



# Quarterly Report

FOR QUARTER ENDING SEPTEMBER 2018

## HIGHLIGHTS

- Quarterly saleable coal production (equity share) of 8.97 million tonnes, up 47% on the year prior.
- Quarterly sales volumes (equity share) of 10.95 million tonnes, up 53% on the year prior.
- Thermal coal sales volumes (equity share) of 8.54 million tonnes, up 70% on the year prior. Metallurgical coal sales volumes (equity share) of 2.41 million tonnes, up 14% on the year prior.
- Moolarben saleable coal production up 52% on the year prior, having maximised bypass coal and rail haulage opportunities.
- Maintained consistency of extraction and throughput rates at both Mount Thorley Warkworth and Hunter Valley Operations.
- On 7 September 2018, the order to close Wallaby Scrub Road was published in the NSW Government Gazette. The closure of Wallaby Scrub Road will facilitate the continued progression of the proposed expansion of Mount Thorley Warkworth.

## COMMENTARY

Yancoal Australia Ltd Chief Executive Officer, Reinhold Schmidt said, “Our Tier one assets continue to deliver strong production results at a time of sustained market price improvement.

“Robust demand and tight Australian supply for metallurgical coals is expected to overcome recent pricing declines attributable to China’s introduction of supply reforms and we maintain our view that low ash thermal and high ash thermal coals will experience price variances into the end of the year.

“Moving forward, we remain focused on maximising blending opportunities across the New South Wales assets and providing certainty of supply to customers in our prime target markets of Japan, Korea and China.

“At the operational level we continue to progress our plans for the proposed expansion of the Mount Thorley Warkworth and Moolarben complexes in accordance with our long-term strategy for organic growth.”

## OPERATIONS

In New South Wales, Yancoal Australia Ltd (“Yancoal”) operated the Moolarben (81% ownership), Mount Thorley Warkworth (82.9% ownership) and Stratford Duralie (100% ownership) mines, and managed the underground mines of Austar (100% ownership), Ashton (100% ownership) and Donaldson<sup>1</sup> (100% ownership) on behalf of Watagan Mining Company Pty Ltd (“Watagan”)<sup>2</sup>.

Yancoal maintains a 51% equity interest in the Hunter Valley Operations asset. Hunter Valley Operations is jointly controlled by Yancoal and Glencore Coal through a Joint-Venture Management Committee (“JVMC”) and managed by an independent management team appointed by the JVMC.

In Queensland, Yancoal operated the Yarrabee (100% ownership) open cut mine and maintained its near 50% equity interest in Middlemount Coal Pty Ltd (“Middlemount”) throughout the reporting period.

## SALEABLE COAL PRODUCTION<sup>3</sup>

Operations produced a total 12.27 million tonnes saleable coal, up 49% on the year prior (8.97 million tonnes equity share, up 47% on the year prior), with all three tier-one thermal coal assets continuing to sustain high extraction rates throughout the reporting period.

Total sales volume (equity share) was 10.95 million tonnes, up 53% on the year prior.

Moolarben saleable coal production was 4.53 million tonnes for the reporting period, up 52% on the year prior, having maximised bypass coal and open cut extraction opportunities to offset production interruptions resulting from a scheduled longwall move. Commenced in late June, the longwall move was completed in early August, with full production across both open cut and underground mines resuming by the end of the reporting period.

Mount Thorley Warkworth achieved saleable coal production of 2.63 million tonnes for the reporting period, up 125% on the previous year<sup>4</sup>, maintaining steady extraction rates in accordance with mine plan expectations as it continued to enter new coal areas within the main pits.

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<sup>1</sup> Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance'.

<sup>2</sup> Watagan Mining Company Pty Ltd is a wholly-owned subsidiary of Yancoal Australia Ltd, controlled by a consortium of financiers consisting of Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited.

<sup>3</sup> All saleable coal production figures reported on a 100% basis, unless otherwise indicated.

<sup>4</sup> Mount Thorley Warkworth and Hunter Valley Operations 2017 figures include only one month of attributable production from 1 September 2017.

On 7 September 2018, the order to close Wallaby Scrub Road was published in the NSW Government Gazette. The closure of Wallaby Scrub Road will facilitate the continued progression of the proposed Mount Thorley Warkworth expansion mine plan.

Hunter Valley Operations achieved 3.08 million tonnes saleable coal for the reporting period, up 134% on the year prior<sup>4</sup>. The JVMC continues to pursue potential operational synergies identified under the terms of the transaction documents.

Stratford Duralie achieved 0.15 million tonnes, down 43% on the year prior, following the completion of mining of the Duralie pit's currently approved areas and subsequent recommencement of mining at Stratford during the reporting period. Progression of the proposed Stratford Extension project, capable of producing 1.2 million tonnes Run of Mine coal ("ROM") per annum, will be determined by market demand.

In Queensland, Yarrabee open cut production rates were in line with forecasts to achieve saleable coal production of 0.64 million tonnes, down 15% on the year prior. Yarrabee continues to adjust its coal product via washing to benefit from sustained market demand for PCI coal, resulting in a reduction in current product yields.

The Middlemount joint venture produced 0.95 million tonnes, down 4% on the year prior, in accordance with expectations.

#### Watagan-controlled

Production at the Watagan-controlled Ashton underground was 0.27 million tonnes, down 20% on the previous year.

Production at the Watagan-controlled Austar underground operation was 0.11 million tonnes, down 97% on the previous year. Austar received confirmation on Friday 3 August 2018 of the cancellation of certain prohibition notices previously issued by the New South Wales Resources Regulator, enabling commencement of activities to withdraw the longwall from the current operating area.

#### TOTAL SALEABLE COAL PRODUCTION (100% Basis)

	September Qtr		Change	September YTD		Change
	2018	2017*		2018	2017	
<b>MOOLARBEN</b>	4,534	2,991	52%	13,292	9,108	46%
<b>MT THORLEY WARKWORTH</b>	2,634	1,169	125%	8,667	1,169	641%
<b>HUNTER VALLEY OPERATIONS</b>	3,079	1,314	134%	9,489	1,314	622%
<b>STRATFORD DURALIE</b>	149	259	-43%	364	513	-29%
<b>YARRABEE</b>	637	754	-15%	1,768	2,056	-14%
<b>MIDDLEMOUNT</b>	954	997	-4%	3,015	2,744	10%
<b>ASHTON**</b>	269	338	-20%	686	738	-7%
<b>AUSTAR**</b>	11	393	-97%	382	1,317	-71%
<b>TOTAL (100% BASIS)</b>	<b>12,268</b>	<b>8,216</b>	<b>49%</b>	<b>37,661</b>	<b>18,958</b>	<b>99%</b>
<b>TOTAL PRODUCTION - EQUITY SHARE***</b>	<b>8,970</b>	<b>6,086</b>	<b>47%</b>	<b>27,104</b>	<b>14,793</b>	<b>83%</b>

\* 2017 figures include only one month of attributable production for Mount Thorley Warkworth and Hunter Valley Operations from 1 September.

\*\* Controlled by Watagan.

\*\*\* Equity share: Moolarben (81%); Mt Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%); Yarrabee (100%); Middlemount (~50%); Ashton (100%); and Austar (100%).

**SALES VOLUMES (Equity Share)\***

	September Qtr		Change	September YTD		Change
	2018	2017**		2018	2017	
<b>Metallurgical</b>	<b>2,408</b>	<b>2,117</b>	<b>14%</b>	<b>6,980</b>	<b>5,779</b>	<b>21%</b>
<b>Thermal</b>	<b>8,537</b>	<b>5,036</b>	<b>70%</b>	<b>23,101</b>	<b>11,451</b>	<b>102%</b>
<b>TOTAL EQUITY SHARE</b>	<b>10,945</b>	<b>7,153</b>	<b>53%</b>	<b>30,080</b>	<b>17,230</b>	<b>75%</b>

\*Includes external coal purchases, Middlemount and Watagan. Equity share: Moolarben (81%); Mt Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%); Yarrabee (100%); Middlemount (~50%); Ashton (100%); and Austar (100%).

\*\* 2017 figures include only one month of attributable production for Mount Thorley Warkworth and Hunter Valley Operations from 1 September.

**Metallurgical Coal** sales volumes (equity share) of 2.41 million tonnes, up 14% on the year prior.

**Thermal coal** sales volumes (equity share) of 8.54 million tonnes, up 70% on the year prior.

**Top two substantial shareholders as at 30 September 2018:**

Name	Percentage of issued shares
<b>Yanzhou Coal Mining Company</b>	65.46%
<b>Cinda International HGB Investments</b>	16.70%

Number of ordinary shares on issue:

- **1,256,071,756 following consolidation of share capital (effective date 28 September 2018).**

**CORPORATE INFORMATION**

**Shareholder Enquiries**

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**Directors**

Baocai Zhang	Chairman
Fucun Wang	Co-Vice Chairman
Gregory Fletcher	Co-Vice Chairman
Dr Geoffrey Raby	Director
Cunliang Lai	Director
Xiangqian Wu	Director
Qingchun Zhao	Director
Xing Feng	Director
Fuqi Wang	Director
Helen Gillies	Director
David Moulton	Director

**CEO**

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**CFO**

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