



# Quarterly Report

FOR QUARTER ENDING March 2016

## HIGHLIGHTS

- Quarterly production (equity share) of 3.18 million tonnes saleable coal, down nine percent on the year prior.
- Quarterly sales volumes (equity share) of 3.23 million tonnes, down 11 percent on the year prior.
- On 17 February 2016, Yancoal announced a new debt-funding arrangement to secure up to US\$950 million via the issuing of nine-year secured debt bonds by a newly established Yancoal subsidiary, Watagan Mining Company Pty Ltd (Watagan).
- Effective from 31 March, Yancoal's control of the New South Wales mining assets of Ashton, Austar and Donaldson transferred to Watagan.
- On 2 March, Yancoal announced the Donaldson operation will move to 'care and maintenance' following a reduction in mining activities and commencement of new feasibility studies.
- Full year 2016 operational guidance of 13.00 million tonnes saleable coal (equity share) remains unchanged.

## OUTLOOK

Global coal market prices remained consistent with the previous quarter, with the outlook for price improvements remaining confined by ongoing market oversupply. Operating costs continue to be detrimentally challenged by the strengthening of the Australian dollar throughout the reporting period.

## OPERATIONS

On 17 February, 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, 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, Yancoal ceased to control the New South Wales underground assets of Austar, Ashton and Donaldson. Yancoal has been appointed as the exclusive provider of mine management, marketing, infrastructure and other corporate support services under 10-year contracts.

The Ashton, Austar and Donaldson mines will be managed by Yancoal Mining Services Pty Ltd (YMS), a fully-owned Yancoal subsidiary and employing entity for all eastern region underground operations staff, established during the reporting period.

YMS was implemented to allow Yancoal to more effectively and efficiently manage costs across the underground mines and enable the sharing of skills and experience of its people across operations.

As announced 2 March, the Donaldson operation will be moved to 'care and maintenance' during the first half of the year, following a reduction in mining activities and the commencement of new feasibility studies. Yancoal worked throughout the reporting period to redeploy the majority of the directly affected Donaldson workforce across the Ashton and Austar operations, where possible.

In accordance with expectations, Yancoal operations produced a total 3.18 million tonnes saleable coal (equity share) for the reporting period, down nine percent on the year prior.

The reduction in production mostly attributable to the flow-on effects of the scheduled Christmas holiday shut downs of the Moolarben and Yarrabee operations, Queensland floods, scheduled longwall moves at the Ashton underground, and the wind-down in activities at the Abel underground mine.

Sales volumes (equity share) for the reporting period were 3.23 million tonnes, down 11 percent on the year prior.

In New South Wales, Moolarben open cut production was up eight percent on the previous year, with its continued ramp up in production, overburden extraction, fleet controls and throughput efficiencies enabling positive improvements for the period.

Construction of the Moolarben Stage Two underground mine continued in accordance with project targets, with first development coal scheduled for extraction during the second quarter reporting period.

Challenging geological conditions at the Stratford Duralie open cut affected extraction rates for the period, down 34 percent year-on-year, with the mine set to increase its run rates in the second half of the year once through the current mining area.

Scheduled longwall moves at the Ashton underground offset initial strong production gains achieved at the beginning of the year, with production up 41 percent on the year prior. The mine subsequently introducing two continuous miners to enable earlier relocation of the longwall into the ULLD seam.

Difficult geology encountered in the Austar underground mine's development area negatively impacted cutting rates for the reporting period, down 65 percent year-on-year, as the mine continues to prepare for the proposed resumption of longwall mining in the second half of the year in the Bellbird South area.

In preparation for the Donaldson operation's move to 'care and maintenance', the Abel underground mine commenced a reduction in mining activities during the reporting period, stepping down from the running of three mining units to two, resulting in production down 73 percent on the year prior.

In Queensland, the Yarrabee open cut operation was detrimentally impacted by significant wet weather and flooding throughout January and February, with production down 10 percent on the year prior.

Similarly affected by poor weather conditions across Queensland during the first two months of the reporting period, production at the Middlemount joint venture open cut was down nine percent year-on-year.

#### PRODUCTION (100% Basis)

	March Qtr		Change	March YTD		Change
	2016	2015		2016	2015	
ASHTON	324	229	41%	324	229	41%
AUSTAR	76	217	-65%	76	217	-65%
MOOLARBEN	1,846	1,702	8%	1,846	1,702	8%
YARRABEE	544	493	10%	544	493	10%
GLOUCESTER	203	309	-34%	203	309	-34%
DONALDSON	115	434	-73%	115	434	-73%
MIDDLEMOUNT	839	917	-9%	839	917	-9%
<b>TOTAL (100% Basis)</b>	<b>3,947</b>	<b>4,302</b>	<b>-8%</b>	<b>3,947</b>	<b>4,302</b>	<b>-8%</b>
<b>Total Production - Equity Basis</b>	<b>3,177</b>	<b>3,503</b>	<b>-9%</b>	<b>3,177</b>	<b>3,503</b>	<b>-9%</b>

#### SALES VOLUMES (Equity Share)

	March Qtr		Change	March YTD		Change
	2016	2015		2016	2015	
Metallurgical	1,468	1,473	0%	1,468	1,473	0%
Thermal	1,759	2,173	-19%	1,759	2,173	-19%
<b>TOTAL EQUITY SHARE</b>	<b>3,227</b>	<b>3,646</b>	<b>-11%</b>	<b>3,227</b>	<b>3,646</b>	<b>-11%</b>

**Metallurgical Coal** sales volumes (equity share) of 1.47 million tonnes, consistent with the year prior.

**Thermal coal** sales volumes (equity share) were 1.76 million tonnes, down 19 percent year-on-year.

## March quarter operating review

- Safety – no significant events were recorded for the reporting period.
- Further to the reporting period, in April 2016 Yancoal and the Austar operation received formal notification from the Department of Industry, Resources and Energy confirming it would not be instituting prosecution proceedings related to the investigation into the Austar underground incident of 15 April 2014.

### CORPORATE INFORMATION

#### Shareholder Enquiries

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street,  
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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
Fuqi Wang	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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### Substantial Shareholders as at 31 March 2016

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

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