



Quarterly Report

FOR QUARTER ENDING JUNE 2012

HIGHLIGHTS

- Yancoal listed on the ASX on 28 June 2012
- Merger with Gloucester Coal completed in early July
- Middlemount produces first coking coal
- Middlemount gains EA to increase mining rate
- Strong performance from Moolarben

OVERVIEW

The merger by way of a scheme of arrangement between Gloucester Coal and Yancoal Australia was completed on 6 July 2012. Reporting for the June quarter will include production and sales information from both Gloucester Coal and Yancoal Australia as though both the companies had been merged for the period under review.

SALES (100% BASIS)

SALES 000's t	Coal Type	June Qtr 2012	June Qtr 2011	Change	YTD June 2012	YTD June 2011	Change
ASHTON	Metallurgical	319	306	4%	538	910	-41%
AUSTAR	Metallurgical	280	350	-20%	756	825	-8%
MOOLARBEN	Thermal	1,220	1,105	10%	2,521	2,647	-5%
YARRABEE	Metallurgical	590	764	-23%	1,187	1,556	-24%
GLOUCESTER BASIN	Metallurgical	397	239	66%	687	435	58%
	Thermal	279	373	-25%	778	673	16%
DONALDSON	Metallurgical	11	-	-	72	-	-
	Thermal	401	-	-	664	-	-
MIDDLEMOUNT	Metallurgical	473	-	-	911	-	-
TOTAL	Metallurgical	2,069	1,659	25%	4,150	3,727	11%
	Thermal	1,899	1,477	29%	3,963	3,320	19%
TOTAL EQUITY SHARE	Metallurgical	1,800	1,628	11%	3,641	3,636	0%
	Thermal	1,655	1,256	32%	3,459	2,791	24%

Note: Donaldson sales are shown for the period of control by Gloucester Coal Ltd. Acquisition of Donaldson by Gloucester was effective from 14 July 2011. Austar has sold some of its coal as an energy adjusted thermal coal during the quarter.

Sales from the Gloucester assets have been included in the above table for completeness. Total equity sales from the Yancoal mines (excluding sales from the Gloucester mines) reached 2,132kt for the quarter with 43% of the total being metallurgical coal.

Total equity sales from the Gloucester mines during the quarter were 1,323kt with metallurgical coal making up 49% of the total. The Middlemount Mine dispatched its first coking coal during the quarter. The volumes of coking coal are expected to increase as mining progresses down dip from the box cut.

Sales of thermal coal have held up despite a significant fall in the spot price during the quarter. Gloucester Coal has benefitted to some extent by having a long term sales contract with a fixed price that is above the current spot price. There is currently an oversupply of high volatile metallurgical coals in the Asian market.

Both thermal and metallurgical coal markets have deteriorated during the last quarter and Yancoal does not see any signs of improvement in the next few months.

PRODUCTION (100% BASIS)

			June Qtr 2012	June Qtr 2011	Change	YTD June 2012	YTD June 2011	Change
ASHTON	Overburden Removal	Mbcm	-	180	-100%	-	1,156	-100%
	ROM Coal Produced	000's t	504	694	-27%	848	1,089	-22%
	Saleable Coal Production	000's t	267	384	-30%	448	636	-29%
AUSTAR	ROM Coal Produced	000's t	298	268	11%	738	753	-2%
	Saleable Coal Production	000's t	235	229	3%	616	669	-8%
MOOLARBEN	Overburden Removal	Mbcm	4,405	3,893	13%	8,328	7,940	5%
	ROM Coal Produced	000's t	1,805	1,829	-1%	3,798	3,667	4%
	Saleable Coal Production	000's t	1,325	1,285	3%	2,580	2,592	0%
YARRABEE	Overburden Removal	Mbcm	9,044	10,003	-10%	16,922	17,665	-4%
	ROM Coal Produced	000's t	780	759	3%	1,258	1,368	-8%
	Saleable Coal Production	000's t	621	650	-4%	1,126	1,234	-9%
GLOUCESTER BASIN	Overburden Removal	Mbcm	3,285	3,534	-7%	6,811	7,144	-5%
	ROM Coal Produced	000's t	902	840	7%	1,983	1,429	39%
	Saleable Coal Production	000's t	578	534	8%	1,184	876	35%
DONALDSON	Overburden Removal	Mbcm	595	-	-	1,348	-	-
	ROM Coal Produced	000's t	786	-	-	1,453	-	-
	Saleable Coal Production	000's t	509	-	-	1,006	-	-
MIDDLEMOUNT	Overburden Removal	Mbcm	6,426	2,112	204%	11,636	2,112	451%
	ROM Coal Produced	000's t	650	-	-	1,068	-	-
	Saleable Coal Production	000's t	427	-	-	773	-	-
TOTAL	ROM Coal Produced	000's t	5,726	4,391	30%	11,147	8,305	34%
	Saleable Coal Production	000's t	3,964	3,083	29%	7,733	6,007	29%
TOTAL EQUITY SHARE	ROM Coal Produced	000's t	4,990	3,956	26%	9,768	7,463	31%
	Saleable Coal Production	000's t	3,458	2,788	24%	6,786	5,425	25%

Note: Donaldson sales are shown for the period of control by Gloucester Coal Ltd. Acquisition of Donaldson by Gloucester was effective from 14 July 2011

Ashton Mine (Yancoal 90%)

Following a successful appeal of the original 2011 NSW Planning Assessment Commission (PAC) decision not to approve the development of the south east open cut (SEOC), the PAC met in June and has requested additional information from the Ashton joint venture. It is anticipated that the PAC will consider this new information and all previous data and is likely to hand down its decision during the next quarter.

Mining operations in the north east open cut at Ashton ceased in the June quarter of 2011 when the reserves were exhausted. Open cut mining at Ashton will only resume when and if approval is granted for the SEOC. All production in the June quarter of 2012 came for the underground mine.

Underground mining in the Pikes Gully seam continued during the quarter with total ROM production of 504kt during the period. The average yield of 53% achieved during the quarter was lower than normal as mining

progressed through an area where the coal seam was split by a stone band. Longwall mining in panel LW08 in the Pikes Gully seam was completed in early June. The longwall move down to the Upper Liddell (ULD) seam into panel LW101 started in mid June and is expected to be completed by mid July with mining currently scheduled to commence by late July. Once the first panel has been completed in the ULD seam the longwall will return to the Pikes Gully seam to mine in areas available following completion of the Bowmans Creek diversions. These creek diversions will enable mining to occur in panels that were below the original course of Bowmans Creek. Work on the western section of the diversion is almost complete with only the placement of logs and rock bars required to re-establish the final creek profile. Work on the eastern section diversion will continue during the next quarter.

Austar Mine

ROM Coal production of 298kt for the quarter was below normal levels as a longwall was moved into the final panel in the Stage 2 area during April and May. Saleable production for the period was 235kt. Production in June returned to normal levels with top coal caving commencing after the longwall had advanced about 12 metres into the panel. The longwall was able to mine through a soft clay dyke in the panel, demonstrating that Austar's mining techniques are sufficiently robust to address the expected geological conditions of the Stage 3 area.

Development of the Stage 3 area continued throughout the quarter with progress constrained by difficult mining conditions, especially excess water, however a specialized contractor has made significant improvements to roadway conditions in recent weeks. The underground bin construction is running behind the original schedule but should not cause disruption to production in the longer term. Development of the two ventilation shafts required for the efficient operation of the Stage 3 area is progressing with lining of the Kitchener shaft commenced and surface facilities for the raise bore shaft constructed.

Longwall mining for the Stage 3 area is now scheduled to commence in May 2013 following an extensive overhaul of the longwall equipment when it completes mining the current panel in early 2013.

Donaldson Group

Production from the Donaldson Mines (Abel, Tasman and Donaldson open cut) during the quarter showed continued improvement with record ROM coal mined (786kt), record ROM feed to the CHPP (775kt) and record saleable product of 509kt. These milestones were achieved despite difficult operating conditions in the Donaldson open cut which was impacted by well above average rainfall during the period. The improvement program at the Abel underground mine has continued to deliver positive results especially in the pilot panels where a new "LEAN" methodology has been developed. In the period since the December quarter of 2011 development rates have increased by about 65% from 10.1 metres per shift to be over 16.5 metres in the June quarter 2012. Although performance at Abel continued to improve, mining was impacted by difficult roof conditions and equipment reliability.

The Director-General of the NSW Department of Planning and Infrastructure (DP&I) issued requirements for the Tasman Extension Project on 14 December 2011. The Project Application, Environmental Impact Statement (EIS) and specialist reports were submitted to the DP&I on 29 June 2012. The application has been placed on public exhibition from 2 July 2012 to 16 August 2012. The DP&I and other regulatory referral authorities will undertake their assessment of the application once the public exhibition period is concluded. As part of the process a Mining Lease application for the West Borehole Seam and the proposed new pit-top have been lodged with the Department of Resources and Energy.

Gloucester Basin

ROM coal production from the open cuts in the Gloucester Basin was 902kt for the period with the Duralie open cut contributing 68% of the total. Total ROM feed to the CHPP was an all time record of 954kt and saleable production was 578kt at an average yield of over 60%. The Duralie open cut continues to perform strongly.

The Duralie extension consent restricts shuttle train railings between Duralie and Stratford. This restriction effectively limits the amount of coal that can be hauled to the Stratford CHPP for processing. In February 2012 an application was lodged under S75W of the Environmental Planning and Assessment Act 1979 applying to increase the railing hours. The DP&I are currently assessing the application, with a report expected to be submitted to the PAC for determination in Q1 of 2013.

The Director-General of the DP&I requirements for the Stratford Extension Project were issued on 14 December 2011. Specialist consultants have now finalised their reports and the documentation to accompany the Environmental Impact Statement (EIS). The EIS is currently in final draft and should be lodged by the end of Q1 CY13.

Middlemount Mine (Yancoal ~ 50%)

Middlemount achieved a number of significant milestones and continued to ramp up production. ROM feed to the CHPP has been progressively increased over the quarter with total production reaching 650kt for the period. Middlemount also received the environmental approval from the State government authorities to allow production to ramp up to 5.4Mtpa ROM and concluded its first coking coal shipment.

Separately, Middlemount made positive progress with its application under the Federal Environment Protection and Biodiversity Conservation Act to increase the footprint of the mine. A biodiversity offset strategy is being prepared in consultation with the regulator and will be submitted during Q1 2013.

Moolarben Mine (Yancoal 80%)

Despite the impact of wet weather and some minor noise induced stoppages the mine performed strongly and produced 1,805kt of ROM coal and 1,325kt saleable coal during the period. Moolarben is scheduled to produce about 7.2Mt of ROM coal for 2012 consisting of a production rate of 7.0Mtpa until October and an 8.0Mtpa rate from the beginning of November. A new excavator and several trucks were delivered in the quarter ensuring that the production rate can increase as planned. Work continues on the planning and approval process for the Stage 2 expansion of the open cut mine which is intended to increase ROM production from the open cuts to 13Mtpa. A feasibility study on the underground mine development will start later this year. The underground mine is expected to have ROM production of about 4.2Mtpa.

A large number of submissions were received from the public exhibition period in the first quarter for the Stage 2 expansion and these have been responded to and submitted to the DP&I as part of the planning process.

Acquisition of land that is required for the Stage 2 open cut development continued during the quarter with a number of properties either purchased or under option for purchase. The Definitive Feasibility Study for the expansion project is well advanced and is due to be presented to the Yancoal Board in the next quarter for final review and approval.

Yarrabee Mine

Periods of wet weather, poor ground conditions and low availability of some mining equipment caused lower than targeted ROM coal production of 780kt during the quarter. The truck fleet was forced to shut down for a short period to remedy a manufacturing fault and one of the large excavators experienced a number of electric and hydraulic failures. Despite a high proportion of bypass coal mined during the period and an average overall yield of about 80%, total saleable production was reduced by the low yields achieved from the coal actually presented to the CHPP. Geological complexity in parts of the open cuts caused this coal to have much higher ash levels than normally experienced at the mine. Most of the operational issues are expected to be overcome in the next quarter as mining conditions return to normal.

Work progressed on a number of infrastructure projects at the mine during the quarter. Activity on the project to widen and re-seal the Yarrabee haul road that is used to transport coal to the rail loadout facility began despite the wet weather, however some delays in the original completion date are likely following the wet weather. Significant progress was made on the new workshop and associated facilities that are required for the new owner operated mobile equipment.

ENVIRONMENTAL ISSUES

There were no environmental incidents or non-compliance issues recorded at the mines during the quarter. However at a court hearing in April, the Moolarben Mine pleaded guilty to a water discharge event that occurred in 2009 when Felix operated the mine. The mine was fined a total of \$112,500 and also ordered to pay costs of over \$63,000.

EXPLORATION

Despite wet weather in most regions impacting exploration activity, a number of drill holes were completed at most mine sites. Total expenditure on both the Gloucester and Yancoal assets for the period was \$7.1 million.

INFRASTRUCTURE

The Stage 1 of the WICET project in which Yancoal has a 5.6% interest is now scheduled for completion in October 2014. Yancoal has a 1.5Mtpa allocation in the Stage 1 development.

CORPORATE

The merger between Gloucester Coal and Yancoal was successfully completed on 6 July 2012 following an extensive period of due diligence by both companies and the issue of a detailed explanatory booklet in early April. Gloucester shareholders overwhelmingly voted to support the merger in May and Yancoal ordinary shares and CVR shares commenced trading on the ASX on 28 June 2012.

CORPORATE INFORMATION

Shareholder Enquires

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Weimin Li	Chairman
Cunliang Lai	Co-Vice Chairman
James MacKenzie	Co-Vice Chairman
Yuxiang Wu	Director
Baocai Zhang	Director
Xinghua Ni	Director
Boyun Xu	Director
William Randall	Director
Vincent O'Rourke	Director
Geoff Raby	Director
Gregory Fletcher	Director

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Contact

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Substantial Shareholders as at 6 July 2012

Name	Percentage of issued share
Yanzhou Coal	78.0%
Noble	13.2%

Number of ordinary shares on issue: 994,216,659

Number of CVR shares on issue: 87,645,184