

26 May 2017

ASX Release:

Annual General Meeting - Chairman's Speech

Ladies and Gentlemen,

Thank you for joining us for today's Annual General Meeting and please accept my sincerest apologies for being unable to attend in person on this occasion.

On behalf of the Board I would like to thank our shareholders for their continuing commitment to Yancoal and its leadership team.

Throughout the past twelve months, our Company has again demonstrated its ability to adapt to changing market forces with efficiency and integrity.

We have instituted a series of significant and progressive steps forward to strengthen our business and prepare Yancoal for a robust future as the largest and leading independent coal producer within Australia.

As coal price conditions improved during the second half of 2016, Yancoal was ready to respond rapidly and efficiently to maximise blending and sales opportunities.

I am also pleased to advise no significant injuries were reported for 2016 at our operations and our focus on the health and safety of our employees remains paramount.

In 2016, our achievements included:

- The implementation of a successful debt-funding arrangement to support the underground operations;
- The development of the Stage Two Moolarben Project on time and on budget;
- The ramping up of production to meet sudden market demand and new customer opportunities; and
- The continued performance of our operational teams and management to realise mine site efficiencies and implement cost minimisation strategies, supportive of future growth.

While positive gains are reflected throughout our 2016 financial results, we are yet to return the business to profit and much work remains to be done.

Yancoal announced a Full Year 2016 loss after income tax of \$227.1 million from revenue of \$1.2 billion, an improvement on the preceding year's loss after income tax of \$291 million.

Aided by sales volume increases and global coal market price improvements, Yancoal reported an operating EBIT of \$52.3 million before tax for the year, an impressive \$253 million improvement on 2015.

In the interests of materially strengthening our balance sheet, Yancoal commenced 2016 instituting a new debt-funding arrangement via the successful issuing of nine-year secured debt bonds.

Issued by Yancoal subsidiary, Watagan Mining Company Pty Ltd (“Watagan”) to a consortium including Industrial Bank Co., Ltd, BOCI Financial Products Limited and United NSW Energy Limited, the arrangement has secured US\$775 million to date and facilitated much needed funding for the underground mines.

Under the terms of the arrangement, control of the underground mines of Aston, Austar and Donaldson subsequently transferred to Watagan, enabling Yancoal to focus on the continued development of its open cut mines and specifically, the tier one Moolarben Complex.

It is with significant pride we can confirm the Moolarben Stage Two project continues to be delivered on time and on budget, with the new underground mine producing first development coal in April of 2016 and remaining on track to commence full longwall production later this year.

Similarly, the new Stage Two open cut pit continues to be developed to mine plan targets, with customer demand for Moolarben’s high quality thermal coal product fuelling steady growth and new opportunities.

Overall, Yancoal achieved a strong full year production result of total ROM coal of 26.2 Mt (21.2 Mt equity share) and saleable coal production of 19.8Mt (16.0Mt equity share).

This was above the previously published operational guidance of 13.0Mt saleable coal (equity share) and mostly attributable to improved global coal price conditions.

As we turn to 2017, Yancoal now enters the next exciting phase of our evolution.

As announced on 24 January of this year, we have commenced the proposed acquisition of 100 per cent of the shares in Coal & Allied Limited from wholly-owned subsidiaries of Rio Tinto.

This is a transformative milestone for the company that will drastically expand our operational portfolio to include world class thermal and semi-soft coking coal mines.

Your directors firmly believe that the acquisition of Coal & Allied is in the best interests of all shareholders and the future of Yancoal as a pure play coal provider.

With the transaction supported by our majority shareholder, Yanzhou Coal Mining Co Ltd, and Yanzhou’s 56 percent shareholder, Yankuang Group Co Ltd, we look forward to completing all necessary financial arrangements in the third quarter of 2017.

Without question, this transaction will redefine Yancoal.

Now is an exciting time for our business and with the strong foundation already established, we are moving ahead with surety, expertise and the experience required to build upon our success and establish Yancoal as a global resources leader.

Thank you.

Xiyong Li

Chairman of the Board

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