



Quarterly Report

FOR QUARTER ENDING DECEMBER 2013

HIGHLIGHTS

- The Yanzhou privatisation proposal is subject to ongoing discussions and negotiation between Yanzhou and the independent board committee of Yancoal (IBC). At this point no recommendation has been made or agreed.
- In December Yanzhou provided additional US\$250M debt facility
- In a difficult macro environment Yancoal delivered for 2013:
 - record production with 16.9Mt saleable coal produced,
 - record sales with 17.0Mt coal sold, and
 - operating unit cost reduction of +15%.
- The company aims to provide 2014 operational guidance with the full year 2013 financial results scheduled for release on 28 February 2014.

CORPORATE

In July 2013, Yancoal received an indicative non-binding proposal from Yanzhou Coal Mining Company Limited (Yanzhou), proposing the privatisation of Yancoal. As part of the privatisation discussions, in December 2013, the Treasurer of the Commonwealth of Australia made comment that the Government has no in-principle objection to 100 per cent foreign ownership of Australian companies where it is not contrary to the national interest and is open to any such proposals from Yanzhou in the future. The proposal is subject to ongoing discussions and negotiation between Yanzhou and the independent board committee of Yancoal (IBC). At this point no recommendation has been made or agreed. Regardless of the Yanzhou take-private outcome, Yancoal will continue to run the business in the interest of all stakeholders, including shareholders, employees and communities.

Board and management changes were announced in December 2013 with Mr. Baocai Zhang, a Non-Executive Director of Yancoal, appointed a Co-Vice Chairman of the Board. Mr. Baocai Zhang will Chair the Executive Committee effective 20th January 2014.

Yancoal and the global coal industry currently face weak market conditions. In this environment Yancoal has adopted a prudent approach to growth and capital allocation. None the less, Yancoal are committed to developing the Stage 2 expansion of the Moolarben Mine which is the company's largest and highest priority growth option. Yancoal's long term objective of being a leading Australian coal producer is supported by controlling shareholder Yanzhou who provided additional debt facility of US\$250m in December 2013. To date US\$150M of the facility has been drawn.

Yancoal plans to release its full year financial results for 2013 on February 28, 2014.

MARKETS

A weakening Australian dollar was a feature of the December Quarter with the AUD:USD rate declining 4% over the period from 0.93 to 0.89, providing a benefit to revenue.

Yancoal's product split for the quarter was 51% thermal / 49% metallurgical coal. Weak market conditions persisted across both thermal and metallurgical coal markets:

- Thermal Coal reference prices (USD) were relatively flat in the quarter, and
- Metallurgical Coal reference prices (USD) deteriorated in the quarter. Demand for Austar and Stratford high volatile coals remains weak, as is demand for Donaldson semi-soft product.

Yancoal's average sale price per tonne on an equity share basis in AUD terms was similar to the preceding September Quarter due to a number of factors including the mix of contracts and spot sales plus the currency influence.

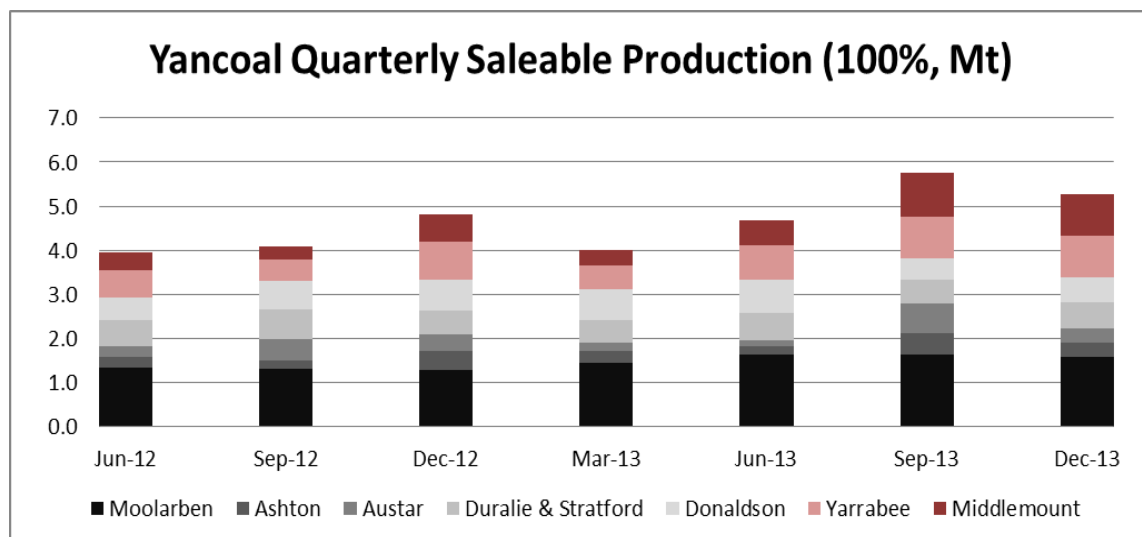
OPERATIONS SUMMARY

Production and sales volumes continued at a high level for the December Quarter, delivering a stronger second half 2013 performance from the portfolio versus the first half. Full year 2013 equity share of saleable production at 16.9Mt was above guidance of 16Mt. The company aims to provide 2014 operational guidance with the full year 2013 financial results scheduled for release on 28 February 2014.

Open cut operations Moolarben, Yarrabee and Middlemount continued to perform at or near record levels. The Abel mine at Donaldson is setting record production rates for an Australian bord-and-pillar style operation. Underground operations Austar and Ashton had short term challenges; Austar had issues with ground conditions and Ashton experienced longwall move delays and associated ramp-up issues. Productivity and cost control is a primary and ongoing operational focus. Of note was the group delivery for 2013 of a +15% sustainable reduction in mine level (FOR) cash costs per tonne of product. Yancoal has worked hard to embed these gains through process and frameworks including the LEAN process which is at various stages of roll-out across the portfolio.

December Quarter operating headlines include:

- *Safety* – no material incidents reported
- *Environment* – no material incidents reported
- *Sales* - Equity share coal sales for the quarter at 4.97Mt, up 12% on the previous quarter and up 11% YoY
- *Production* - Equity share saleable coal production for the quarter at 4.45Mt, down 9% on the previous quarter but up 6% YoY. Open cut operations performed strongly, underground operations Austar and Ashton experienced short term challenges.
- *Price achievement* – was similar to the preceding September Quarter
- *Costs* – group 2013 cost reduction target of 15% achieved
- *Exploration* – total expenditure across the group for the period was \$0.8M and related to brownfields activities at Moolarben, Yarrabee, Ashton and Gloucester.
- *Permitting* – continuing process for expansion projects at Moolarben, Ashton and Stratford.



OPERATIONS DETAIL

Production & Sales

PRODUCTION (100% BASIS)			Dec Qtr 13	Dec Qtr 12	Change	YTD Dec 2013	YTD Dec 2012	Change
ASHTON	ROM Coal Produced	000's t	643	975	-34%	2,752	2,305	19%
	Saleable Coal Production	000's t	334	441	-24%	1,286	1,080	19%
AUSTAR	ROM Coal Produced	000's t	363	442	-18%	1,566	1,737	-10%
	Saleable Coal Production	000's t	324	378	-14%	1,287	1,467	-12%
MOOLARBEN	ROM Coal Produced	000's t	1,970	1,584	24%	8,387	7,168	17%
	Saleable Coal Production	000's t	1,571	1,278	23%	6,291	5,178	21%
YARRABEE	ROM Coal Produced	000's t	1,075	1,261	-15%	3,698	3,197	16%
	Saleable Coal Production	000's t	939	867	8%	3,158	2,481	27%
GLOUCESTER BASIN	ROM Coal Produced	000's t	873	799	9%	3,475	3,665	-5%
	Saleable Coal Production	000's t	594	540	10%	2,261	2,407	-6%
DONALDSON	ROM Coal Produced	000's t	638	1,053	-39%	3,186	3,479	-8%
	Saleable Coal Production	000's t	564	682	-17%	2,537	2,314	10%
MIDDLEMOUNT	ROM Coal Produced	000's t	1,209	804	50%	3,964	2,234	77%
	Saleable Coal Production	000's t	942	639	47%	2,866	1,726	66%
TOTAL (100% Basis)	ROM Coal Produced	000's t	6,771	6,918	-2%	27,028	23,785	14%
	Saleable Coal Production	000's t	5,268	4,825	9%	19,686	16,653	18%
TOTAL EQUITY SHARE	ROM Coal Produced	000's t	5,708	6,102	-6%	23,093	21,004	10%
	Saleable Coal Production	000's t	4,449	4,206	6%	16,866	14,646	15%

SALES	Coal Type		Dec Qtr 13	Dec Qtr 12	Change	YTD Dec 2013	YTD Dec 2012	Change
TOTAL (100% Basis)	Metallurgical	000's t	2,979	2,025	47%	9,127	6,434	42%
	Thermal	000's t	2,941	3,132	-6%	10,600	10,576	0%
TOTAL EQUITY SHARE	Metallurgical	000's t	2,396	1,680	43%	7,615	5,412	41%
	Thermal	000's t	2,571	2,801	-8%	9,394	9,444	-1%
	Total Coal Sold - Equity Share	000's t	4,967	4,481	11%	17,009	14,856	14%

Notes: Yancoal Australia has an 80% interest in Moolarben, 90%Ashton and a ~50% interest Middlemount

Production for the Gloucester Coal Limited assets for YTD December 2012 is included for comparison purposes. The merger with Gloucester Coal was implemented on 6 July 2012

Moolarben Mine (Yancoal 80%), NSW

ROM coal production from the Moolarben Mine for the quarter was 1,970kt (100% basis) with saleable coal production of 1,571kt (100% basis). The mine continues to perform well and is running at nameplate capacity. Yield in 2013 of 75% was above budget based on the optimisation of product mix. The ongoing focus at Moolarben is on cost control and facilitating the Stage 2 development approvals. As part of the approval process, Stage 2 has been the referred by the NSW Department of Primary Industries to the Planning Assessment Commission (PAC) for review.

Ashton Mine (Yancoal 90%), NSW

ROM coal production from the Ashton Mine for the quarter was 643kt (100% basis) with saleable coal production of 334kt (100% basis). The 2013 yield was below budget at 47% due to greater than expected dilution issues from the ULD seam and the fact that the Upper Liddell (ULD) seam was thinner than anticipated. As flagged, production was lower than the preceding quarter with a longwall move to the ULD seam completed in November. The

modified 'low height' Longwall equipment has been successfully implemented to date. One longwall move is planned for 2014 and is scheduled for the June Quarter. With any such longwall move there are potential short term risks to production budgets.

On the permitting front, an appeal against the South East Open Cut (SOEC) expansion project approval was heard in the NSW Land and Environment Court in September 2013 with outcome judgment anticipated in the March Quarter 2014.

Austar Mine (Yancoal 100%), NSW

ROM coal production from the Austar Mine for the quarter was 363kt with saleable coal production of 324kt. The 2013 yield was broadly in line with budget at 82%. Following record production in the September Quarter, performance for the December Quarter was significantly below budget reflecting challenges encountered in ramping up production from the new Stage 3 area. Difficult roof conditions resulted in a sales Force Majeure situation in December 2013 which was subsequently lifted in January 2014. Although conditions for both longwall mining and development remain challenging in the new area it is anticipated that when all the associated infrastructure for Stage 3 is completed in the June Quarter 2014, mining conditions will improve significantly and production rates should increase. One longwall move is planned for 2014 and is scheduled for the June Quarter. With any such longwall move there are potential short term risks to production budgets.

Gloucester Basin (Yancoal 100%), NSW

ROM coal production from the Stratford and Duralie Mines for the quarter was 873kt with saleable coal production of 594kt. Yields continued above budget with 65% achieved for 2013. The operation has made significant changes in 2013 to adapt to weaker market conditions including lower mining rates, a revised mining contract and reduced rosters. A review of reduced mining operations at Stratford in 2014 is continuing. The benefits of restructuring are expected to be more apparent in 2014.

The Stratford Extension Project (SEP) was referred in December by the NSW Planning Minister to the PAC for review, with a hearing anticipated in the March Quarter 2014.

Donaldson Group (Yancoal 100%), NSW

Donaldson transitioned to a single mine operation in the quarter following the suspension of mining at Tasman. Production from the Abel Mine was 638kt ROM coal and 564kt saleable coal for the quarter. Yields continued to be above budget with 80% achieved for 2013.

The "LEAN" program has been rolled out across the Abel mine since 2012 and has seen significant improvements in productivity, most notably in extraction. With a 2.5Mt annualised production rate for the quarter, Abel is believed to be the highest production bord-and-pillar coal operation in Australia. Non site factors including a weak market for semi-soft product and continuing Take-or-Pay obligations are the key ongoing challenges for the operation.

A development approval was received for the Abel Modification in December. The project is based on greater efficiency of extraction within existing approved mine footprint due to the proposed introduction of conventional longwall and shortwall mining methods. Yancoal will consider the appropriate time and market conditions to commit to development.

Yarrabee Mine (Yancoal 100%), Queensland

ROM coal production from the Yarrabee Mine for the quarter was 1,075kt with saleable coal production of 939kt. 2013 yield was in line with budget at 69%. Yarrabee continued to deliver a strong and consistent performance with ROM production in 2013 well above budget. The mine is currently operating four pits, however, the definition and development of the YEN pit which started in the March Quarter has helped step change the operation by delivering

a large volume pit that has underwritten a change in equipment utilisation and productivity. The operation is currently benefiting from high availability of exposed coal plus efficient mining in the YEN pit due to large blocks and minimal delays.

Cost and productivity focus at Yarrabee has been outstanding. The operation has turned from loss making in 2012 to profitable in 2013 in spite of significantly weaker coal prices. Safety has been also displayed significant improvement in 2013 with interventions including revised Hazard Reporting showing a substantial improvement in incidents.

Middlemount Mine (Yancoal ~50%), Queensland

ROM coal production from the Middlemount Mine for the quarter was 1,209kt (100% basis) with saleable coal production of 942kt (100% basis). Yield remained better than expected at 78%. Production and performance indicators continue on an improving trend. The shift from contractor to owner miner in the first half continues to deliver benefits as does the introduction of dozer push in 2013. Of strategic importance was the approval in 2013 of the 13 Mile Creek Diversion which will allow access to lower-strip and hence lower-cost coal from 2014 onwards.

CORPORATE INFORMATION

Shareholder Enquires

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Cunliang Lai	Co-Vice Chairman
James MacKenzie	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

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Reinhold Schmidt
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Contact

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Substantial Shareholders as at 31 December 2013

Name	Percentage of issued shares
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