



Quarterly Report

FOR QUARTER ENDING SEPTEMBER 2014

HIGHLIGHTS

- Full year 2014 operational guidance of 16.5 – 17.0 million tonnes saleable coal (equity share) remains unchanged.
- Quarterly production of 4.35 million tonnes saleable coal (equity share).
- Maximising yield recoveries via production and washplant efficiencies.
- Achieving sustainable improvements in cost reductions.
- Maximising blending opportunities across New South Wales operations.
- Completed rehabilitation of the Tasman mine.
- Land and Environment Court determined the Ashton South East Open Cut Project capable of approval, subject to the resolution of conditions.

OUTLOOK

Improved operational efficiencies and cost controls continue to drive steady volume gains, with New South Wales mines maximising blending opportunities and yield recoveries in response to ongoing market constraints.

Coal prices for metallurgical and thermal products remained weak throughout the reporting period, with an oversupplied marketplace restricting the opportunity for price improvements.

The Australian dollar's decline in September from 0.93 to 0.87 provided some relief from operating costs, having previously been negatively impacted by the dollar's strength throughout the year.

Uncertainty remains regarding the implications of China's National Development and Reform Commission (NDRC) decision in September to introduce an interim measure of quality coal restrictions across the regions of Beijing-Tian Jin-Hebei, Yangtze River Delta and Pearl River Delta. The measure at this stage is not expected to have a significant impact on Yancoal's 2014 position.

Yancoal's product split (equity share) for the quarter was 54 per cent thermal, 46 per cent metallurgical coal.

Yancoal continued to focus on the delivery of the Moolarben Stage 2 major project and Stratford and Ashton mine expansions throughout the reporting period.

OPERATIONS

Resumption of the Austar longwall and production gains at Moolarben and Middlemount drove total sales volumes (equity share) of 3.99 million tonnes for the reporting period, up 18 per cent on the previous quarter, down 10 per cent year-on-year.

In New South Wales, Austar gains were offset by the continued shut down of development coal production, as the investigation into the cause of the underground incident of April 15 continues.

Significant yield improvements and productivity gains at Moolarben via the adoption of its product optimisation strategy, up 11 per cent on the prior quarter, were offset by Ashton's scheduled longwall move and subsequent production delays due to geotechnical issues at the face, down 56 per cent for the same period.

Production at Gloucester was on par with the previous quarter, following the completion of mining at Stratford's Bowen Road North open cut pit in July and industrial action interrupting throughput at the Duralie washplant during the period.

Donaldson was down seven per cent on the previous quarter, with the Abel mine commencing a restructure of operations in an effort to improve productivity and cost controls. Rehabilitation of the Tasman open cut was also completed during the reporting period.

Queensland production gains at joint venture Middlemount, up 15 per cent on the previous quarter, were slightly offset by Yarrabee, down two per cent for the period, following the failure of the CE West low wall early in the quarter.

Yarrabee recovered strongly by quarter's end, achieving total tonnage numbers ahead of budgeted ROM expectations, maximising the recent introduction of direct feeding into the crusher to achieve both cost and time savings.

SALES (Equity Basis)

	Sep Qtr		Change	Sep YTD		Change
	2014	2013		2014	2013	
Metallurgical	1,940	2,222	-13%	5,586	5,220	7%
Thermal	2,052	2,203	-7%	6,294	6,823	-8%
TOTAL EQUITY SHARE	3,992	4,425	-10%	11,880	12,042	-1%

Metallurgical Coal sales of 1.94 million tonnes (equity share) were up nine per cent on the previous quarter, down 13 per cent year-on-year.

Thermal coal sales were 2.05 million tonnes (equity share), up a significant 28 per cent on the prior quarter, down seven per cent for the same period in 2013.

PRODUCTION (100% Basis)

Saleable Coal Production 000's t	Sep Qtr		Change	Sep YTD		Change
	2014	2013		2014	2013	
ASHTON	142	496	-71%	869	953	-9%
AUSTAR	592	660	-10%	968	963	1%
MOOLARBEN	1,719	1,634	5%	5,005	4,720	6%
YARRABEE	803	928	-13%	2,252	2,219	2%
GLOUCESTER	493	543	-9%	1,523	1,667	-9%
DONALDSON	465	485	-4%	1,443	1,973	-27%
MIDDLEMOUNT	997	996	0%	2,738	1,923	42%
TOTAL (100% Basis)	5,211	5,742	-9%	14,799	14,418	3%
Total Production - Equity Basis	4,354	4,867	-11%	12,342	12,417	-1%

September Quarter operating review

- Safety – no significant events for the quarter. The investigation into the Austar underground incident by the Mine Safety Office of NSW Department of Trade and Investment, Regional Infrastructure and Services is ongoing.
- Environment - Rehabilitation of the Tasman open cut mine was completed during the period.
- Sales - Total equity share sales of 3.99 million tonnes, up 18 per cent on the previous quarter, down 10 per cent year-on-year.
- Production – Equity share saleable coal production of 4.35 million tonnes, up 14 per cent on the previous quarter, down 11 per cent year-on-year.
- Exploration – Exploratory drilling commenced at Stratford in support of the proposed Stratford expansion project.
- Permitting – The NSW Minister for Planning & Environment referred the Moolarben Stage 2 Expansion project (comprising Open Cut 4, Underground 1 and Underground 2 mines) to the NSW Planning Assessment Commission (PAC) for review on 6 December 2013. The PAC held a public hearing on the project on 26 February 2014 and provided its review report to the Department of Planning & Environment on 3 June 2014. The Department of

Planning & Environment has yet to complete its final assessment report based on the PAC review report dated 28 May 2014. Once completed, it is expected the Secretary of the Department will refer the Stage 2 Expansion Project to the PAC for determination.

- Yancoal continues to wait on a final ruling, expected in late 2014, from the Land and Environment Court regarding the Ashton South East Open Cut.

CORPORATE INFORMATION

Shareholder Enquiries

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Cunliang Lai	Co-Vice Chairman
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Xinghua Ni	Director
Boyun Xu	Director
William Randall	Director
Vincent O'Rourke	Director
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Substantial Shareholders as at 30 September 2014

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

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