

Quarterly Report

FOR QUARTER ENDING JUNE 2013

- **Mining commenced in the new Stage 3 area of Austar Mine underpinning its long term future**
- **Moolarben achieves production record of 1.65Mt saleable coal and sales record of 1.82Mt for the quarter**
- **Moolarben nominated for an environmental award**
- **Middlemount has successfully transitioned into an owner operator mine**

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OVERVIEW

The challenges for the coal industry in Australia and other parts of the world have intensified over the past three months as both metallurgical and thermal coal prices have fallen. In Australia the weakening of the Australian dollar has helped producers but not entirely offset the decline in prices.

All of the Yancoal mines, except the two underground mines which were in the process of moving longwalls, performed strongly in the June quarter. The Moolarben Mine hit new production and sales records in the period and has been nominated for an environment award following the introduction of "stealth" trucks to the mine. The focus across the portfolio is to maximize production and to reduce costs.

SALES (100% BASIS)

SALES 000's t	Coal Type	June Qtr 13	June Qtr 12	Change	YTD June 2013	YTD June 2012	Change
ASHTON	Metallurgical	139	319	-56%	439	538	-18%
AUSTAR	Thermal	128	231	-45%	289	625	-54%
	Metallurgical	78	49	61%	163	131	24%
MOOLARBEN	Thermal	1,824	1,220	50%	2,848	2,521	13%
YARRABEE	Metallurgical	831	590	41%	1,476	1,187	24%
STRATFORD & DURALIE	Metallurgical	185	397	-53%	385	687	-44%
	Thermal	370	279	33%	664	778	-15%
DONALDSON	Metallurgical	142	11	1209%	142	72	99%
	Thermal	812	401	103%	1,388	664	109%
MIDDLEMOUNT	Metallurgical	519	473	10%	873	911	-4%
TOTAL	Metallurgical	1,895	1,838	3%	3,478	3,525	-1%
	Thermal	3,134	2,130	47%	5,188	4,588	13%
TOTAL EQUITY SHARE	Metallurgical	1,621	1,569	3%	2,997	3,016	-1%
	Thermal	2,769	1,886	47%	4,618	4,084	13%

Note: Production from the Gloucester assets in the June quarter of 2012 and for YTD June 2012 is included for comparison purposes. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012).

Sales from the Gloucester Coal Ltd assets have been included in the above table for completeness. Equity coal sales for the June quarter were 4,390kt, about 27% higher than the June 2012 quarter.

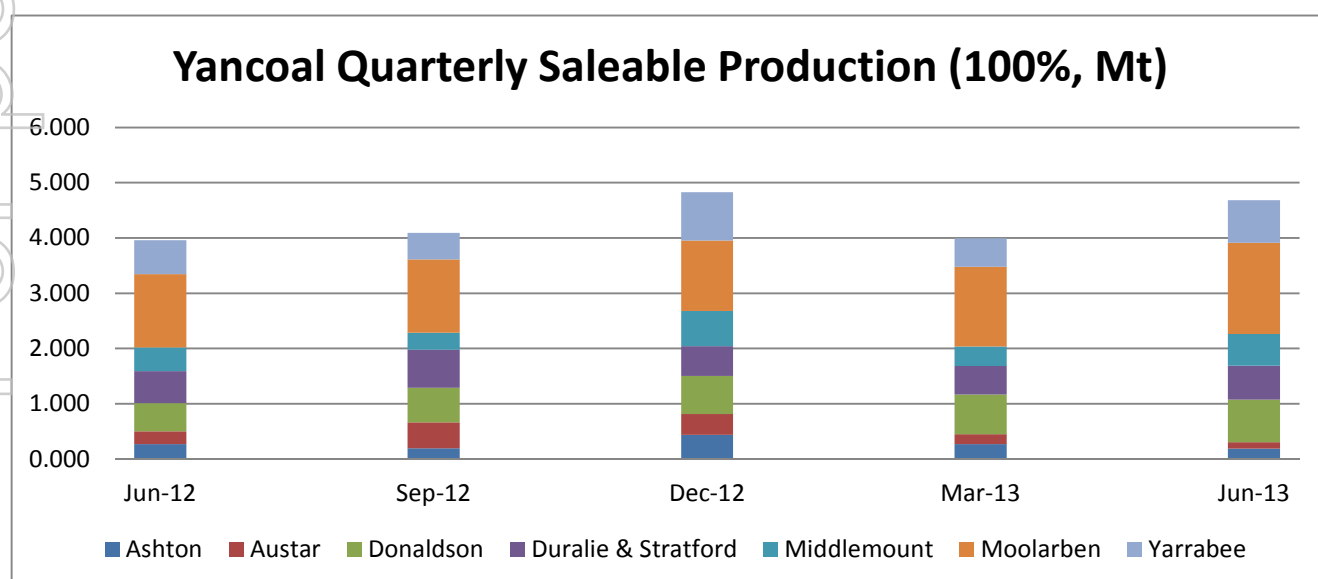
Steel production across the entire Asian region is stable and spot prices for all metallurgical coal types are currently trading below recently settled contract prices for the July to September period indicating that the metallurgical coal market is well supplied with coal. A similar situation exists in the thermal coal market with many producers increasing output in an effort to reduce their operating costs. Demand for thermal coal remains strong however the demand is being overwhelmed by the increased supply.

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

PRODUCTION (100% Basis)

			June Qtr 13	June Qtr 12	Change	YTD June 2013	YTD June 2012	Change
ASHTON	Overburden Removal	kbcm	-	-	-	-	-	-
	ROM Coal Produced	000's t	444	504	-12%	1,091	848	29%
	Saleable Coal Production	000's t	190	267	-29%	457	448	2%
AUSTAR	ROM Coal Produced	000's t	149	298	-50%	385	738	-48%
	Saleable Coal Production	000's t	116	235	-51%	304	616	-51%
MOOLARBEN	Overburden Removal	kbcm	4,915	4,405	12%	8,789	8,328	6%
	ROM Coal Produced	000's t	2,285	1,805	27%	4,256	3,798	12%
	Saleable Coal Production	000's t	1,646	1,325	24%	3,086	2,580	20%
YARRABEE	Overburden Removal	kbcm	11,972	9,044	32%	21,148	16,922	25%
	ROM Coal Produced	000's t	843	780	8%	1,522	1,258	21%
	Saleable Coal Production	000's t	768	621	24%	1,290	1,126	15%
STRATFORD & DURALIE	Overburden Removal	kbcm	3,552	3,285	8%	6,765	6,811	-1%
	ROM Coal Produced	000's t	897	902	-1%	1,716	1,983	-13%
	Saleable Coal Production	000's t	612	578	6%	1,124	1,184	-5%
DONALDSON	Overburden Removal	kbcm	6	595	-99%	160	1,348	-88%
	ROM Coal Produced	000's t	887	786	13%	1,954	1,453	34%
	Saleable Coal Production	000's t	772	509	52%	1,488	1,006	48%
MIDDLEMOUNT	Overburden Removal	kbcm	7,586	6,426	18%	13,038	11,636	12%
	ROM Coal Produced	000's t	915	650	41%	1,423	1,068	33%
	Saleable Coal Production	000's t	577	427	35%	927	773	20%
TOTAL	ROM Coal Produced	000's t	6,421	5,726	12%	12,348	11,147	11%
	Saleable Coal Production	000's t	4,681	3,964	18%	8,676	7,733	12%
TOTAL EQUITY SHARE	ROM Coal Produced	000's t	5,462	4,990	9%	10,677	9,768	9%
	Saleable Coal Production	000's t	4,045	3,458	17%	7,549	6,786	11%

Note: Production from the Gloucester assets in the June quarter of 2012 and for YTD June 2012 is included for comparison purposes. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012).



Ashton Mine (Yancoal 90%)

ROM coal production from the Ashton Mine was 444kt for the quarter. Longwall mining in the first panel in the Upper Liddell seam was completed towards the end of May and the process to move the longwall back into the Pikes Gully seam commenced during June. Saleable coal production for the quarter was 190kt. Overall yield was lower than expected as the final section of the panel was impacted by a thin seam and a number of stone bands in the seam. Yields will improve once mining commences in the Pikes Gully seam in mid July.

A significant amount of work has been carried during the quarter to identify and position the extent of a hard dyke that exists in the second panel of the Upper Liddell seam. The dyke was encountered in the Pikes Gully seam and created mining issues during longwall extraction. It is planned to pre-excavate the dyke in the Upper Liddell seam before longwall mining commences in the seam.

Progress with the South East Open Cut Land and Environment Court merits appeal continued during the quarter with the submission of expert evidence by the Applicant (Hunter Environmental Lobby), the first Respondent (NSW Planning and Infrastructure) and the Second Respondent (Ashton Coal). The hearing in the Land and Environment Court is expected to commence on 2 September and is likely to continue for a two to four week period.

Austar Mine (Yancoal 100%)

ROM coal production for the quarter was 149kt and saleable production was 116kt. Longwall production commenced in the new Stage 3 area in the middle of June. This was the culmination of over four years work to bring this new mining area into production and marks a significant milestone for the Austar Mine. Mining conditions remain difficult in the new area however when all the associated infrastructure, including the underground storage bin and the ventilation shaft, is completed later this year, mining conditions are expected to improve significantly and production rates should increase.

The introduction of the "LEAN" business improvement process at the mine continued during the quarter with intensive training conducted. It is expected that the benefits of the programme will accrue across the operation over the next year. The initial focus is on improving development rates in all the gate roads and mains so that a positive development float can be created for future longwall panel changeovers.

Moolarben Mine (Yancoal 80%)

The Moolarben Mine set a number of production records during the June quarter with ROM production reaching 2,285kt and saleable production achieving a record of 1,646kt. More importantly the mine was able to reduce stocks by selling a total of 1,824kt, significantly higher than the production for the period. The product yield continues to exceed budget expectations and averaged just over 72% for the period.

Another important milestone was also achieved by the mine when four new rear dump trucks with a specifically designed rubber backed truck body were supplied by Duratray and approved by Komatsu. The new truck bodies increase the environmental acceptability of the mining fleet by significantly reducing the amount of intrusive noise generated by first pass loading in blocky overburden. Lower noise levels will have a positive impact on the local community. A ceremony, attended by Government, media, suppliers and industry representatives, was held at the mine during the quarter to celebrate the introduction of the "Stealth Fleet" and communicate the environmental benefits achieved by the mine. As a result the Moolarben Mine has been nominated for an environmental award for the use of the trucks at the mine.

The NSW Department of Planning and Infrastructure continued to develop its recommendation and assessment of the Stage 2 Project (comprising Open Cut 4, Underground 1 and Underground 2 mines). When completed it is expected that the recommendation will be forwarded to the Planning Assessment Commission for determination. The Woolar/Ulan Road realignment project which is required for the Stage 2 Project was completed during the quarter. However, the company has decided to suspend work on further detailed design activities for Stage 2 until approvals for the project are obtained.

A LEAN orientated Deep Dive Cost Reduction Process was performed in June. The process confirmed and supported the business improvements initiatives already undertaken at the mine and identified several other opportunities that will be progressed in the near future.

Yarrabee Mine (Yancoal 100%)

Despite above average unseasonal rainfall during April and May the mine performed strongly with overburden removal reaching a new record of 12.0Mbcm. Saleable production also achieved an annualized rate of 3.1Mtpa indicating that the mine will be positioned to deliver the additional coal when the Wiggins Island coal terminal becomes available in 2015. Production of ROM and saleable product coal at the Yarrabee Mine was 843kt and 768kt respectively in the quarter. Coal sales of 831kt exceeded production for the quarter and assisted in reducing coal stocks at the mine.

Training for the introduction of the LEAN programme continued for the period and the benefits of adopting the process at the mine are expected to become evident over the next year. A trial of auger mining by a specialist contractor from an existing highwall is scheduled to commence in late July. If the trial is successful this could become a useful addition to coal production for areas from which coal cannot be extracted economically by open cut mining.

Stratford and Duralie Mines (Yancoal 100%)

Some minor industrial activity at the CHPP caused a modest reduction in production from the plant during the quarter. ROM coal production for the quarter was 897kt and saleable coal production was 612kt. Coal sales of 555kt were below production for the period causing a modest build in stocks for the period.

Donaldson Group (Yancoal 100%)

Production for the Donaldson Mines (Abel and Tasman) was 887kt ROM coal and 772kt saleable coal for the quarter. Production from the open cut was completed in April and the open cut mine is now being progressively rehabilitated with the work scheduled to be finished by the fourth quarter this year. Production from the Tasman mine is due to be completed in late July and all employees will be transferred across to the Abel Mine.

Middlemount Mine (Yancoal ~50%)

Production from the Middlemount Mine continued to recover after the flooding event experienced in January 2013 with overburden removal and coal mining progressively increasing in each month of the quarter. The transition to owner operator was completed in June with Middlemount employees responsible for all production activities at the mine. ROM coal production was 915kt and saleable production was 577kt on a 100% basis for the quarter.

ENVIRONMENTAL ISSUES

There were no environmental incidents recorded at the mines during the quarter.

EXPLORATION

Exploration activity was conducted at a number on the mines during the quarter. Total expenditure on exploration across the group for the period was \$2.2 million.

CORPORATE

Subsequent to the end of the quarter, Yancoal received an indicative non-binding proposal from Yanzhou Coal Mining Company, regarding a possible privatisation of Yancoal. The full details are provided in an ASX release made on 9 July, 2013. The independent Directors of Yancoal are considering the proposal and further disclosures on the matter will occur in the future.

CORPORATE INFORMATION

Shareholder Enquires

Computershare Investor Services Pty Limited
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Directors

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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Peter Barton

Acting CFO

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Contact

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Substantial Shareholders as at 30 June 2013

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: 87,935,910