

15 August 2018

ASX Release:

Half Year Results 2018

Highlights:

- Yancoal Australia Ltd (“Yancoal”) (ASX: YAL) profit before tax of \$539 million for the half year ended 30 June 2018, up \$557 million on the corresponding period in 2017.
- Total Operating EBITDA of \$980 million, up \$703 million on the corresponding period in 2017.
- Maiden interim dividend totaling \$130 million (unfranked).
- Total Run of Mine coal (“ROM”) of 32.88 million tonnes (“Mt”) (Yancoal-controlled¹ 31.55Mt, Watagan-controlled² 1.33Mt) (1HFY2017: 13.81Mt) (100% basis).
- Total Saleable coal of 25.39Mt (Yancoal-controlled¹ 24.61Mt, Watagan-controlled 0.79Mt) (1HFY 2017: 10.74Mt) (100% basis).
- Improved financial performance driven by sustained high production rates at the tier-one Moolarben, Hunter Valley Operations and Mount Thorley Warkworth joint venture operations.
- Reduced existing debt liabilities via the pre-payment of US\$500 million in senior debt (total US\$650 million pre-paid since completion of Yancoal’s acquisition of Coal & Allied from Rio Tinto on 1 September 2017).
- Completed the establishment of the 51:49 unincorporated joint venture with Glencore Coal Pty Ltd (“Glencore”) in relation to Hunter Valley Operations.
- Completed the purchase of Mitsubishi Development Pty Ltd’s (“MDP”) 28.898% interest in the Warkworth joint venture.
- Confidential application to the Stock Exchange of Hong Kong (“HKEX”) for approval of the listing of, and permission to deal in, on the Main Board of the HKEX, the fully paid ordinary shares in Yancoal (the “Shares”) in issue and the new Shares proposed to be issued under a proposed capital raising.

¹ Includes joint-controlled operations Hunter Valley Operations and Middlemount. HVO is operated as a 51:49 unincorporated joint venture with Glencore (the “HVO JV”). The HVO JV is jointly controlled by Yancoal and Glencore through a joint venture management committee and is operated by a manager, HV Operations Pty Ltd (“HV Ops”), which is appointed by Yancoal and Glencore and which reports to the joint venture management committee. Middlemount is operated by an incorporated joint venture between Peabody Energy and the Company, with the Company having a near-50% interest in the joint venture.

² Watagan Mining Company Pty Ltd is a wholly-owned subsidiary of Yancoal Australia Ltd, controlled by a consortium of financiers consisting of Industrial Bank Co. Ltd, BOCI Financial Products Limited and United NSW Energy Limited.

Overview:

Continued global market price improvements and demand for high quality semi-soft coking and thermal coals led Yancoal's significant earnings improvement, achieving a profit before tax for the half-year ended 30 June 2018 of \$539 million, up \$557 million on the year prior (30 June 2017: loss of \$18 million).

Operating EBITDA was \$980 million, representing Yancoal's continued significant financial turnaround post-acquisition, up \$703 million on the same reporting period in 2017 (30 June 2017: \$277 million).

Operating EBITDA for the period included contributions from Hunter Valley Operations (Yancoal 51% ownership) and Mount Thorley Warkworth (Yancoal 82.9%³ ownership) totalling \$651 million (2017: nil).

Consistently strong extraction and delivery rates at the tier-one Moolarben, Hunter Valley Operations and Mount Thorley Warkworth operations drove production gains, more than doubling Yancoal's saleable coal output of the year prior.

Total equity share ROM coal produced was 23.29Mt (Yancoal-controlled 21.95Mt, Watagan-controlled 1.33Mt) (1HFY2017: 11.14Mt).

Total equity share saleable coal produced was 18.13Mt (Yancoal-controlled 17.35Mt, Watagan-controlled 0.79Mt) (1HFY2017: 8.71Mt).

Results for 2018 and 2017	Period ended 30-Jun-18 \$'m	Period ended 30-Jun-17 \$'m	Year ended 31-Dec-17 \$'m
Revenue from continuing operations	2,347	832	2,601
Operating EBITDA	980	277	988
Operating EBIT	736	197	732
Finance costs	(152)	(105)	(287)
Bank fees and other charges	(62)	(49)	(109)
Interest income	58	57	114
Gain on disposal	78	-	-
Gain on acquisition	-	-	177
Impairment reversal of mining tenements	-	-	100
Fair value losses recycled from hedge reserve	(45)	(101)	(229)
Remeasurement of royalty	2	2	8
Remeasurement of financial asset	(29)	-	-
Impairment of financial assets	(21)	-	-
Transaction costs	(10)	(21)	(33)
Stamp duty expensed	(16)	(3)	(167)
Other	-	5	5
Profit / (loss) before tax	539	(18)	311
Tax (expense) / benefit	(178)	4	(82)
Profit / (loss) after tax	361	(14)	229

³ Yancoal 82.9% ownership, consisting of Mount Thorley (Yancoal 80% ownership) and Warkworth (Yancoal 84.5% ownership).

Commentary:

Yancoal Chairman Baocai Zhang, said, “The 2017 acquisition of Coal & Allied continues to prove Yancoal’s strategic foresight in negotiating a commercially astute deal capable of strengthening our scale of operations, in preparation for the global coal market’s eventual return.

“Yancoal’s financial turnaround is directly attributable to the performance of our tier-one assets and the ability of our management team to streamline and improve established operations.

“As we build upon our success, we will continue to pursue a robust agenda of development and brownfield exploration. Following preliminary studies, we have commissioned further drilling and technical assessments to consider the feasibility of a potential underground opportunity at Mount Thorley Warkworth.

“In the year ahead, Yancoal remains committed to working towards paying down debt and sustaining its market growth in the interests of all shareholders.”

Yancoal Chief Executive Officer Reinhold Schmidt said, “As we continue to maximise new opportunities at a time of global coal market price improvements, the sustained strength of our tier-one assets has delivered Yancoal’s strong production and financial results.

“The addition of a full six months of attributable production from the new Moolarben underground has also positively contributed to the Company’s ability to meet increasing demand for high quality low-cost coal in our key markets of Korea, Japan and China.

“By successfully restructuring our operations to implement new fleet efficiencies and revise existing mine plans in the year prior, we are now benefitting from improved extraction and delivery rates across our open cut operations.”

Dividend:

Chairman Baocai Zhang said, “The Board is pleased to announce its maiden interim dividend totaling \$130 million in recognition of the ongoing support of Yancoal’s shareholders and future confidence in the business and its cashflows.”

The unfranked Yancoal dividend of \$130 million, with a record date of 7 September 2018, represents 36% of profit after tax consistent with the 25-40% range detailed in the Company’s Constitution. The interim dividend will be paid on 21 September 2018.

END**Media and investor briefing call:**

Chief Executive Officer Reinhold Schmidt will host a briefing call to provide an overview of the Half Year Financial Results at **09:30 am Sydney time, Thursday 16 August 2018.**

Please note, questions will not be taken during the call.

Conference call ID: 1678259

Participant Dial-in numbers:

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Indonesia, PT Indosat access	0018030204845
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Ireland	1800551316
Korea (South), Domestic	0808520293
Malaysia	1800816804
New Zealand	0800446046
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