



Quarterly Report

FOR QUARTER ENDING September 2016

HIGHLIGHTS

- Quarterly production (equity share) of 4.42 million tonnes saleable coal, up 16 percent on the year prior.
- Quarterly sales volumes (equity share) of 5.16 million tonnes, up 18 percent on the year prior.
- Continued strengthening of global coal market prices throughout the reporting period.
- Commenced extraction from the Moolarben Stage Two new open cut box cut in July.
- Consistent extraction of development coal from the Moolarben Stage Two underground mine.
- Ongoing geological challenges within the Duralie open cut mine required a redesign of the mine and changes to current operating conditions.

OUTLOOK

China's sustained commitment to reduced domestic production continued to drive significant positive improvements in global metallurgical and thermal coal prices, with the recent settlement of the industry's quarterly benchmark prices for semi-soft coking and PCI coal in October establishing new market highs for the 2016 reporting period. At the same time, prime coking coal prices have appreciated on the back of China and recent competitor force majeure events in Australia.

Yancoal continues to maximise its blending arrangements across the New South Wales operations, while maintaining operational efficiencies and cost saving strategies implemented earlier in the year at all operated and managed mine sites.

OPERATIONS

In New South Wales, Yancoal continued to operate the Moolarben and Stratford Duralie open cut mines throughout the reporting period, with control of the underground mines of Austar, Ashton and Donaldson transferring to Watagan Mining Company Pty Ltd ("Watagan") from 31 March 2016.¹ Yancoal continued to manage the assets on behalf of Watagan throughout the reporting period.

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 4.42 million tonnes saleable coal (equity share) for the reporting period, up 16 percent on the year prior.

The improvement in production mostly attributable to continued strong production performance at the Moolarben complex, benefitting from the introduction of a full quarter's production of development coal from the new Moolarben underground mine.

Sales volumes (equity share) for the reporting period were 5.16 million tonnes, up 18 percent on the year prior.

In New South Wales, the Moolarben complex maintained strong production rates throughout the reporting period, overcoming wet weather impacts to maximise fleet efficiencies and overburden removal, benefitting from the opening of the new box cut in July and consistent development coal from the Stage Two underground mine. Moolarben production was up 52 percent on the year prior.

Ongoing geological challenges within the Duralie open cut required a redesign of the mine and changes to operating conditions, resulting in the move from the running of two excavators to one and reducing employee shift lengths to 8.4 hours, down from approximately 10 and 12 hours.

Duralie operating rosters were also reduced to five days per week, Monday to Friday, removing the requirement for weekend activity. As a result of the necessary restructure, approximately 45 roles were directly affected, with the

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. Under the arrangement, Yancoal's interests in the assets of Ashton, Austar and Donaldson were transferred to and held by Watagan.

majority addressed via the taking up of voluntary redundancies. Production for Stratford Duralie was down 36 percent on the year prior.

Ashton underground production was down 12 percent on the year prior, resulting from the continuation of the scheduled longwall move commenced during the previous reporting period. Development coal continued throughout the current reporting period, with full longwall production recommencing in September.

Austar production was up 732 percent year-on-year, due to the commencement of new longwall production in July. Production gains offsetting an unscheduled shutdown of the longwall in August, due to a small coal burst in the main working area. Following a thorough review by the mine and relevant New South Wales Government departments, the Austar mine resumed full production in September, implementing additional safety barriers and controls in the working area.

In Queensland, the Yarrabee open cut operation maintained strong production rates for the reporting period, up 14 percent on the year prior, maximising the implementation of new shift arrangements established during the previous reporting period.

Production at the Middlemount joint venture was down 15 percent year-on-year, attributable to recent wet weather interruptions to open cut activity during the reporting period.

PRODUCTION (100% Basis)

	September Qtr			September YTD		
	2016	2015	Change	2016	2015	Change
ASHTON	309	351	-12%	842	975	-14%
AUSTAR	390	47	732%	501	592	-15%
DONALDSON	-	311	-100%	193	1,157	-83%
MOOLARBEN	2,627	1,730	52%	6,907	5,097	36%
YARRABEE	857	754	14%	2,162	1,988	9%
GLOUCESTER	229	360	-36%	691	1,078	-36%
MIDDLEMOUNT	1,019	1,193	-15%	2,991	3,291	-9%
TOTAL (100% Basis)	5,432	4,746	14%	14,287	14,178	1%
Total Production - Equity Basis	4,423	3,820	16%	11,479	11,547	-1%

SALES VOLUMES (Equity Share)

	September Qtr			September YTD		
	2016	2015	Change	2016	2015	Change
Metallurgical	1,933	2,244	-14%	5,365	5,543	-3%
Thermal	3,227	2,144	50%	7,761	7,309	6%
TOTAL EQUITY SHARE	5,160	4,388	18%	13,126	12,852	2%

Metallurgical Coal sales volumes (equity share) of 1.93 million tonnes, down 14 percent on the year prior.

Thermal coal sales volumes (equity share) of 3.23 million tonnes, up 50 percent year-on-year.

September quarter operating review

- Safety – The Austar underground incident of August was immediately investigated by the mine and relevant Government Departments, determining it to be a small coal burst. Following a thorough review, the Austar mine resumed full production in September, having implemented additional safety barriers and controls in the working area.

CORPORATE INFORMATION

Shareholder Enquiries

Computershare Investor Services Pty Limited
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Xiyong Li	Chairman
Baocai Zhang	Co-Vice Chairman
Cunliang Lai	Co-Vice Chairman
Yuxiang Wu	Director
Fuqi Wang	Director
Boyun Xu	Director
William Randall	Director
Vincent O'Rourke	Director
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Substantial shareholders as at 30 September 2016

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

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