



# Quarterly Report

FOR QUARTER ENDING SEPTEMBER 2013

## HIGHLIGHTS

- New Chairman and new CEO appointed
- An indicative non-binding proposal received from Yanzhou Coal Mining Company Limited ( 78% shareholder of Yancoal)
- Coal markets remain weak overall and the average price achievement for Yancoal was down on the prior quarter
- Coal sale volumes were stronger at 4.4Mt equity share. Saleable production was 4.9Mt equity share. Full year guidance for 2013 equity share - saleable production is maintained at 16Mt.
- There has been a continuing trend of improving FOR unit costs over the course of 2013 with a group focus on cashflow generation.
- Growth projects are under review in the current cashflow and capital constrained environment. Regulatory approvals for major expansion projects at Moolarben are pending.

## CORPORATE

Mr Li Xiyong was appointed Chairman in September 2013 and was also appointed as the Chairman of the Yanzhou Coal Mining Company Limited, Yancoal's majority shareholder. Mr Reinhold Schmidt was appointed CEO in August 2013 and was until recently the COO of Xstrata Coal Queensland.

As previously reported to the ASX on 9 July 2013, Yancoal received an indicative non-binding proposal from Yanzhou Coal Mining Company Limited, regarding a possible privatisation of Yancoal. The independent Directors of Yancoal are considering the proposal and further disclosures on the matter will occur in due course.

Reflecting the weaker coal market conditions and a constrained balance sheet, Yancoal is currently reviewing capital expenditures and growth options.

## COAL MARKETS

**Thermal Coal:** market conditions were weak, more so for the lower qualities. Prices decreased and the average prices for Yancoal were down on the prior quarter.

**Metallurgical Coal:** there was some improvement in market conditions. Spot (mainly China) prices picked up from August onwards although the sustainability of the increases is uncertain and the impact for Yancoal is lagging.

Yancoal's product split for the quarter was 48% thermal / 52% metallurgical coal.

## OPERATIONS SUMMARY

Production and sales volumes were solid for the quarter with Yancoal expecting a stronger second half of 2013 versus the first half. Full year guidance for equity share saleable production is 16Mt. Yancoal is broadly on course to deliver a 2013 objective of a 15% sustainable reduction in mine level (FOR) cash costs per tonne of product. The major ongoing cost challenge is to manage the 'Take-or-Pay' logistics component of the cost equation.

Five of the seven mines (Moolarben, Austar, Ashton, Yarrabee and Middlemount) displayed improving volume and cost trends during the period. The exceptions, Stratford & Duralie and Donaldson, continue to be challenged by current market conditions. The 2013 focus across the portfolio remains on maximising production and reducing costs.

- *Sales* - Equity share coal sales for the September at 4.425Mt, up 3% on the previous quarter and up 35% YoY
- *Production* - Equity share saleable coal production for the September at 4.865Mt, up 20% on the previous quarter and up 33% YoY
- *Price achievement* – weaker versus the June quarter
- *Costs* – improving group unit FOR cost per tonne has continued through 2013
- *Safety* – no material incidents reported
- *Environment* – no material incidents reported
- *Exploration* – total expenditure across the group for the period was \$1.5M
- *Permitting* – continuing on key expansion projects at Moolarben

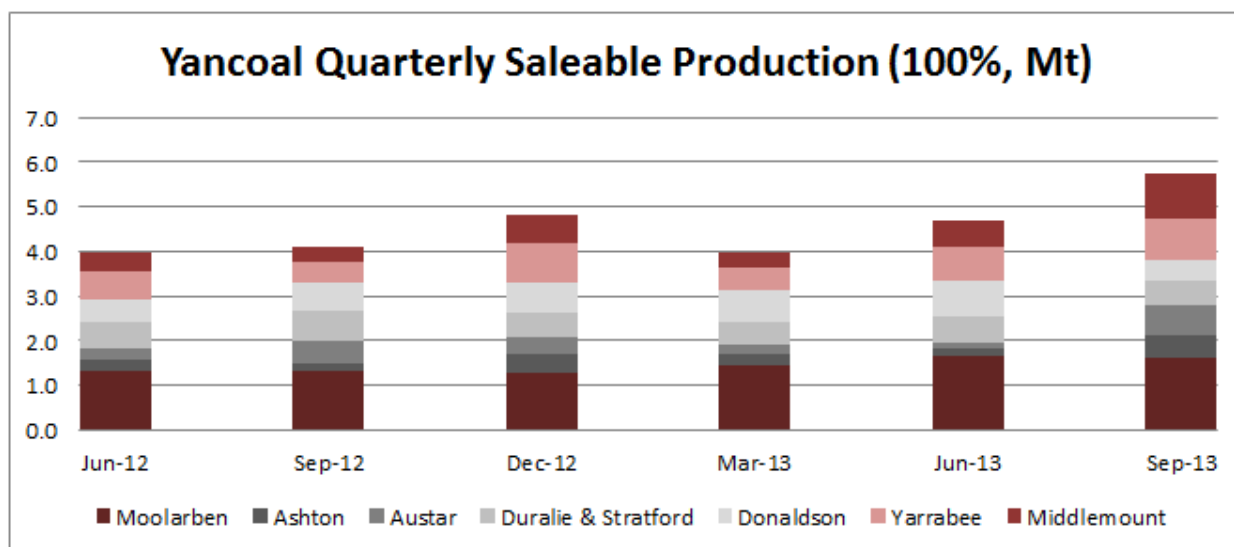
## OPERATIONS DETAIL

### PRODUCTION (100% BASIS)

			Sep Qtr 2013	Sep Qtr 2012	Change	YTD Sep 2013	YTD Sep 2012	Change
<b>ASHTON</b>	Overburden Removal	Mbcm	-	-	-	-	-	-
	ROM Coal Produced	000's t	1,018	482	111%	2,109	1,330	59%
	Saleable Coal Production	000's t	496	191	160%	953	639	49%
<b>AUSTAR</b>	ROM Coal Produced	000's t	818	557	47%	1,203	1,295	-7%
	Saleable Coal Production	000's t	660	474	39%	963	1,089	-12%
<b>MOOLARBEN</b>	Overburden Removal	Mbcm	5,094	3,950	29%	13,883	12,277	13%
	ROM Coal Produced	000's t	2,160	1,786	21%	6,417	5,584	15%
	Saleable Coal Production	000's t	1,634	1,319	24%	4,720	3,899	21%
<b>YARRABEE</b>	Overburden Removal	Mbcm	13,044	9,493	37%	34,192	26,414	29%
	ROM Coal Produced	000's t	1,101	678	62%	2,623	1,936	35%
	Saleable Coal Production	000's t	928	488	90%	2,219	1,614	37%
<b>GLOUCESTER BASIN</b>	Overburden Removal	Mbcm	4,171	4,071	2%	10,936	10,882	0%
	ROM Coal Produced	000's t	885	958	-8%	2,601	2,866	-9%
	Saleable Coal Production	000's t	543	684	-21%	1,667	1,867	-11%
<b>DONALDSON</b>	Overburden Removal	Mbcm	-	706	-100%	160	2,054	-92%
	ROM Coal Produced	000's t	594	973	-39%	2,548	2,426	5%
	Saleable Coal Production	000's t	485	626	-22%	1,973	1,632	21%
<b>MIDDLEMOUNT</b>	Overburden Removal	Mbcm	10,477	7,246	45%	23,515	18,883	25%
	ROM Coal Produced	000's t	1,332	361	269%	2,755	1,369	101%
	Saleable Coal Production	000's t	996	314	218%	1,923	1,132	70%
<b>TOTAL</b>	ROM Coal Produced	000's t	7,908	5,794	36%	20,257	16,806	21%
	Saleable Coal Production	000's t	5,742	4,095	40%	14,418	11,873	21%
<b>TOTAL EQUITY SHARE</b>	ROM Coal Produced	000's t	6,708	5,208	29%	17,385	14,872	17%
	Saleable Coal Production	000's t	4,867	3,655	33%	12,417	10,463	19%

### SALES (100% BASIS)

SALES 000's t	Coal Type	Sep Qtr 2013	Sep Qtr 2012	Change	YTD Sep 2013	YTD Sep 2012	Change
<b>ASHTON</b>	Metallurgical	289	228	27%	728	766	-5%
<b>AUSTAR</b>	Thermal	365	428	-15%	654	1,053	-38%
	Metallurgical	163	-	0%	326	131	149%
<b>MOOLARBEN</b>	Thermal	1,332	1,386	-4%	4,180	3,907	7%
<b>YARRABEE</b>	Metallurgical	961	298	217%	2,437	1,485	64%
<b>GLOUCESTER BASIN</b>	Metallurgical	265	49	445%	650	746	-13%
	Thermal	375	421	-12%	1,039	1,115	-7%
<b>DONALDSON</b>	Metallurgical	153	8	1747%	295	80	270%
	Thermal	398	582	-27%	1,786	1,329	34%
<b>MIDDLEMOUNT</b>	Metallurgical	839	289	191%	1,712	1,201	43%
	Thermal	-	40	-100%	-	40	-100%
<b>TOTAL</b>	Metallurgical	2,671	871	205%	6,149	4,409	39%
	Thermal	2,470	2,857	-9%	7,659	7,444	3%
<b>TOTAL EQUITY SHARE</b>	Metallurgical	2,222	704	213%	5,220	3,732	40%
	Thermal	2,203	2,579	-10%	6,823	6,662	2%



### Moolarben Mine (Yancoal 80%), NSW

ROM coal production from the Moolarben Mine for the quarter was 2,160kt (100% basis) with saleable coal production of 1,634kt (100% basis). Moolarben remains Yancoal's strongest cashflow contributor and continues to perform strongly with ROM coal production running at the limit of its 8Mt/year development consent. ROM extraction was above budget due to favourable mining conditions combined with minimal noise and weather delays. YTD yield at 74% remains above budget due to improved yields from mining and processing improvement and product mix. No material impacts to production are anticipated for the December quarter.

Yancoal are waiting on planning consent for the Stage 2 Expansion project (comprising Open Cut 4, Underground 1 and Underground 2 mines). The NSW Department of Planning and Infrastructure have yet to issue draft consent conditions for approval. When completed it is expected that the recommendation will be forwarded to the Planning Assessment Commission for determination.

The operation received a Highly Commended - Community Excellence Award from the NSW Minerals Council for the implementation of its "stealth" mining fleet. The haul trucks have engine noise suppression and utilise rubber rather than steel tray floors to suppress "first pass" loading noise.

### Ashton Mine (Yancoal 90%), NSW

ROM coal production from the Ashton Mine for the quarter was 1,018kt (100% basis) with saleable coal production of 496kt (100% basis). A stronger performance versus the preceding quarter reflects the commencement of longwall mining in the Pikes Gully seam from July. This should result in a positive production performance bias to the second half of 2013. Overall yield has improved to budget with a return to production from the Pikes Gully seam however YTD remains below budget at 48%. Lower ROM volumes are forecast for December quarter with a longwall move to the Upper Liddell seam (ULD). Longwall equipment modifications have been made to lower the minimum extraction height to enable reduced mining of out of seam stone and improve yield from the ULD seam longwall operation.

An appeal against the South East Open Cut (SOEC) expansion project approval was heard in the NSW Land and Environment Court in September with outcome judgment anticipated in the next 3-6 months.

### **Austar Mine (Yancoal 100%), NSW**

ROM coal production from the Austar Mine for the quarter was 818kt with saleable coal production of 660kt. YTD yield is broadly in line with budget at 83%. An improved quarterly performance reflects a full quarter production from the new Stage 3 area with new ROM production records set since Austar has been operated by Yancoal. Production rates are expected to be similar levels in the December quarter with some risks around ground conditions and completion of infrastructure including the underground storage bin.

Longwall float (readiness to access the next longwall mining area) remains the major risk for production continuity into 2014, with a longwall move scheduled for the end of January. The site is building significant stocks to cover a potential 2-3 month longwall changeover time.

### **Stratford and Duralie Mines (Yancoal 100%), NSW**

ROM coal production from the Stratford and Duralie Mines for the quarter was 885kt with saleable coal production of 543kt. YTD yield is above budget at 65%. The operation remains under pressure in a weak price environment and was downsized during the quarter with the completion of the Roseville West Pit at Stratford and reduced rosters at Duralie plus the CHPP (process plant) to 6 and 5 days per week respectively. Yancoal is working to align the total cost base and financial exposure with current market conditions. From the December quarter onwards a net annualized ROM production rate of 3.4Mt/year is anticipated.

Approvals for the Stratford Extension Project (SEP) are expected in the December quarter.

### **Donaldson Group (Yancoal 100%), NSW**

Production for the Donaldson Mines (Abel and Tasman) was 594kt ROM coal and 485kt saleable coal for the quarter. YTD yield is above budget at 78%. Production from the Tasman underground mine finished in the September quarter with the Abel underground mine now the primary operation from the December quarter onwards. A key challenge for the operation is weak demand for semi-soft product.

### **Yarrabee Mine (Yancoal 100%), Queensland**

ROM coal production from the Yarrabee Mine for the quarter was 1,101kt with saleable coal production of 928kt. YTD yield is slightly below budget at 80%. Yarrabee continues to display an improvement trend in underlying operating metrics with a renewed focus on cost and productivity. ROM production remains well above budget with continued high availability of exposed coal. A key bottleneck to achieving target 2013 sales is shipping.

The trial highwall auger is continuing work in area DOM1 and if successful could be utilised at several parts of the mine in the future and would contribute modest amounts of coal to production.

### **Middlemount Mine (Yancoal ~50%), Queensland**

ROM coal production from the Middlemount Mine for the quarter was 1,332kt (100% basis) with saleable coal production of 996kt (100% basis). YTD yield is above budget at 74%. The mine achieved production records for BCM movement and ROM coal production in the quarter. Production and key performance metrics from the Middlemount Mine continue to improve as the operation fully recovers from a flooding and rain affected first half. Additionally, the move to owner operator completed in June is delivering significant benefits. Market conditions remain the key challenge for sales in the December quarter.

## CORPORATE INFORMATION

### Shareholder Enquires

Computershare Investor Services Pty Limited  
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Website: [www.computershare.com.au](http://www.computershare.com.au)

### Directors

Xiyong Li	Chairman
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

### CEO

Reinhold Schmidt

### Acting CFO

Michael Wells

### Company Secretary

Laura Ling Zhang

### Registered Office/Mailing Address

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### Mailing Address

Level 26, 363 George Street, Sydney NSW 2000

### Contact

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## Substantial Shareholders as at 30 September 2013

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

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

Number of CVR shares on issue: 87,935,910