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Yancoal Australia Ltd
ACN 111 859 119
兗煤澳大利亞有限公司*

(Incorporated in Victoria, Australia with limited liability)
(stock code: 3668)

VOLUNTARY ANNOUNCEMENT QUARTERLY PRODUCTION REPORT

Yancoal Australia Ltd (“**Yancoal**” or the “**Company**”), together with its consolidated subsidiaries and the Company’s interests in associates, joint ventures and joint operations, the “**Yancoal Group**” or the “**Group**”) releases its quarterly production report for the fourth quarter of 2018.

Highlights

- Record 2018 total of 50 million tonnes saleable coal production, up 59% on the year prior (32.9 million tonnes attributable share, up 78% on the year prior). Includes 41.9 million tonnes (84%) from the Company’s three tier-one assets Moolarben, Mount Thorley Warkworth and the Hunter Valley Operations joint venture.
- Quarterly saleable coal production of 12.4 million tonnes. Includes 10.5 million tonnes (85%) from the Company’s three tier-one assets.
- Quarterly sales volumes (attributable share) of 10.1 million tonnes, up 4% on the year prior.
- Thermal coal sales volumes (attributable share) of 7.4 million tonnes.
- Metallurgical coal sales volumes (attributable share) of 2.7 million tonnes.
- Record annual production for the Moolarben Coal Complex.
- Continued rollout of Critical Controls safety initiative across all operations.

* For identification purposes only

CHIEF EXECUTIVE OFFICER COMMENTARY

Yancoal Chief Executive Officer, Reinhold Schmidt, said, “Consistently strong production at each of our tier-one operations has again driven an exceptional end of year result for the Yancoal Group.

“We have achieved new milestones and set annual production and railing records at the Moolarben complex, maximising production from the underground and open cut mines to achieve ambitious targets and meet increasing customer demand for higher quality thermal coal.

“We have also benefitted from a full quarter’s impact of new fleet maintenance practices at Mount Thorley Warkworth, successfully reducing truck down-times and interruptions to extraction and haulage rates, while simultaneously delivering significant operational cost savings.

“Similar maintenance reviews are ongoing across Yancoal’s other open cut mines, including the tier-one joint venture Hunter Valley Operations mine, as the business continues to establish new operating protocols and efficiencies to drive further production gains.

“In the year ahead, Yancoal will continue to ramp up exploratory works across its tier-one assets, to evaluate new opportunities to meet strong thermal and metallurgical coal customer demand.

“Importantly, we are making positive progress regarding the potential development of a proposed 6 million tonnes per annum underground mine at Mount Thorley Warkworth, with exploration drilling for the prefeasibility on the target seams completed at the end of 2018.

“Our continued operational high performance builds on Yancoal’s game-changing achievements of 2018, including our recent dual-listing on the Hong Kong Stock Exchange and associated Hong Kong Public Offering, Over-allotment Option and Australian Entitlement Offer, the prepayment of US\$900 million in debt so far, and the payment of the Company’s first dividend to shareholders.”

GUIDANCE

2019 guidance for saleable coal production is approximately 35 million tonnes (attributable¹).

SAFETY

Yancoal is committed to operating safely and transparently, employing approximately 4,000 people plus contractors and service providers from local and regional Australia.

Yancoal continues to implement its Critical Controls safety training initiative across all operations, identifying key hazards within the workplace and instituting effective management and response practices for all people on site.

Yancoal Total Recordable Injury Frequency Rate² (“**TRIFR**”) for the reporting period was 8.56, up slightly from 7.22 in the previous reporting period.

¹ Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).

² Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate. Excludes Middlemount (operated by Peabody Energy), Hunter Valley Operations (operated by Glencore Coal) and Watagan (TRIFR 22.94 for the reporting period).

PRODUCTION AND SALES HIGHLIGHTS

Per previous guidance, **equity share** tonnes and sales volumes include: Moolarben (85%)³ Mount Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%); Yarrabee (100%); Middlemount (~50%); Ashton (100%); and Austar (100%).

Attributable share, as reported in this Quarterly Report, is the attributable production as it relates to Yancoal's financial statements and does not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan⁴ (equity-accounted investment and deconsolidated from Yancoal in March 2016). Attributable share includes: Moolarben (85%)⁵; Mt Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%); and Yarrabee (100%).

ROM COAL PRODUCTION

	Ownership	December Quarter			December YTD		
		2018	2017	Change	2018	2017	change
Moolarben	85%	3.6	3.7	(3%)	18.6	14.7	27%
Mount Thorley Warkworth	83%	5.0	4.2	19%	17.6	5.8	203%
Hunter Valley Operations	51%	5.8	4.4	32%	19.0	6.2	206%
Stratford Duralie	100%	0.2	0.1	100%	0.7	0.9	(22%)
Yarrabee	100%	1.4	1.1	27%	3.4	3.4	-%
Middlemount	49.9997%	1.0	1.3	(23%)	4.8	5.3	(9%)
Watagan (Ashton, Austar and Donaldson)	100%	0.3	1.6	(81%)	2.4	4.8	(50%)
Total – 100% Basis		17.3	16.4	5%	66.5	41.1	62%
Total – Attributable		11.6	9.8	18%	42.9	24.2	77%

Notes:

- 2017 attributable figures include only four months of attributable production for Hunter Valley Operations and Mount Thorley Warkworth from 1 September.
- 2018 attributable figures include 81% attributable production for Moolarben up to and including 30 November 2018, and 85% thereafter. This reflects Yancoal's increased ownership in the Moolarben Joint Venture, as announced 30 November 2018.
- Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).

³ 2018 equity share includes 81% for Moolarben up to and including 30 November 2018, and 85% thereafter, reflecting Yancoal's increased ownership in the Moolarben Joint Venture, as announced 30 November 2018.

⁴ Watagan Mining Company Pty Ltd is a wholly-owned subsidiary of Yancoal Australia Ltd.

⁵ 2018 attributable share includes 81% for Moolarben up to and including 30 November 2018, and 85% thereafter, reflecting Yancoal's increased ownership in the Moolarben Joint Venture, as announced 30 November 2018.

SALEABLE COAL PRODUCTION

	Ownership	December Quarter			December YTD		
		2018	2017	Change	2018	2017	change
Moolarben	85%	3.2	3.3	(3%)	16.5	12.4	33%
Mount Thorley Warkworth	82.9%	3.5	2.7	30%	12.1	3.9	210%
Hunter Valley Operations	51%	3.8	3.4	12%	13.3	4.8	177%
Stratford Duralie	100%	0.1	0.2	(50%)	0.5	0.7	(29%)
Yarrabee	100%	0.9	0.8	13%	2.6	2.8	(7%)
Middlemount	49.9997%	0.8	1.1	(27%)	3.8	3.9	(3%)
Watagan (Ashton, Aустar and Donaldson)	100%	0.1	1.0	(90%)	1.2	3.0	(60%)
Total – 100% Basis		12.4	12.5	(1%)	50.0	31.5	59%
Total – Attributable		8.4	7.1	18%	32.9	18.5	78%

Notes:

- a. 2017 attributable figures include only four months of attributable production for Hunter Valley Operations and Mount Thorley Warkworth from 1 September
- b. Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).
- c. 2018 attributable figures include 81% attributable production for Moolarben up to and including 30 November 2018, and 85% thereafter. This reflects Yancoal’s increased ownership in the Moolarben Joint Venture, as announced 30 November 2018.

OPERATIONS

As Australia’s largest pure-play coal producer, Yancoal operates a diversified portfolio of world class assets consisting of both large scale open cut and underground mines.

Dual primary listed on the Australian Securities Exchange and the Stock Exchange of Hong Kong, Yancoal operates five coal mine complexes and manages five others across Australia.

As a leading low cost coal producer in the global seaborne market, Yancoal’s coal mining operations produce a mix of premium thermal, semi-soft coking, and PCI coals, together with mid-to-high ash thermal coals.

To maximise pricing opportunities, Yancoal also has the diversity of product types and mining operations to blend Run-of-Mine (“ROM”) and washed coal (“Saleable”) to meet specific customer needs.

Yancoal's mining interests in New South Wales include the open cut and underground mines of the Moolarben coal complex (85% ownership)⁶; the integrated joint venture operations of the Mount Thorley and Warkworth open cut mines (82.9% ownership); the open cut Hunter Valley Operations joint venture with Glencore (51% ownership)⁷, and the integrated operations of the Stratford and Duralie open cut mines (100% ownership).

Yancoal also manages the underground Ashton (100% ownership), Austar (100% ownership) and Donaldson⁸ (100% ownership) mines in New South Wales on behalf of Yancoal's unconsolidated, wholly-owned subsidiary, the Watagan Mining Company Pty Ltd ("**Watagan**")⁹.

Yancoal's mining interests in Queensland include the Yarrabee open cut mine (100% ownership), and a near 50% equity interest in Middlemount Coal Pty Ltd ("**Middlemount**") open cut mine, an incorporated joint venture with Peabody Energy.

Yancoal also has shareholding interests in three major Australian coal export terminals, with sufficient allocation to meet existing and potential expansion needs.

SALEABLE COAL PRODUCTION¹⁰

Operations produced a total 12.4 million tonnes saleable coal, down 1% on the year prior (8.4 million tonnes attributable share, up 18% on the year prior), with all three tier-one thermal coal assets continuing to sustain high extraction rates throughout the reporting period.

MOOLARBEN (85% ownership)⁶

Moolarben achieved a new annual total saleable coal production record of 16.5 million tonnes, up 33% on the year prior, maximising extraction rates at the complex's OC4 and OC2 open cut pits and underground mine.

The Moolarben longwall, commissioned in November 2017, continues to maintain high productivity rates, achieving mostly uninterrupted extraction of panels 101 and 102 throughout the reporting period, following the successful completion of its move into new cutting areas in September 2018. Longwall Panel 103 has been developed, with two longwall moves scheduled for 2019.

Saleable coal production for the reporting period was 3.2 million tonnes, down 3% on the year prior.

⁶ As announced 30 November 2018, Yancoal acquired an additional 4% interest in the Moolarben unincorporated joint venture from KORES Australia Moolarben Coal Pty Ltd, a wholly owned subsidiary of Korea Resources Corporation (KORES). Following the acquisition, Yancoal (through its subsidiary Moolarben Coal Mines Pty Ltd) holds 85% of the Moolarben Joint Venture.

⁷ The Hunter Valley Operations unincorporated joint venture is jointly controlled by Yancoal and Glencore Coal through a Joint-Venture Management Committee ("**JVMC**") and managed by an independent management team appointed by the JVMC.

⁸ Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance'.

⁹ 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 ("**BOCIF**") and United NSW Energy Limited. As announced 4 January 2019, BOCIF gave notice to Yankuang Group Company Limited ("**Yankuang**") and Watagan that it has exercised its right to put its Watagan Bonds (the "**Put Bonds**") to Yankuang. Yankuang will become the Bondholder of the Put Bonds following completion of the purchase of those bonds by Yankuang consequent to the exercise of the put option (which should occur on or around 1 April 2019).

¹⁰ All saleable coal production figures reported on a 100% basis, unless otherwise indicated.

MOUNT THORLEY WARKWORTH¹¹ (82.9% ownership)

Mount Thorley Warkworth achieved saleable coal production of 3.5 million tonnes for the reporting period, up 30% on the previous year.

Improved maintenance practices supported the achievement of significant fleet efficiency gains, including reduced repair times, shorter mean times between truck breakdowns and increased truck and shovel operating productivity.

Mount Thorley Warkworth ends the year benefitting from the receipt of necessary approvals to commence development and mining activities associated with the Lot 1 and Lot 2 areas formerly known as Wallaby Scrub Road, enabling further expansion of the existing West pit on the Warkworth side.

Exploratory works related to the consideration of a potential underground mine at Warkworth are ongoing.

HUNTER VALLEY OPERATIONS¹² (51% ownership)

Hunter Valley Operations achieved 3.8 million tonnes saleable coal for the reporting period, up 12% on the year prior, with the operation maintaining high rates of extraction and haulage throughout the reporting period.

Hunter Valley Operations continues to implement a strategic review of its existing operational, maintenance and fleet efficiencies, focused on delivering operational synergies identified under the terms of the JV transaction documents.

STRATFORD DURALIE (100% ownership)

Stratford Duralie achieved 0.1 million tonnes, down 50% on the year prior, with production for the reporting period in accordance with expectations.

YARRABEE (100% ownership)

Yarrabee open cut production was also in accordance with expectations, with industry-wide rail delays affecting consistency of delivery during the reporting period. Yarrabee saleable coal production was 0.9 million tonnes, up 13% on the year prior.

MIDDLEMOUNT (~50% ownership)

The Middlemount joint venture produced 0.8 million tonnes, down 27% on the year prior, with the operation readjusting the highwall and existing mine design to overcome geotechnical issues encountered during the reporting period.

¹¹ Acquired 1 September 2017.

¹² Acquired 1 September 2017.

WATAGAN ASSETS (100% ownership)¹³

Production at the Ashton and Austar underground mines remained challenging due to ongoing geotechnical issues. Ashton and Austar produced a combined total of 0.1 million tonnes, down 90% on the year prior.

SALES VOLUMES

Total coal sales volume (attributable share)¹⁴ was 10.1 million tonnes, up 4% on the year prior.

	December Quarter			December YTD		
	2018	2017	Change	2018	2017	Change
Metallurgical	2.7	3.4	(19%)	7.2	6.2	16%
Thermal	7.4	6.3	17%	29.9	15.9	88%
Total Attributable Coal Sales	10.1	9.7	4%	37.1	22.1	68%

Notes:

- Includes external coal purchases
- 2017 attributable figures include four months of attributable sales for Hunter Valley Operations and Mount Thorley Warkworth from 1 September
- Attributable figures do not include sales from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016). Includes Sales of Purchased Coal.
- 2018 attributable figures include 81% attributable sales for Moolarben up to and including 30 November 2018, and 85% thereafter. This reflects Yancoal's increased ownership in the Moolarben joint venture.

COAL SALES AND PRICING

Thermal coal sales volumes (equity share) of 7.4 million tonnes, up 17 % on the year prior.

Metallurgical Coal sales volumes (attributable share) of 2.7 million tonnes, down 19% on the year prior.

COAL OUTLOOK

The introduction of environmental policies requiring coal users to consume cleaner, low ash and low sulphur coals in established markets such as Japan, Korea and Taiwan, is expected to result in premium increases for suppliers, as higher grades of coal quality remain in tight supply.

Similarly within China, buyers are seeking higher CV and low sulphur coals, as China moves its focus to purchasing a greater proportion of import coals with a CV greater than 5000 kcal/kg NAR.

¹³ Watagan saleable coal production figures include Austar and Ashton only. Effective from 2 May 2016, the Donaldson coal operation moved to 'care and maintenance'.

¹⁴ Includes external coal purchases.

As Australia remains a main source of premium grade thermal and metallurgical coals, the curtailing of new supply growth due to ongoing challenges associated with obtaining approval for greenfield developments is likely to strengthen premium coal prices. Current operators with brownfield expansion opportunities are likely to benefit from existing premium grade undersupply and greenfield limitations.

Long term demand for both thermal and metallurgical coal is expected to continue to grow, driven by increasing energy and infrastructure requirements associated with the expected population growth and urbanisation of South East Asia.

COAL RESERVES AND RESOURCES¹⁵

As at 30 June 2018, Yancoal had aggregate Coal Reserves of 1.7 billion tonnes; Marketable Coal Reserves of 1.2 billion tonnes; and Measured and Indicated Coal Resources of 5.4 billion tonnes on a 100 percent basis.

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 18 January 2019

As of the date of this announcement, the executive Director is Mr. Fucun Wang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby, Mr. David James Moulton and Ms. Helen Jane Gillies.

¹⁵ Coal Reserves and Coal Resources are reported in 100% terms. Coal Resources are reported inclusive of the Coal Resources that have been converted to Coal Reserves (i.e. Coal Resources are not additional to Coal Reserves).