and borrowings	15	5,299	4,932	5,299	4,932
Other financial liabilities	16	3,258	61,081	3,258	61,081
Current tax liabilities		7,935	852	7,935	852
Employee benefits	17	21,175	21,820	4,127	7,321
Provisions	18	3,930	-	3,930	-
Total current liabilities		**123,860**	**162,923**	**116,504**	**156,265**
Non-current liabilities					
Interest bearing loans and borrowings	15	921	6,220	921	6,220
Other financial liabilities	16	44,500	62,945	44,500	62,945
Employee benefits	17	1,851	2,333	117	80
Provisions	18	74,456	84,060	74,456	84,060
Deferred tax liabilities	19	36,627	39,423	34,400	36,708
Total non-current liabilities		**158,355**	**194,981**	**154,394**	**190,013**
Total liabilities		**282,215**	**357,904**	**270,898**	**346,278**
Net assets		**269,502**	**225,308**	**269,502**	**225,308**
Equity					
Contributed equity	20(a)	1,000	1,000	1,000	1,000
Retained earnings	20(b)	268,502	224,308	268,502	224,308
Total equity		**269,502**	**225,308**	**269,502**	**225,308**

The statements of financial position should be read in conjunction with the accompanying notes.

Wambo Coal Pty Limited
Statements of changes in equity
For the year ended 31 December 2015

Consolidated	Contributed equity	Retained earnings	Total equity
	$000	$000	$000
Opening balance at 1 January 2014	1,000	226,692	227,692
Loss and comprehensive income for the period	-	(2,384)	(2,384)
Closing balance at 31 December 2014	1,000	224,308	225,308
Amounts are stated net of tax			
Opening balance at 1 January 2015	1,000	224,308	225,308
Profit and comprehensive income for the period	-	44,194	44,194
Closing balance at 31 December 2015	1,000	268,502	269,502
Amounts are stated net of tax			

The Company	Contributed equity	Retained earnings	Total equity
	$000	$000	$000
Opening balance at 1 January 2014	1,000	226,692	227,692
Loss and comprehensive income for the period	-	(2,384)	(2,384)
Closing balance at 31 December 2014	1,000	224,308	225,308
Amounts are stated net of tax			
Opening balance at 1 January 2015	1,000	224,308	225,308
Profit and comprehensive income for the period	-	44,194	44,194
Closing balance at 31 December 2015	1,000	268,502	269,502
Amounts are stated net of tax			

The statements of changes in equity should be read in conjunction with the accompanying notes.

Wambo Coal Pty Limited
Statements of cash flows
For the year ended 31 December 2015

		Consolidated		The Company	
	Note	2015 $000	2014 $000	2015 $000	2014 $000
Cash flows from operating activities					
Cash receipts from customers		612,908	617,805	612,908	617,805
Cash paid to suppliers and employees		(454,581)	(521,218)	(454,581)	(526,856)
Interest paid		(4,295)	(3,043)	(4,295)	(3,043)
Interest received		277	1,333	277	1,333
Dividends received		203	200	203	200
Income tax paid		(4,619)	(8,664)	(4,619)	(8,585)
Net cash from operating activities	22	**149,893**	**86,413**	**149,893**	**80,854**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(48,417)	(43,752)	(48,417)	(43,752)
Proceeds from insurance claim		-	10,400	-	10,400
Net cash used in investing activities		**(48,417)**	**(33,352)**	**(48,417)**	**(33,352)**
Cash flows from financing activities					
Repayment of borrowings – related and other parties		(85,009)	(30,018)	(85,009)	(24,459)
B Class shareholder payments		(66,650)	-	(66,650)	-
Finance lease payments		(5,575)	(5,450)	(5,575)	(5,450)
Net cash used in financing activities		**(157,234)**	**(35,468)**	**(157,234)**	**(29,909)**
Net (decrease)/increase in cash and cash equivalents		(55,758)	17,593	(55,758)	17,593
Cash and cash equivalents at beginning of year		60,361	42,768	60,361	42,768
Cash and cash equivalents at end of year	8	**4,603**	**60,361**	**4,603**	**60,361**

The statements of cash flows should be read in conjunction with the accompanying notes.

1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Wambo Coal Pty Limited as an individual entity and the consolidated entity consisting of Wambo Coal Pty Limited and its subsidiaries.

The financial report of Wambo Coal Pty Limited for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors.

The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency (refer Note 1(c)).

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, the Australian Accounting Standards, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for certain assets, which as noted have been measured at fair value.

The financial report has been presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

Going concern basis

At 31 December 2015, the company reported net current assets of $130,080,000 and consolidated entity reported net current assets of $126,333,000. Included within these amounts is an interest bearing deposit of $173,280,000 with the company's immediate parent, Peabody Australia Mining Pty Ltd ("PAM").

Consistent with prior periods, the company and consolidated entities' treasury activities are managed centrally by Peabody Australia Holdco Pty Limited ("PAH") and Peabody Energy Australia Pty Ltd ("PEA"). PAH and PEA are the ultimate and intermediate Australian parent companies respectively of PAM and the company. The central management of treasury activities means cash flows of PAH's various Australian subsidiaries (collectively referred to as the PAH Group), of which the company is one, are coordinated centrally to enable the PAH Group to pay its debts as and when they become due and payable.

On 13 April 2016, the company's ultimate parent entity, Peabody Energy Corporation ("PEC"), together with a majority of PEC's wholly-owned U.S. subsidiaries and a Gibraltar subsidiary (together with PEC, "the Debtors"), voluntarily filed petitions under Chapter 11 of the U.S. Bankruptcy Code ("the Bankruptcy Code") in the U.S. Bankruptcy Court for the Eastern District of Missouri ("the Bankruptcy Court"). The Debtors will continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Neither the company nor any of its subsidiaries are included in the Chapter 11 filings and the Wambo mine is planned to continue to operate in the ordinary course of business for the duration of the Chapter 11 reorganisation.

One impact of the Chapter 11 filings is that the committed borrowing facilities previously available to PEA are unable to be drawn on for the period of the Chapter 11 reorganisation. This significantly impacts the liquidity of the PAH Group. However, alternative funding arrangements have been put in place.

Specifically, a US$250 million revolving intercompany loan facility (the "Intercompany Loan Facility") was entered into on 13 April 2016 between a wholly-owned subsidiary of PEA, Peabody Energy Australia Coal Pty Ltd ("PEAC") (as borrower) and another subsidiary of PEC, Global Center for Energy and Human Development, LLC ("Global Center") (as lender). Global Center is not a party to PEC's Chapter 11 filing. The Intercompany Loan Facility is designed to provide additional liquidity to support ongoing operations of the PAH Group (including the company) during PEC's Chapter 11 reorganisation for a period up to 13 March 2019, with draw amounts being tied to operating budgets and subject to certain availability restrictions. Further details are provided in Note 27.

While the Intercompany Loan Facility is expected to provide sufficient working capital and liquidity to fund the company and the PAH Group's anticipated operating and capital commitments in the ordinary course of business, certain additional liquidity risks exist including :

- PEC's Chapter 11 filing triggered cross defaults under the PAH Group's operating lease arrangements with various financiers. The cross defaults can require, at the financiers' discretion, the repayment of future lease commitments, break fees and return of leased equipment to the financiers;
- certain suppliers to the PAH Group, including those of the company and its subsidiaries, have an ongoing right to call for additional security in support of contractual obligations, often in the form of bank guarantees;

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern basis (continued)

- the PAH Group's existing financiers that provide bank guarantees may require the outstanding bank guarantees to be cash-backed. These bank guarantees are currently supported by letters of credit from US financial institutions that are creditors to PEC in the Chapter 11 proceedings, effectively mitigating any material liquidity risk; and
- certain counterparties, with other PAH Group entities, may have the ability to exercise certain contractual rights over the activities at other PAH Group entities under the relevant contracts.

The Intercompany Loan Facility may not be sufficient to accommodate some or all of the possible cash outflows of the PAH Group for, among other things:

- accelerated repayment of operating lease commitments, if required by the financiers; and
- additional cash-backing for bank guarantees or other security should it be required.

In addition, certain contractual rights over the activities of other PAH Group entities if exercised would adversely impact the ability of the PAH Group to generate operating cash inflows.

This being the case, the PAH Group is working to put in place stays, waivers and other negotiated outcomes with relevant contract counterparties to enable the PAH Group, the company and its subsidiaries to trade within the additional funding available under the Intercompany Loan Facility. Should these negotiations not be successful, uncertainty exists as to the liquidity of the PAH Group and as a consequence, PAM's ability to repay the interest bearing deposit owed to the company. If this facility were not available in the ordinary course of business the company may need to investigate 3rd party financing options. At the date of this report, some interim arrangements have been agreed and other commercial negotiations are ongoing. The directors' view is that these negotiated arrangements are in the best commercial interests of these parties, as a whole.

Given the:

- orderly continuation of the Chapter 11 reorganisation in the United States of America;
- arrangements in place that prevent certain wholly-owned subsidiaries of PEC from voluntarily demanding repayment of the monies owed to them by PEA;
- existence of and the PAH Group's access to the Intercompany Loan Facility of US$250 million;
- recoverability of the Company's interest bearing deposit with PAM;
- ongoing commercial negotiations with relevant contract counterparties to put in place stays, waivers and other negotiated outcomes; and
- forecast cash inflows from the company and consolidated entities operations,

the directors of the company are satisfied that reasonable grounds exist to believe the company and consolidated entity will be able to pay its debts as and when they become due and payable.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities (including intercompany and related party receivables and payables) should the company and consolidated entity be unsuccessful in managing their liquidity risks and consequently not be able to realise their assets and discharge their liabilities in the ordinary course of business.

Statement of compliance

The Group is a for-profit, private sector entity which is not publicly accountable. Therefore the consolidated financial statements for the Group are tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

1. Significant accounting policies (continued)

(a) Basis of preparation (continued)

Statement of compliance (continued)

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Comparatives

Certain comparatives have been reclassified for consistency with current year presentation.

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Wambo Coal Pty Limited ("the Company" or "the parent entity") as at 31 December 2015 and the results of all subsidiaries for the year then ended. Wambo Coal Pty Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(g)).

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity participants. Consequently, any gains and losses that arise from such transactions are recorded in equity and not in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Wambo Coal Pty Limited.

(c) Foreign currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items are measured in terms of historical cost in a foreign currency by applying the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of coal

Revenue from the sale of coal is recognised when control of the coal passes to the customer, which occurs at the time of delivery of the goods to the customer for domestic sales, and at the time that coal, is loaded on to a vessel for export sales.

1. Significant accounting policies (continued)

(d) Revenue recognition (continued)

Interest

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(e) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

(i) When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except:

(i) When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint arrangements, in which case a deferred tax asset is only recognised to the extent it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(f) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

The Group applies AASB Interpretation 4 when determining if an arrangement contains a lease.

1. Significant accounting policies (continued)

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

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

(h) Impairment of assets

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. The carrying values of capitalised exploration and evaluation expenditure, mine properties and property, plant and equipment are assessed for impairment when indicators of such impairment exist. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed. Impairment losses and reversals are recognised in the statement of comprehensive income.

(i) Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes short-term, highly liquid investments which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

(k) Inventories

Finished goods and work in progress inventories have been valued at the lower of cost and estimated net realisable value. In determining cost, an absorption basis is used including variable costs and an appropriate portion of fixed overheads, depreciation and amortisation. Average costs over the relevant period of production are assigned to balance date inventory quantities.

Consumables and spares have been valued at weighted average cost. Obsolete or damaged inventories are valued at net realisable value. A regular and ongoing review is undertaken to establish the extent of surplus items, and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make a sale.

1. Significant accounting policies (continued)

(l) Investments

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date (the date on which the Group commits to purchase or sell the asset). Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

1. Significant accounting policies (continued)

(l) Investments (continued)

Fair Value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss – is removed from equity and recognised in the profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(m) Fair value estimation

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

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 reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

(i) Stripping costs

Production phase

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a units of production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

(i) Future economic benefits (being improved access to the ore body) are probable
(ii) The component of the ore body for which access will be improved can be accurately identified

1. Significant accounting policies (continued)

(n) Property, plant and equipment (continued)

(i) Stripping costs (continued)

Production phase (continued)

(iii) The costs associated with the improved access can be reliably measured

If all of the criteria are not met, the production stripping costs are charged to the statement of comprehensive income as operating costs as they are incurred.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Development phase

Waste removal in the development phase of a mine are capitalised as part of mine development (refer note 1(n)(ii)).

Underground development costs

Material items of expenditure are deferred to the extent that they are recoverable out of future revenue, do not relate solely to revenue which has already been brought to account, and will contribute to the future earning capacity of the Company.

Underground development costs are amortised over the life of the mine or the life of the panel (as appropriate) on a units of production basis. Expenditure deferred in previous years is reviewed annually to determine the amount (if any) that is no longer recoverable. Any such amount is written off.

(ii) Mine development costs and mineral reserves

Mine development costs and reserves represent the accumulation of all development costs, including mineral reserves, rights and properties acquired for consideration in relation to areas of interest in which mining of a mineral resource has commenced.

Where further development costs are incurred in respect of an area of interest after the commencement of production, such costs are carried forward only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of cost of production.

Mine development costs and mineral reserves are amortised over the life of an area of interest based on the rate of depletion of economically recoverable reserves.

(iii) Depreciation

Property, plant and equipment (excluding freehold land), are depreciated over their useful economic lives as follows:

Fixed asset type	**Average Useful Life**	**Method**
Buildings	20 years	Straight Line
Open cut infrastructure	6 to 14 years	Straight Line
Plant and equipment	5 to 10 years	Straight Line
Leased assets	7 to 10 years	Straight Line
Development costs	Life of mine/panel*	Units of production

* As appropriate

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

1. Significant accounting policies (continued)

(o) Exploration and evaluation expenditure

Exploration and evaluation costs, net of revenue representing recoupment of such costs, are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through successful development and exploitation, or sale, of the area of interest or where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves but active and significant activities are continuing.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas.

Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken.

Exploration and evaluation costs are amortised over the life of an area of interest based on the rate of depletion of economically recoverable reserves.

(p) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. The amounts are unsecured.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(r) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are directly attributable to the acquisition, development or construction of a qualifying asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs included in the cost of non-current assets constructed by the consolidated entity are those costs that would have been avoided if the expenditure on the construction of the assets had not been made. Borrowing costs incurred while active construction is interrupted for extended periods are recognised as expenses.

(s) Provisions

Provisions are recognised when the economic entity has a present obligation (legal or constructive) to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Rehabilitation and restoration costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of coal. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

1. Significant accounting policies (continued)

(t) Rehabilitation and restoration costs (continued)

Where any decrease in the rehabilitation liability exceeds the carrying amount of the asset, the excess is recognised in profit or loss. If an adjustment to the rehabilitation liability results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by calculating its recoverable amount, and accounts for any impairment loss (refer to Note 1(h)).

(u) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, annual leave and sick leave are recognised and are measured at the amounts unpaid at the reporting date at rates expected to be paid when the liability is settled. Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Certain of the Group's long service leave obligations are funded by the Coal Mining Industry (Long Service Leave Funding) Corporation (Funding Corporation). Under the terms of Coal Mining Industry (Long Service Leave Funding) Act 1992, the Group is required to make monthly contributions to the Funding Corporation. When an eligible employee takes long service leave, the Group will pay the employee their entitlement and then claim monies paid back from the Funding Corporation. At 31 December 2015, the Group has recorded its long service leave liability payable to employees separate from funds to be reimbursed from the Funding Corporation.

(v) Other financial liabilities

Financial liabilities, other than derivatives, are initially recognised at the fair value of consideration received net of transaction costs as appropriate and then subsequently accounted for at amortised cost. A financial liability is de-recognised when the obligation under the liability is discharged. Gains and losses on de-recognition are recognised in profit or loss.

B Class dividend liability

As a result of the ruling handed down by the New South Wales Court of Appeal, the Company has treated the B Class shares as containing a financial liability that arises from the B Class shareholder's contractual right to receive a share of Company profit. Each B Class share entitles the holder to receive interim and annual dividends equivalent to 1/25,000,000 x 25% of the maximum amount of Company profit which is capable of lawfully being distributed as a dividend for the relevant six month period in an amount based on the accounts for that period. The Company has reviewed the consequence of the court ruling and the application of relevant accounting standards and has valued the financial liability. The liability is valued using projected future profit share, excluding any forecast profit impacts arising from the revaluation of the liability itself, applying the effective interest rate method. The effective interest rate is the risk adjusted rate that discounts estimated future profits through the expected life of the financial liability to its net carrying amount. In subsequent periods, as estimates of future profits are revised, the carrying value of the financial liability will be recalculated as the present value of the adjusted forecast dividend stream using the original effective interest rate, which is held firm.

1. Significant accounting policies (continued)

(v) Other financial liabilities (continued)

Any adjustment to the carrying value of the liability due to changes in the underlying forecast future profit profile is recognized in profit and loss in the year it arises. The liability will be settled over the life of the Company's operations and has no fixed repayment date.

Significant accounting judgements

The Company has exercised judgment in relation to the calculation of the B Class financial liability. The valuation has been prepared using a discounted cash flow model incorporating forecasts of future Company profits and the B Class shareholder's portion of those profits, excluding any profit or loss impacts arising from the accounting reclassification of the B Class financial liability itself. Profit projections are subject to a number of mining and financial risks which could impact their amount and timing and consequently the value of the liability.

(w) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

The Company has issued B Class share capital which the Company has assessed as containing a financial liability. Refer to Note 1(v) and Note 20.

(x) Dividends

Dividends payable are recognised when a legal obligation to pay the dividend arises.

(y) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as a part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

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

(z) Class orders applied

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

In preparing the financial report, the Company has applied Class Order 10/654, issued by the Australian Securities & Investments Commission, relating to the presentation of parent entity financial statements in the financial report.

(aa) New accounting standards and UIG interpretations

The accounting policies are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2015. The adoption of these standards had no material impact on the current period or any prior periods.

(i) AASB 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
(ii) AASB 2014-1: Part A - Annual Improvements 2010–2012 Cycle
(iii) AASB 2014-1: Part A - Annual Improvements 2011–2013 Cycle
(iv) AASB 1053: Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements

There are a number of Standards and Interpretations that have been published but are not mandatory for 31 December 2015 reporting periods and consequently have not been applied in these financial statements. The Group is in the process of assessing the impact of these changes on the financial position, financial performance and disclosures of the Group for the period when adopted but have not yet quantified if there are any material impacts.

2. Financial risk management

The Group's principal financial instruments comprise receivables, payables, finance leases, cash and call deposits and derivatives.

The Group's activities expose it to a variety of financial risks: price risk, credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group may use derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by the treasury department (Group Treasury) of the Group's ultimate parent entity, Peabody Energy Corporation, under policies approved by the Board of Directors of the ultimate parent entity. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

As at 31 December 2015 and 31 December 2014, the Group does not hold any derivatives.

Risk exposures and responses

(a) Price risk

Coal trading activities and related commodity price risk

In the ordinary course of the Group's operations, coal is sold under contract. The contracts are often long term contracts with annual price resets. These activities give rise to commodity price risk being the potential gain or loss that can be caused by changes in the market value of coal subsequent to the coal price for a period being agreed between the parties to the contract. The Group does not engage in coal price hedging.

(b) Credit risk

Trade receivables – Coal sales

The Group's concentration of credit risk is substantially with energy and steel producers and marketers. The Group's policy is to independently evaluate each customer's creditworthiness prior to entering into transactions and to constantly monitor the credit extended. In the event that the Group engages in a transaction with a counterparty that does not meet credit standards, the Group will protect its position by requiring the counterparty to provide appropriate credit enhancement. When appropriate (as determined by the credit management function), the Group has taken steps to reduce its credit exposure to customers or counterparties whose credit has deteriorated and who may pose a higher risk of failure to perform under their contractual obligations. These steps include obtaining letters of credit or cash collateral, requiring prepayments for shipments or the creation of customer trust accounts held for the Group's benefit to serve as collateral in the event of a failure to pay.

Trade receivables – Amounts receivable from related parties

Information on credit risk associated with amounts receivable from related parties is disclosed at Note 1(a).

The Group's maximum credit exposure is equal to the carrying amount of financial assets.

(c) Foreign currency risk

As a result of coal sales denominated in United States Dollars, the Group's statement of financial position can be affected significantly by movements in the US$/A$ exchange rates. The Group does not hedge proceeds from coal sales denominated in foreign currencies and as such is exposed to foreign currency risk on these transactions. From time to time the Group has hedged capital asset purchases in foreign currencies. As at 31 December 2015 and 31 December 2014, no such hedges exist.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group has no long term borrowings at both fixed and variable interest rates.

(e) Liquidity risk

Information on the Group's liquidity risk is disclosed at Note 1(a).

2. Financial risk management (continued)

Maturity analysis of financial assets and liability based on management's expectation

Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the ongoing operations such as property, plant, equipment and investments in working capital (e.g. inventories and trade receivables). These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

3. Significant accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Uncertainty of coal reserve and resource estimates

Coal reserve and resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be different to the original estimates. Future production could differ dramatically from coal reserve estimates for the following reasons:

(i) Formation could be different from that predicted by drilling, sampling and similar examinations;
(ii) Declines in the market price of coal may render the mining of some or all of the coal reserves uneconomic; and
(iii) Increases in mining costs and processing costs could adversely affect coal reserves.

Any of these factors may require the Group to reduce its coal reserve and resource estimates and may impact a number of accounting estimates including depreciation and amortisation. Furthermore, changes may result in asset impairments.

(ii) Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in:

(i) Determining the provision for income taxes; and
(ii) Assessing the recoverability of deferred tax assets in respect of temporary differences at period end.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. At 31 December 2015, the Company has assessed the fair value less costs of disposal of the Wambo cash generating unit exceeds its value in use. The measurement of fair value less costs of disposal is based on a discounted cash flow model. The discounted cash flow model is based on several factors that are further explained below. Given that there was minimal valuation headroom at 31 December 2015, any adverse change in these factors may result in impairment. The cash flows in the discounted cash flow model are derived from budgets, including life of mine budgets. The calculated recoverable amount is sensitive to forecast coal prices and exchange rates (used to estimate cash inflows), growth rates used for extrapolation purposes, timing of proposed mine development, forecast operating and capital costs and discount rate. A post-tax nominal discount rate of 12.5% was used at 31 December 2015 (2014: 12.0%).

3. Significant accounting estimates, assumptions and judgements (continued)

(iv) Provision for rehabilitation

Provisions are made for the estimated cost of rehabilitation relating to areas disturbed during the mine's operation up to reporting date but not yet rehabilitated. Provision has been made in full for all disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation employing legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Significant uncertainty exists as to the amount of rehabilitation obligations which may be incurred due to the impact of possible future changes in environmental legislation. The amount of the provision relating to rehabilitation of mine infrastructure and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets where a legal or constructive obligation exists at that time. The provision is recognised as a liability with a corresponding asset included in mining property and development assets.

At each reporting date the rehabilitation liability is re-measured in line with changes in discount rates, and timing or amount of the costs to be incurred. Changes in the liability relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the statement of comprehensive income as it occurs.

If the change results in a liability that exceeds the carrying amount of the asset, the asset is written-down to nil and the excess is recognised immediately in the statement of comprehensive income. If the change in the liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable, an impairment test is performed with the write-down recognised in the statement of comprehensive income in the period in which it occurs.

Significant accounting judgements

In the process of applying the Group's accounting policies, accounting judgements have been made in relation to the valuation of the Company's B Class financial liability (refer Note 1(v), Note 1(w) and Note 20).

Wambo Coal Pty Limited
Notes to the consolidated financial statements

4. Revenue

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Coal sales	580,508	658,010	580,508	658,010

5. Other income

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Interest income	3,437	2,226	3,437	2,226
Dividend income	203	200	203	200
Foreign exchange gains	3,580	1,269	3,580	1,269
Insurance refund	-	10,400	-	10,400
Other	1,191	544	1,191	544
	8,411	14,639	8,411	14,639

6. Expenses

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
(a) Cost of sales				
Third party service providers	95,917	105,351	99,871	109,309
Materials and supplies	115,851	145,264	115,851	145,264
Labour costs	92,186	99,225	92,186	99,225
Inventory movement	9,456	32,788	9,456	32,788
Lease expenses	36,075	49,297	36,075	49,297
Other	11	8,567	11	8,567
	349,496	440,492	353,450	444,450
(b) Finance costs				
Loans with related parties	2,595	2,312	2,595	2,312
Finance charges payable under finance leases	643	984	643	984
Interest on other financial liabilities (Refer Note 16)	244	12,563	244	12,563
Asset retirement obligation accretion	2,404	2,962	2,404	2,962
Other	1,700	731	1,700	731
	7,586	19,552	7,586	19,552

Wambo Coal Pty Limited
Notes to the consolidated financial statements

7. Income tax expense

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
(a) Income tax expense				
Current tax	11,703	7,711	11,334	6,759
Deferred tax	1,928	21,644	2,297	22,596
Income tax expense attributable to profit from continuing operations	13,631	29,355	13,631	29,355
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	4,724	20,241	4,605	21,528
Increase/(decrease) in deferred tax liabilities	(2,796)	1,403	(2,308)	1,068
	1,928	21,644	2,297	22,596
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax benefit	57,825	26,971	57,825	26,971
Tax at the Australian tax rate of 30% (2014: 30%)	17,348	8,091	17,348	8,091
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Rebateable dividend	(61)	(58)	(61)	(58)
Minerals Resource Rent Tax	-	20,867	-	20,867
B Class dividend liability adjustment	(2,959)	475	(2,959)	475
Other	50	-	50	-
	14,378	29,375	14,378	29,375
Adjustments for current tax of prior periods	(747)	(20)	(747)	(20)
Income tax expense	13,631	29,355	13,631	29,355

8. Cash and cash equivalents

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Cash at bank and on hand	4,603	60,361	4,603	60,361
Cash and cash equivalents	4,603	60,361	4,603	60,361

Cash and cash equivalents are non-interest bearing.

At 31 December 2014, the balance included a trust account ($60.1 million) that was released to the B Class shareholder on 20 January 2015.

9. Trade and other receivables

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Trade receivables	17,457	44,561	17,457	44,561
Other receivables and prepayments	10,899	11,251	4,680	5,655
Amounts receivable from related parties	185,003	97,844	187,661	100,131
	213,359	153,656	209,798	150,347
Non current				
Amounts receivable from related parties	9,664	9,678	48,179	52,149
	9,664	9,678	48,179	52,149

Further information relating to loans to/from related parties is set out in Note 26. All amounts receivable are not considered impaired. Due to the current nature, the carrying amount of the above receivables is deemed to equal their fair value.

10. Inventories

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Raw materials and consumables	9,082	9,148	9,082	9,148
Work in progress	5,011	2,489	5,011	2,489
Finished goods	16,123	28,071	16,123	28,071
	30,216	39,708	30,216	39,708

Inventory movements recognised in the statement of comprehensive income during the year ended 31 December 2015 for the consolidated entity amounted to a expense of $9,456,000 (2014: $32,788,000), and for the Company amounted to a expense of $9,456,000 (2014: $32,788,000).

11. Other financial assets

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Non current investments				
Available for sale assets	1,051	1,051	1,051	1,051

The available for sale assets represent investments in unlisted public companies. There is no available information to determine the market value of these shareholdings and as a result the investments continue to be carried at their historical cost. This cost is deemed to be materially representative of fair value.

12. Property, plant and equipment

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Property, plant and equipment at cost	462,483	469,874	382,785	390,216
Accumulated depreciation	(257,190)	(231,478)	(219,398)	(197,680)
	205,293	238,396	163,387	192,536
Leased plant equipment capitalised at cost	71,899	71,899	71,899	71,899
Accumulated depreciation	(49,706)	(45,892)	(49,706)	(45,892)
	22,193	26,007	22,193	26,007
Underground development costs capitalised at cost	116,356	125,992	116,356	125,992
Accumulated amortisation	(84,587)	(110,226)	(84,587)	(110,226)
	31,769	15,766	31,769	15,766
Net carrying amount	259,255	280,169	217,349	234,309

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Consolidated	Property, plant and equipment	Leased plant and equipment	Underground development	Total
	$000	$000	$000	$000
Opening balance 1 January 2015	238,396	26,007	15,766	280,169
Additions – cash	8,636	-	39,781	48,417
Depreciation/amortisation	(33,676)	(3,814)	(23,778)	(61,268)
Change in rehabilitation estimate	(8,063)	-	-	(8,063)
Closing balance 31 December 2015	205,293	22,193	31,769	259,255

Consolidated	Property, plant and equipment	Leased plant and equipment	Underground development	Total
	$000	$000	$000	$000
Opening balance 1 January 2014	247,921	29,821	9,523	287,265
Additions – cash	12,588	-	31,166	43,754
Depreciation/amortisation	(32,258)	(3,814)	(24,923)	(60,995)
Change in rehabilitation estimate	10,145	-	-	10,145
Closing balance 31 December 2014	238,396	26,007	15,766	280,169

12. Property, plant and equipment (continued)

The Company	Property, plant and equipment $000	Leased plant and equipment $000	Underground development $000	Total $000
Opening balance 1 January 2015	192,536	26,007	15,766	234,309
Additions – cash	8,636	-	39,781	48,417
Depreciation/amortisation	(29,722)	(3,814)	(23,778)	(57,314)
Change in rehabilitation estimate	(8,063)	-	-	(8,063)
Closing balance 31 December 2015	163,387	22,193	31,769	217,349

The Company	Property, plant and equipment $000	Leased plant and equipment $000	Underground development $000	Total $000
Opening balance 1 January 2014	198,107	29,821	9,522	237,450
Additions – cash	12,587	-	31,165	43,752
Depreciation/amortisation	(28,303)	(3,814)	(24,921)	(57,038)
Change in rehabilitation estimate	10,145	-	-	10,145
Closing balance 31 December 2014	192,536	26,007	15,766	234,309

Refer to Note 15 for information on non-current assets pledged as security by the parent entity and its controlled entities.

13. Deferred tax assets

	Consolidated		The Company	
The balance comprises temporary differences attributable to:	2015 $000	2014 $000	2015 $000	2014 $000
Provisions	24,794	28,009	24,794	28,009
Employee entitlements	3,369	3,398	484	746
Lease liabilities	1,866	3,346	1,866	3,346
Other	-	-	-	(352)
Total deferred tax assets	30,029	34,753	27,144	31,749

Movements – Consolidated ($000)	Provisions	Employee Entitlements	Other	Total
Balance at 1 January 2014	27,599	1,843	25,552	54,994
Charged/(credited) to the statement of comprehensive income	410	1,555	(22,206)	(20,241)
Balance at 31 December 2014	28,009	3,398	3,346	34,753
Charged/(credited) to the statement of comprehensive income	(3,215)	(29)	(1,480)	(4,724)
Balance at 31 December 2015	24,794	3,369	1,866	30,029

Movements – Parent entity ($000)	Provisions	Employee Entitlements	Other	Total
Balance at 1 January 2014	25,882	1,843	25,552	53,277
Charged/(credited) to the statement of comprehensive income	2,127	(1,097)	(22,558)	(21,528)
Balance at 31 December 2014	28,009	746	2,994	31,749
Charged/(credited) to the statement of comprehensive income	(3,215)	(262)	(1,128)	(4,605)
Balance at 31 December 2015	24,794	484	1,866	27,144

14. Trade and other payables

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Trade payables	52,706	33,746	51,944	33,037
Other trade payables and accrued expenses	19,231	26,459	19,229	26,452
Amounts payable to related parties	10,326	14,033	20,782	22,590
	82,263	74,238	91,955	82,079

Due to the short term nature of the current payables, their carrying value is assumed to approximate their fair value.

15. Interest bearing loans and borrowings

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Finance lease liabilities owing to Peabody Energy Australia Pty Ltd – secured (Note 24)	5,299	4,932	5,299	4,932
Non current				
Finance lease liabilities owing to Peabody Energy Australia Pty Ltd – secured (Note 24)	921	6,220	921	6,220

(a) Interest rate risk exposures

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

2015	31 December 2015 fixed interest maturing in:							
	Floating interest rate $000	1 year or less $000	Over 1 to 2 years $000	Over 2 to 3 years $000	Over 3 to 4 years $000	Over 4 to 5 years $000	Over 5 years $000	Total $000
Finance lease liabilities	-	5,299	921	-	-	-	-	6,220
Weighted average interest rate	-	7.21%	7.21%	-	-	-	-	7.21%

2014	31 December 2014 fixed interest maturing in:							
	Floating interest rate $000	1 year or less $000	Over 1 to 2 years $000	Over 2 to 3 years $000	Over 3 to 4 years $000	Over 4 to 5 years $000	Over 5 years $000	Total $000
Finance lease liabilities	-	4,932	5,758	462	-	-	-	11,152
Weighted average interest rate	-	7.21%	7.21%	7.21%	-	-	-	7.21%

15. Interest bearing loans and borrowings (continued)

(b) Fair value disclosures

The carrying amounts and fair values of borrowings at balance date are:

	31 December 2015		31 December 2014	
	Carrying value	Fair Value	Carrying value	Fair value
	$000	$000	$000	$000
On balance sheet				
Finance lease liabilities – secured (Note 24)	6,220	6,220	11,152	11,152

The fair value of borrowings is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for liabilities with similar risk profiles.

(c) Assets pledged as security

The finance lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Plant and equipment	22,193	26,007	22,193	26,007

(d) Total secured liabilities (current and non-current) are as follows:

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Finance lease liabilities	6,220	11,152	6,220	11,152

16. Other financial liabilities

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
B Class dividend liability *	3,258	61,081	3,258	61,081
Non-current				
B Class dividend liability	44,500	62,945	44,500	62,945

Refer to Note 1(v) and Note 20.

The fair value of the liability would be level 3 under the fair value hierarchy.

* The 2014 balance included $12.6 million of interest on unpaid dividends recognised as a result of the ruling handed down by the New South Wales Court of Appeal.

17. Employee benefits

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Liability for annual leave and incentive compensation	21,175	21,820	4,127	7,321
Non-current				
Liability for long service leave	1,851	2,333	117	80

18. Provisions

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Current				
Mine rehabilitation	3,930	-	3,930	-
Non-current				
Mine rehabilitation	74,456	84,060	74,456	84,060
Total mine rehabilitation	78,386	84,060	78,386	84,060

Mine rehabilitation

In accordance with government legislative requirements, a provision for mine rehabilitation has been recognised in relation to the consolidated entity's coal mining operations. The basis for accounting is set out in Note 1(t) of the significant accounting policies.

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below.

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Mine rehabilitation				
Opening balance 1 January	84,060	71,209	84,060	71,209
Adjustment from change in estimates recognised in statement of financial position	(8,078)	9,889	(8,078)	9,889
Accretion	2,404	2,962	2,404	2,962
Closing balance 31 December	78,386	84,060	78,386	84,060

19. Deferred tax liabilities

	Consolidated		The Company	
The balance comprises temporary differences attributable to:	2015	2014	2015	2014
	$000	$000	$000	$000
Property, plant and equipment	23,244	24,960	21,017	22,598
Leased assets	6,658	7,802	6,658	7,802
Other	6,725	6,661	6,725	6,308
Total deferred tax liabilities	36,627	39,423	34,400	36,708

19. Deferred tax liabilities (continued)

Movements – Consolidated ($000)	Property, plant and equipment	Other	Total
Balance at 1 January 2014	23,898	14,122	38,020
(Credited)/charged to the statement of comprehensive income	1,062	341	1,403
Balance at 31 December 2014	24,960	14,463	39,423
(Credited)/charged to the statement of comprehensive income	(1,716)	(1,080)	(2,796)
Balance at 31 December 2015	23,244	13,383	36,627

Movements – Parent Entity ($000)	Property, plant and equipment	Other	Total
Balance at 1 January 2014	21,517	14,123	35,640
(Credited)/charged to the statement of comprehensive income	1,081	(13)	1,068
Balance at 31 December 2014	22,598	14,110	36,708
(Credited)/charged to the statement of comprehensive income	(1,581)	(727)	(2,308)
Balance at 31 December 2015	21,017	13,383	34,400

20. Contributed equity and retained earnings

(a) Contributed equity

	Consolidated		Consolidated	
	2015 Shares	2015 $000	2014 Shares	2014 $000
Ordinary shares	1,000,000	1,000	1,000,000	1,000
B Class shares	25,000,000	-	25,000,000	-
	26,000,000	1,000	26,000,000	1,000

	The Company		The Company	
	2015 Shares	2015 $000	2014 Shares	2014 $000
Ordinary shares	1,000,000	1,000	1,000,000	1,000
B Class shares	25,000,000	-	25,000,000	-
	26,000,000	1,000	26,000,000	1,000

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings. In the event of winding up the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

B Class shares

The B Class shareholders are not entitled to vote at shareholder meetings and in the event of winding up the Company, B Class shareholders are not entitled to any distribution of the surplus assets of the Company or repayment of any of their capital paid up on that share. As a consequence of the ruling handed down by the New South Wales Court of Appeal regarding the contractual obligations associated with the B Class shares and the application of relevant accounting standards, the Company has recognised a financial liability relating to the B Class shares. Refer to Note 1(v).

20. Contributed equity and retained earnings (continued)

(b) Retained earnings

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Opening balance	224,308	226,692	224,308	226,692
Net profit/(loss)	44,194	(2,384)	44,194	(2,384)
Closing balance	268,502	224,308	268,502	224,308

(c) Dividends

Following the proceedings filed against the Company by its B Class shareholder on 25 March 2013 concerning the proper construction of article 2.1B of the Constitution of the Company in its application to the dividend rights of the B Class shares, the Supreme Court of New South Wales issued a judgement that on its proper construction, article 2.1B conferred the right, to the exclusion of any discretion given to the directors with respect to the declaration or payment of dividends or the capitalising, reserving or carrying forward of profits, to receive a dividend, by the dates specified in the article, of 1/25,000,000 of 25% of the maximum amount of the profit of the Company which is capable of lawfully being distributed as a dividend for the 6 month period specified in the article based on the relevant interim account or accounts. That decision was upheld by the New South Wales Court of Appeal in a judgement handed down on 17 September 2014. On 13 March 2015, the Company ran an application for special leave to appeal to the High Court against the New South Wales Court of Appeal decision. Leave was not granted.

The total amounts of disputed dividends claimed by the B Class shareholder in the proceedings, and interest, that were previously transferred into the trust account in compliance with the conditions of the stay of the Supreme Court order for payment, which applied until the appeal was determined, was released to the B Class shareholder on 20 January 2015, less applicable withholding taxes. This balance transferred from the trust account included an amount of $48.5 million representing the amount of disputed dividends that was unfranked for tax purposes.

As a consequence of the court ruling and in applying the relevant accounting standards, in the prior year, the Company amended the classification of the B Class shares to a financial liability rather than equity.

A dividend of $5,324,750 on B Class shares ($0.213 per B Class share) was declared by the Directors in respect of the half year ended 30 June 2015, unfranked for tax purposes.

A dividend of $3,258,250 on B Class shares ($0.13033 per B Class share) was declared by the Directors in respect of the half year ended 31 December 2015, unfranked for tax purposes.

No dividend on Ordinary shares is recommended by the directors in respect of the year ended 31 December 2015.

(d) Franking credits balance

The amount of franking credits available for the subsequent financial year are:

	The Company	
	2015	2014
	$000	$000
Franking account balance as at the end of the financial year	63,324	58,568
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	7,935	852
- Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period *	-	-
The amount of franking credits available for future reporting periods	71,259	59,420

* AASB 112 requires the relevant dividend to be recognised as a liability at reporting date. As the Company has not recognised the subsequent declaration of the year-end dividend as a liability, the related franking debits have not been included.

21. Auditors' remuneration

Audit and non-audit services fees for the Company are paid by a related entity, Peabody Australia Holdco Pty Ltd.

22. Notes to the statement of cash flows

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

		Consolidated		The Company	
	Note	2015 $000	2014 $000	2015 $000	2014 $000
Cash flows from operating activities					
Profit/(loss) for the year		44,194	(2,384)	44,194	(2,384)
Adjustment for:					
Interest on finance leases and borrowings	6(b)	643	984	643	984
Depreciation and amortisation		61,268	63,114	57,314	59,156
Unrealised net foreign exchange gains		(374)	718	(374)	718
B Class dividend interest on current liability		244	12,563	244	12,563
B Class dividend non-current liability adjustment		(9,862)	1,584	(9,862)	1,584
Insurance refund		-	(10,400)	-	(10,400)
Other non-cash items		(1,541)	2,706	(1,541)	2,706
Operating profit before changes in working capital and provisions		94,572	68,885	90,618	64,927
(Increase)/decrease in receivables		21,968	(47,187)	28,079	(41,612)
(Increase)/decrease in inventories		9,492	34,916	9,492	34,916
(Increase)/decrease in other current assets		(140)	462	(120)	483
(Increase)/decrease in deferred tax assets		4,724	20,241	4,605	21,528
(Increase)/decrease in other non-current assets		436	1,033	(28)	2,929
Increase/(decrease) in payables		11,732	(368)	11,685	(28)
Increase/(decrease) in current tax liabilities		7,088	(955)	7,083	(955)
Increase/(decrease) in provisions		2,817	7,983	787	(2,402)
Increase/(decrease) in deferred tax liabilities		(2,796)	1,403	(2,308)	1,068
Net cash from operating activities		**149,893**	**86,413**	**149,893**	**80,854**

23. Contingent liabilities

The parent entity and Group had contingent liabilities at 31 December 2015 in respect of:

Guarantees

A contingent liability of $75,219,000 (2014: $35,840,000) exists in respect of guarantees given by the Company for, among other things, financial assurance for rehabilitation obligations and contractual obligations with certain suppliers for agreements entered into.

24. Commitments

(a) Capital commitments

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

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Property, plant and equipment				
Payable:				
Within one year	3,697	534	3,697	534

(b) Lease commitments: Group as lessee

Operating leases

The Group has entered into commercial leases with related parties for various plant and equipment.

Subsequent to 31 December 2015, cross defaults exist in respect of the Group's operating lease arrangements with various financiers. Refer to Note 1(a).

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Commitments for minimum lease payments in relation to operating leases are payable as follows:				
Within one year	4,675	7,803	4,675	7,803
Later than one year but not later than five years	5,837	9,085	5,837	9,085
	10,512	16,888	10,512	16,888

Finance leases

The Group have various commercial leases with related parties for plant and equipment with a carrying amount of $22,193,000 (2014: $25,106,000) under finance leases expiring within one to two years.

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Commitments for minimum lease payments in relation to finance leases are payable as follows:				
Within one year	5,575	5,575	5,575	5,575
Later than one year but not later than five years	929	6,504	929	6,504
	6,504	12,079	6,504	12,079
Future finance charges	(284)	(927)	(284)	(927)
Recognised as a liability	6,220	11,152	6,220	11,152
Representing lease liabilities:				
Current (Note 15)	5,299	4,932	5,299	4,932
Non-current (Note 15)	921	6,220	921	6,220
	6,220	11,152	6,220	11,152

Certain of the Group's lease agreements include renewal options, purchase options and escalation clauses.

The weighted average interest rate implicit in the leases is 7.21% (2014: 7.21%).

24. Commitments (continued)

(c) Other operating expenditure commitments: Ship or Pay Agreement

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Commitments in relation to ship-or-pay expenditure at the reporting date not provided for in the accounts (held joint and several with a related party):				
Within one year	55,929	45,833	55,929	45,833
Later than one year but not later than five years	185,276	195,817	185,276	195,817
Later than five years	980,352	1,072,315	980,352	1,072,315
	1,221,557	1,313,965	1,221,557	1,313,965

A ship-or-pay agreement for shipping coal from the Newcastle Coal Terminal is held joint and several in the names of the Company and a related party, Wilpinjong Coal Pty Ltd.

25. Key management personnel disclosures

(a) Directors

The directors of the Company at any time during or since the end of the financial year are:

S Hedges (appointed 14 March 2016)
P Baker (appointed 22 August 2013, resigned 1 March 2014 and re-appointed 29 May 2015)
G Lee (appointed 8 August 2013 and resigned 14 March 2016)
I Livingstone-Blevins (appointed 1 March 2014 and resigned 29 May 2015)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
E Johnson *	General Manager	Peabody Energy Australia Coal Pty Limited
E Davis *	General Manager	Peabody International Services, Inc.
G Moore	Open Cut Manager	Peabody Energy Australia Coal Pty Limited
M Wood	Underground Manager	Peabody Energy Australia Coal Pty Limited
S Bowman **	Commercial Manager (Acting)	Peabody Energy Australia Coal Pty Limited
J Williams **	Commercial Manager	Peabody Energy Australia Coal Pty Limited
M Alexander	Director Projects & Technical Services	Peabody Energy Australia Coal Pty Limited
G Pitt	CHPP Manager	Peabody Energy Australia Coal Pty Limited
P Hafey ***	Training, Health and Safety Manager	Peabody Energy Australia Coal Pty Limited
S Jones ***	Training, Health and Safety Manager	Peabody Energy Australia Coal Pty Limited

* E Davis resigned from the position and was replaced by E Johnson in February 2015.
** S Bowman was replaced by J Williams in September 2015.
*** P Hafey resigned from the position and was replaced by S Jones in July 2015.

All of the above persons were key management persons during the year ended 31 December 2015.

(c) Key management personnel compensation

	Consolidated		The Company	
	2015	2014	2015	2014
	$	$	$	$
Total employee benefits	2,528,727	2,942,531	2,528,727	2,942,531

Key management personnel are employed as detailed above. As such the employment compensation above is incurred by their employer.

25. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

The Company has not granted any options over ordinary shares during the financial year and there are no outstanding options at 31 December 2015 (2014: Nil).

26. Related party transactions

(a) Parent entities

The parent entity within the Group is Wambo Coal Pty Limited. The parent entity of Wambo Coal Pty Limited is Peabody Australia Mining Pty Ltd. The ultimate Australian parent entity is Peabody Australia Holdco Pty Ltd which at 31 December 2015 indirectly owns 100% (2014: 100%) of the issued ordinary shares of Wambo Coal Pty Limited. The ultimate parent entity and ultimate controlling party is Peabody Energy Corporation (incorporated in the United States of America) which at 31 December 2015 indirectly owns 100% (2014: 100%) of the issued ordinary shares of Peabody Australia Holdco Pty Ltd.

(b) Subsidiaries

Particulars of controlled entities:

Company	Incorporated
Wambo Coal Terminal Pty Limited	Australia
North Wambo Pty Limited	Australia
Wambo Open Cut Pty Ltd	Australia

(c) Key management personnel

Disclosures relating to key management personnel are set out above.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		The Company	
	2015	2014	2015	2014
	$000	$000	$000	$000
Management fees paid to Peabody Energy Australia Coal Pty Ltd	12,308	17,234	12,308	17,234
B Class shareholder payments	66,650	-	66,650	-
Interest paid to Peabody Energy Australia Pty Ltd	643	984	643	984
Interest received from Peabody Australia Mining Pty Ltd	3,160	893	3,160	893
Coal sales to Wilpinjong Coal Pty Ltd	71,960	74,238	71,960	74,238
Coal sales to Coaltrade Asia Private	117,406	201,868	117,406	201,868
Coal sales to Coaltrade Pacific Pty Ltd	11,301	-	11,301	-
Coal sales to Coaltrade International, LLC	10,376	-	10,376	-
Coal sales to Peabody (Bowen) Pty Ltd	8,038	-	8,038	-
Operating lease payment to Peabody Energy Australia Pty Ltd	4,234	4,234	4,234	4,234
Marketing fee to Peabody Coaltrade Australia Pty Limited	5,431	5,974	5,431	5,974
Finance lease payment to Peabody Energy Australia Pty Ltd	5,176	4,466	5,176	4,466
Purchases from Wilpinjong Coal Pty Ltd	37,437	60,644	37,437	60,644
Purchases from Coaltrade Asia Private	397	10	397	10
Purchases from Coaltrade Pacific Pty Ltd	6	-	6	-
Guarantee fees paid to Peabody Energy Australia Pty Ltd	2,595	2,312	2,595	2,312

Balances in the financial statements include a non-current receivable of $9.7 million (2014: $9.7 million) for future rehabilitation expenditure recoverable from Sumiseki Materials Co. Ltd (refer Note 9). Amounts receivable from related parties (current) include $10.4 million (2014: $10.4 million) for costs incurred to date relating to rehabilitation of tailings dams, including the North East Tailings Dam, to be reimbursed by Sumiseki Materials Co. Ltd.

Balances outstanding to or from related parties are disclosed in Notes 9 and 14. Operating leases and finance leases with related parties are disclosed in Note 24. For further information on related party financing refer to Note 1(a).

26. Related party transactions (continued)

(d) Transactions with related parties (continued)

The following quantities of borrowed coal were outstanding with related parties at the end of each period:

	Consolidated		The Company	
	2015 tonnes	2014 tonnes	2015 tonnes	2014 tonnes
Borrowed coal receivable from/(payable to) Coaltrade Australia Pty Limited	1,332	8,563	1,332	8,563

(e) Joint Venture

On 25 November 2014, the Group, through its subsidiary Wambo Coal Pty Limited, conditionally agreed to establish a joint venture with Glencore's United Collieries Pty Ltd on behalf of the United Joint Venture. The 50-50 joint venture will combine Wambo's open-cut mining operations with United's adjacent reserves in the Hunter Valley. Joint venture operations are expected to commence in 2017 once certain conditions have been met, principally obtaining government approvals to conduct mining operations as contemplated.

27. Events occurring after the balance sheet date

On 13 April 2016, the company's ultimate parent entity, Peabody Energy Corporation ("PEC"), together with a majority of PEC's wholly-owned U.S. subsidiaries and a Gibraltar subsidiary (together with PEC, "the Debtors"), voluntarily filed petitions under Chapter 11 of the U.S. Bankruptcy Code ("the Bankruptcy Code") in the U.S. Bankruptcy Court for the Eastern District of Missouri ("the Bankruptcy Court"). The Debtors will continue to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Neither the company nor any of its subsidiaries are included in the Chapter 11 filings and the Wambo mine is planned to continue to operate in the ordinary course of business for the duration of the Chapter 11 reorganisation.

A US$250 million revolving intercompany loan facility (the "Intercompany Loan Facility") was entered into on 13 April 2016 between a wholly-owned subsidiary of the company, Peabody Energy Australia Coal Pty Ltd ("PEAC") (as borrower) and another subsidiary of PEC, Global Center for Energy and Human Development, LLC ("Global Center") (as lender). Global Center is not a party to PEC's Chapter 11 filing. The Intercompany Loan Facility is designed to provide additional liquidity to support ongoing operations of the company and consolidated entity's Australian business during PEC's Chapter 11 reorganisation for a period up to 13 March 2019, with draw amounts being tied to operating budgets and subject to certain availability restrictions. The Intercompany Loan Facility is secured against certain Australian assets, with appropriate exclusions. For additional information in relation to this event refer to Note 1(a) of the financial report.

In response to ongoing difficult market conditions post 31 December 2015, the company has implemented a cost saving initiative project.

No other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect:

(a) The Group's operations in future financial years; or
(b) The results of those operations in future financial years; or
(c) The Group's state of affairs in future financial years.

Wambo Coal Pty Limited
Directors' declaration

In accordance with a resolution of the directors of Wambo Coal Pty Limited (the "Company"), I state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company, set out on pages 4 to 37, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2015 and of their performance for the year ended on that date

  (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*

(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.

On behalf of the board

Steven Hedges

S Hedges
Director

Date: 29 April 2016

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Auditor's Independence Declaration to the Directors of Wambo Coal Pty Limited

As lead auditor for the audit of Wambo Coal Pty Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wambo Coal Pty Limited and the entities it controlled during the financial year.

Ernst & Young

Andrew Carrick
Partner
29 April 2016

Building a better working world

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Independent auditor's report to the members of Wambo Coal Pty Limited

We have audited the accompanying financial report of Wambo Coal Pty Limited, which comprises the statements of financial position as at 31 December 2015, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion the financial report of Wambo Coal Pty Limited is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's and consolidated entity's financial positions as at 31 December 2015 and of their performance for the year ended on that date; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report which details the principal conditions that raise doubt about the company's and the consolidated entity's ability to continue as a going concern. As a result of these matters, there is significant uncertainty whether the company and/or the consolidated entity will continue as a going concern, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and/or the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
Brisbane
29 April 2016