



Quarterly Report

FOR QUARTER ENDING MARCH 2014

- Subsequent to quarter end, on 15 April an underground incident occurred at the Austar Mine resulting in two fatalities. Our thoughts are with the families, colleagues and friends of the two employees.

Quarterly HIGHLIGHTS

- Production in the quarter was in-line with budget and costs were well controlled, however, prices remain challenging.
- Quarterly production was 4.2Mt saleable coal (equity share).
- Weak coal prices are negatively impacting the business. Prices continued to deteriorate versus the preceding quarter, hitting multi-year lows.
- On 25 March 2014, Yanzhou Coal Mining Company Limited (Yanzhou) notified Yancoal that it no longer wished to pursue its privatisation proposal.
- In March, Yanzhou provided an additional US\$300M debt facility.

CORPORATE

On 25 March 2014, Yancoal Australia Ltd's major shareholder (78%), Yanzhou Coal Mining Company Limited (Yanzhou), notified Yancoal Australia that Yanzhou no longer wishes to pursue its indicative non-binding proposal regarding the possible privatisation of Yancoal Australia as announced on 9 July 2013.

In March, Yancoal successfully arranged a US\$300M long term loan facility from Yanzhou. The first US\$100M tranche has a term of six years (with principal to be repaid in full at maturity) and is provided on an unsecured basis with no covenants. The interest and repayment timing for the next tranches constituting US\$200M in aggregate will be agreed at a future time prior to those tranches being advanced. The purpose of the US\$300M loan facility is to fund working capital and capital expenditure.

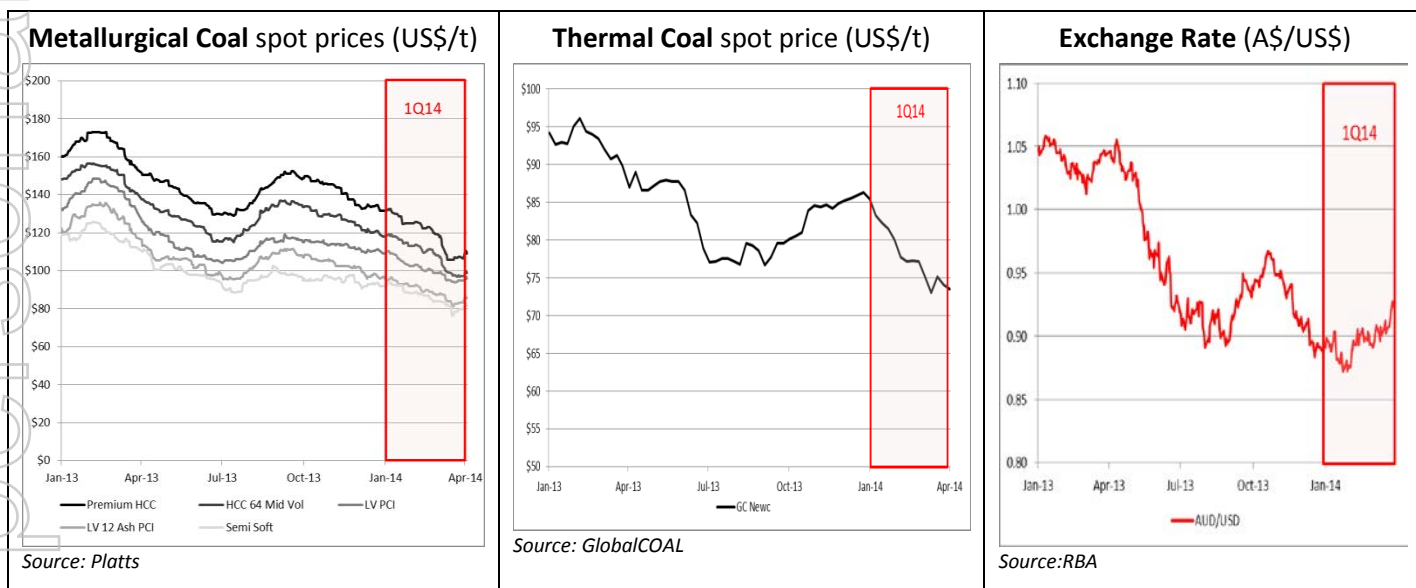
In March, on behalf of Yanzhou, the company completed the \$263M planned repurchase of the 87,645,184 Contingent Value Right Shares (CVR shares) issued to former shareholders in Gloucester Coal Ltd.

Mr Lei Zhang has been appointed Chief Financial Officer (CFO).

MARKETS

Coal market macro trends in the quarter were negative. Coal prices, for both metallurgical and thermal products, continued to deteriorate in over the course of the quarter with prices hitting multi-year lows. The Australian Dollar /US Dollar exchange rate movement remains volatile, and traded in a range of 0.87 – 0.92. The overall appreciation of the Australian dollar year to date is negative factor for Yancoal coal revenues.

Yancoal's product split (equity share) for the quarter was 53% thermal / 47% metallurgical coal.



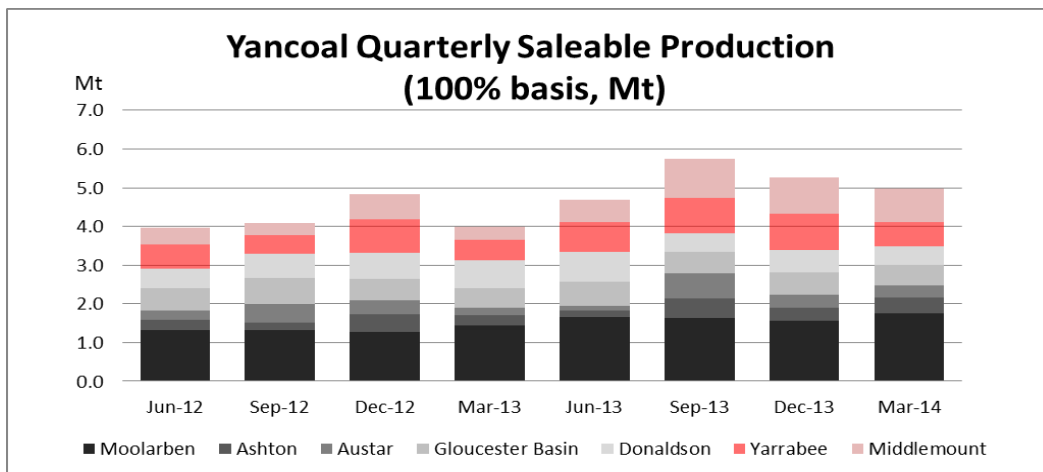
OPERATIONS SUMMARY

Production of 4.16Mt saleable coal (equity share) and total sales of 4.06Mt (equity share) was broadly in line with budget. Open-cut operations Moolarben, Yarrabee and Gloucester performed well. Middlemount experienced some impact from wetter than expected seasonal conditions. NSW underground operations Ashton, Austar and Donaldson had various issues with mining conditions but performed in-line with budget. Production and sales volumes for 2014 are skewed to the second half. Productivity and cost control is a primary and ongoing operational focus. Capital control remains tight, with expenditure below budget year to date.

March Quarter operating headlines include:

- *Safety* – no material incidents reported
- *Environment* – no material incidents reported
- *Sales* - Equity share coal sales for the quarter at 4.063Mt, down 18% on the previous quarter and up 26% year-on-year
- *Production* - Equity share saleable coal production for the quarter at 4.160Mt, down 6% on the previous quarter but up 19% year-on-year
- *Price achievement* – was weaker than the preceding December Quarter
- *Exploration* –no “Greenfields” exploration activity (non-mine site) was conducted in the quarter
- *Permitting* – a continuing process for expansion projects at Moolarben, Ashton and Stratford

OPERATIONS DETAIL



Yancoal Production & Sales		Units	Mar Qtr 2014	Mar Qtr 2013	Change
ASHTON	Saleable Coal Production	000's t	408	267	53%
AUSTAR	Saleable Coal Production	000's t	316	187	69%
MOOLARBEN	Saleable Coal Production	000's t	1,743	1,441	21%
YARRABEE	Saleable Coal Production	000's t	627	522	20%
GLOUCESTER	Saleable Coal Production	000's t	538	512	5%
DONALDSON	Saleable Coal Production	000's t	481	716	-33%
MIDDLEMOUNT	Saleable Coal Production	000's t	874	350	149%
Total (100% Basis)	Saleable Coal Production	000's t	4,986	3,995	25%
Total Production - Equity Share	Saleable Coal Production	000's t	4,160	3,505	19%
Sales - Equity Share	Metallurgical	000's t	1,890	1,376	37%
Sales - Equity Share	Thermal	000's t	2,173	1,850	17%
Total Sales - Equity Share		000's t	4,063	3,226	26%

Moolarben Mine (Yancoal 80%), NSW

Saleable coal production from the Moolarben Mine for the quarter was 1,743kt (100% basis). The mine continues to perform within consent conditions.

Yancoal is seeking a modification to its Stage 1 development consent at Moolarben to access additional reserves by extending the footprint of the Open Cuts 1 and 2, and continuing to mine at the existing production rates. This application has been referred to the NSW Planning Assessment Commission (PAC) for determination. A PAC public meeting was held on 27 February 2014. The PAC has not yet determined the application.

The NSW Minister for Planning and Infrastructure has referred the Stage 2 Expansion project (comprising Open Cut 4, Underground 1 and Underground 2 mines) to the PAC for review. The PAC held a public hearing on the project on 26 February 2014. The PAC has yet to provide its review report to the Department of Planning and Infrastructure.

The 2014 focus at Moolarben is on cost control and facilitating the Stage 2 development approvals. The outlook for 2014 is for 6.1 – 6.2Mt of saleable coal production.

Ashton Mine (Yancoal 90%), NSW

Saleable coal production from the Ashton Mine for the quarter was 408kt (100% basis). Production in the quarter experienced poor roof conditions but achieved budget production. One longwall move is planned for 2014 and is scheduled for late in the June Quarter.

The South East Open Cut (SOEC) project was approved by the PAC in October 2012. However, a Merits Appeal was lodged in the Land and Environment Court (L&EC). This appeal was heard during September 2013 and judgment was reserved.

The 2014 operational focus is on productivity and costs including the continued rollout of the LEAN process. The outlook for 2014 is for 1.4 – 1.5Mt of saleable coal production, and reduced costs based on higher volumes.

Austar Mine (Yancoal 100%), NSW

Saleable coal production from the Austar Mine for the quarter was 316kt.

Subsequent to Quarter end, on Tuesday 15 April an underground incident occurred at the Austar Mine. Tragically two employees lost their lives. Mining activities were ceased and a recovery operation was initiated at the site. Local emergency services and the NSW Department of Trade and Investment, Regional Infrastructure and Services were immediately notified and attended the mine site.

The operating activities and 2014 outlook will be subject to review.

Gloucester Basin (Yancoal 100%), NSW

Saleable coal production from the Stratford and Duralie Mines for the quarter was 538kt.

The Stratford Extension Project (SEP) was referred in December 2013 by the NSW Planning Minister to the PAC for review, with a public hearing held on 19 February 2014. The PAC has yet to provide its review report to the Department of Planning and Infrastructure.

The operational emphasis for 2014 is to realise cost reductions associated with the 2013 operational changes and continue the focus on lowering costs and achieving productivity improvements. The production outlook for 2014 is for 1.5 – 1.6Mt of saleable coal.

Donaldson Group (Yancoal 100%), NSW

Saleable coal production from the Abel Mine for the quarter was 481kt. Production in the quarter was weaker than budget due to mining conditions.

The 2014 operating focus is on business improvement. The production outlook for 2014 is for 1.9 – 2.1Mt of saleable coal.

Yarrabee Mine (Yancoal 100%), Queensland

Saleable coal production from the Yarrabee Mine for the quarter was 627kt.

The focus for 2014 is continued business improvement in the production, CHPP, maintenance, and administration areas. The outlook for 2014 is for 3.1 – 3.3Mt of saleable coal production.

Middlemount Mine (Yancoal ~50%), Queensland

Saleable coal production from the Middlemount Mine for the quarter was 874kt (100% basis). Production in the quarter was below budget due to wet conditions.

The focus for 2014 is on productivity and costs. The outlook for 2014 is for an increase to 3.6 – 3.8Mt of saleable coal production.

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CORPORATE INFORMATION

Shareholder Enquires

Computershare Investor Services Pty Limited
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Directors

Xiyong Li	Chairman
Cunliang Lai	Co-Vice Chairman
Baocai Zhang	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

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Contact

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Substantial Shareholders as at 31 March 2014

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

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