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ASX Release:

Half Year Results 2017

Highlights:

- Entered into an amended binding agreement to acquire 100% of the shares in Coal & Allied Industries Limited (“Coal & Allied”) from wholly-owned subsidiaries of Rio Tinto for US\$2.69 billion¹.
- Total Run of Mine coal (“ROM”) of 13.8 million tonnes (“Mt”) (Yancoal-controlled 11.8Mt, Watagan-controlled 2.0Mt) (100% ownership basis).
- Total saleable coal production of 10.7Mt (Yancoal-controlled 9.4Mt, Watagan-controlled 1.3Mt) (100% ownership basis).
- Excellent mining conditions drove sustained production gains at the Moolarben complex.
- Adjustments to the Stratford Duralie open cut mine plan resulted in improved extraction rates.
- Price improvements sustained across global thermal coal markets for the majority of the reporting period.

Yancoal Australia Ltd’s (“Yancoal”) loss after income tax for the half-year ended 30 June 2017 amounted to \$13.9 million, an improvement of \$166.6 million on the year prior (30 June 2016: \$180.5 million).

Operating EBIT was a profit of \$198.3 million, representing a period of significant turnaround for the business, up \$299.8 million on the loss of \$101.5 million for the same reporting period in 2016.

Increased global market demand for quality thermal coals drove price improvements throughout the reporting period, buoyed by the impacts of the Queensland cyclone event at the beginning of the year.

Overall production for the half year reporting period was in accordance with operational expectations, with the tier one Moolarben coal complex maximising excellent mining conditions to sustain high extraction and processing rates throughout. The Moolarben longwall is scheduled to commence in October.

Yancoal Chief Executive Officer Reinhold Schmidt said, “Led by our proposed transformative acquisition of Coal & Allied and the progression of the Moolarben Stage Two underground on time and on budget, we have continued to drive our long term strategy for growth throughout the reporting period.

¹ comprising US\$2.45 billion cash payable on completion, plus US\$240 million in future non-contingent royalty payments. Price excludes a coal price linked contingent royalty and purchase price adjustments.

“As we work towards completing the acquisition, we remain focused on driving production gains and lowering costs across all existing operations.

“We have adapted the mine plans of Stratford Duralie and Yarrabee to successfully improve extraction rates during the first half of the year and maintained the operational flexibility required to respond quickly and efficiently to global market changes.

“While initial price improvements were short lived during the first half of the year, with gains mostly attributable to the impact of the Queensland cyclone event, metallurgical coal prices have subsequently appreciated in recent months in response to strong steel demand from China.

“Yancoal remains well-positioned to maximise increasing thermal and metallurgical coal demand opportunities and price gains in the year ahead.

“Moving forward, we remain committed to completing the strategic acquisition of Coal & Allied and strengthening our balance sheet to create greater shareholder value.

“The acquisition of Coal & Allied is expected to establish Yancoal as the largest pure play coal producer within Australia and demonstrates the long term commitment of our Board and major shareholders to investing into the local resources sector.”

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