



Quarterly Report

FOR QUARTER ENDING SEPTEMBER 2012

HIGHLIGHTS

- **Strong production performance across the group**
- **Yarrabee Mine expected to be granted a new Mining Lease**
- **Middlemount CHPP expansion completed**
- **Improved performance from Donaldson operations**
- **Approval of the Ashton Mine SEOC development by NSW Planning Assessment Commission**

OVERVIEW

Coal production rose by over 20% on both a ROM and saleable basis in the September quarter when compared to the previous corresponding period (includes production from the assets owned by Gloucester Coal Ltd prior to the merger with Yancoal). Coal production was also marginally higher when compared to the June 2012 quarter. Coal sales across the Company were about 6% lower compared to the June quarter as the impact of weak thermal and metallurgical coal markets affected the group. As a consequence coal stocks have increased, resulting in the potential for production re-scheduling during the next quarter to mitigate being stock bound at several group mines.

Sales across the Group are currently less than both port and rail "take or pay" obligations, resulting in these liabilities having an impact on the financial performance of the Company. In the current market environment, difficulties are being encountered in securing short to medium term opportunities to re-allocate excess capacity to other shippers and mitigate "take or pay" financial obligations.

SALES (100% BASIS)

SALES 000's t	Coal Type	Sep Qtr 2012	Sep Qtr 2011	Change	YTD Sep 2012	YTD Sep 2011	Change
ASHTON	Metallurgical	228	162	40%	766	1,073	-29%
AUSTAR	Thermal	428	260	64%	1,053	562	87%
	Metallurgical	-	218	-100%	131	741	-82%
MOOLARBEN	Thermal	1,386	1,296	7%	3,907	3,943	-1%
YARRABEE	Metallurgical	298	476	-38%	1,485	1,690	-12%
STRATFORD & DURALIE	Metallurgical	49	64	-24%	746	500	49%
	Thermal	421	236	79%	1,115	909	23%
DONALDSON	Metallurgical	8	66	-87%	80	66	21%
	Thermal	582	205	184%	1,329	205	548%
MIDDLEMOUNT	Metallurgical	289	113	156%	1,201	113	966%
	Thermal	40	-	-	40	-	-
TOTAL	Metallurgical	871	1,099	-21%	4,409	4,182	5%
	Thermal	2,857	1,997	43%	7,444	5,619	32%
TOTAL EQUITY SHARE	Metallurgical	704	1,026	-31%	3,732	4,019	-7%
	Thermal	2,559	1,738	47%	6,642	4,830	38%

Note: Donaldson sales are shown for the period of control by Gloucester Coal Ltd. Acquisition of Donaldson by Gloucester Coal Ltd was effective from 14 July 2011. For completeness coal sales from Gloucester Coal Ltd have been included in the table for the YOY comparisons and the YTD figures. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012). Yancoal YTD financial performance does not include GCL profit and loss before acquisition date.

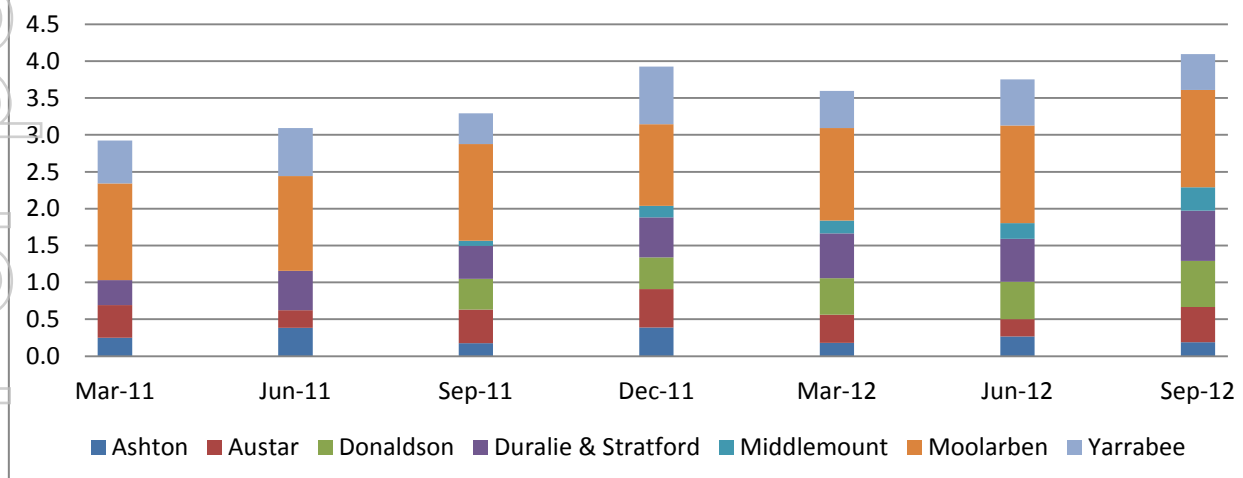
Sales from the Gloucester assets have been included in the above table for completeness. Equity coal sales for the September quarter were 3,264kt, about 18% higher than the September 2011 quarter but about 6% lower than in the June 2012 quarter. Sales of all coal types have been impacted by the market downturn with the lower quality metallurgical coal bearing the brunt of the weak markets. A significant amount of this coal is being sold into the thermal market on an energy adjusted basis at a price lower than would be achieved if the coal was sold as a metallurgical product. The market outlook remains uncertain despite coal production cuts in several countries, a restocking phase in China at steel mills and higher gas prices in the United States.

PRODUCTION (100% Basis)

			Sep Qtr 2012	Sep Qtr 2011	Change	YTD Sep 2012	YTD Sep 2011	Change
ASHTON	Overburden Removal	Mbcm	-	705	-100%	-	1,861	-100%
	ROM Coal Produced	000's t	482	309	56%	1,330	1,398	-5%
	Saleable Coal Production	000's t	191	178	7%	639	814	-21%
AUSTAR	ROM Coal Produced	000's t	557	612	-9%	1,295	1,364	-5%
	Saleable Coal Production	000's t	474	453	5%	1,089	1,122	-3%
MOOLARBEN	Overburden Removal	Mbcm	3,950	4,022	-2%	12,277	11,962	3%
	ROM Coal Produced	000's t	1,786	1,773	1%	5,584	5,440	3%
	Saleable Coal Production	000's t	1,319	1,310	1%	3,899	3,902	0%
YARRABEE	Overburden Removal	Mbcm	9,493	11,507	-18%	26,414	29,172	-9%
	ROM Coal Produced	000's t	678	484	40%	1,936	1,852	5%
	Saleable Coal Production	000's t	488	418	17%	1,614	1,652	-2%
STRATFORD & DURALIE	Overburden Removal	Mbcm	4,071	3,944	3%	10,882	11,088	-2%
	ROM Coal Produced	000's t	958	710	35%	2,866	2,139	34%
	Saleable Coal Production	000's t	684	450	52%	1,867	1,350	38%
DONALDSON	Overburden Removal	Mbcm	706	841	-16%	2,054	841	144%
	ROM Coal Produced	000's t	973	718	35%	2,426	718	238%
	Saleable Coal Production	000's t	626	415	51%	1,632	415	293%
MIDDLEMOUNT	Overburden Removal	Mbcm	7,246	5,968	21%	18,883	5,968	216%
	ROM Coal Produced	000's t	361	178	103%	1,369	178	669%
	Saleable Coal Production	000's t	314	139	125%	1,132	139	712%
TOTAL	ROM Coal Produced	000's t	5,794	4,785	21%	16,806	13,090	28%
	Saleable Coal Production	000's t	4,095	3,364	22%	11,873	9,396	26%
TOTAL EQUITY SHARE	ROM Coal Produced	000's t	5,208	4,310	21%	14,872	11,773	26%
	Saleable Coal Production	000's t	3,655	3,015	21%	10,463	8,464	24%

Note: Donaldson production is shown for the period of control by Gloucester Coal Ltd. Acquisition of Donaldson by Gloucester Coal Ltd was effective from 14 July 2011. For completeness Gloucester Coal Ltd production has been included in the table for the YOY comparisons and the YTD figures. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012).

Quarterly Saleable Production (Mt)



Note: Donaldson production shown from the acquisition by Gloucester Coal Ltd (14 July 2011). Production from the Gloucester Coal Ltd mines' shown for the whole period for comparison purposes. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012).

Ashton Mine (Yancoal 90%)

Longwall mining commenced in the first panel of the Upper Liddell seam in early August and advanced about 287 metres by the end of September. ROM coal output for the quarter was 482kt. Stone bands in the seam caused yield in the CHPP to be lower than expected with total saleable production of 191kt achieved during the quarter.

Work on the final elements of the Bowmans Creek diversion continued during the quarter, with the diversion expected to be completed during the current quarter. Rehabilitation work on the new creek banks has been a major focus and it is encouraging to see wildlife already taking up residence in the diversion areas. When mining of the first panel in the Upper Liddell seam is completed the longwall will return to the Pikes Gully seam to mine out the areas under the previous creek course.

The long awaited development application for the South East Open Cut project was approved by the NSW Planning and Assessment Commission (PAC) in early October (see ASX Release dated 8 October 2012 for full details). An appeal on the PAC decision can be lodged during the 28 days following the decision.

Austar Mine (Yancoal 100%)

ROM coal production improved considerably to 557kt in the quarter compared to 298kt in the June quarter. Saleable production for the quarter was 474kt. The longwall successfully mined through a known strata weighting area in the panel by increasing its speed and reducing the amount of caved coal in the section.

Development is running behind schedule in the Stage 3 area which may cause a short delay in the startup of the longwall in the Stage 3 area in early 2013. When the longwall completes mining the current panel in the Stage 2 section it is scheduled to undergo maintenance and then move into the Stage 3 area. The changeover is currently planned to occur in the first half of next year, therefore output in the first half of next year will be lower than normal levels.

The in-strata belt drift for the underground bin required for the Stage 3 area is almost complete. The next step will be to commence the construction of the in-strata bin and introduce a raise bore machine to mine out the full dimensions of the bin. Lining of the Kitchener shaft, which will become the up cast ventilation shaft (4.5 metre diameter) in the new area, is complete and raise boring of the services shaft (1.5 metre diameter) is about 25% complete.

Moolarben Mine (Yancoal 80%)

A key milestone was reached at Moolarben during the quarter when, at the end of July, the operation recorded 1,000 days Lost Time Injury free. The mine remained LTI free at the end of the quarter.

Operations at the mine performed strongly during the quarter with ROM production of 1,786kt and saleable output of 1,319kt for the period. Moolarben is scheduled to produce about 7.2Mt of ROM coal for 2012 consisting of a production rate of 7.0Mtpa until October and an 8.0Mtpa rate from the beginning of November. Output will be capped at 8.0Mtpa ROM coal pending a favourable regulatory approval of the Stage 2 expansion.

Work continues on the planning and approval process for the Stage 2 expansion of the open cut mine, which is intended to increase ROM production from the open cuts to 13Mtpa. As part of the approval process the NSW

Department of Planning and Infrastructure have asked for further information concerning several elements of the project. Moolarben continues to respond as required.

The Feasibility Study for the first underground mine is advancing on schedule, with completion scheduled in the first half of next year.

Yarrabee Mine (100%)

Production of ROM and saleable product coal at the Yarrabee Mine was 678kt and 488kt respectively for the quarter. Production in July was severely impacted by two unseasonal rain events when a total of 84mm was recorded on site. This compares to the 15 year average of about 12mm in July. Both overburden removal and coal mining were less than expected with the CHPP having to shut down for a seven day period due to lack of coal. In addition, one of the open cuts also experienced some high wall instability which restricted access to some coal. These issues have been overcome and the mine is now operating satisfactorily.

In early October a Co-development Agreement with QGC was completed and signed. The agreement should enable the granting on a new Mining Lease by the end of October. The Mining Lease is required to extend the mine life, open up a new area of higher quality and lower ratio coal and will underpin production at the mine for a number of years.

Work on widening and sealing the Boonal Haul Road was delayed by the wet weather in July, however the work is now expected to be completed by the end of October. Construction of the new workshop to handle the larger mining fleet is also expected to be completed during October.

Stratford and Duralie Mines (100%)

The combined operation performed strongly during the quarter with ROM coal output of 958kt and saleable production of 684kt. The performance of the CHPP during the quarter was very good with a new throughput record of 401kt achieved during July. Despite the strong operating performance from the mines and the CHPP, the overall outcome from the operation was offset by weak sales during the period. Coal stocks at the mine and port are increasing. A planned short term production break at the end of the year will assist in the management of stockpile capacity.

Property acquisitions required for the Stratford Extension Project (SEP) are well advanced. Documentation for the SEP is currently being finalised and will be submitted to the Department of Planning and Infrastructure for exhibition during Q4 2012.

An extensive drilling programme costing \$1.4 million is underway across the site with the aim of determining the fugitive carbon dioxide emissions from the open cut areas. A total of seven holes will be drilled with the core analysed for its gas content. It is expected that the results of the drilling will show that the carbon dioxide emissions are below the threshold used for calculating the carbon tax liability.

Donaldson Group (100%)

Production from the Donaldson Mines (Abel, Tasman and Donaldson open cut) during the quarter showed continued improvement as the benefits of the "LEAN" programme at the Abel Mine increased production above budget levels. ROM coal output from the three operations reached 973kt in the quarter with the CHPP achieving a quarterly record of 626kt of saleable product.

The Tasman Mine has moved into pillar extraction mode and will continue to operate until the end of the current mine plan. The EIS for the Tasman extended project was placed on public exhibition in early July and remained on exhibition until mid-August. The NSW Department of Planning and Infrastructure is currently assessing the application. It is expected that this assessment will be completed by March 2013.

The "take or pay" liability exposure for the combined operation is increasing as more port capacity is commissioned at NCIG. Donaldson will look to reduce this exposure by transferring port capacity to other producers where possible.

Middlemount Mine (Yancoal~50%)

Mining at the Middlemount Mine was impacted by unseasonal wet weather in July, a low wall failure and poor performance by the mining contractor. ROM coal mined amounted to 361kt and saleable coal produced was 314kt. The CHPP expansion to 700tph was completed and approval was gained under the Federal Environment Protection and Biodiversity Act (EPBC) to increase output up to 5.4Mtpa ROM coal within the immediate expansion area. EPBC approval for the balance of the stage 2 area is subject to the lodgment and approval of an offset management plan in the next year. The Board and shareholders have not yet approved an increase in production at the mine from the current rate of 1.8Mtpa ROM coal.

The mine is experiencing some difficulty in introducing its new coal products into the market at a time of weak demand and prices. However, as the coal is a good quality coking coal, this situation is likely to be overcome as the market recovers.

ENVIRONMENTAL ISSUES

There were no environmental incidents or non-compliance issues recorded at the mines during the quarter. One complaint about the water quality in the Goulburn River near Moolarben is being investigated by the company following a request from the EPA. Investigations are ongoing.

EXPLORATION

Exploration activity was conducted at a number of the mines during the quarter. Drilling at Yarrabee has succeeded in finding an additional coal seam repeat within the boundaries of one of the current open cut pits. Further drilling is required to determine the significance of the discovery however there is a good chance of verifying the presence of low ratio coal in the next two years. Total expenditure on exploration across the group for the period was \$2.2 million.

CORPORATE INFORMATION

Shareholder Enquires

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Cunliang Lai	Co-Vice Chairman
James MacKenzie	Co-Vice Chairman
Yuxiang Wu	Director
Baocai Zhang	Director
Xinghua Ni	Director
Boyun Xu	Director
William Randall	Director
Vincent O'Rourke	Director
Geoff Raby	Director
Gregory Fletcher	Director

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Murray Bailey

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Substantial Shareholders as at 30 September 2012

Name	Percentage of issued share
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