YANCOAL 兖煤澳大利亚有限公司

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ASX Release:

Full Year Financial Results 2016

Highlights:

- Yancoal Australia Ltd (Yancoal) benefited from continued operational efficiencies and improved metallurgical and thermal coal prices in the second half of the year, to achieve a total Operating EBIT for the year ended 31 December 2016 of $52.3M before tax, up $253.1M on the year prior.
- Full Year 2016 loss after income tax of $227.1 million.
- Achieved total production of 21.2 million tonnes Run of Mine (ROM) coal (equity share) and 16.0 million tonnes saleable product coal (equity share).
- Commenced development coal from the Moolarben Stage Two underground mine on schedule.
- Maximised global market price improvements in the second half via blending across operations.
- Implemented a new debt-funding arrangement to secure up to US$950 million via the issuing of nine-year secured debt bonds by a newly established Yancoal subsidiary, Watagan Mining Company Pty Ltd (Watagan).
- Transferred control of the New South Wales underground mining assets of Ashton, Austar and Donaldson to Watagan.
- Moved the Donaldson operation to 'care and maintenance' following a reduction in mining activities and commencement of new feasibility studies.
- Maintained cost reduction strategies across all sites and major projects in accordance with Yancoal's long term business and investment strategy.
- Established Yancoal Mining Services Pty Ltd (YMS), a fully-owned Yancoal subsidiary and employing entity for all eastern region underground operations staff.

Commentary:

Yancoal Chief Executive Officer Reinhold Schmidt said, "Throughout 2016 Yancoal has proactively strengthened its balance sheet, reduced operational costs and maximised blending to benefit from significant global coal market price improvements and increasing customer demand.

"We have demonstrated our capacity and resilience within a challenging market via strong and decisive action to deliver the tier one Moolarben Complex's Stage Two underground mine on time and budget.

"In the year ahead, we will continue to progress the development of our open cut operations, while pursuing new marketing and blending opportunities to maximise yields.

"Renewed global demand buoyed by improved coal prices will continue to strengthen Yancoal's performance, as we pursue our future growth initiatives and strategic acquisitions in the best interests of our shareholders."

Overview:

Profit Results for 2016 and 2015 with accounting reconciliations	Year ended December 2016			Year ended December 2015		
	Before Tax $'m	Tax $'m	After Tax $'m	Before Tax $'m	Tax $'m	After Tax $'m
Revenue from continuing operations	1,238.3			1,319.1		
Operating EBITDA	184.9			(0.4)		
Operating EBIT	52.3			(200.8)		
Profit before non operating items	**(156.8)**	**42.8**	**(114.9)**	**(362.5)**	**63.3**	**(299.2)**
Gain on acquisition	-	-	-	6.3	-	6.3
Fair value losses recycled from hedge reserve	(133.3)	40.0	(93.3)	-	-	-
Remeasurement of royalty	(6.4)	1.9	(4.5)	2.4	(0.7)	1.7
Transaction costs	(3.1)	0.9	(2.2)			
Stamp duty expensed	(12.2)	-	(12.2)	-	-	-
Profit / (loss)	**(311.8)**	**84.7**	**(227.1)**	**(353.8)**	**62.6**	**(291.2)**

Stamp duty expense relates to a provision made in 2012 at time of GCL acquisition

Transaction costs relate to Yancoal's binding agreement to acquire 100% of the shares in Coal & Allied Industries Limited from wholly-owned subsidiaries of Rio Tinto Limited, as announced 24 January 2017.

Yancoal announced a loss after income tax of $227.1 million from revenue of $1.24 billion for the full year ended 31 December 2016.

Sales volume increases, global coal market price improvements and 2016 industry-high quarterly benchmark prices for semi-soft coking and PCI coal during the second half of the year drove a total Operating EBIT of $52.3M before tax, up $253.1M on the year prior.

Yancoal responded to sustained low coal price impacts and existing operating cashflow constraints in the first half of the year via the implementation of its debt funding arrangement and transfer of control of the Austar, Ashton and Donaldson underground operations to Watagan.

Yancoal continued to restructure its operations throughout 2016, maximised blending across the New South Wales sites, increased efficiencies in the sharing of skills and services across operations, and proactively managed its existing take or pay arrangements.

Cost reduction strategies continued to be supported at all operations, with the Moolarben Stage Two Project achieving critical development and construction goals, including the commencement of development coal from the new Moolarben underground in the first half of the year.

Outlook:

Prime coking coal prices continue to appreciate with the support of Indian demand and China's current commitment to reduced domestic production. Further positive improvements in global metallurgical and thermal coal prices will be tempered in comparison to 2016's rapid growth, mostly due to the undetermined potential for further China-based decisions regarding future import requirements.

Operationally, Yancoal will continue to maximise blending arrangements, operational efficiencies and cost saving strategies implemented throughout the year prior to support new market opportunities and production rate improvements.

Yancoal continues to progress the Moolarben Stage Two underground and open cut mines in accordance with project and production schedules.

2017 guidance for saleable production is 12.0 – 12.5 million tonnes (equity share), including production from the Watagan assets and exclusive of potential Coal & Allied asset tonnes.

Forecast for 2017 capital expenditure is around $244 million (equity share).

Further to the reporting period, as announced 24 January 2017, Yancoal remains focused on the completion of the acquisition of 100% of the shares in Coal & Allied Industries Limited ("Coal & Allied") from wholly-owned subsidiaries of Rio Tinto Limited for US$2.45 billion[1] (A$3.27 billion[2]) in completion and deferred cash payments, plus a coal price linked royalty.

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[1] Comprises US$1.95 billion cash payment at completion and US$500 million in aggregate deferred cash payments, payable as annual instalments of US$100 million over five years following completion.

[2] Based on an AUD/USD exchange rate of 0.75