

25 February 2019

ASX Release:

Full Year Financial Results 2018

Game-Changing A\$4.85B Revenue Delivers A\$377M Final Dividend

FINANCIAL PERFORMANCE HIGHLIGHTS:

Australia's largest pure-play coal producer, Yancoal Australia Ltd ("Yancoal" or "the Company"), today announced a record profit after tax of A\$852 million (FY2017: A\$229 million) from revenue of A\$4,850 million for the year ended 31 December 2018.

- **Final Dividend of A\$377million (A\$0.2855 per share to be comprised of an ordinary dividend of A\$0.1596 and a special dividend of \$0.1259)**
Total 2018 dividend payments of A\$507 million represent a payout ratio of ~60%, consisting of 40% of net profit after tax (A\$341 million) and a 19.5% special dividend (A\$166 million).
- **Total Operating EBITDA of A\$2,180 million, up A\$1,192 million on the year prior.**
- **Total Operating EBIT of A\$1,657 million, up A\$925 million on the year prior.**
- **Debt repayment of US\$500 million**
Further debt repayment of US\$500 million from available cash on 26 February 2019, reducing Yancoal's total debt liabilities by US\$1.4 billion since completion of the acquisition of Coal & Allied Industries Ltd from Rio Tinto on 1 September 2017.
- **Reduced gearing ratio to 34.6%¹ at 31 December 2018 (31 December 2017: 47.3%)**
- **Listed on the Main Board of the Stock Exchange of Hong Kong ("HKEx").**
Raised A\$268 million as part of the Global Offering associated with the Company's HKEx listing.

OPERATIONAL PERFORMANCE HIGHLIGHT:

Yancoal's tier-one assets drove continued transformational growth, achieving record annual total saleable coal production of 50.0 million tonnes (32.9Mt attributable²), up 59% from 31.5Mt (18.5 Mt attributable) in 2017.

¹ Gearing calculated as net debt/net debt plus equity of the Yancoal consolidated Group.

² Attributable share includes: Moolarben (81% - up to and including 30 November 2018 and 85% thereafter - reflecting Yancoal's increased ownership in the Moolarben Joint Venture as announced on 30 November 2018); Mount Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%); and Yarrabee (100%).

CHAIRMAN COMMENTARY:

Yancoal Chairman Baocai Zhang said:

“2018 has been a year of extraordinary growth and success, with a record dividend declared, debt reduced by more than half a billion dollars, and Yancoal Australia listed on the Main Board of the Stock Exchange of Hong Kong.

“Consistent with our commitment to generate value for shareholders, we have also raised new capital, expanded our shareholder base, and are about to pay our final dividend and special dividend with a total payout rate for 2018 of ~60 percent.

“Our exceptional full year financial results have also provided Yancoal with the cash required to begin 2019 by immediately reducing our debt liabilities by a further US\$500 million.

“To have prepaid US\$1.4 billion of debt in less than a year and a half since our acquisition of Coal & Allied is a stunning achievement.

“At the operational level, the integration of the acquired Coal & Allied assets of Hunter Valley Operations and Mount Thorley Warkworth is going well and operational synergies continue to be delivered ahead of expectations.

“We have fortified our position as a leader in the international coal market and returned the Yancoal Group to a position of market strength and financial health.”

CHIEF EXECUTIVE OFFICER COMMENTARY:

Yancoal Chief Executive Officer Reinhold Schmidt said:

“Without question, this year’s financial turnaround demonstrates the robustness of our operational, investment and cashflow management strategies.

“We are exceeding expectations and continue to forge our own path as a leader within the competitive global coal market.

“In the year ahead we will invest in new fleets and operational efficiencies across our open cut mines, and progress our pipeline of Australian brownfield projects, with a specific focus on the Mount Thorley Warkworth and Moolarben operations.

“With three of the most successful low-cost, high-quality producing tier-one assets in Australia, we are aggressively pursuing new organic growth opportunities to sustain the profitable return of Yancoal.

“Coal remains a critical part of global baseload energy supply and we are well positioned to maximise returns from current market conditions by meeting increasing needs for high quality coal supply.”

FINANCIAL PERFORMANCE:

Results for 2018 and 2017	Year ended 31-Dec-18 A\$m	Year ended 31-Dec-17 A\$m
Revenue from continuing operations	4,850	2,601
Operating EBITDA	2,180	988
Operating EBIT	1,657	732
Finance costs	(293)	(287)
Bank fees and other charges	(96)	(109)
Interest income	119	114
Gain on disposal	78	-
Gain on acquisition	-	177
Impairment reversal of mining tenements	-	100
Fair value losses recycled from hedge reserve	(160)	(229)
Remeasurement of royalty	4	8
Remeasurement of financial asset	(29)	-
Remeasurement of contingent royalty	(33)	-
Impairment of financial assets	(21)	-
Transaction costs	(29)	(33)
Stamp duty expensed	(25)	(167)
Other	-	5
Profit before tax	1,172	311
Tax expense	(320)	(82)
Profit after tax	852	229

Record production at a time of sustained pricing strength across global coal markets drove Yancoal's financial turnaround, achieving a record profit after tax of A\$852 million (2017: A\$229 million) from revenue of A\$4,850 million (2017: A\$2,601 million) for the year ended 31 December 2018.

Yancoal achieved a total operating EBITDA of A\$2,180 million, driven by a full year's equity contribution from Mount Thorley Warkworth (A\$718 million) and Hunter Valley Operations (A\$513 million), acquired on 1 September 2017.

EBITDA contributions included the additional benefit of a full year's underground production achieved at the Moolarben Coal Complex (total Moolarben complex equity contribution of A\$871 million), with the underground mine having commenced longwall mining in October 2017 on budget and ahead of schedule.

The Group realised an average price³ of A\$123 for its thermal coal products (2017: A\$102) and A\$182 for its metallurgical coal products (2017: A\$165), representing an overall average price of A\$132 (2017: A\$114).

Thermal coal sales represented 81% (2017: 72%) of total coal sales, based on sales tonnes.

FOB Cash Costs per tonne excluding royalties were A\$63 (2017: A\$62 per tonne), a slight increase on the year prior due to rises in coal mining sector inflationary costs and the addition of a full year's attributable ownership of the Mount Thorley Warkworth and Hunter Valley Operations acquired in September 2017.

³ Excluding resale of purchased coal.

DIVIDEND:

Yancoal paid its maiden interim dividend totaling A\$130 million on 21 September 2018, and today announces a final dividend totaling A\$211 million and special dividend of A\$166 million, with a record date of 11 March 2019. The final dividend and special dividend will be paid on 30 April 2019.

Total FY2018 dividend payments of A\$507 million represent a payout ratio of ~60%, consisting of 40% of net profit after tax (A\$341 million) and a 19.5% special dividend (A\$166 million).

CASHFLOW:

Cash flow summary	Year ended 31-Dec-18 A\$m	Year ended 31-Dec-17 A\$m
Operating cash flows	1,747	408
Investing cash flows	(55)	(3,386)
Net free cash flows	1,692	(2,978)
Financing cash flows	(904)	2,999
Cash at the beginning of the period	207	190
Effect of FX on cash	36	(4)
Cash at the end of the period	1,031	207
Capital management		
Net debt	3,093	4,516
Gearing ratio (net debt/(net debt plus equity)) (%)	34.6%	47.3%
Leverage (net debt/EBITDA) (times)	1.4	4.6

The full year's net operating cash inflow of A\$1,747 million was up A\$1,339 million on the year prior, the growth directly attributable to the addition of a full year's production at Mount Thorley Warkworth, Hunter Valley Operations and the Moolarben underground, at a time of sustained high market prices for thermal and metallurgical coals.

Cash outflows from investing activities was A\$55 million, with the receipt of A\$524 million for the sell-down of 16.6% in the Hunter Valley Operations joint venture to Glencore Coal, largely offsetting Yancoal's A\$353 million purchase of Mitsubishi Development Pty Ltd's ("MDP") 28.898% interest in the Warkworth joint venture and 2018 operating capital expenditure of A\$194 million.

Cash outflows from financing activities included the net repayment of A\$1,014 million in interest-bearing liabilities, up from A\$196 million in 2017, using improved cash from operations plus some funds from the A\$268 million raised as part of the global offering associated with its listing on the HKEx.

The strength of the Company's 2018 balance sheet and cashflow management strategy has enabled Yancoal to end the year with A\$1,031 million in cash to facilitate the Company's final dividend payment and further debt repayment of US\$500 million, reducing the Company's total debt liabilities by US\$1.4 billion since completion of the acquisition of Coal & Allied on 1 September 2017.

PRODUCTION:

Attributable share is the attributable production as it relates to Yancoal's financial statements and does not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).

Attributable share includes: Moolarben (85%⁴); Mount Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%); and Yarrabee (100%).

- Total Run of Mine ("ROM") coal production of 66.5Mt (42.9Mt attributable basis), up 62% from 41.1Mt (24.2Mt attributable) in 2017.
- Total saleable coal production of 50.0 million tonnes (32.9Mt attributable), up 59% from 31.5Mt (18.5 Mt attributable share) in 2017.

ROM Coal Production (Mt)	Ownership	December YTD		
		2018	2017	Change
Moolarben	85%	18.6	14.7	27%
Mount Thorley Warkworth	82.9%	17.6	5.8	203%
Hunter Valley Operations	51%	19.0	6.2	206%
Stratford Duralie	100%	0.7	0.9	(22%)
Yarrabee	100%	3.4	3.4	-%
Middlemount	49.9997%	4.8	5.3	(9%)
Watagan (Ashton, Austar and Donaldson)	100%	2.4	4.8	(50%)
Total - 100% Basis		66.5	41.1	62%
Total - Attributable		42.9	24.2	77%

Saleable Coal Production Table (Mt)	Ownership	December YTD		
		2018	2017	Change
Moolarben	85%	16.5	12.4	33%
Mount Thorley Warkworth	82.9%	12.1	3.9	210%
Hunter Valley Operations	51%	13.3	4.8	177%
Stratford Duralie	100%	0.5	0.7	(29%)
Yarrabee	100%	2.6	2.8	(7%)
Middlemount	49.9997%	3.8	3.9	(3%)
Watagan (Ashton, Austar and Donaldson)	100%	1.2	3.0	(60%)
Total - 100% Basis		50.0	31.5	59%
Total - Attributable		32.9	18.5	78%

ROM Coal Production and Saleable Coal Production Table Notes:

- 2017 figures include only four months of attributable production for Hunter Valley Operations and Mount Thorley Warkworth from 1 September.
- 2018 attributable figures include 81% attributable production for Moolarben up to and including 30 November 2018, and 85% thereafter. This reflects Yancoal's increased ownership in the Moolarben Joint Venture, as announced on 30 November 2018.

⁴ Moolarben (81% - up to and including 30 November 2018 and 85% thereafter - reflecting Yancoal's increased ownership in the Moolarben Joint Venture as announced on 30 November 2018).

- Total coal sales of 37.1Mt (attributable share) for the year, up 68% on the year prior (22.1Mt attributable share).
- Sales split (attributable share) of 29.9 million tonnes thermal coal and 7.2 million tonnes metallurgical coal.

Sales Volumes	December YTD		
	2018	2017	Change
Metallurgical	7.2	6.2	16%
Thermal	29.9	15.9	88%
Total Attributable Coal Sales	37.1	22.1	68%
Purchases in Attributable Coal sales	4.0	3.6	13%
Attributable Ex-Mine Sales	33.1	18.5	79%

Sales Volumes Table Notes:

- 2017 figures include four months of attributable sales for Hunter Valley Operations and Mount Thorley Warkworth from 1 September
- 2018 attributable figures include 81% attributable sales for Moolarben up to and including 30 November 2018, and 85% thereafter. This reflects Yancoal's increased ownership in the Moolarben joint venture.

Yancoal's operations produced a record 50.0 million tonnes saleable coal for 2018, up 59% on the year prior, with the Moolarben complex achieving a new annual total saleable coal production record of 16.5 million tonnes, up 33% on the year prior.

The Mount Thorley Warkworth and Hunter Valley Operations mines produced annual totals of 12.1 million tonnes and 13.3 million tonnes respectively.

The three tier-one assets led an increase in total attributable coal sales of 68% on the year prior, Yancoal achieving total sales of 37.1 million tonnes in 2018, up from 22.1 million tonnes in 2017.

Thermal coal sales were up 88% on the prior year, supported by increased market demand and tier-one production rates, achieving a FY2018 total of 29.9 million tonnes (15.9 million tonnes FY2017).

Total metallurgical coal sales were up 16% on the year prior, achieving 7.2 million tonnes (6.2 million tonnes FY2017).

With market demand for high-quality thermal coal remaining strong throughout 2018, Yancoal continued to maximise blending opportunities across its New South Wales asset portfolio and adjusted washing at its Queensland-based Yarrabee open cut mine to benefit from increased demand for PCI coal.

Yancoal continued to implement cost reduction strategies at each of its mines, restructuring the Mount Thorley Warkworth operation to introduce significant fleet efficiencies to improve maintenance times and overall haul rates.

SAFETY:

Continued positive improvement in safety, awareness and training across all operations resulted in a significant decrease in Yancoal's Total Recordable Injury Frequency Rate ("TRIFR") to 8.16, down from 11.97 in the year prior.

Yancoal continues to implement its Critical Controls safety initiative throughout the business, identifying key hazards within the workplace and instituting effective management and response practices for all staff, employees and contractors to follow.

No significant events were recorded at Yancoal's mine sites for the period, with sites continuing to operate to legislative and safety standards.

Under the direction of the Health, Safety and Environment Committee, Yancoal remains committed to operating safely and transparently to achieve its objective of achieving zero harm.

TRIFR for the combined Watagan Mining Company Pty Ltd ("Watagan") assets of Austar and Ashton, managed by Yancoal, was also a significant improvement on the year prior, down from 34.72 in 2017 to 23.04 in 2018.

COMMUNITY:

In 2018, Yancoal's Community Support Program invested A\$834,649 into local and regional health, environmental, education and community initiatives capable of making a positive difference in the regions in which the Company operates.

Funding provided by the Community Support Program is in addition to site-based in-kind, annual and voluntary contributions to local councils to assist with roads, maintenance and regional investment projects.

Yancoal continues to work co-operatively with its community stakeholders, relying upon community consultative committees, local newsletters, local media, community days and site-specific websites to help ensure all stakeholders are engaged and informed of relevant matters related to nearby operations.

OUTLOOK:

Operations

Yancoal continues to pursue its long-term strategy for organic growth, with a commitment to progressing its brownfield expansion and extension projects.

In the year ahead, Yancoal will continue to focus on exploration and expansion works across the tier-one assets of Mount Thorley Warkworth and Moolarben respectively.

Key projects include the conceptual underground mine at Mount Thorley Warkworth with an estimated 6 million ROM tonnes per annum, which completed exploration drilling for the prefeasibility on the target seams at the end of 2018.

Yancoal received approvals to commence mining activities associated with the Lot 1 and Lot 2 areas of Mount Thorley Warkworth during the reporting period, enabling commencement of the extension of the existing West pit on the Warkworth side in 2019.

Proposed modifications for the Moolarben open cut pits are awaiting approval, as Yancoal continues to maximise improved extraction rates in both the open cut and underground mines.

Market Demand

Demand for high quality low ash and low sulphur coals remains strong, as developed economies in Asia including Japan, Korea and Taiwan continue to implement environmental policies requiring coal users to

consume cleaner, higher grades of product. As higher grades of coal quality remain in tight supply, price premium increases for suppliers are expected during 2019.

Asia remains a dynamic market, with coal currently representing over 50% of the Asian energy requirement and remains the cheapest energy source for developing nations.

Similarly, while China continues to introduce an alternative energy policy, it remains a growing economy in need of certainty of baseload energy supply. China buyers are also seeking higher CV and low sulphur coals, as China moves its focus to purchasing a greater proportion of import coals with an energy level greater than 5000 kcal/kg NAR.

Long term demand for both thermal and metallurgical coal is expected to continue to grow in 2019, driven by increasing energy and infrastructure requirements associated with expected population growth and the urbanisation of South East Asia.

Statistics indicate Australia will continue to retain a market share of approximately 26% of the growing world seaborne thermal coal requirement.

Price Related

Given the demand outlook and Australia's critical role as a main source of premium grade thermal and metallurgical coals, the curtailing of new supply growth due to ongoing challenges associated with obtaining Australian development approvals for greenfield developments has the potential to strengthen premium coal prices.

As a result, locally-based operators with brownfield expansion opportunities are likely to benefit from the combination of sustained premium grade undersupply and greenfield limitations.

Seaborne supply from South Africa, Russia and Indonesia is also likely to be constrained to satisfy their own domestic energy requirements and likely to positively impact international coal prices.

Based on pure market supply and demand fundamentals, coal price stability should occur in 2019 at current levels.

GUIDANCE:

Yancoal will maintain strong cost discipline, with 2019 cash costs (excluding government royalties) expected to remain flat at around A\$62.5/t (2018: A\$63/t).

For 2019 Yancoal is targeting a dividend payout of 50% of net profit after tax (adjusted for the impact of foreign exchange hedge reserve movements and any other non-operating items).

2019 guidance for saleable coal production is approximately 35 million tonnes (attributable).

Expected 2019 capital expenditure is around A\$285 million (attributable).

End

ABOUT YANCOAL

As Australia's largest pure-play coal producer, Yancoal operates a diversified portfolio of world class assets consisting of both large scale open cut and underground mines.

Dual primary listed on the Australian Securities Exchange and the Stock Exchange of Hong Kong, Yancoal operates five coal mine complexes and manages five others across Australia.

As a leading low cost coal producer in the global seaborne market, Yancoal's coal mining operations produce a mix of premium thermal, semi-soft coking, and PCI coals, together with mid-to-high ash thermal coals.

To maximise pricing opportunities, Yancoal also has the diversity of product types and mining operations to blend Run-of-Mine ("ROM") and washed coal ("Saleable") to meet specific customer needs.

Yancoal's mining interests in New South Wales include the open cut and underground mines of the Moolarben coal complex (85% ownership); the integrated joint venture operations of the Mount Thorley and Warkworth open cut mines (82.9% ownership); the open cut Hunter Valley Operations joint venture with Glencore Coal (51% ownership), and the integrated operations of the Stratford and Duralie open cut mines (100% ownership).

Yancoal's mining interests in Queensland include the Yarrabee open cut mine (100% ownership), and a near 50% equity interest in Middlemount Coal Pty Ltd ("Middlemount") open cut mine, an incorporated joint venture with Peabody Energy.

Yancoal also manages the underground Ashton (100% ownership), Austar (100% ownership) and Donaldson (100% ownership) mines in New South Wales on behalf of Yancoal's unconsolidated, wholly-owned subsidiary, the Watagan Mining Company Pty Ltd.

Yancoal also has shareholding interests in three major Australian coal export terminals, with sufficient allocation to meet existing and potential expansion needs.

End

YANCOAL AUSTRALIA RESULTS PRESENTATION:

Chief Executive Officer Reinhold Schmidt and Chief Financial Officer Lei Zhang will host a call to provide an overview of Yancoal Australia's 2018 Full Year Financial Results at **11:30 am Sydney time, Tuesday 26 February 2019**.

Please note, questions will not be taken during the call.

Details for the briefing are:

Date: Tuesday 26 February 2019

Time: 11.30am Sydney time

Dial-in options

Australian dial-in number: +61.2.9186.7290

Australian Participant Pin: 9529274633#

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End

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