



Quarterly Report

FOR QUARTER ENDING JUNE 2017

HIGHLIGHTS

- Quarterly production (equity share) of 4.35 million tonnes saleable coal, up 12 percent on the year prior.
- Quarterly sales volumes (equity share) of 4.92 million tonnes, up 4 percent on the year prior.
- Sustained strong production and throughput rates at the Moolarben complex continued to drive improved tonnage results for the reporting period.
- Improved geological conditions at the Duralie open cut pit facilitated superior strip ratios throughout the reporting period, aiding production performance.
- Improved longwall production rates at the Watagan-controlled Astar and Ashton underground mines, following the commencement of new mining areas.

MARKET

Sustained impacts of the Queensland cyclone during the prior reporting period continued to positively influence metallurgical coal price improvements, while thermal coal prices remained mostly flat throughout the reporting period. Thermal coal demand continued to be affected by China oversupply and the return of Indonesian supply.

Thermal coal market relativities started to return to typical levels by the end of the reporting period, with metallurgical coal prices subsequently returning to pre-cyclone event price levels by June.

OPERATIONS

In New South Wales, Yancoal continued to operate the Moolarben and Stratford Duralie open cut mines and managed the underground mines of Austar, Ashton and Donaldson on behalf of Watagan Mining Company Pty Ltd ("Watagan").¹

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

PRODUCTION

Operations produced a total 4.35 million tonnes saleable coal (equity share) for the reporting period, up 12 percent on the year prior, with sales volumes (equity share) of 4.92 million tonnes, up 4 percent on the year prior.

Excellent mining conditions and previously established fleet and coal handling and processing efficiencies continued to drive production and throughput rates for the Moolarben complex throughout the reporting period.

Moolarben production was up 1 percent on the prior reporting period, commencing the installation of the new longwall for the Stage Two underground mine in June. The Moolarben longwall is scheduled to commence full production in October.

The ongoing expansion of the Moolarben complex continues to be supported by the Coal Handling and Preparation Plant's approved increased feed rates (up from 13.0Mt to 13.5Mt) for 2017.

Stratford Duralie benefitted from improved mining conditions, overcoming recent geological challenges to achieve improved strip ratios at the base of the Clarevale open cut pit and higher extraction rates. Stratford Duralie production was up 32 percent on the prior reporting period.

In Queensland, Yarrabee open cut production was down 7 percent on the previous reporting period, as the mine adjusted the sequencing of its product split to prioritise PCI coal over thermal, subsequently reducing yields to maximise increased PCI market demand opportunities.

¹ On 17 February 2016, Yancoal announced a new financing arrangement to secure up to US\$950 million in debt-funding via the issuing of nine-year secured debt bonds by a newly established Yancoal subsidiary, Watagan Mining Company Pty Ltd ("Watagan"), to Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited. On and from financial close of the arrangement, effective 31 March 2016, Yancoal ceased to control Watagan and its subsidiaries, including the NSW underground assets of Austar, Ashton and Donaldson. Yancoal continues to own 100% of the shares in Watagan, which in turn owns the Austar, Ashton and Donaldson entities.

Production at the Middlemount joint venture was down 45 percent on the previous reporting period, with the impacts of the Queensland cyclone event continuing to prevent railing from the operation to port throughout the majority of April. Middlemount production and Coal Handling and Processing Plant throughput was subsequently reduced as access to trains for loading remained restricted.

Watagan-controlled

Production at the Watagan-controlled Austar underground operation was 128 percent up on the previous reporting period, with both development and longwall production maintaining high production rates due to excellent operating conditions throughout.

Watagan-controlled Ashton underground production was up 7 percent on the previous reporting period, having entered into a new mining area, facilitating consistent and improved production rates. Ashton conducted a scheduled longwall move in May, recommencing production at the end of June.

TOTAL PRODUCTION (100% Basis)

	June Qtr			June YTD		
	2017	2016	Change	2017	2016	Change
ASHTON**	206	208	-1%	400	532	-25%
AUSTAR**	642	34	1763%	923	111	735%
DONALDSON**	-	78	-100%	-	193	-100%
MOOLARBEN	3,067	2,435	26%	6,117	4,280	43%
YARRABEE	625	761	-18%	1,302	1,305	0%
GLOUCESTER	145	258	-44%	255	462	-45%
MIDDLEMOUNT	492	1,133	-57%	1,386	1,972	-30%
TOTAL (100% Basis)	5,178	4,908	5%	10,382	8,856	17%
Total Production - Equity Basis	4,349	3,879	12%	8,527	7,056	21%

**Controlled by Watagan

Note: Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance'.

SALES VOLUMES (Equity Share)²

	June Qtr			June YTD		
	2017	2016	Change	2017	2016	Change
Metallurgical	1,628	1,964	-17%	3,514	3,432	2%
Thermal	3,296	2,775	19%	6,415	4,534	41%
TOTAL EQUITY SHARE	4,924	4,738	4%	9,929	7,966	25%

Metallurgical Coal sales volumes (equity share) of 1.63 million tonnes, down 17 percent on the year prior.

Thermal coal sales volumes (equity share) of 3.3 million tonnes, up 19 percent on the year prior.

² Includes external coal purchases and Watagan

Substantial shareholders as at 30 June 2017

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

Number of ordinary shares on issue: 994,276,659

CORPORATE INFORMATION

Shareholder Enquiries

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Directors

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Baocai Zhang	Co-Vice Chairman
Cunliang Lai	Co-Vice Chairman
Xiangqian Wu	Director
Fuqi Wang	Director
Qingchun Zhao	Director
William Randall	Director
Vincent O'Rourke	Director
Dr Geoff Raby	Director
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