



# Quarterly Report

FOR QUARTER ENDING DECEMBER 2012

## HIGHLIGHTS

- **Record full year ROM production 19.9Mt (equity)**
- **Record full year saleable production 14.7Mt (equity)**
- **Production performance improved in every quarter**
- **Merger integration completed with synergy benefits being realised**

## OVERVIEW

The integration of Yancoal and Gloucester Coal was largely completed by the end of the quarter with management reporting systems and a new organisation structure suitable for a large and growing business. All of the Yancoal mines finished the year strongly despite Christmas shut downs at Moolarben and Stratford and Duralie. Saleable coal production for the December quarter was 4.2Mt and the full year 14.7Mt, new records for the company. While coal sales improved from the depressed levels experienced in the September quarter, product stocks at several of the mines remain higher than normal. The success of adopting the "LEAN" programme at the Abel underground mine is becoming evident from its production and operating statistics. Management has decided to introduce the programme progressively across all the mines in the portfolio during the 2013 calendar year.

The cost reduction targets introduced in response to weak coal markets are starting to bear fruit and management now expect that all of the mines will be able to meet the corporate goal of a significant reduction in costs in 2013 from 2012 costs.

## YANCOAL PRODUCTION & SALES SUMMARY FOR 2012 & 2011

The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012). Yancoal's 2012 financial results will reflect a first half of the year prior to the merger with Gloucester Coal and a second half which includes the sales and production figures for all on the mining assets in the merged company. The results will not include Gloucester Coal profit and loss before the acquisition date and will only include the Premier and Cameby Downs profit and loss for the period of ownership until 15 June 2012. The table below provides detailed coal production and coal sales data for Yancoal for both 2012 and 2011 taking into account the effect of the merger of the companies and the period prior to the merger of the companies

			2012	2011
<b>ASHTON</b>	ROM Coal Produced	000's t	2,305	2,154
	Saleable Coal Produced	000's t	1,080	1,205
	Coal Sales	000's t	1,221	1,468
<b>AUSTAR</b>	ROM Coal Produced	000's t	1,737	1,877
	Saleable Coal Produced	000's t	1,467	1,644
	Coal Sales	000's t	1,768	1,765
<b>MOOLARBEN</b>	ROM Coal Produced	000's t	7,168	7,007
	Saleable Coal Produced	000's t	5,178	5,011
	Coal Sales	000's t	5,536	5,312
<b>YARRABEE</b>	ROM Coal Produced	000's t	3,197	3,144
	Saleable Coal Produced	000's t	2,475	2,433
	Coal Sales	000's t	2,081	2,307
<b>STRATFORD &amp; DURALIE</b>	ROM Coal Produced	000's t	1,757	
	Saleable Coal Produced	000's t	1,193	
	Coal Sales	000's t	1,133	
<b>DONALDSON</b>	ROM Coal Produced	000's t	2,026	
	Saleable Coal Produced	000's t	1,308	
	Coal Sales	000's t	1,336	
<b>MIDDLEMOUNT</b>	ROM Coal Produced	000's t	1,166	
	Saleable Coal Produced	000's t	986	
	Coal Sales	000's t	937	
<b>CAMEBY DOWNS</b>	ROM Coal Produced	000's t	810	757
	Saleable Coal Produced	000's t	655	560
	Coal Sales	000's t	674	590
<b>PREMIER</b>	ROM Coal Produced	000's t	1,986	
	Saleable Coal Produced	000's t	1,947	
	Coal Sales	000's t	1,964	
<b>TOTAL</b>	<b>ROM Coal Produced</b>	<b>000's t</b>	<b>22,152</b>	<b>14,939</b>
	<b>Saleable Coal Produced</b>	<b>000's t</b>	<b>16,289</b>	<b>10,853</b>
	<b>Coal Sales</b>	<b>000's t</b>	<b>16,650</b>	<b>11,442</b>
<b>TOTAL EQUITY SHARE</b>	<b>ROM Coal Produced</b>	<b>000's t</b>	<b>19,905</b>	<b>13,322</b>
	<b>Saleable Coal Produced</b>	<b>000's t</b>	<b>14,652</b>	<b>9,730</b>
	<b>Coal Sales</b>	<b>000's t</b>	<b>14,952</b>	<b>10,233</b>

**Note:** Cameby Downs and Premier were transferred out of Yancoal Australia on 15 June 2012. Therefore, the numbers shown above for Cameby Downs and Premier are only attributed to Yancoal for the operational period in the first six months of 2012.

## SALES (100% BASIS)

SALES 000's t	Coal Type	Dec Qtr 2012	Dec Qtr 2011	Change	YTD Dec 2012	YTD Dec 2011	Change
ASHTON	Metallurgical	455	395	15%	1,221	1,468	-17%
AUSTAR	Thermal	435	389	12%	1,487	951	56%
	Metallurgical	-	73	-100%	131	814	-84%
MOOLARBEN	Thermal	1,629	1,369	19%	5,536	5,312	4%
YARRABEE	Metallurgical	601	617	-3%	2,086	2,307	-10%
STRATFORD & DURALIE	Metallurgical	353	127	179%	1,100	626	76%
	Thermal	310	392	-21%	1,425	1,301	10%
DONALDSON	Metallurgical	17	80	-79%	96	146	-34%
	Thermal	748	491	52%	2,078	696	198%
MIDDLEMOUNT	Metallurgical	599	213	181%	1,800	326	452%
	Thermal	10	-	-	50	-	-
<b>TOTAL</b>	<b>Metallurgical</b>	<b>2,025</b>	<b>1,505</b>	<b>35%</b>	<b>6,434</b>	<b>5,688</b>	<b>13%</b>
	<b>Thermal</b>	<b>3,132</b>	<b>2,641</b>	<b>19%</b>	<b>10,576</b>	<b>8,260</b>	<b>28%</b>
<b>TOTAL EQUITY SHARE</b>	<b>Metallurgical</b>	<b>1,681</b>	<b>1,359</b>	<b>24%</b>	<b>5,412</b>	<b>5,378</b>	<b>1%</b>
	<b>Thermal</b>	<b>2,801</b>	<b>2,367</b>	<b>18%</b>	<b>9,444</b>	<b>7,197</b>	<b>31%</b>

**Note:** Donaldson sales are shown for the period of control by Gloucester Coal Ltd. Acquisition of Donaldson by Gloucester Coal Ltd was effective from 14 July 2011. For completeness coal sales from Gloucester Coal Ltd have been included in the table for the YOY comparisons and the YTD figures. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012). Yancoal YTD financial performance does not include GCL profit and loss before the acquisition date.

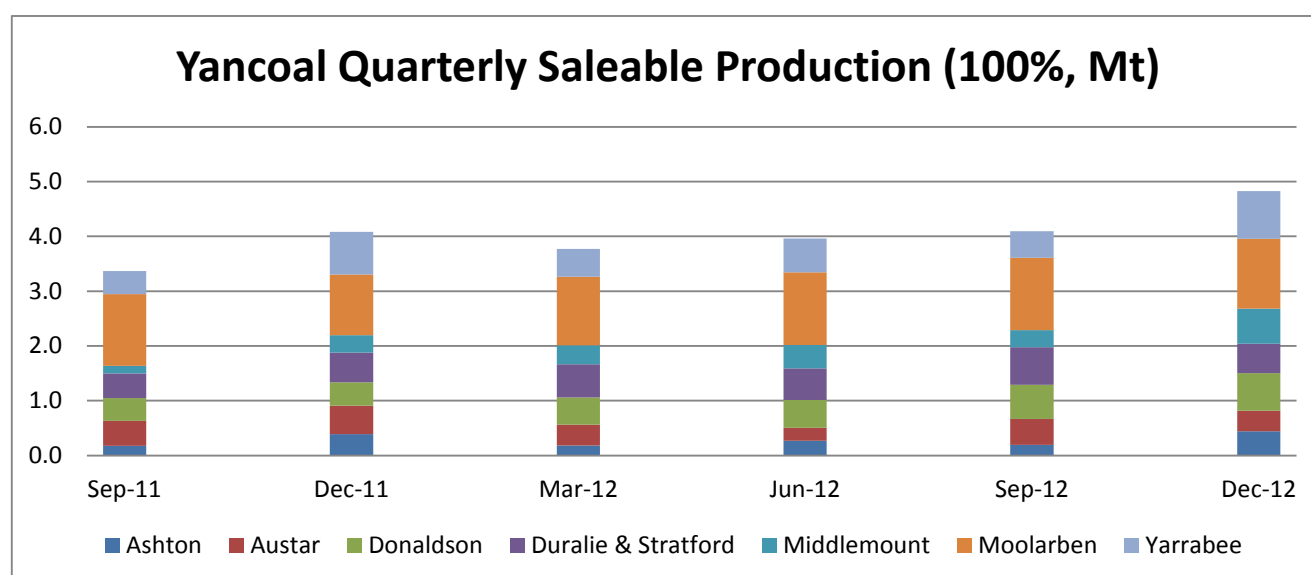
Sales from the Gloucester Coal Ltd assets have been included in the above table for completeness. Equity coal sales for the December quarter were 4,482kt, about 20% higher than the December 2011 quarter and 37% higher than in the weak September 2012 quarter.

After large falls during 2012, prices for thermal coal have stabilised in the recent months across all products. For metallurgical coals, the Chinese market has improved significantly. However the business environment for steel mills in Japan, Korea, Taiwan and India remains difficult with consequent weak demand for metallurgical coal from those regions. On the supply side, there is anecdotal evidence from customers that the recent period of low prices is causing a reduction in exports of metallurgical coal from the USA.

## PRODUCTION (100% Basis)

			Dec Qtr 2012	Dec Qtr 2011	Change	YTD Dec 2012	YTD Dec 2011	Change
<b>ASHTON</b>	Overburden Removal	kbcm	-	-	-	-	1,861	-100%
	ROM Coal Produced	000's t	975	756	29%	2,305	2,154	7%
	Saleable Coal Production	000's t	441	391	13%	1,080	1,205	-10%
<b>AUSTAR</b>	ROM Coal Produced	000's t	442	512	-14%	1,737	1,877	-7%
	Saleable Coal Production	000's t	378	521	-27%	1,467	1,644	-11%
<b>MOOLARBEN</b>	Overburden Removal	kbcm	3,776	3,487	8%	16,053	15,449	4%
	ROM Coal Produced	000's t	1,584	1,567	1%	7,168	7,007	2%
	Saleable Coal Production	000's t	1,278	1,109	15%	5,178	5,011	3%
<b>YARRABEE</b>	Overburden Removal	kbcm	11,593	11,206	3%	38,008	40,378	-6%
	ROM Coal Produced	000's t	1,261	1,292	-2%	3,197	3,144	2%
	Saleable Coal Production	000's t	867	780	11%	2,481	2,433	2%
<b>STRATFORD &amp; DURALIE</b>	Overburden Removal	kbcm	3,536	3,764	-6%	14,418	14,852	-3%
	ROM Coal Produced	000's t	799	908	-12%	3,665	3,047	20%
	Saleable Coal Production	000's t	540	541	0%	2,407	1,892	27%
<b>DONALDSON</b>	Overburden Removal	kbcm	291	707	-59%	2,345	1,548	52%
	ROM Coal Produced	000's t	1,053	712	48%	3,479	1,430	143%
	Saleable Coal Production	000's t	682	427	60%	2,314	842	175%
<b>MIDDLEMOUNT</b>	Overburden Removal	kbcm	8,925	5,775	55%	27,808	11,743	137%
	ROM Coal Produced	000's t	804	496	62%	2,234	674	231%
	Saleable Coal Production	000's t	639	313	104%	1,726	452	282%
<b>TOTAL</b>	ROM Coal Produced	000's t	6,919	6,244	11%	23,785	19,334	23%
	Saleable Coal Production	000's t	4,826	4,082	18%	16,653	13,478	24%
<b>TOTAL EQUITY SHARE</b>	ROM Coal Produced	000's t	6,102	5,608	9%	21,004	17,381	21%
	Saleable Coal Production	000's t	4,207	3,665	15%	14,647	12,129	21%

**Note:** Donaldson production in the above table and below chart is shown for the period of control by Gloucester Coal Ltd. Acquisition of Donaldson by Gloucester Coal Ltd was effective from 14 July 2011. For completeness Gloucester Coal Ltd production has been included in the table for the YOY comparisons and the YTD figures. The merger with Gloucester Coal Ltd was implemented on 6 July 2012 (legally effective on 27 June 2012). Yancoal YTD financial performance does not include Gloucester profit and loss before the acquisition date.



### **Ashton Mine (Yancoal 90%)**

The longwall retreated a total of 1,015 metres in the Upper Liddell seam during the quarter. Total ROM coal production from the longwall and development activities was 975kt for the period. Saleable coal production was 441kt. The yield averaged 44.1% from the Upper Liddell seam during the quarter and has been lower than expected as the seam contains a number of stone bands. In addition the longwall is mining some roof and floor rock as the seam has thinned in the current longwall panel.

The Bowmans Creek diversion was completed during the quarter with water now flowing through the reconstructed creek. A large number of trees (>16,000) planted along the banks of the diversion as part of the rehabilitation process are doing well due to ongoing irrigation of the diversion area. A review of the project was conducted following its completion to ensure all of the original design criteria were met. The longwall is scheduled to return to the Pikes Gully seam in about mid 2013 to complete mining the final panel in the seam after it completes the current panel in the Upper Liddell seam. Plans are for the longwall to return to the Upper Liddell seam to commence mining the second panel in that seam after mining is completed in the Pikes Gully seam.

The Planning Assessment Commission (PAC) granted approval of the South East Open Cut (SEOC) project in October 2012. On 15 November 2012 the Hunter Environment Lobby lodged a Merits Appeal against this approval in the NSW Land & Environment Court (see ASX Release 16 November 2012). Ashton Coal Operations Pty Limited will defend this appeal. The process is expected to take several months with a decision from the Court subject to the Court's timetable. In the interim a steering committee has been formed to undertake preparatory work associated with the SEOC project. This work will ensure that development of the project can be commenced as soon as all of the required approvals are in place. The timing for first coal from the project remains uncertain and dependent upon the outcome of the appeal and completing several subsidiary approvals which are required before mining can commence.

### **Austar Mine (Yancoal 100%)**

ROM coal production for the quarter was 442kt and saleable production was 378kt, lower than the third quarter as the longwall stopped mining for a short period in order to remove the rear face conveyor. The equipment, used for recovering caved coal, was removed from the longwall in November in preparation for moving the longwall to the Stage 3 area when it completes mining the current panel. This is a usual practice where the equipment is removed prior to the end of a panel.

The mine achieved a new record for gate road development during October when 1,352 metres were advanced in the month.

Development in the Stage 3 area remains behind schedule which may cause a short delay in the startup of the longwall in the first panel in the first half of 2013. As a result production from the mine in that period may be lower than usual. However, by moving to a seven day shift mining schedule it may be possible to make up the shortfall by the end of the year. The mine is about to introduce the "LEAN" process following the success of the process at the Abel Underground Mine at Donaldson. It is anticipated that underground development rates should improve over the 2013 as the process is fully integrated into the mine.

A ground magnetometer survey was conducted over a section of the Stage 3 area during November. The aim of the survey is to pinpoint the location of a dyke in the area so that appropriate steps can be taken when approaching the dyke in development and with the longwall when mining through the impacted panels.

The Kitchener Shaft was successfully holed from underground during the quarter. The project, when completed, will significantly improve the ventilation in the Stage 3 area of the mine, a critical element for the Austar Mine's long term future. Raise boring of the 1,500t underground bin which is also an important element of the new mining area commenced in December.

### **Moolarben Mine (Yancoal 80%)**

Operations at the mine performed strongly during the quarter with ROM production of 1,584kt and saleable production of 1,278kt for the period. Coal mining ceased in the middle of December as ROM output had reached approval levels for the year (7.17Mt ROM coal) and overburden mining ceased for a two week break over the Christmas period. The mine had minimal stock levels at the end of the year. Product yield has been much higher than budget for the quarter and year following improvements to the CHPP control limits for density, a better understanding of the coal quality in the resource and the ash/yield curve studies.

The safety performance of the Moolarben mine since it began production has been extremely positive. The mine recorded a TRIFR of 7.41 for 2012 which was lower than the NSW open cut coal industry average of TRIFR of 7.79 for FY 2011/12.

The NSW Department of Planning and Infrastructure (DP&I) is yet to finalise its assessment of the Stage 2 Project (comprising Open Cut 4, Underground 1 and Underground 2 mines). Once the Department has completed its assessment, the project will be referred to the PAC for approval. The timing for the final PAC approval remains uncertain. Work continues on the design phase of the project while the relevant approvals are being sought.

The Feasibility Study for the underground mine is advancing on schedule, with completion scheduled for late in the first half of 2013.

### **Yarrabee Mine (100%)**

Production of ROM and saleable product coal at the Yarrabee Mine was 1,261kt and 867kt respectively in the December quarter and 3.14Mt and 2.43Mt respectively for the full year. The CHPP achieved a weekly production record of 73kt of product during October. The mine finished the year with a very strong quarter and month with ROM production of 602kt and saleable production of 407kt in December. The surge in production combined with low railings and sales has led to a significant buildup of product stocks at the mine and loadout facility.

Railings of coal to the port were impacted by a significant number of train cancellations by the track operator due to heavy demand and track availability issues during the quarter. As a result coal transported to the port during the quarter was well below contracted volumes.

A new mining lease (ML80172) was granted in late October that will enable the development of a new production area called the YEN pit during 2013. This area will underpin the operation at the mine for several years.

Work on widening and sealing the Boonal Haul Road was completed in October and the new workshop facility was commissioned during the month. These two projects will enhance efficiencies at the mine for the future.

### **Stratford and Duralie Mines (100%)**

As previously indicated in the September quarter report the mines were closed for a three week period in December and early January 2013. The closure permitted a reduction in product stocks at the mine and a planned upgrade to the CHPP. Despite the shutdown, the mines performed strongly with ROM coal production of 799kt and saleable production of 540kt for the quarter. Coal stocks at the loadout facility were 171kt at the end of December, a significant reduction from the high level experienced earlier in the month.

The Environmental Impact Statement for the Stratford Extension Project (SEP) was lodged with the NSW DP&I in November 2012, and was placed on public exhibition from 7 November to 19 December 2012. The SEP will extend the mine life at Stratford by 11 years through the development of two new open cuts and the extension of an existing open cut. Staff from the mines conducted two community information meetings at Stratford to enable those members of the public to ask questions and become fully informed about the project. The company will be required to respond to all the submissions received from both the regulators and members of the public.

### **Donaldson Group (100%)**

The Donaldson Mines (Abel, Tasman and Donaldson open cut) finished the year by generating a production record as the benefits of the "LEAN" programme at the Abel Mine continued to deliver positive results. ROM coal output from the three operations reached 1,053kt in the quarter with the CHPP also achieving a quarterly record of 682kt of saleable product.

One key indicator that provides strong evidence of the improvement across the mines was a reduction in the rolling average TRIFR which fell below the NSW industry average during the quarter for the first time in the operation's history.

The application to extend the Tasman Mine is being progressed. The NSW DP&I is expected to finalise its assessment report in the first quarter of 2013, and is expected to determine the application under delegation shortly afterwards. A Mining Lease Application has been lodged. The grant of this mining lease will be subject to the finalisation of Native Title negotiations currently under way.

An application to modify the mining methods at Abel Mine from bord and pillar to shortwall and longwall mining has been finalized and lodged with the NSW DP&I in December 2012 for initial review. It is expected that this application will be placed on public exhibition for comment during February 2013.



### **Middlemount Mine (Yancoal~50%)**

While the mine continued to perform below budgeted expectations, ROM coal output increased and reached 804kt with saleable production of 639kt during the quarter. Much of the improvement was due to the substantial geotechnical remediation undertaken in the last half of the year. There have been some issues with one of the product screens in the CHPP and Sedgman, the plant designer, builder and operator, is working on overcoming the problems. As a result this has led to a delay in the performance testing of the 700tph feed rate to the plant until late January.

Coal sales are increasing with a number of sales of both Coking and PCI coal into the spot market. We expect term sales into the traditional markets during the JFY settlement period as we continue conducting trials for both products.

### **ENVIRONMENTAL ISSUES**

There were no material environmental incidents or non-compliance issues recorded at the mines during the quarter.

### **EXPLORATION**

Exploration activity was conducted at a number on the mines during the quarter. Total expenditure on exploration across the group for the period was \$2.9 million.

## CORPORATE INFORMATION

### Shareholder Enquires

Computershare Investor Services Pty Limited  
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Website: [www.computershare.com.au](http://www.computershare.com.au)

### Directors

Weimin Li	Chairman
Cunliang Lai	Co-Vice Chairman
James MacKenzie	Co-Vice Chairman
Yuxiang Wu	Director
Baocai Zhang	Director
Xinghua Ni	Director
Boyun Xu	Director
William Randall	Director
Vincent O'Rourke	Director
Geoff Raby	Director
Gregory Fletcher	Director

### CEO

Murray Bailey

### Company Secretary

Laura Ling Zhang

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### Contact

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## Substantial Shareholders as at 31 December 2012

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

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

Number of CVR shares on issue: 87,645,184