

# Yancoal Australia Ltd General Meeting

## Chief Executive Officer Presentation

15 December 2017



# Yancoal Group post acquisition

## Operate Six Sites

- ✓ Mt Thorley
- ✓ Warkworth
- ✓ Hunter Valley Operations
- ✓ Moolarben
- ✓ Stratford Duralie
- ✓ Yarrabee

## Manage Five Sites

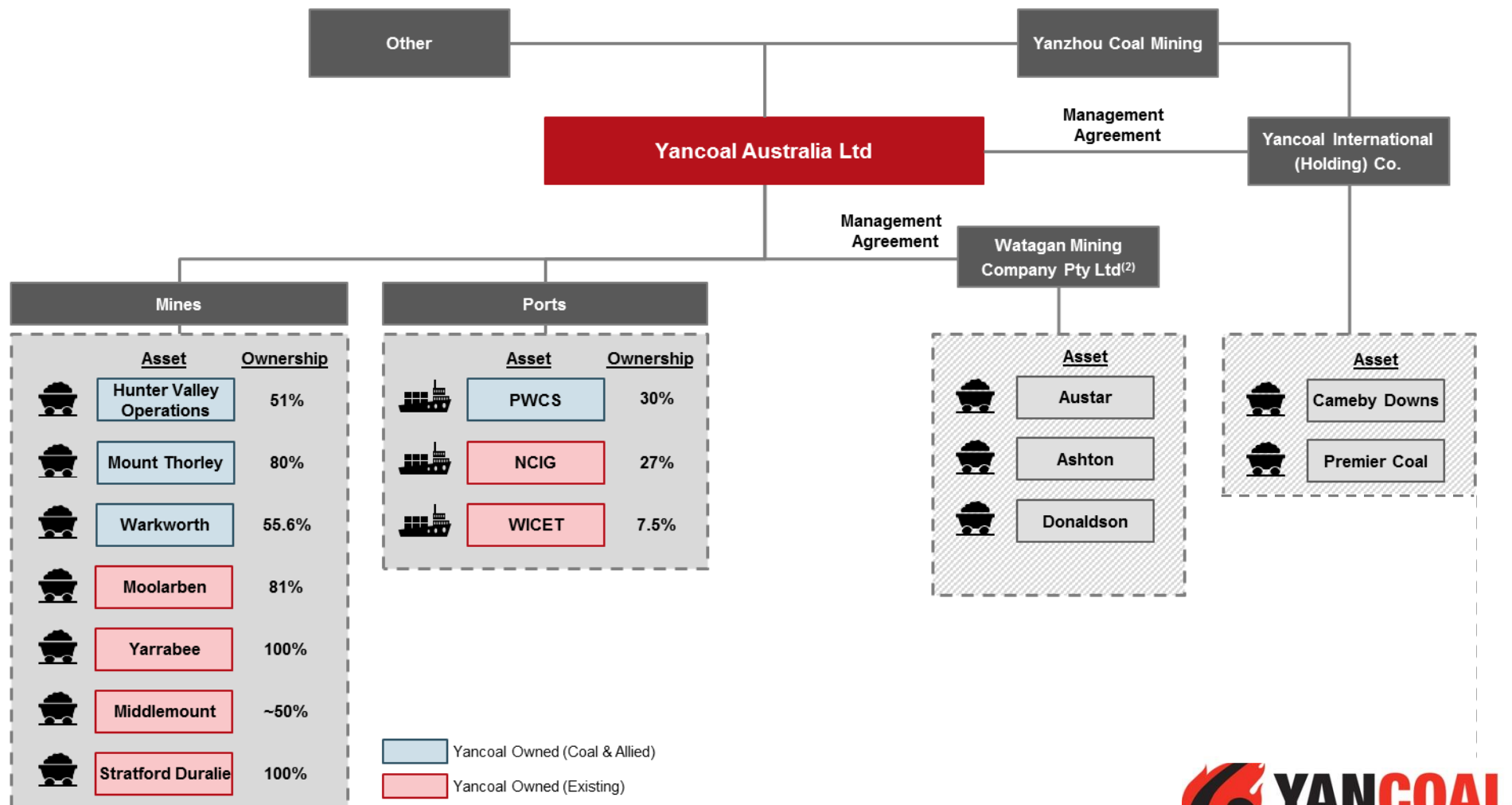
- ✓ Watagan - Austar, Ashton, Donaldson
- ✓ Yanzhou - Cameby Downs, Premier

## Middlemount Joint Venture

- ✓ ~50% share in Middlemount Joint Venture

# Yancoal Australia Structure

## Yancoal Pro Forma Organisational Structure<sup>(1)</sup>



**Notes:**

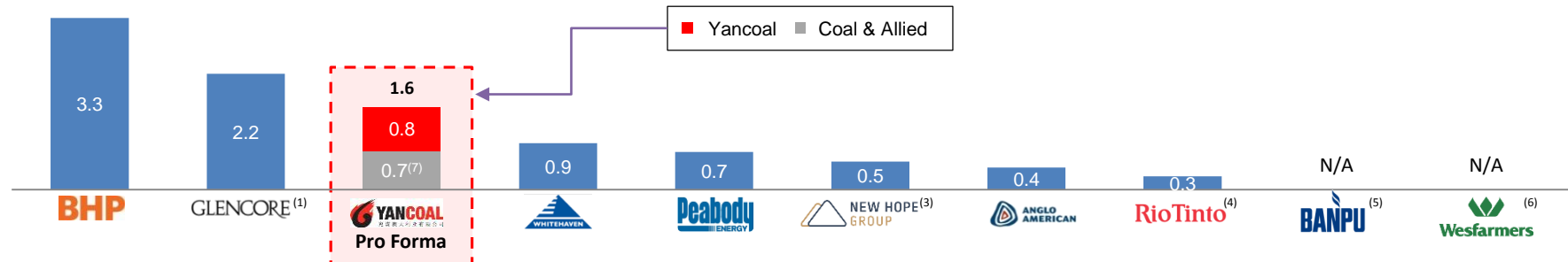
- 1 Ownership on a pro forma basis for the Coal & Allied Acquisition and Glencore Transaction
- 2 Watagan is owned but not controlled by Yancoal Australia

# Largest pure-play coal producer

## Top 3 by reserves and production

### Marketable Coal Reserves

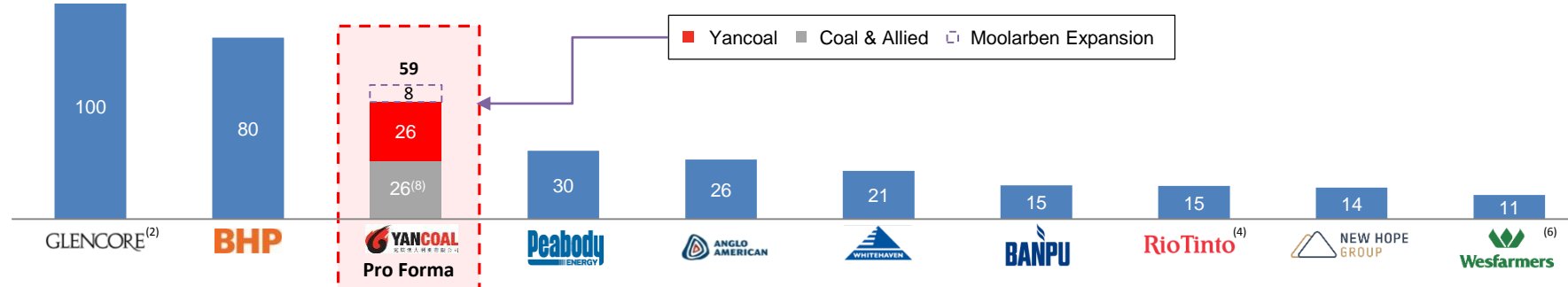
(100% basis, Bt)



Source: Wood Mackenzie – Dataset: May 2017, company filings

### CY16A Saleable Production<sup>1</sup> 2016

(100% basis, Mt)



Source: Wood Mackenzie – Dataset: May 2017, company filings

**Notes:**

- 1 Sum of Glencore’s existing (1.9Bt) and 49% of HVO (0.3Bt)
- 2 Sum of Glencore’s existing (93Mt) and 49% of HVO (7Mt)
- 3 Bengalla based on Rio Tinto’s 2015 Annual Report (last publicly disclosed)
- 4 Excludes HVO and MTW
- 5 Do not report Marketable Coal Reserves

6 Excludes non-controlling interest in Bengalla

7 Sum of Yancoal majority owned assets, i.e. Moolarben, Yarrabee and Stratford Duralie (291Mt); Middlemount (55Mt); Watagan, i.e. Austar, Ashton and Donaldson (128Mt); Cameby Downs (205Mt); and Premier (61Mt)

8 Sum of Yancoal majority owned assets, i.e. Moolarben, Yarrabee and Stratford Duralie (13.5Mt); Middlemount (4.1Mt); Watagan, i.e. Austar, Ashton and Donaldson (2.4Mt); Cameby Downs (1.8Mtpa); and Premier (4.2Mtpa)



# Year Ahead

- ✓ Improved market conditions
- ✓ Maximise sustained positive coal prices
- ✓ Increased production outlook: 20.0 – 23.0 million tonnes equity\*
- ✓ Ramp up of Moolarben underground
- ✓ C&A integration going well
- ✓ Glencore HVO joint venture expected to complete first quarter
- ✓ MDP MTW transaction to be completed in the first quarter
- ✓ Considering debt repayment and potential dividend arrangements

\* Includes Middlemount and Watagan assets (equity share)



# Disclaimer

## Summary of information

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This Presentation may contain, in addition to historical information, certain "forward-looking statements". Often, but not always, forward-looking statements can be identified by the use of words such as "anticipate", "believe", "expect", "scheduled", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Indications of, and guidance on, future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of Yancoal to differ materially from any future results, performance or achievements expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are outside the ability of Yancoal to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. Yancoal cannot give any assurance that such forward-looking statements will prove to have been correct. Investors are cautioned not to place undue reliance on projections or forward-looking statements which speak only as of the date of this Presentation, and none of Yancoal, any of its officers or any person named in this Presentation or involved in the preparation of this Presentation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statements or any event or results expressed or implied in any forward looking statement

## Financial data and rounding

All dollar values are in Australian dollars (A\$) and financial data is presented within the half year ended 30 June unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

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### SLIDE 2 – Yancoal Group post acquisition

Good Morning,

This has been a year of considerable growth and opportunity for the Yancoal Group and I would like to thank our shareholders, Board and management for their consistent support.

The strengthening of Yancoal would not have been possible without the ongoing investment of Yankuang and Yanzhou, who have shared our vision for doubling the size of our business.

Post-acquisition, the Yancoal Group is now Australia's largest pure-play coal provider, and operates six sites, manages a further six on behalf of Watagan Mining and Yanzhou Coal, and holds a near 50% share in the Middlemount joint venture.

I should advise that we will not be providing an insight into the full year financial results at this time.

What I can say is that we continue to be encouraged by the sustained improvement in global coal prices, new market opportunities and increased production rates resulting from the C&A acquisition, and will provide a thorough overview of the full year's results in February, in accordance with the standard reporting period.

### SLIDE 3 – Yancoal Australia structure

The following slide provides an outline of the structure of the new Yancoal Group, including the management responsibilities for the Yanzhou and Watagan assets under the Yancoal umbrella.

Provided on a pro forma basis, this structure demonstrates Yancoal's increasing product diversity and offering of high quality thermal coal from its Hunter Valley operations. Most specifically, the new assets of Mt Thorley, Warkworth and the Hunter Valley Operations Joint Venture.

#### **SLIDE 4 – Largest pure-play coal provider**

As forecast in the entitlement offer booklet, the successful C&A transaction has significantly increased Yancoal's reserve and saleable production output expectations to establish Yancoal as a leading operator within the Australian resources sector.

We are now Australia's largest pure-play coal provider and remain well-positioned to improve our bottom line and drive future profitability, while reducing operating costs and our existing levels of debt.

#### **SLIDE 5 – Year ahead**

In recent months we have seen significant price improvements across global metallurgical coal markets, with coking coal prices moving to a current high of US\$236 a tonne.

Strong prices are forecast to continue into the new year, with coking coal's sustained price performance mostly attributable to improved demand in China and across Asian markets, including in India and Japan.

Thermal prices also remain significantly improved on the year prior and we are very well placed to meet increasing demand for high quality thermal, sourcing product from the Moolarben complex, combined Mt Thorley Warkworth assets and the Hunter Valley Operations joint venture.

Following the C&A acquisition, we have revised our 2017 guidance for saleable production to a new estimate of 20.0 million - 23.0 million tonnes equity share.

In the year ahead we look forward to the ramp up of the Moolarben underground mine, which has been developed on time and on budget, with first production coal having commenced in October, and the continued progression of the MTW and HVO assets and associated major projects.

The integration of Yancoal's people, systems and processes across the MTW and HVO sites is going very well and continues to be progressed on schedule.

We expect to complete both the Glencore joint venture arrangement and Mitsubishi MTW transaction in the first quarter of 2018, as scheduled, although I should note the Glencore JV remains subject to various approvals.

While we remain focused on reducing our debt, any announcements related to specific proposed debt reduction actions will be made closer to the time of the full year results in 2018.

We are also currently not in a position to provide an insight in to the potential for a dividend, except to state that we are considering all options in the best interests of our shareholders and the business.

The operating landscape for Yancoal Australia appears very robust and I look forward to sharing further details with you regarding the broader strategic goals for the business early in the new year.

**END**



**For media enquiries, contact:**

James Rickards

General Manager Investor Relations and Corporate Affairs

Ph: +61 2 8583 5300

Mobile: +61 419 731 371

Email: [James.Rickards@yancoal.com.au](mailto:James.Rickards@yancoal.com.au)