



Quarterly Report

FOR QUARTER ENDING DECEMBER 2014

HIGHLIGHTS

- Full year 2014 production of 16.7 million tonnes saleable coal (equity share).
- Quarterly production of 4.39 million tonnes saleable coal (equity share).
- Continued cost reductions and production improvements achieved across all sites.
- Maximising blending opportunities throughout New South Wales operations.
- In October, Yancoal secured 100 percent ownership of the Ashton coal operation, having purchased former joint venture partner ICRA Ashton Pty Ltd's 10 percent holding.
- In December the NSW PAC approved the Duralie Modification.
- In December, The NSW Land and Environment Court approved the Ashton South East Open Cut Project, subject to conditions.
- On December 31, Yancoal and Yancoal SCN Limited issued 18,005,102 Subordinated Capital Notes (SCN) raising a total of US\$1,800,510,200 to strengthen Yancoal's balance sheet.

OUTLOOK

Steady production gains continued to be achieved in line with the previous quarter, with the restructure of New South Wales' Abel and Ashton operations delivering improved efficiencies and costs controls for the period.

Minimal movement in metallurgical and thermal coal prices throughout the period continued to restrict new market growth, with New South Wales operations maximising blending opportunities in response.

The Australian dollar's steady decline throughout the quarter further alleviated operating and export costs, building on gains achieved in the previous quarter.

Marketplace uncertainty continues as proposed quality standards for coal imports into the provinces of Beijing-Tian Jin-Hebei, Yangtze River Delta and Pearl River Delta regions are yet to be finalised by China's National Development and Reform Commission. The Australian Government and industry continue to closely monitor and assess the situation, with the quality standards yet to impact Yancoal's existing contracts.

Throughout the period, Yancoal continued to focus on the delivery of its major projects and proposed expansions, including the Moolarben Stage Two Project, and the Ashton South East Open Cut and Stratford expansions.

The Moolarben Stage Two Project continues to wait on receipt of final approvals from the NSW Planning and Assessment Commission (PAC), with a decision expected within the first quarter of 2015.

The Ashton South East Open Cut expansion received approval from the Land and Environment Court in December 2014, subject to specific conditions.

The Stratford expansion continues to wait on final approvals, having been referred to the NSW Department of Planning and Infrastructure for further consideration and determination for approval from the Director General in April 2014.

Yancoal's product split (equity share) for the quarter was 65 percent thermal and 35 percent metallurgical coal.

OPERATIONS

Productivity improvements at Yarrabee and the recommencement of longwall production at Ashton drove saleable coal production of 4.39 million tonnes for the period, up one percent on the previous quarter, achieving an annual total coal production performance of 16.74 million tonnes (equity basis), down one percent on the year prior.

Sales volumes (equity share) for the reporting period were 5.71 million tonnes, up 43 percent on the previous quarter, ending 2014 with a total sales volume of 17.59 million tonnes (equity share), up three percent on the year prior.

In New South Wales, Ashton's recommencement of longwall production following a scheduled move drove significant gains, up 190 percent on the previous quarter. During the period, Yancoal also secured 100 percent ownership of the Ashton operation, purchasing former joint venture partner ICRA Ashton Pty Ltd's 10 percent holding in October. The NSW Land and Environment Court granted approval to the Ashton South East Open Cut project, subject to conditions, in December.

Moolarben's product optimisation strategy introduced in the previous quarter, continued to generate steady production throughout the reporting period, resulting in an end of year total saleable coal production performance of 6.36 million tonnes, up one percent on the year prior.

During the quarter Moolarben also concluded arrangements to secure access to all remaining land required for the future development of the Moolarben Stage Two Project, if approved.

Geological challenges at the Austar underground continued to affect the operation's longwall, with production down eight percent on the previous quarter and minimal development production occurring as the investigation into the cause of the underground incident of April 2014 continues.

The previous redeployment of Austar development crews to the Abel and Ashton mines in April 2014 was determined unsustainable during the period, with all three operations subsequently restructured in an effort to improve operational efficiencies and reduce costs.

The restructure of the Abel mine resulted in an improved production performance, up nine percent on the previous quarter, despite challenging geological conditions experienced in the main workings.

With the Stratford operation having reached the end of its economically recoverable reserves, Yancoal remains focused on achieving approval for the proposed Stratford expansion project. If approved, the expansion will provide a further 21.5 Million tonnes of ROM coal over 11 years. Combined production for the Stratford and Duralie mines was down 13 percent on the previous quarter, in accordance with production expectations.

The NSW PAC approved the Duralie Modification in December 2014, providing increased flexibility in mine planning and sequencing and enabling the extraction of the fully approved reserve.

In Queensland, Yarrabee maintained its strong performance throughout the period, up 20 percent on the previous quarter, offset by production issues at joint venture Middlemount, down nine percent on the previous quarter, but in accordance with annual expectations.

SALES (Equity Basis)

	Dec Qtr		Change	Dec YTD		Change
	2014	2013		2014	2013	
Metallurgical	1,989	2,396	-17%	7,575	7,615	-1%
Thermal	3,725	2,571	45%	10,019	9,394	7%
TOTAL EQUITY SHARE	5,714	4,967	15%	17,594	17,009	3%

Metallurgical Coal sales of 1.99 million tonnes (equity share) were up three percent on the previous quarter, down one percent on the annual year-on-year total.

Thermal coal sales were 3.73 million tonnes (equity share), up a significant 81 percent on the prior quarter, up seven percent year-on-year annual total.

PRODUCTION (100% Basis)

Saleable Coal Production 000's t	Dec Qtr		Change	Dec YTD		Change
	2014	2013		2014	2013	
ASHTON*	410	334	23%	1,279	1,286	-1%
AUSTAR	545	324	68%	1,513	1,287	18%
MOOLARBEN	1,356	1,571	-14%	6,361	6,291	1%
YARRABEE	967	939	3%	3,220	3,158	2%
GLOUCESTER	427	594	-28%	1,950	2,261	-14%
DONALDSON	507	564	-10%	1,951	2,537	-23%
MIDDLEMOUNT	903	942	-4%	3,641	2,866	27%
TOTAL (100% Basis)	5,116	5,268	-3%	19,915	19,686	1%
Total Production - Equity Basis	4,393	4,449	-1%	16,735	16,866	-1%

*Effective from October 2014, Ashton tonnage is shown as 100 percent ownership.

December 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 continuing.
- Environment - No breaches of environmental standards were recorded for the period.
- Sales - Total equity share sales of 5.71 million tonnes, up 15 percent on the previous quarter, up three percent year-on-year.
- Production - Equity share saleable coal production of 4.39 million tonnes, down one percent on the previous quarter, down one percent year-on-year.
- Exploration - Exploratory drilling at Stratford in support of the proposed Northern development is continuing.
- Permitting - The NSW Department of Planning & Environment has yet to complete its final assessment report for the Moolarben Stage Two project, following 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. In December the NSW PAC approved the Duralie Modification and the Land & Environment Court approved the Ashton South East Open Cut, subject to specific conditions.

CORPORATE INFORMATION

Shareholder Enquiries

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

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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