

30 May 2018

# ASX Release:

## Annual General Meeting - Chairman's Speech

Dear shareholder representatives, distinguished guests, ladies and gentlemen,

Good morning.

On behalf of the Board of Directors of Yancoal Australia, I would like to extend a warm welcome to all the shareholders who attended today's Annual General Meeting.

We would also like to express our sincere gratitude to all sectors of the community that have given Yancoal Australia their attention and help.

2017 was a year of successful transformation for Yancoal.

It was also the moment we changed the operating landscape of the Australian coal sector.

With the strong support of the shareholders, Yancoal Australia has made great efforts to overcome difficulties, unite and cooperate, and forge ahead with strength.

It has successfully completed the placement and issuance of new shares, and has successfully acquired the Coal & Allied assets.

Yancoal Australia's scale of operations and number of employees have doubled, becoming Australia's largest independent coal producer, and further strengthening our position as a leader in the global coal market.

In 2017, Yancoal produced approximately 23.4 million tonnes of saleable (equity basis) thermal and metallurgical coal, achieving a total operating EBIT of \$732 million before tax, up \$693 million on the year prior, and a profit after tax of \$229 million from revenue of \$2.6 billion.

Benefiting from the profit and synergies generated by the acquired Coal & Allied assets, Yancoal Australia achieved profitability for the first time since its listing, and its coal production, sales, operating income, and total assets all hit record highs.

In particular, during the bidding process of Project Monkey King, we flexibly adjusted the pricing discipline to ensure not only the cash consideration of US\$2.45 billion payable on completion in the best interests of all parties, but also the lock-in of non-contingent royalties of US\$240 million over five years, ultimately achieving mutual benefits.

This transaction increases our options for future brownfield expansions and provides the flexibility to consider further potential acquisitions.

The Hunter Valley Operations joint venture with Glencore Coal signals a new future of co-operation between two of Australia's largest miners and employers, with both parties working together to maximise synergies.

As one of the key priorities of the transaction, the integration of the new coal assets of Coal & Allied has progressed smoothly. The core values and management concepts of Yancoal Australia have been well-received, and laid a solid foundation for us to determine the direction of our efforts and achieve our goals.

In addition, our early project investment into the Moolarben Complex during the market downturn, appropriately prepared our business to respond swiftly and with surety to the recent price recovery, and further improved the profitability of Yancoal's flagship assets.

Our 2018 guidance for saleable production is now 35 – 37 million tonnes (equity share) and the forecast for 2018 capital expenditure is approximately \$247 million (equity share).

Our three Tier One assets of Moolarben, Mount Thorley Warkworth and the HVO joint venture, are Australia's three most efficient, low-cost and long-life assets, providing sustainable coal products to global customers.

As the Company's pricing power in the metallurgical coal and thermal coal markets has increased, we now have the competitive advantage and confidence to further increase our profitability.

Safety remains our number one priority.

We will provide a safe workplace for more than 5,500 employees and effectively protect our people.

In addition, the continuously improved financial position and cash flow scale allows us to make debt and loan arrangements more conducive to Company developments in the future.

We are also considering several options to help improve the liquidity of our stock, in the interests of existing shareholders and to support future investment.

We are moving ahead rapidly and with experience, approaching each new opportunity with the wisdom obtained from the past few years overcoming significant market and operational challenges.

I would like to thank our shareholders for their assistance and support, and to thank our joint venture partners, management and operational teams for their contribution to Yancoal's success and future.

Yancoal Australia will seize opportunities for development, strive to create new achievements with further development, and provide more returns for our shareholders.

Thank you.

**Xiyong Li**

**Chairman of the Board**

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