Yancoal Australia Ltd

2013 Half Year Results

16 August 2013

Reaching new horizons together

YANCOAL
兖煤澳大利亚有限公司

Disclaimer

Summary of information

This Presentation contains summary information about Yancoal Australia Ltd (“Yancoal”, “Yancoal Australia” or the “Company”) and its subsidiaries and their activities. It should be read in conjunction with Yancoal’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (“ASX”), which are available at www.asx.com.au. No representation or warranty is made by Yancoal or any of its advisers, agents or employees as to the accuracy, completeness or reasonableness of the information in this Presentation or provided in connection with it. No information contained in this Presentation or any other written or oral communication in connection with it is, or shall be relied upon as, a promise or representation. Nothing in this Presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell Yancoal securities in any jurisdiction.

Not financial product advice

This Presentation is not financial product or investment advice nor an offer, invitation or a recommendation to acquire Yancoal ordinary shares or CVR shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances. Yancoal is not licensed to provide financial product advice in respect of Yancoal shares. Each recipient of this Presentation should make its own enquiries and investigations regarding all information included in this Presentation including but not limited to the assumptions, uncertainties and contingencies which may affect future operations of Yancoal and the values and the impact that different future outcomes may have on Yancoal.

Forward-looking statements

This Presentation may contain, in addition to historical information, certain "forward-looking statements". Often, but not always, forward-looking statements can be identified by the use of words such as "anticipate", "believe", "expect", "scheduled", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "plan", "consider", "foresee", "aim", "will" and other similar expressions. Indications of, and guidance on, future production, resources, reserves, sales, capital expenditure, earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of Yancoal to differ materially from any future results, performance or achievements expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are outside the ability of Yancoal to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. Yancoal cannot give any assurance that such forward-looking statements will prove to have been correct. Investors are cautioned not to place undue reliance on projections or forward-looking statements which speak only as of the date of this Presentation, and none of Yancoal, any of its officers or any person named in this Presentation or involved in the preparation of this Presentation makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statements or any event or results expressed or implied in any forward looking statement

Financial data and rounding

All dollar values are in Australian dollars (A$) and financial data is presented within the half year ended 30 June unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this document are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this document.

Past Performance

Past performance information given in this Presentation should not be relied upon as (and is not) an indication of future performance.

YANCOAL
兖煤澳大利亚有限公司

Table of Contents

Highlights
Key Achievements

- Strong production from across the portfolio
  - Record quarterly production at Moolarben, Yarrabee and Abel
- Successfully managing on-site unit cash costs and on track to meet 15% reduction targets for FOR cash costs per product tonne
  - Significant reduction in use of contractors and consultants
  - LEAN business improvement program continuing to encourage productivity gains
- Sales of blended coal are now increasing
- Commencement of mining operations in new areas and seams at Austar and Ashton respectively
- Major capital projects undergoing optimisation studies to maximise returns

Table of Contents

YANCOAL
兖煤澳大利亚有限公司

Financial Results Summary
Key Financials

Operating EBIT of ($109.3m) in 1H 2013

	Six months ended June		
(A$m)	**1H 2013**	**1H 2012**	**Change (%)**
Revenue from ordinary activities	718.4	601.2	+19.5%
Operating EBIT	(109.3)	50.9	-314.7%
PBT before non-recurring items	(697.0)	42.2	-1,751.4%
PBT after non-recurring items	(1,040.0)	215.8	-582.0%
NPAT	(749.4)	410.0	-282.8%

YANCOAL
兖煤澳大利亚有限公司

Financial Results Summary

Breakdown of Significant Items

(A$m)	**1H 2013**	
Operating EBIT	**(109.3)**	
Finance Costs	(59.6)	Interest expense
Mark-to-market on CVR shares	(20.2)	Re-measurement of CVRs based on market value
Re-measurement of royalty receivable	(15.3)	Re-measurement of joint venture royalty receivable
FX loss on interest-bearing liabilities	(492.7)	Net unrealised FX loss on conversion of USD denominated debt
PBT before non-recurring items	**(697.0)**	
Impairment of mining tenements	(343.0)	Predominantly due to a decline in forecast coal sales prices
PBT after non-recurring items	**(1,040.0)**	

Note: Numbers may not add due to rounding

Financial Results Summary
Operating EBIT Comparison

Decline in operating EBIT but directly controllable volumes and costs well managed

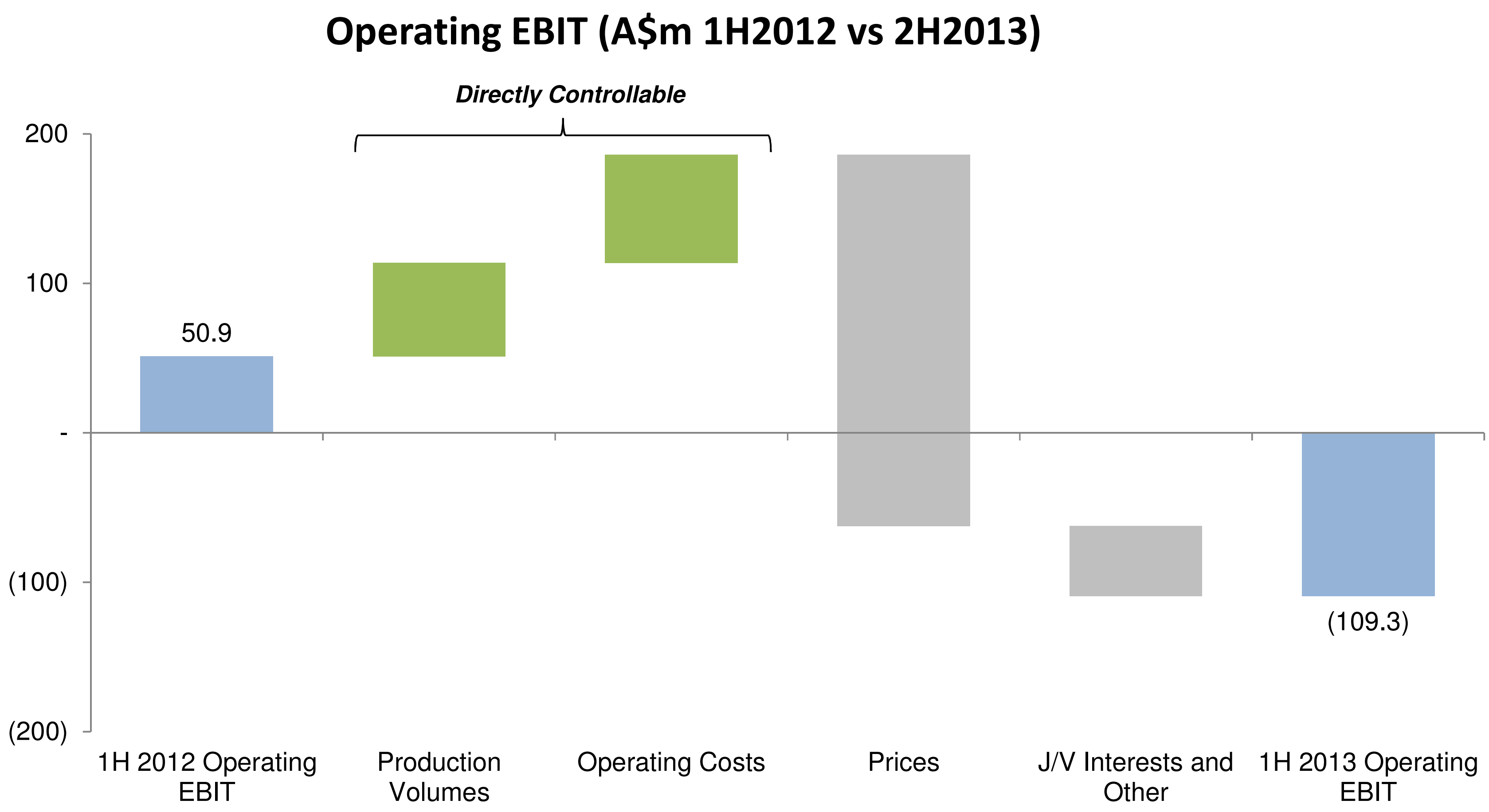


Table of Contents

YANCOAL 兖煤澳大利亚有限公司

Operational Results Summary
Production and Sales Tonnages

('000 tonnes)	1H 2013	1H 2012[1]	Change (%)
	Six months ended June		
100% basis			
ROM coal production	12,348	11,147	+10.8%
Saleable coal production	8,676	7,733	+12.2%
Coal sales	8,666	8,113	+6.8%
Equity share			
ROM coal production	10,675	9,768	+9.3%
Saleable coal production	7,550	6,786	+11.3%
Coal sales	7,617	7,101	+7.3%

Note: Numbers may not add due to rounding
1. The figures shown above in 1H 2012 includes production from the acquired Gloucester Coal assets, but excludes production from the now non-Yancoal owned Cameby Downs and Premier Coal Mines, for comparative purposes only. The implementation of the merger between Yancoal Australia and Gloucester Coal became effective on 6 July 2012 and disposal by Yancoal of the Cameby Downs and Premier Coal mines occurred in June 2012.

YANCOAL
兖煤澳大利亚有限公司

Operational Results Summary
Production Volumes by Site

('000 tonnes)	1H 2013	1H 2012[1]	Change (%)
	Six months ended June		
Equity share			
Saleable coal production			
Ashton	411	403	+2.0%
Austar[2]	304	616	-50.6%
Moolarben	2,469	2,064	+19.6%
Yarrabee	1,290	1,126	+14.6%
Stratford & Duralie	1,124	1,184	-5.1%
Donaldson	1,488	1,006	+47.9%
Middlemount	464	387	+19.9%
Total Saleable coal production	**7,550**	**6,786**	**+11.3%**

Note: Numbers may not add due to rounding

1. The figures shown above in 1H 2012 includes production from the acquired Gloucester Coal assets, but excludes production from the now non-Yancoal owned Cameby Downs and Premier Coal Mines, for comparative purposes only. The implementation of the merger between Yancoal Australia and Gloucester Coal became effective on 6 July 2012 and disposal by Yancoal of the Cameby Downs and Premier Coal mines occurred in June 2012.

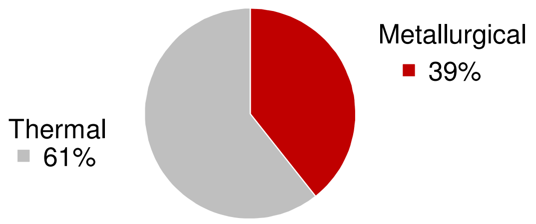
2. As mentioned in previous ASX announcements, Austar has been developing the new Stage 3 area – first longwall coal commenced in June 2013

YANCOAL 兖煤澳大利亚有限公司

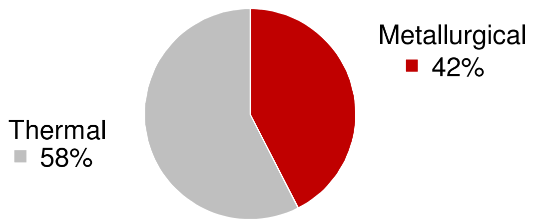
Operational Results Summary
Sales Volumes and Mix

('000 tonnes)	Six months ended June 1H 2013	1H 2012	Change (%)
Equity share			
Coal sales			
Ashton	395	484	-18.4%
Austar	452	756	-40.2%
Moolarben	2,278	2,017	+13.0%
Yarrabee	1,476	1,187	+24.3%
Stratford & Duralie	1,049	1,465	-28.4%
Donaldson	1,530	736	+107.9%
Middlemount	437	456	-4.2%
Total Coal sales	**7,617**	**7,101**	**+7.3%**

Sales Mix 1H 2013



Sales Mix 1H 2012



Note: Numbers may not add due to rounding

1. The figures shown above in 1H 2012 includes production from the acquired Gloucester Coal assets, but excludes production from the now non-Yancoal owned Cameby Downs and Premier Coal Mines, for comparative purposes only. The implementation of the merger between Yancoal Australia and Gloucester Coal became effective on 6 July 2012 and disposal by Yancoal of the Cameby Downs and Premier Coal mines occurred in June 2012.

Table of Contents

YANCOAL
兖煤澳大利亚有限公司

Key Achievements
Operations

Ashton

- Mining of the second seam, the Upper Liddell seam (ULD), at the underground mine commenced
- South East Open Cut (SEOC) merits appeal to be heard in the Land and Environment Court in Q3 2013

Austar

- Longwall production commenced in the new Stage 3 area
- LEAN business improvement program introduced

Moolarben

- Record ROM and saleable production in Q2 2013
- Positive DFS for Stage 2 Project. Optimisation work continuing to enhance project returns and awaiting NSW DP&I to complete their review.
- Nominated for environmental award for the introduction of a “Stealth Fleet”

Yarrabee

- Initial box cut of the new Yarrabee East North (YEN) pit completed
- Continued implementation of the LEAN business improvement program – significant benefits to FOR cash costs now being realised

YANCOAL
兖煤澳大利亚有限公司

Key Achievements
Operations (cont.)

Stratford & Duralie

- Stratford Extension Project awaiting NSW DP&I assessment

Donaldson

- Tasman Extension Project approved by Minister of DP&I
- Continued roll out of the LEAN business improvement program – significant results on both development and extraction
- Production at Donaldson Open Cut and Tasman Underground has now ceased

Middlemount

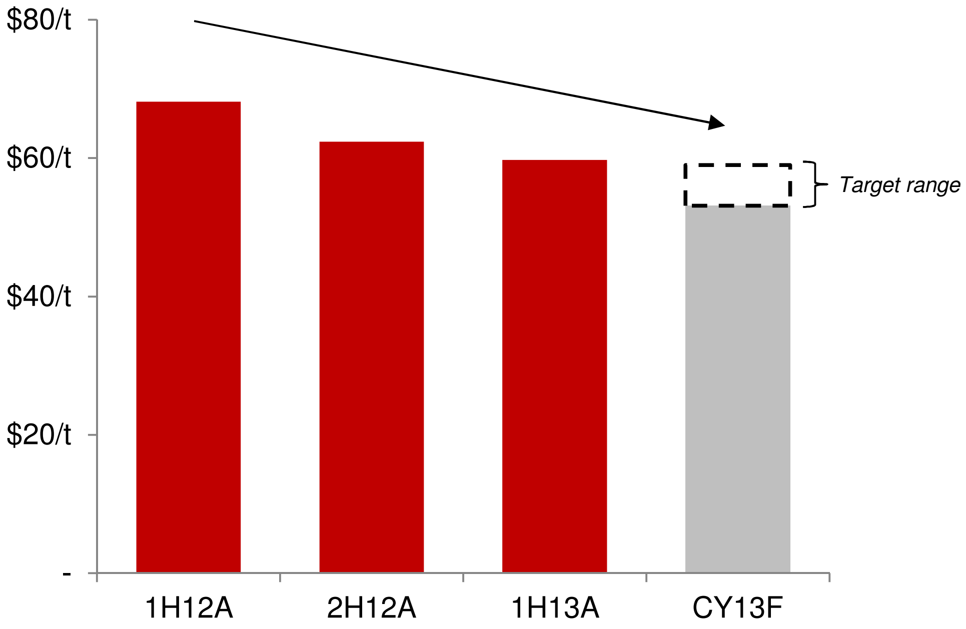
- Transition to owner/operator completed

YANCOAL
兖煤澳大利亚有限公司

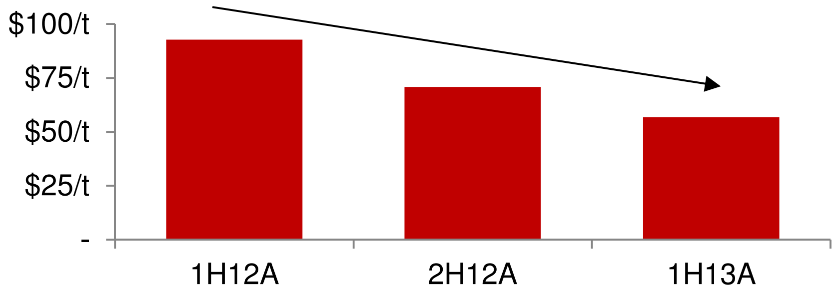
Key Achievements
Unit Cash Costs

- FOR cash costs trending downwards and on track to achieve 15% reduction on 1H 2012
- Early adopters of LEAN business improvement program showing significant improvements

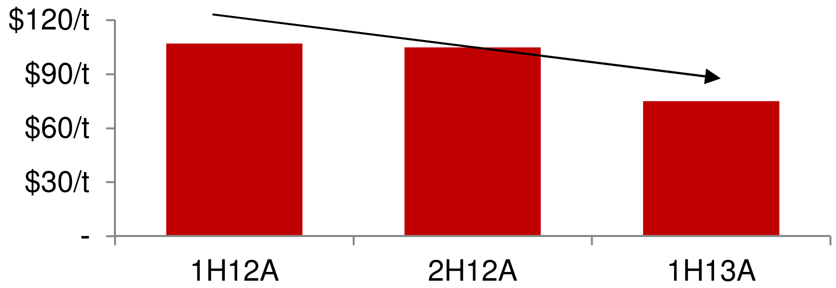
Yancoal Weighted Average FOR Cash Costs (A$/t sold, Equity Basis)[1]



Donaldson FOR Cash Costs (A$/t sold)[1,2]



Yarrabee FOR Cash Costs (A$/t sold)



1. *The figures shown above in 1H 2012 includes production from the acquired Gloucester Coal assets, but excludes production from the now non-Yancoal owned Cameby Downs and Premier Coal Mines, for comparative purposes only. The implementation of the merger between Yancoal Australia and Gloucester Coal became effective on 6 July 2012 and disposal by Yancoal of the Cameby Downs and Premier Coal mines occurred in June 2012.*
2. *Production at Donaldson Open Cut and Tasman Underground has now ceased.*

YANCOAL 兖煤澳大利亚有限公司

Key Achievements
Merger Synergies

- The majority of synergies are only scheduled to be realised from 2014 onwards
- Nevertheless, progress has been made with material value now being realised

Total
$220-380m[1]

Infrastructure Optimisation ($100–205m)[1]

Leveraging Unutilised Port Capacity
- Using Gloucester 's unutilised port capacity to accelerate Yancoal projects and to meet capacity shortfalls
- Progress: synergies are only forecast to be realised post 2014 and will depend upon, amongst other factors, the timing of regulatory approvals for projects

Reduction in Peak Railings and Logistics Savings
- Avoid charges related to peak railings and removing duplication of logistics operations
- Progress: Peak railing charges have been avoided and logistics operations have now been consolidated

~$2.5m p.a[2]

Coal Blending ($10-30m)[1]

Coal Blending
- Blending a larger and broader suite of thermal and met coals to maximise revenue
- Progress: comprehensive review of all coal types conducted; trial blends have been tested with implementation to continue in 2H2013

~$12m p.a.[2,3]

Corporate, Tax & Procurement ($110-145m)[1]

Tax Savings
- Resetting of tax base leading to increased tax deductions
- Progress: tax base has been reset although realisation of deductions is dependent upon income profile which is lower than expected due to softer market

Tax base now reset

Corporate Costs Savings
- Elimination of duplication of corporate costs
- Progress: Headcount reduction completed with significant savings; rationalisation of corporate suppliers completed

~$7m p.a[2]

Procurement Savings
- Leveraging greater buying power to reduce costs
- Progress: Procurement review completed with procurement plan being progressively implemented; a number of major supplies have been tendered already with savings realised and locked-in over contract life

~$30m p.a[2]

1. *Indicative NPV impact of quantifiable synergies indicated in the Explanatory Booklet*
2. *Approximate pre-tax cost savings or incremental revenue on an annual basis resulting from the actions taken so far for each relevant synergy category; does not necessarily mean the savings will continue indefinitely. Incremental savings on peak railings are not forecast to continue post 2014.*
3. *Assuming a AUD/USD FX rate of 0.90/1.00*

YANCOAL
兖煤澳大利亚有限公司

Table of Contents

Overall Outlook

- Yancoal continues to encourage productivity gains and reductions in costs across all its sites to maintain its competitiveness
  - Favourable trends in directly controllable FOR cash costs
- Targeting growth projects that deliver returns for its shareholders
  - Focus towards optimising capital expenditure and project timing
- Market conditions remain challenging and weak overall
  - Demand for both metallurgical and thermal coal is flat with continuing oversupply in both markets
  - Production cuts required to underpin sustainable price recovery
- The weakening Australian dollar has alleviated some pressure but not entirely to offset the decline in US$ prices

YANCOAL
兖煤澳大利亚有限公司

Company Outlook
Major Growth Projects

Optimisation work continues however still awaiting regulatory approvals

Moolarben Stage 2

- On a 100% basis, Stage 2 will increase open cut output from 8.0Mtpa to 13Mtpa ROM coal (product 5.6Mtpa to 9.0Mtpa)
- The NSW DP&I is currently reviewing all the application documents and have yet to finalise their recommendation
- Work on all the subordinate approvals and management plans required to develop the project is ongoing

Ashton SEOC

- On a 100% basis, open cut production is forecast to ramp up to about 3.0Mtpa ROM coal
- In 2012 Ashton successfully appealed a decision by PAC not to approve the project; subsequent to this appeal, an environmental group lodged a merits appeal in the Land & Environment Court - the hearing of the appeal has been scheduled for Q3 2013

YANCOAL
兖煤澳大利亚有限公司

Coal Market Outlook

Metallurgical Coal

- In response to price reductions during the last year, Australian and Canadian producers have focussed on cutting costs and increasing production – to date there have been no significant production cuts
- Spot prices for metallurgical coal have staged a slight improvement with re-stocking by some Chinese customers
- Demand remains flat with slight improvement foreseen later in the year
- Overall the market remains over-supplied; to create sustainable price recovery production cuts are required

Thermal Coal

- Recent supply disruptions in Colombia and Australia due to industrial action did not have the expected upward effect on prices
- Thermal coal remains in abundant availability with no significant cuts in production so far; take-or-pay commitments continue to influence Australian producers
- Chinese market is weak with strong competition from domestic production and ample stocks
- Like metallurgical coal, overall the market remains over-supplied and production cuts are required to create sustainable price recovery

YANCOAL
兖煤澳大利亚有限公司

Table of Contents

Appendix
Asset Overview

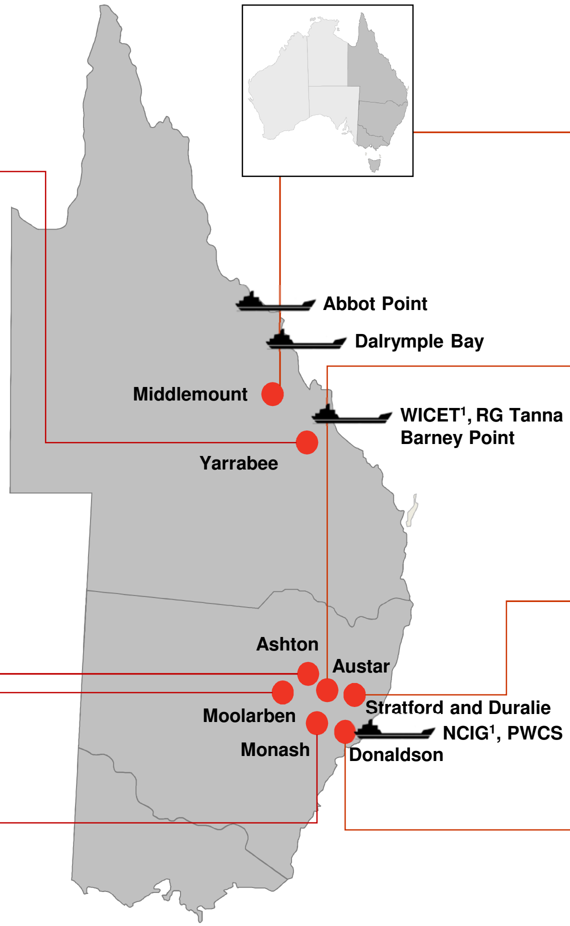
Yancoal operates 7 mines and 1 exploration project in NSW and QLD Coal is exported through several coal terminals in both states

Yarrabee	Operating & Development
100% owned	
Open cut	
Low volatile PCI	
Reserves	61Mt
Resources (M&I&I)	180Mt
Saleable Production (CY12A)	2.5Mt

Ashton	Operating & Development
90% owned	
Open cut and underground	
Semi-soft coking coal	
Reserves	74Mt
Resources (M&I&I)	322Mt
Saleable Production (CY12A)	1.1Mt

Moolarben	Operating & Development
80% owned	
Open cut and underground	
Export thermal coal	
Reserves	300Mt
Resources (M&I&I)	1,222Mt
Saleable Production (CY12A)	5.2Mt

Monash	Exploration
100% owned	
Underground	
Semi-hard coking coal and export thermal coal	
Reserves	–
Resources (M&I&I)	604Mt
Saleable Production (CY12A)	n/a



Middlemount	Operating & Development
~50% owned	
Open-cut	
Semi-hard coking coal & PCI	
Reserves	96Mt
Resources (M&I&I)	122Mt
Saleable Production (CY12A)	1.7Mt

Austar	Operating & Development
100% owned	
Underground	
Semi-hard coking coal	
Reserves	49Mt
Resources (M&I&I)	221Mt
Saleable Production (CY12A)	1.5Mt

Stratford and Duralie	Operating & Development
100% owned	
Open-cut	
Semi-hard coking coal and export thermal coal	
Reserves	69Mt
Resources (M&I&I)	323Mt
Saleable Production (CY12A)	2.4Mt

Donaldson	Operating & Development
100% owned	
Open cut & Underground	
Semi-soft coking coal and export thermal coal	
Reserves	148Mt
Resources (M&I&I)	827Mt
Saleable Production (CY12A)	2.3Mt

Note: All figures above are shown on a 100% basis. Reserves and Resources figures shown are JORC compliant (refer to Yancoal's 2012 Annual Report lodged with the ASX on 27 March 2013)
1. Yancoal holds a 27% interest in NCIG and a 5.6% interest in Stage 1 of WICET

YANCOAL
兖煤澳大利亚有限公司