



Quarterly Report

FOR QUARTER ENDING December 2015

HIGHLIGHTS

- Full year 2015 production of 15.26 million tonnes saleable coal (equity share).
- Quarterly production (equity share) of 3.71 million tonnes saleable coal, down three percent on the FY15 September quarter.
- Quarterly sales volumes (equity share)¹ of 4.96 million tonnes, up 13 percent on the FY15 September quarter.
- Stratford/Duralie move to owner-operator model continuing to lead on-site cost reductions and increased production improvements.
- Successful recommencement of consistent mining activities at Astar and Ashton underground mines for the reporting period.
- As announced 20 November, the New South Wales Court of Appeal determined to uphold a condition attached to the Ashton South East Open Cut (SEOC) Project Approval granted by the NSW Land & Environment Court on 27 August 2014, requiring development work not occur until Ashton Coal has acquired a privately owned property, which forms part of the proposed mining area.

¹ All reported sales volumes (equity share) include third party coal purchases.

OUTLOOK

Metallurgical and thermal coal market prices remained low for the reporting period, with the outlook for potential price improvements increasingly limited by the global market's prolonged oversupply and the sustained impacts of China's import coal quality standards upon local export opportunities.

While market headwinds continued to impact Yancoal sales volumes for 2015, improved production efficiencies resulting from the transfer of the Stratford/Duralie mine to an owner-operator model and the recent restructures of the Abel and Austar mines facilitated significant cost savings and operational improvements to achieve forecast production targets for the year.

In accordance with the Company's full year operational guidance of 15 to 15.5 million tonnes, Yancoal operations produced a total 15.26 million tonnes saleable coal (equity share) for 2015, down nine percent on the year prior.

Full year 2015 sales volumes (equity share) were 17.81 million tonnes, up one percent on the year prior, overcoming the continuing impacts of China's National Development and Reform Commission's (NDRC) new coal quality restrictions affecting sale volumes for Yarrabee's ultra-low volatile semi-anthracite PCI thermal coal. Having adjusted its processing and blending practices throughout 2015 to meet the NDRC's new standards, Yarrabee's sales into China are expected to face continued challenges in the year ahead.

For 2016, Yancoal remains focused on developing its Moolarben Stage Two asset, capitalising on new efficiencies, blending opportunities and shared services, while increasing product yields and maintaining consistent production throughput and delivery.

OPERATIONS

The recommencement of consistent production at the Austar and Ashton underground mines offset reduced rates at Donaldson's Abel underground mine for the reporting period, while the Moolarben and Yarrabee open cut operations continued to build on the momentum of the previous quarter, maintaining strong and uninterrupted production rates to end the year.

Yancoal achieved total saleable coal production of 3.71 million tonnes (equity basis) for the reporting period, down 16 percent on the year prior.

Sales volumes (equity share) for the reporting period were 4.96 million tonnes, down 13 percent on the year prior.

In New South Wales, Moolarben open cut production was up four percent on the previous quarter and 33 percent on the year prior. Increased efficiencies, ongoing operational improvements and throughput controls maximised the extraction of Mod 9 coal, made available during the previous quarter. Moolarben total annual production was up eight percent on the year prior, producing 6.9 million tonnes for 2015.

Having completed its transition to an owner-operator model, Stratford/Duralie production was down one percent on the previous quarter, realising an annual total of 1.43 million tonnes, down 27 percent on the year prior in accordance with expectations. The reduction in production directly attributable to the cessation of mining at the Stratford mine during 2014 and move to a single pit at Duralie in 2015.

The Ashton underground's return to consistent longwall production enabled strong gains throughout the reporting period, up 14 percent on the previous quarter, achieving a total annual production result of 1.38 million tonnes for 2015, up eight percent on the year prior.

Austar production was up a significant 175 percent on the previous quarter, having recommenced mining in two development areas during the reporting period. Total annual production of 0.72 million tonnes was down 52 percent on the year prior, attributable to the cessation of longwall operations in mid-2014 and subsequent realignment of the 2015 business to access and develop new mining areas.

Production at Donaldson's Abel underground mine was in accordance with expectations, down 43 percent on the previous quarter, a result of the mine's recent restructure and step down from operating of three extractors to one and five developers to two. Total annual production was 1.34 million tonnes for 2015, down 32 percent on the year prior, with Abel having experienced challenging geological conditions throughout the first half of the year.

In Queensland, the Yarrabee open cut operation maintained its consistently strong production rate for the reporting period, up 10 percent on the prior quarter. Total annual production was 2.81 million tonnes for 2015, down 13 percent on the year prior, the results in accordance with forecasts following a voluntary two week shut down and reduction in shift hours to achieve required operational cost savings.

The Middlemount joint venture open cut produced an annual total of 4.01 million tonnes for 2015, up 10 percent on the year prior, with the site's consistent production gains in the first half of the year offsetting a scheduled reduction in production during the reporting period, down 40 percent on the previous quarter.

PRODUCTION (100% Basis)

	December Qtr		Change	December YTD		Change
	2015	2014		2015	2014	
ASHTON	401	410	-2%	1,375	1,279	8%
AUSTAR	129	545	-76%	721	1,513	-52%
MOOLARBEN	1,802	1,356	33%	6,899	6,361	8%
YARRABEE	826	967	-15%	2,814	3,220	-13%
STRATFORD/DURALIE	355	427	-17%	1,433	1,950	-27%
DONALDSON	178	507	-65%	1,335	1,951	-32%
MIDDLEMOUNT	722	903	-20%	4,013	3,641	10%
TOTAL (100% Basis)	4,412	5,116	-14%	18,590	19,915	-7%
Total Production - Equity Basis	3,709	4,393	-16%	15,256	16,735	-9%

SALES VOLUMES (Equity Share)

	December Qtr		Change	December YTD		Change
	2015	2014		2015	2014	
Metallurgical	2,054	1,989	3%	7,597	7,575	0%
Thermal	2,905	3,725	-22%	10,214	10,019	2%
TOTAL EQUITY SHARE	4,959	5,714	-13%	17,811	17,594	1%

Metallurgical Coal sales volumes (equity share) of 2.05 million tonnes, up three percent year-on-year. Full year 2015 metallurgical sales volumes (equity share) were 7.60 million tonnes, consistent with the year prior.

Thermal coal sales volumes (equity share) were 2.91 million tonnes, down 22 percent year-on-year, reflecting the challenges of the current global market and continuing impacts of China's quality restrictions upon sales volumes. Full year 2015 thermal sales volumes (equity share) were 10.21 million tonnes, up two percent on the year prior.

December quarter operating review

- Safety – no significant events were recorded for the reporting period.
- As announced 20 November 2015, the New South Wales Court of Appeal has determined to uphold a condition attached to the Ashton South East Open Cut (SEOC) Project Approval granted by the NSW Land & Environment Court on 27 August 2014. The condition provided that no development work associated with the Project could occur until Ashton Coal Operations Pty Ltd has acquired a privately owned property which forms part of the proposed mining area.

CORPORATE INFORMATION

Shareholder Enquiries

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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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CEO

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Substantial Shareholders as at 30 December 2015

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

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