



# Quarterly Report

FOR QUARTER ENDING JUNE 2014

## HIGHLIGHTS

- Full year 2014 operational guidance of 16.5 - 17.0 million tonnes saleable coal (equity share) remains unchanged.
- Quarterly production of 3.8 million tonnes saleable coal (equity share).
- Received New South Wales Planning Assessment Commission (PAC) approval for the Moolarben coal mine Stage 1 Modification 9.
- Continued focus on the delivery of major project approvals.
- Increased thermal blending opportunities to optimise product mix.
- Producing at optimal levels to maximise yield recoveries.
- Sustainable improvement in cost controls across operations.
- Weak pricing and challenging market conditions continue to impact immediate business growth.

## OUTLOOK

Strict financial discipline and a focus on continued business improvements across the portfolio continue to deliver steady gains in productivity, cost reductions and volume increases. Capital control remains tight, with expenditure remaining below budget year to date.

Coal prices for metallurgical and thermal products continued to decline throughout the quarter as market oversupply drove down metallurgical spot prices and stagnated thermal price growth.

The immediate outlook for coal prices remains flat as current levels of supply remain stable across the market. The strength of the Australian Dollar continued to negatively impact the business for the period, trading slightly up from the previous quarter within the range of 0.92 – 0.94.

In response, Yancoal continued to optimise resource and value opportunities at its New South Wales operations via product blending strategies and marketing synergies.

Yancoal's product split (equity share) for the quarter was 54 per cent thermal, 46 per cent metallurgical coal. Throughout the quarter Yancoal continued to focus on the delivery of its major projects.

## OPERATIONS

Increased operational efficiencies and continued cost reductions generated significant production gains at Yarrabee, up 31 per cent on the previous quarter, driving total equity sales volumes of 3.8 million tonnes for the reporting period. The result was down six per cent on the previous quarter's production and down 13 per cent year-on-year.

Sustainable production improvements achieved via the recent consolidation of processes across sites were offset by the scheduled longwall move at Austar throughout Q2 and maintenance issues affecting throughput at the Moolarben coal handling and preparation plant in May, down 81 per cent and 11 per cent respectively on Q1.

Development production was halted at Austar on April 15, following an underground incident resulting in two fatalities. An investigation into the cause of the incident is ongoing and development crews have been redeployed to the Ashton and Abel mines.

The staged downsizing of operations at Gloucester and Donaldson continued, with Gloucester production down nine per cent for the quarter, offset by steady gains at Donaldson, up three per cent for the same period.

Production at the Stratford open cut Bowen Road North pit began winding down in preparation for the scheduled completion of mining in July, when the pit will reach the end of its economically recoverable resources. The proposed Stratford extension continues to progress through the various approvals processes.

Yancoal received New South Wales Planning Assessment Commission (PAC) approval for the Moolarben coal mine Stage 1 Modification 9 in June, subject to conditions. The modification approves the extraction of an additional 30 million tonnes of Run of Mine (ROM) coal over the life of the mine.

## SALES EQUITY BASIS

Sales Equity Share	Metallurgical	1,756	1,621	8%	3,646	2,997	22%
Sales Equity Share	Thermal	2,070	2,769	-25%	4,242	4,618	-8%
<b>TOTAL EQUITY SHARE</b>		<b>3,826</b>	<b>4,390</b>	<b>-13%</b>	<b>7,888</b>	<b>7,615</b>	<b>4%</b>

**Metallurgical coal** sales of 1.8 million tonnes (equity share) was 8 per cent higher than the corresponding period for the year prior, down 7 per cent on the first quarter of 2014.

**Thermal coal** sales was 2.1 million tonnes (equity share), consistent with the March quarter, down 25 per cent for the same period in the previous year.

## PRODUCTION 100% BASIS

			June Qtr		Change	June YTD		Change
			2014	2013		2014	2013	
<b>ASHTON</b>	Saleable Coal Production	000's t	320	190	68%	727	457	59%
<b>AUSTAR</b>	Saleable Coal Production	000's t	61	116	-48%	376	304	24%
<b>MOOLARBEN</b>	Saleable Coal Production	000's t	1,543	1,646	-6%	3,286	3,086	6%
<b>YARRABEE</b>	Saleable Coal Production	000's t	822	768	7%	1,449	1,290	12%
<b>GLOUCESTER</b>	Saleable Coal Production	000's t	492	612	-20%	1,030	1,124	-8%
<b>DONALDSON</b>	Saleable Coal Production	000's t	497	772	-36%	979	1,488	-34%
<b>MIDDLEMOUNT</b>	Saleable Coal Production	000's t	867	577	50%	1,741	927	88%
<b>TOTAL (100% BASIS)</b>	<b>Saleable Coal Production</b>	<b>000's t</b>	<b>4,602</b>	<b>4,681</b>	<b>-2%</b>	<b>9,588</b>	<b>8,676</b>	<b>11%</b>
<b>Total Production - Equity Share</b>	<b>Saleable Coal Production</b>	<b>000's t</b>	<b>3,826</b>	<b>4,045</b>	<b>-5%</b>	<b>7,988</b>	<b>7,549</b>	<b>6%</b>

### June Quarter operating overview:

- *Safety* – on 15 April, two fatalities occurred during an underground incident at the Austar mine. The investigation into the incident by the Mine Safety Office of the NSW Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) is ongoing.
- *Environment* – no material incidents reported.
- *Sales* - Equity share coal sales for the quarter at 3.8 million tonnes, is down six per cent on the previous quarter and down thirteen per cent year-on-year.
- *Production* - Equity share saleable coal production for the quarter at 3.8 million tonnes, is down eight per cent on the previous quarter, down five per cent year-on-year.
- *Price achievement* – continued market oversupply led to achieving weaker prices than the preceding quarter.
- *Exploration* – no “Greenfields” exploration activity (non-mine site) conducted in the quarter.
- *Permitting* – the New South Wales Planning Assessment Commission (PAC) determined its support for Yancoal’s modification to the Moolarben Stage 1 development consent, subject to conditions. Modifications and approvals under consideration for other operations include Ashton and Stratford.

## CORPORATE INFORMATION

### Shareholder Enquires

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street,  
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Phone: 1300 850 505  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### Directors

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

### CEO

Reinhold Schmidt

### CFO

Lei Zhang

### Company Secretary

Laura Ling Zhang

### Registered Office

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### Mailing Address

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### Contact

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### Substantial Shareholders as at 30 June 2014

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

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