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ASX Release:

Full Year Financial Results 2014

Highlights:

- Yancoal Australia Ltd (Yancoal) further improved operational efficiencies and delivered significant costs savings during the period, reporting a Full Year 2014 after tax loss of $353.5 million after an income tax expense of $82.6 million.
- The loss for 2014 reflects the combined impacts of the continuation of low coal prices driven by global market oversupply, take or pay arrangements and the sustained strength of the Australian dollar, with Yancoal delivering a negative operating EBITDA of $46.6 million.
- Yancoal addressed the continuing pressures of the depressed market environment, maximising blending opportunities and yield to achieve strong production of 22.49 million tonnes of Run of Mine (ROM) coal (equity basis) and 16.73 million tonnes saleable product coal (equity basis).
- On 31 December 2014 the Company issued US$1.8 billion of Subordinated Capital Notes (SCNs) the proceeds of which were applied to repay existing senior loans, strengthening the Company's balance sheet and improving Yancoal's capital structure; with Yancoal's gearing (debt/debt plus equity) reducing from 84% at 30 June 2014 to 60% at 31 December 2014.
- Yancoal also secured two new lines of additional financial support from major shareholder Yanzhou Coal Mining Company Limited (Yanzhou): up to A$1.4 billion, to be progressively drawn down upon to fund Yancoal's cash flow requirements for operations and the development of major projects; plus up to US$630 million, to fund SCN distributions for a five year period, if required.
- The Bank of China and China Construction Bank also provided an extension to the repayment of their US$2.6 billion syndicated facility for three years, maturing in three broadly equal tranches in 2020, 2021 and 2022.

Commentary:

Yancoal Chief Executive Officer Reinhold Schmidt said, "Yancoal's robust business strategy to improve our asset portfolio and strengthen our capital structure has driven the successful restructuring of our operations and continued development of our major projects throughout 2014.

"Under challenging global market conditions, we have significantly reduced operating costs, maximised operational efficiencies and established new blending opportunities across New South Wales to create greater value for our existing assets and pipeline of future projects.

"The ongoing financial commitment of major shareholder Yanzhou, including their support for our SCN issue, has provided certainty for our employees and shareholders, and demonstrates their commitment to investing within the Australian market for our long term business growth.

"In the year ahead we remain focused on value creation, cost reductions and the development of our major projects, operating transparently and to the highest safety and environmental standards in accordance with all legislative reporting requirements."

Overview:

Yancoal announced a loss after income tax of $353.5 million from revenue of $1.4 billion for the full year ended 31 December 2014. The loss after tax includes the reversal of an impairment provision previously recognised of $140 million in respect of Moolarben.

The tax expense for 2014 included a net expense of $73.9 million in respect of the write off of Minerals Resource Rent Tax (MRRT) deferred tax balances following repeal of the MRRT legislation on 30 September 2014.

Operating EBIT was a loss of $278.3 million.

Profit Results for 2014 and 2013 with accounting reconciliations	Year ended December 2014			Year ended December 2013		
	Before Tax $'m	Tax $'m	After Tax $'m	Before Tax $'m	Tax $'m	After Tax $'m
Revenue from continuing operations	1,431.7			1,529.8		
Operating EBITDA	(46.6)			43.7		
Operating EBIT	(278.3)			(227.1)		
Profit before non operating items	**(443.1)**	**35.5**	**(407.5)**	**(352.1)**	**52.4**	**(299.7)**
FX gain / (loss) on loans	24.1	(7.2)	16.9	(369.5)	110.9	(258.7)
Impairment reversal / (provision)	140.0	(42.0)	98.0	(343.0)	116.3	(226.7)
Gain on Acquisition	28.3	-	28.3	-	-	-
Transaction Costs	-	-	-	(3.6)	1.1	(2.5)
Mark to Market CVRs	(3.5)	-	(3.5)	(40.3)	-	(40.3)
Remeasurement of Royalty	(16.8)	5.0	(11.7)	(6.0)	1.8	(4.2)
MRRT repeal	-	(73.9)	(73.9)	-	-	-
Profit /(loss)	**(270.9)**	**(82.6)**	**(353.5)**	**(1,114.5)**	**282.4**	**(832.1)**

Losses were attributable to the impacts of the continued oversupply of the global thermal and metallurgical markets, minimal positive coal price improvements during the period, the sustained strength of the Australian dollar and existing take or pay arrangements.

Yancoal responded to the depressed market conditions via the successful restructure of its New South Wales and Queensland mines under a new regional reporting model, optimising resources and the sharing of services and processes to achieve significant cost reductions and efficiencies across all sites.

Operational improvements included the establishing of new regional marketing and blending opportunities, the maximising of yields and the centralisation of procurement and a number of other support functions.

Yancoal achieved saleable coal production of 16.73 million tonnes (equity basis) for the full year, down one percent on the same period in 2013.

Business improvements including increased CHPP throughput and overburden management helped offset difficult geological conditions at the Ashton and Abel operations, the completion of current mining operations at the Stratford mine, and the cessation of development at the Austar underground mine, following the tragic underground incident of April 2014 which resulted in two fatalities.

During the year, Yancoal's interest bearing liabilities reduced following the issue of US$1.8 billion of Subordinated Capital Notes (SCNs) on 31 December 2014, the proceeds of which were applied to repay existing senior loans, strengthening the Company's balance sheet and improving Yancoal's capital structure, with Yancoal's gearing (debt/debt plus equity) reducing from 84% at 30 June 2014 to 60% at 31 December 2014.

Outlook:

Market over supply is expected to continue to restrict the opportunity for significant coal price improvements in 2015. Further consolidation of operators is anticipated and may provide some relief within the metallurgical and thermal spot price markets.

Cost reduction remains a priority in the year ahead and Yancoal will continue to manage its existing port and rail commitments, while looking to maximise new market opportunities via the blending of New South Wales product and delivery into key Asian markets.

Yancoal will also commence the development of the low cost Moolarben Stage Two resource, having received approval from the New South Wales Planning and Assessment Commission on 2 February 2015. Once developed, the Moolarben operation is expected to produce up to 16 million tonnes per annum of ROM coal for a period of 24 years, extending the life of the operation and potentially creating up to 120 new full time jobs.

The development of other Yancoal brownfield projects, including the proposed Stratford expansion and Ashton South East Open Cut, will continue to be reviewed in consideration of market conditions.

Yancoal's production outlook is 15 million tonnes – 15.5 million tonnes (equity share) saleable production for 2015.

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