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ASX Release:

Full Year Financial Results 2017

Highlights:

- Yancoal Australia Ltd's ("Yancoal") transformational acquisition of 100% of Coal & Allied Industries Limited ("Coal & Allied") from Rio Tinto Limited (the "Coal & Allied Acquisition") for US$2.69 billion[1] in value drove immediate production and financial gains.
- Profit before tax of $311 million for the year ended 31 December 2017, up $624 million on the year prior.
- Total Operating EBITDA of $988 million before tax, up $817 million on the year prior, including a four-month equity contribution from Coal & Allied ($286 million before tax), following completion of the acquisition 1 September 2017.
- Reduced gearing ratio to 47.3% (31 December 2016: 77.9%)
- Achieved total saleable coal production of 31.45Mt (23.44Mt equity basis[2]) for the year (31 December 2016: 15.99Mt equity share).
- Achieved total Run of Mine ("ROM") coal production of 41.12Mt (30.55Mt equity share[2]) for the year (31 December 2016: 21.2Mt equity share).
- Conducted a pro-rata renounceable entitlement offer ("Entitlement Offer") of 23,464,929,520 fully paid ordinary shares to raise US$2.35 billion, and an associated placement of 1,500,000,000 fully paid ordinary shares to raise a further US$150 million to support the funding of the Coal & Allied Acquisition.
- Entered into a binding agreement to establish a 51:49 unincorporated joint venture with Glencore Coal Pty Ltd ("Glencore") in relation to Hunter Valley Operations ("HVO JV") following completion of the Coal & Allied Acquisition.[3]
- Commenced longwall production at the new Moolarben Stage Two underground mine (first longwall coal in November 2017) on time and below budget.

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[1] Comprising US$2.45 billion cash payable on completion, US$240 million in future non-contingent royalty payments over five years following completion and a coal price linked contingent royalty.

[2] Includes only 51% interest in Hunter Valley Operations (HVO) on the basis that Glencore will be entitled to a 49% interest in HVO with economic effect from 1 September 2017 on implementation of the HVO JV. The HVO JV remains subject to Glencore achieving all required approvals.

[3] Glencore to pay cash consideration of US$1,139 million for 49% of HVO, of which US$710 million will be paid to Mitsubishi Development Pty Ltd ("MDP") and US$429 million paid to Yancoal, plus a 27.9% share of US$240 million of non-contingent royalties and 49% of HVO contingent royalties payable by Yancoal in respect of the Coal & Allied Acquisition. The HVO JV remains subject to Glencore achieving all required approvals.

- Maximised sales opportunities for MTW and HVO semi-soft coal product sales into new markets, including India and Europe.
- Integrated Yancoal systems and processes across the MTW and HVO assets.

Commentary:

Yancoal Chairman Xiyong Li said, "The strategic equity-funded acquisition of Coal & Allied has driven Yancoal's significant financial turnaround and confirmed our position as an industry leader within the Australian resources sector.

"The strength of this acquisition has re-capitalised our business, improved cashflow, brought new investment into our shareholder base and significantly reduced gearing.

"We remain committed to investing into the local resources sector and making a valuable contribution to the communities in which we operate."

Yancoal Chief Executive Officer Reinhold Schmidt said, "Having effectively doubled the scale of our production at a time of increasing global coal prices, we have maximised yields and blending opportunities to benefit from the sale of new premium thermal and semi-soft coking coal products.

"As we enter the next stage of our long-term strategy for continued growth, we remain well-positioned to improve our bottom line, reduce operational costs and confidently move towards returning value to our shareholders."

Overview:

Profit Results for 2017 and 2016 with accounting reconciliations	Year ended December 2017			Year ended December 2016		
	Before Tax $'m	Tax $'m	After Tax $'m	Before Tax $'m	Tax $'m	After Tax $'m
Revenue from continuing operations	2,601			1,238		
Operating EBITDA	988			171		
Operating EBIT	732			38		
Profit before non operating items	**445**	**(125)**	**320**	**(171)**	**79**	**(92)**
Bank fees and other charges	(109)	33	(76)	(113)		(113)
Interest income	114	(34)	80	125	(38)	88
Gain on acquisition of subsidiaries	177	-	177	-	-	-
Impairment reversal of mining tenements	100	(30)	70	-	-	-
Fair value losses recycled from hedge reserve	(229)	69	(160)	(133)	40	(93)
Remeasurement of royalty receivable	8	(2)	6	(6)	2	(4)
Transaction costs	(33)	10	(23)	(3)	1	(2)
Stamp duty expensed	(167)	-	(167)	(12)	-	(12)
Other	5	(2)	4	-	-	-
Profit / (loss)	**311**	**(82)**	**229**	**(313)**	**84**	**(229)**

Transaction costs relate to Yancoal's binding agreement to acquire 100% of the shares in Coal & Allied Industries Limited from wholly-owned subsidiaries of Rio Tinto Limited, as announced 24 January 2017.
Stamp duty includes amounts payable on the Coal & Allied Acquisition.

Increased production at a time of industry-high benchmark prices for semi-soft coking and thermal coals led Yancoal's recovery to announce a profit before tax of $311 million from revenue before tax of $2.6 billion for the full year ended 31 December 2017.

Yancoal achieved a total operating EBITDA of $988 million before tax, including four months of equity contributions from the acquired assets MTW ($133 million before tax) and HVO ($146 million before tax).

Cost reduction strategies continued to be supported at all operations, with the Moolarben Stage Two underground mine commencing longwall production in November 2017, on time and below budget, driving the expansion of low-cost production.

Yancoal maximised sales volumes and new blending opportunities across assets, benefitting from four months of attributable production from the acquired Coal & Allied assets, post-completion on 1 September 2017.

Outlook:

Recent increases in metallurgical coal prices are expected to hold, allowing for ongoing price strength, as high demand for hard coking coal across China, India, Europe and South America remains. The global market is benefiting from high steel prices in 2017 and sustained construction rates in China, despite the introduction of environmental restrictions in the winter months.

In contrast, thermal coal markets face potential price volatility in the year ahead, as increased market competition from the entrance of South African and Colombian coals into the seaborne market, aiming to benefit from recent higher thermal prices, will place further pressure on Australian coal sale opportunities.

China's import of low grade thermal coal is expected to remain relatively strong and consistent with 2017 levels, while solid market growth opportunities exist within South East Asia and the Subcontinent.

Yancoal remains focused on end-users in the prime target markets of China, Korea and Japan, while maximising new sale opportunities generated via the acquisition of the MTW and HVO mines, including the marketing of semi-soft coal products into India and Europe and premium thermal coals across Asian markets.

Yancoal continues to consider the timing of future dividend payments to its shareholders.

Guidance:

2018 guidance for saleable production is 35 – 37 million tonnes (equity share[4]).

Expected 2018 capital expenditure is around $247 million (equity share[4]).

End

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[4] Includes Watagan (100%), Middlemount (49.9997%), Yarrabee (100%), Stratford Duralie (100%), Moolarben (81%), MTW (82.9% from 1 March 2018), and HVO (51% on the basis that Glencore will be entitled to a 49% interest in HVO with economic effect from 1 September 2017 on implementation of the HVO JV). The HVO JV remains subject to Glencore achieving all required approvals.

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