



Quarterly Report

FOR QUARTER ENDING MARCH 2017

HIGHLIGHTS

- Quarterly production (equity share) of 4.18 million tonnes saleable coal, up 32 percent on the year prior.
- Quarterly sales volumes (equity share) of 5.01 million tonnes, up 55 percent on the year prior.
- Strong consistent production from Moolarben complex drove increased tonnage and sales for the reporting period.
- Successful planning and completion of drainage works prior to the arrival of Queensland's 'Cyclone Debbie' event, offset heavy weather impacts at Yarrabee.
- Revised Duralie open cut mine plan delivered improved consistency of extraction rates throughout the reporting period.

MARKET

Coal market prices depreciated from the highs achieved during the previous reporting period, as supply returned to satisfy slower demand. During the reporting period, Indonesian supply was negatively impacted by weather disruptions, resulting in demand for high ash coal to appreciate in southern China, which caused some inconsistencies in thermal coal market relativities. Australian coking and thermal coal supply was detrimentally affected by the impacts of Cyclone Debbie at the end of the reporting period, with the storm weather resulting in infrastructure and operational shutdowns. As a result, prices have appreciated going into the April-June reporting period.

OPERATIONS

In New South Wales, Yancoal continued to operate the Moolarben and Stratford Duralie open cut mines and managed the underground mines of Austar, Ashton and Donaldson on behalf of Watagan Mining Company Pty Ltd (“Watagan”).¹

In Queensland, Yancoal operated the Yarrabee open cut mine and maintained its near 50 percent equity interest in Middlemount Coal Pty Ltd (“Middlemount”) throughout the reporting period.

PRODUCTION

Operations produced a total 4.18 million tonnes saleable coal (equity share) for the reporting period, up 32 percent on the year prior, with sales volumes (equity share) of 5.01 million tonnes, up 55 percent on the year prior.

The Moolarben complex drove the business’ strong production result for the reporting period, with both Stage One and Stage Two open cut pits now in full operation.

Moolarben production was up 65 percent on the year prior, due to the ramp up in extraction rates across all three open cut pits, supported by development coal from the new Stage Two underground mine. Work continues on time and on budget to prepare the Stage Two underground mine for the scheduled longwall installation in October.

The ongoing expansion of the Moolarben complex continues to be supported by increased feed rates at the Coal Handling and Preparation Plant, which achieved approval in the year prior to increase throughput from 13.0Mt to 13.5Mt for 2017.

While production at Stratford Duralie was down 46 percent year-on-year, output for the reporting period was up on expectations following the redesign of the Duralie open cut mine plan at the end of 2016 in response to challenging geological conditions. The redesign subsequently facilitated improved product coal extraction rates in the later part of the reporting period.

¹ On 17 February 2016, Yancoal announced a new financing arrangement to secure up to US\$950 million in debt-funding via the issuing of nine-year secured debt bonds by a newly established Yancoal subsidiary, Watagan Mining Company Pty Ltd (“Watagan”), to Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited. On and from financial close of the arrangement, effective 31 March 2016, Yancoal ceased to control Watagan and its subsidiaries, including the NSW underground assets of Austar, Ashton and Donaldson. Yancoal continues to own 100% of the shares in Watagan, which in turn owns the Austar, Ashton and Donaldson entities.

Production at the Watagan-controlled Austar underground operation was 269 percent up on the year prior, with strong gains achieved at the end of 2016 enabling the commencement and completion of a longwall move ahead of schedule.

A roof fall in one of the belt roads in mid-March interrupted Austar production rates for approximately two weeks, with the area cleared and recovered ahead of schedule. There were no injuries and following a review of the matter, full production recommenced at the end of the reporting period.

Watagan-controlled Ashton underground production was down 40 percent on the year prior, due to continued rock intrusions within the thinning of the seam detrimentally affecting longwall production rates. A longwall move is scheduled for the second quarter.

In Queensland, the Yarrabee open cut production was up 24 percent on the year prior, overcoming delays to production resulting from the impacts of 'Cyclone Debbie' across Central Queensland during the reporting period. Yarrabee's pre-cyclone planning actions including the completion of all on-site drainage works, effectively mitigating the impacts of excess water upon the site via rain and local flooding.

Production at the Middlemount joint venture was up 6 percent year-on-year, similarly overcoming the impacts of rail and production delays due to wet weather and cyclone conditions during the reporting period.

PRODUCTION (100% Basis)

	Mar Qtr			Change	Mar YTD		
	2017	2016	2017		2016	Change	
ASHTON	193	324	-40%	193	324	-40%	
AUSTAR	281	76	269%	281	76	269%	
DONALDSON*	-	115	-100%	-	115	-100%	
MOOLARBEN	3,050	1,846	65%	3,050	1,846	65%	
YARRABEE	676	544	24%	676	544	24%	
GLOUCESTER	110	203	-46%	110	203	-46%	
MIDDLEMOUNT	894	839	6%	894	839	6%	
TOTAL (100% Basis)	5,204	3,947	32%	5,204	3,947	32%	
Total Production - Equity Basis	4,178	3,177	32%	4,178	3,177	32%	

* Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance', following the cessation of mining activities at the Abel underground mine.

SALES VOLUMES (Equity Share)²

	Mar Qtr			Change	Mar YTD		
	2017	2016	2017		2016	Change	
Metallurgical	1,886	1,468	28%	1,886	1,468	28%	
Thermal	3,119	1,759	77%	3,119	1,759	77%	
TOTAL EQUITY SHARE	5,005	3,227	55%	5,005	3,227	55%	

² Includes external coal purchases

Metallurgical Coal sales volumes (equity share) of 1.89 million tonnes, up 28 percent on the year prior.

Thermal coal sales volumes (equity share) of 3.12 million tonnes, up 77 percent year-on-year.

Substantial shareholders as at 31 March 2017

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

Number of ordinary shares on issue: 994,276,659

CORPORATE INFORMATION

Shareholder Enquiries

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Baocai Zhang	Co-Vice Chairman
Cunliang Lai	Co-Vice Chairman
Yuxiang Wu	Director
Fuqi Wang	Director
Boyun Xu	Director
William Randall	Director
Vincent O'Rourke	Director
Dr Geoff Raby	Director
Gregory Fletcher	Director
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