

17 August 2016

ASX Release:

Half Year Results 2016

Highlights:

- Total Run of Mine (“ROM”) coal of 11.9Mt (9.5Mt equity share) and saleable coal of 8.9Mt (7.1Mt equity share).
- Implementation of 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”).
- On and from financial close of the arrangement, effective 31 March, Yancoal ceased to control Watagan, and its subsidiaries, the NSW underground assets of Austar, Ashton and Donaldson.
- First development coal from the Moolarben Stage Two underground mine.
- Completion of Moolarben Stage Two box cut.
- Donaldson coal operation moved to ‘care and maintenance.’
- Continued implementation of operational efficiencies and cost reductions.
- New South Wales Planning and Assessment Commission approval for the Moolarben Mod 12 (Underground 1 optimisation) and the Watagan-controlled Ashton Mod 5 (integration modification).

Yancoal Australia Ltd’s (“Yancoal”) loss after income tax for the half-year ended 30 June 2016 is \$180.4 million (30 June 2015: \$145.4 million), after adding an income tax benefit of \$84.9 million (30 June 2015: \$41.8 million). Operating EBIT is a loss of \$101.9m (30 June 2015: \$126.9 million).

Reduced production output, sustained global market oversupply pressures and limited price improvements across thermal and metallurgical markets for the majority of the reporting period minimised the opportunity for earnings improvement.

Production for the half year reporting period was in accordance with expectations, following the cessation of mining at the Donaldson operation; continued challenges within the geology at the Stratford Duralie open cut; and scheduled longwall moves at the Ashton and Austar underground mines.

Chief Executive Officer, Reinhold Schmidt, said, “During the first half of the year, we have successfully implemented a robust debt funding arrangement and restructure of the underground operations in support of our long term strategy for continued growth and investment within the Australian resources sector.

“As we continue to deliver the next milestones in the development of the high value, low cost Moolarben Stage Two underground and open cut projects, we remain focused on reducing our operating costs and maximising yields to benefit from recent coal market price improvements.

“With the ongoing support of our major shareholders, we continue to maintain the operational flexibility and experience required to respond quickly, safely and efficiently to new market opportunities.”

Outlook

Market outlook remains consistent with statements made 20 July 2016 (Quarterly Report for quarter ending June 2016): Thermal coal price improvements are anticipated to continue, buoyed by the reduction of China production and Indonesian exports. Gains are expected to be offset slightly by the challenges facing the coal industry, specifically driven by Europe and the US as those markets move towards a reliance upon gas and alternative energy sources. Coal demand in Asia is still expected to be strong and continued growth in coal demand is expected in the future.

End

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