



Disclaimer

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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.



CHANGING THE GAME

AUSTRALIA'S LARGEST PURE-PLAY COAL PRODUCER



Operate six sites

- ✓ Mt Thorley
- ✓ Warkworth
- ✓ Hunter Valley Operations
- ✓ Moolarben
- ✓ Stratford Duralie
- ✓ Yarrabee

AUSTRALIA'S LARGEST PURE-PLAY COAL PRODUCER

Manage five sites

- ✓ Watagan - Austar, Ashton, Donaldson
- ✓ Yanzhou - Cameby Downs, Premier

Middlemount Joint Venture

- ✓ ~50% share in Middlemount Joint Venture



Middlemount

- ~50.0% ownership
- Open cut
- 2017 saleable production
 - 100%: 3.9Mt
 - Total recoverable reserves: 68Mt

Yarrabee

- 100% ownership
- Open cut
- 2017 saleable production
 - 100%: 2.9Mt
 - Total recoverable reserves: 56Mt

Stratford Duralie

- 100% ownership
- Open cut
- 2017 saleable production
 - 100%: 0.7Mt
 - Total recoverable reserves: 44Mt

Moolarben

- 81% ownership
- Open cut
- 2017 saleable production
 - 100%: 12.4Mt
 - Total recoverable reserves: 267Mt

Ports

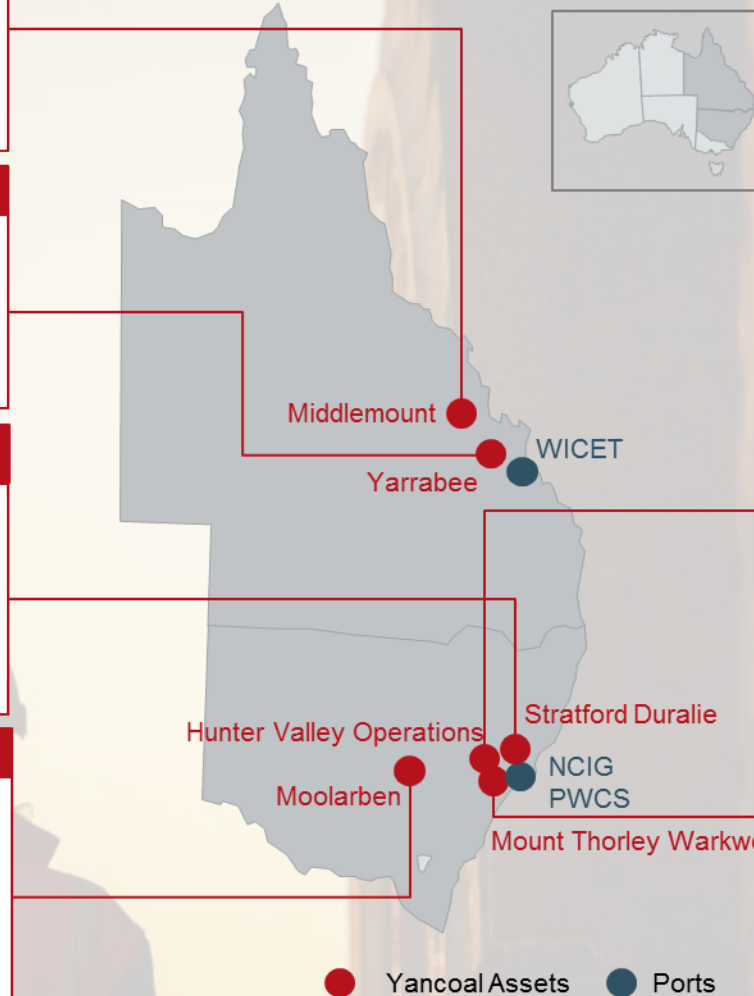
- Port Waratah Coal Services (PWCS)
- 36.5% ownership
- Newcastle Infrastructure Group (NCIG)
- 27% ownership
- Wiggins Island Coal Export Terminal (WICET)
- 9.4% ownership

Hunter Valley Operations

- 51.0% ownership
- Open cut
- 2017 YAL saleable production (four months)
 - 100%: 4.8Mt
 - Total recoverable reserves: 824Mt

Mount Thorley Warkworth

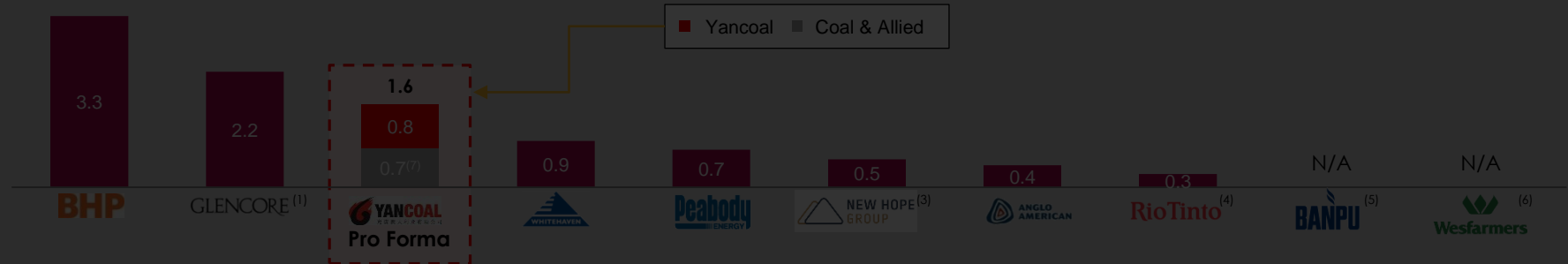
- 82.9% ownership
- Mount Thorley: 80% ownership
- Warkworth: 84.5% ownership
- 2017 YAL saleable production (four months)
 - 100%: 3.9Mt
 - Total recoverable reserves: 348Mt



Top 3 by reserves and production

Marketable Coal Reserves

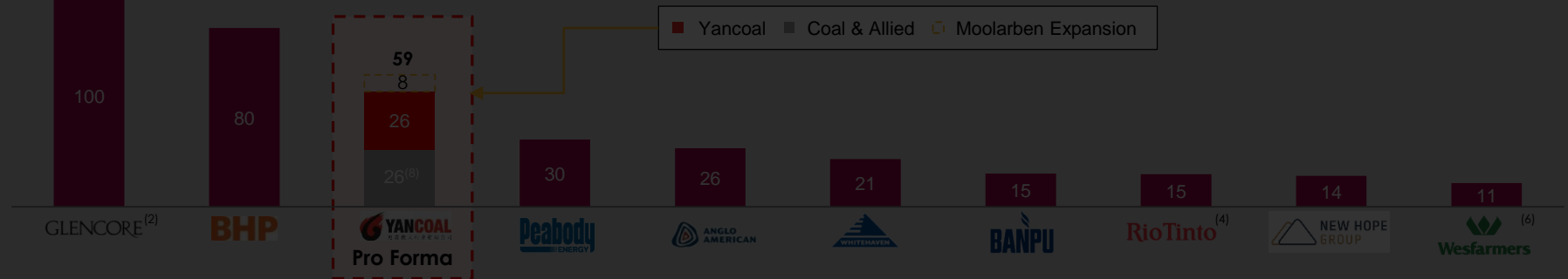
(100% basis, Bt)



Source: Wood Mackenzie – Dataset: May 2017, company filings

CY16A Saleable Production

(100% basis, Mt)



Source: Wood Mackenzie – Dataset: May 2017, company filings

Notes:

- Sum of Glencore's existing (1.9Bt) and 49% of HVO (0.3Bt)
- Sum of Glencore's existing (93Mt) and 49% of HVO (7Mt)
- Bengalla based on Rio Tinto's 2015 Annual Report (last publicly disclosed)
- Excludes HVO and MTW
- Do not report Marketable Coal Reserves
- Excludes non-controlling interest in Bengalla
- Sum of Yancoal majority owned assets, i.e. Moolarben, Yarrabee and Stratford Duralie (291Mt); Middlemount (55Mt); Watagan, i.e. Austar, Ashton and Donaldson (128Mt); Cameby Downs (205Mt) and Premier (61Mt)
- Sum of Yancoal majority owned assets, i.e. Moolarben, Yarrabee and Stratford Duralie (13.3Mt); Middlemount (4.1Mt); Watagan, i.e. Austar, Ashton and Donaldson (2.4Mt); Cameby Downs (1.8Mtpa) and Premier (4.2Mtpa)

US\$2.45_B

ACQUISITION of Coal & Allied

For US\$2.69 billion in value, comprising of US\$2.45 billion cash payable on completion, US\$240 million in future non-contingent royalty payments over five years following completion, and a coal price linked contingent royalty.

23.44_{Mt}

SALEABLE COAL (equity share tonnes)

Total 2017 production (equity share) up 47 percent on year prior; including 4.92 million tonnes from the post-acquisition production from the Hunter Valley Operations and Mount Thorley Warkworth assets



30.55Mt

RUN OF MINE COAL (equity share tonnes)

Strong production from Moolarben complex, supported by fleet efficiencies and of coal from acquired Coal & Allied assets.

Year prior: 21.2Mt equity share 31 December 2016

28.54Mt

SALES VOLUME (equity share tonnes)

- Total coal sales (equity share): 28.5Mt
- Sales split (equity share): 19.55Mt thermal coal, 8.99Mt metallurgical coal
- Year prior: 19.3Mt 31 December 2016



A worker in a white hard hat and a high-visibility orange safety vest is seen from the back, looking towards a large industrial structure, possibly a conveyor belt or a large pipe, against a bright orange sunset sky.

\$2.6_B

TOTAL REVENUE

\$229_M

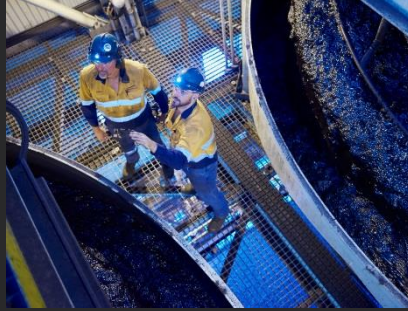
PROFIT AFTER TAX

Led by increased production output at a time of industry-high benchmark prices for semi-soft coking coal and thermal coal sales.

\$732_M

OPERATING EBIT TOTAL VALUE

Up \$693 million on the year prior



EMPLOY APPROXIMATELY 5,500 PEOPLE



THE POLITICAL COAL CYCLE

You can determine political support for coal by the strength of the coal price.

We cannot continue to have a long-term industry governed by short-term political tenures & agendas.

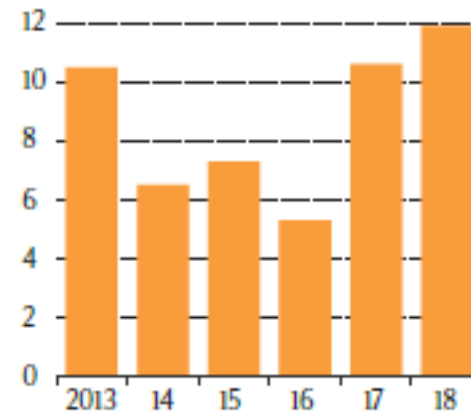


**“On track to record
biggest and most
active year of
mergers and
acquisitions since
the last boom.”**

The Australian 4 June 2018

**M&A in the
resources sector**

\$USbn



Source: Bloomberg

Australia's mining sector is on track to record its biggest and most active year of mergers and acquisitions since the height of the last boom, as the resurgent industry rediscovers its appetite for deals.

Figures compiled by *The Australian* show that, with the best part of a month still to go in this financial year, Australian-listed companies have been involved in almost \$US12 billion (\$15.8bn) worth of transactions since July 1.

NSW operating environment

Industry is suffering at the hands and influence of process junkies.

Riddled with a disparity of agencies and contradictions.

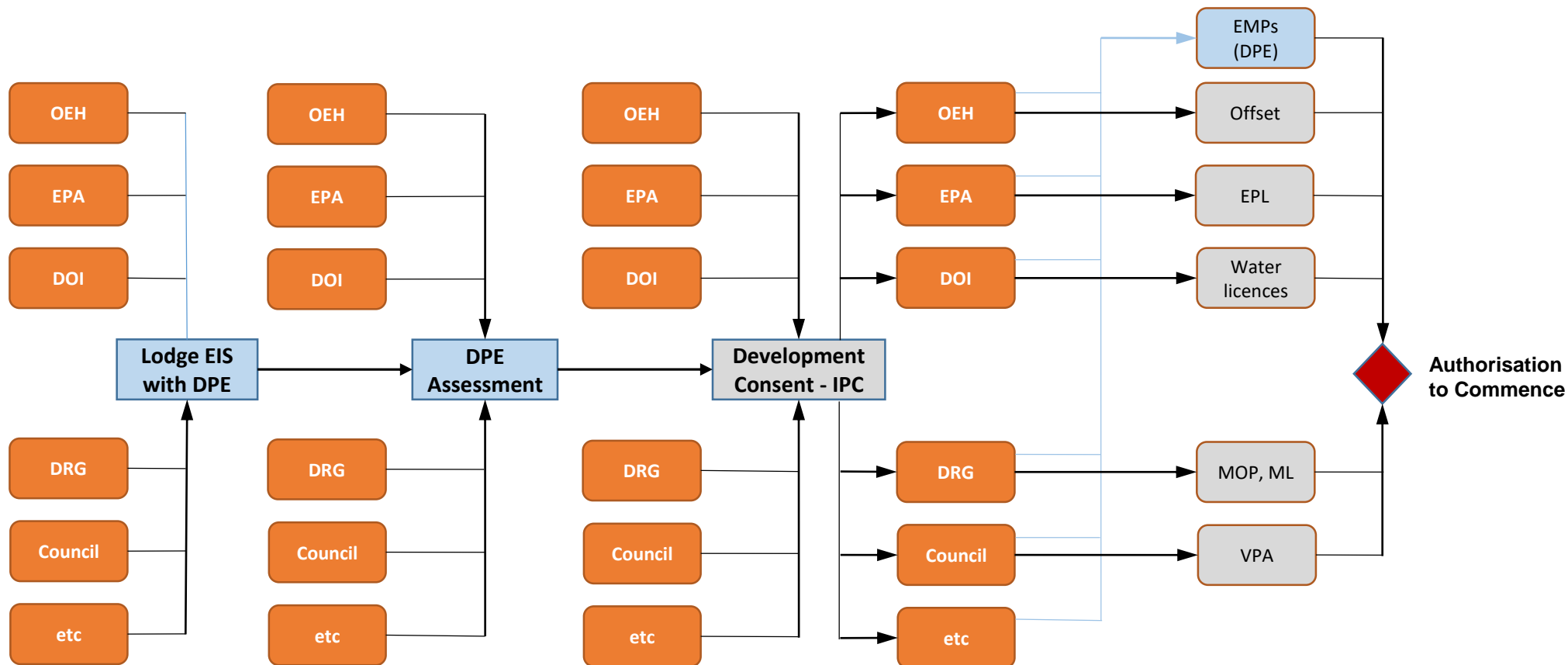
NSW approvals process

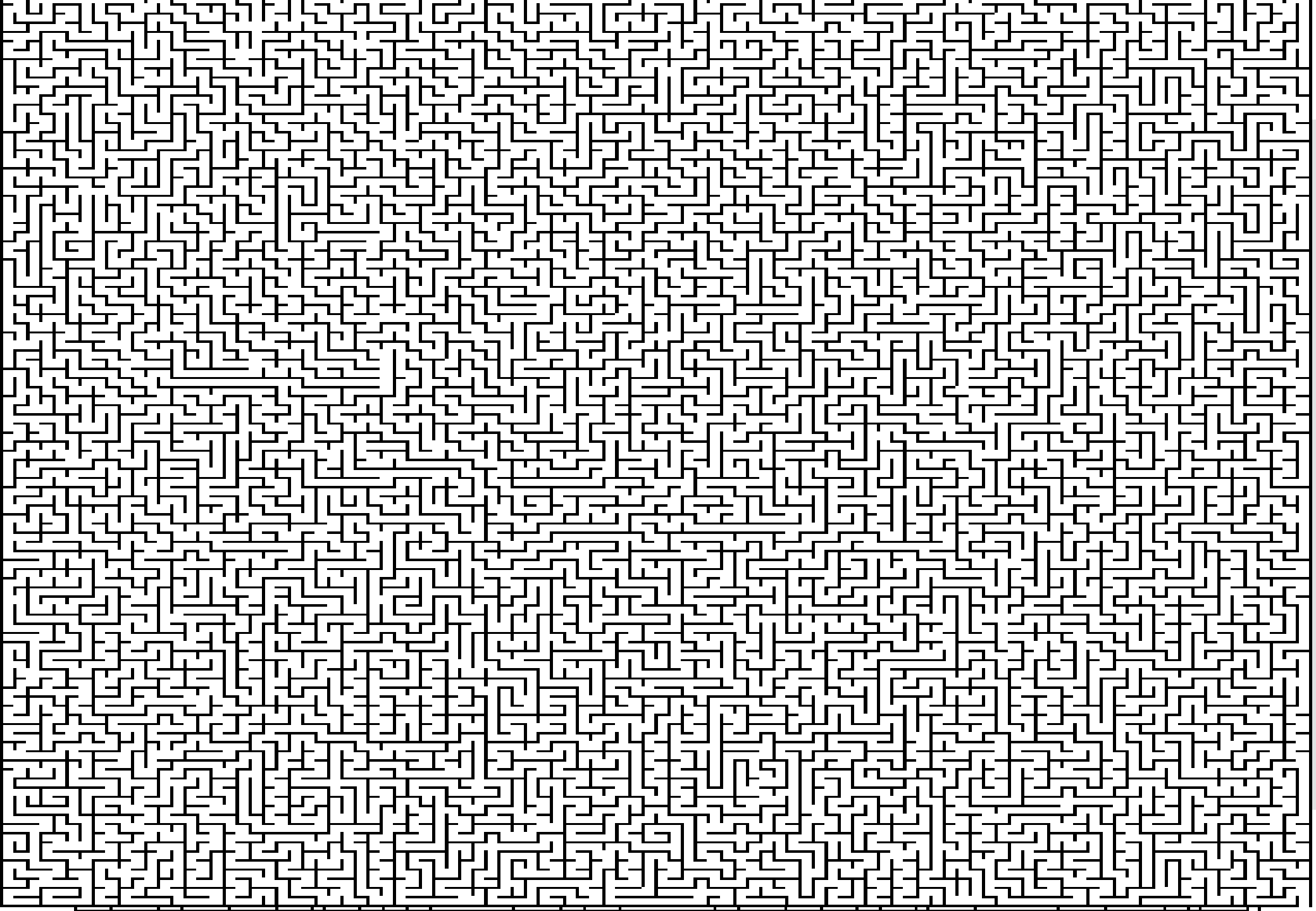
1. EIS Preparation

2. Assessment of EIS

3. Input to IPC

4. Mandatory Secondary Approvals





NSW Vs QLD:

We need increased powers within the NSW Government to remove structural contradictions.

Ultimately one-stop solutions need to have influence and legislative power.

A Tale of Two Cities

QLD takes a whole of Government approach with the power to compel Departments to resolve issues.

Wallaby Scrub Road



Wallaby Scrub Road

Day 171 of a

60-Day process

CULTURE INFLUENCES EVERYTHING

C&A acquisition required a new way of working:

Balancing the cultures of the East & the West; and

A commitment to remove the restrictive belief:

“ This is how
we’ve
always
done it ”

THE YANCOAL WAY

Safety

- Safety is not optional. It is considered in everything we do to eliminate harm to our people.

People

- We value involvement from everyone.

Excellence

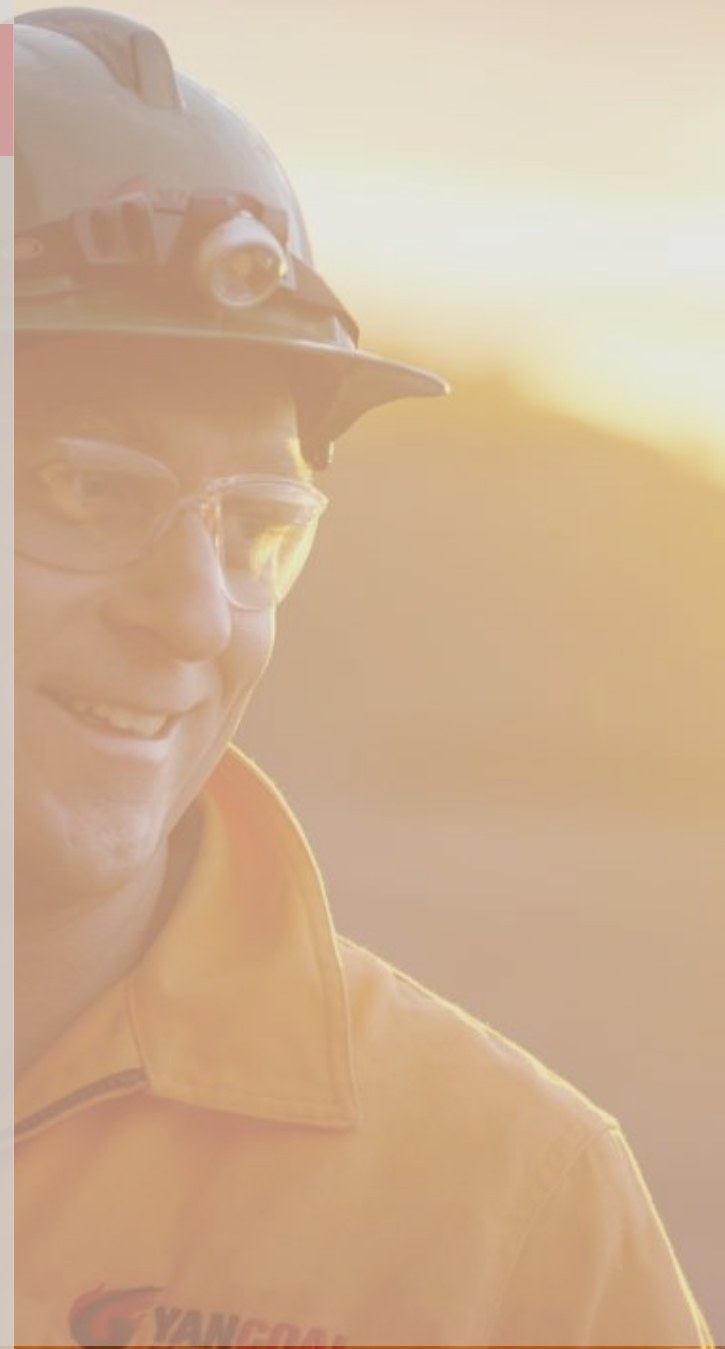
- We identify and implement best practice and operate above the line in the 'can do' zone with Courage, Trust and Pride.

Integrity

- We do what we say with honesty, integrity and reliability.

Innovation

- We seek to continuously improve all aspects of our business.



DIFFERENCES IN CULTURAL CONVERSATIONS



- Minimal chat
 - Rapid decision making
 - Speak with intent
 - Not listening; waiting for turn to speak
-



- Storytelling
- Taking time
- Talking for talking sake
- Not focused on resolution & solution

THE



BOSS



SELF-EXPRESSION



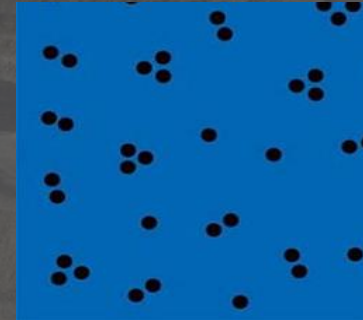


DANGER
OVERHEAD
BARS

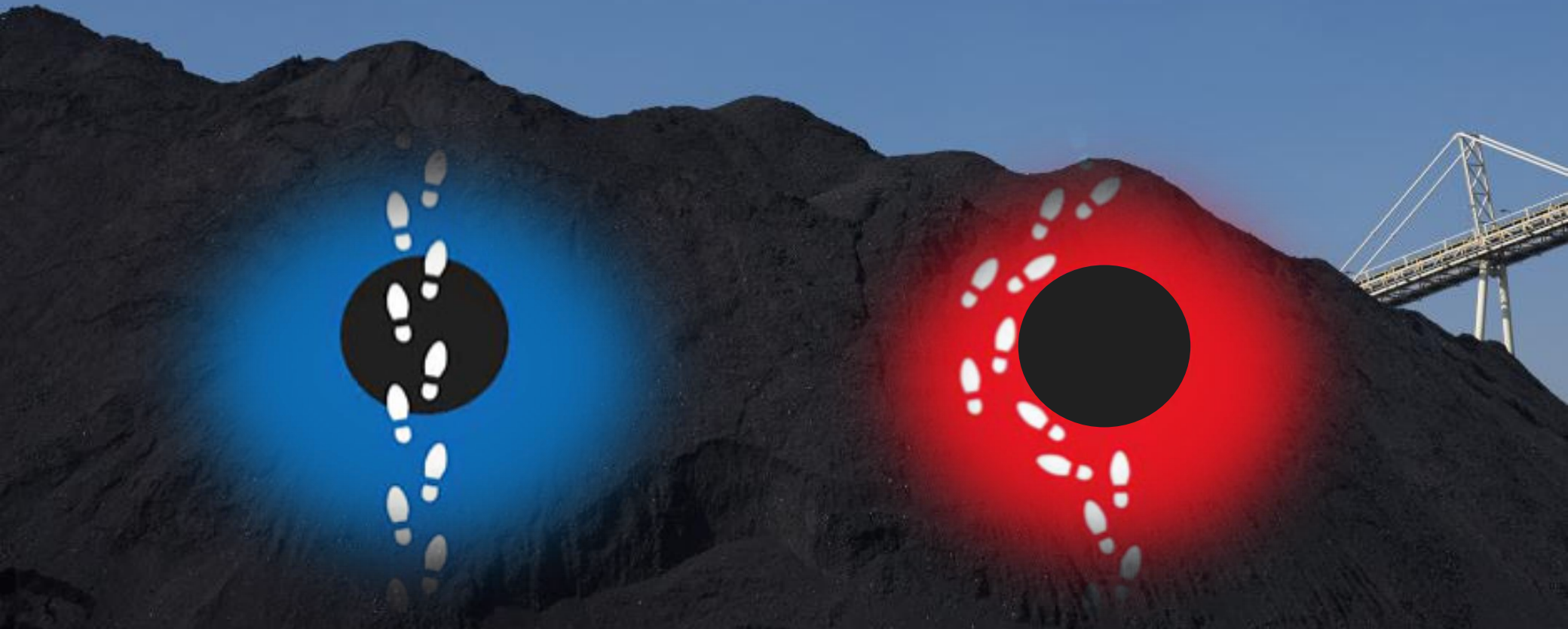
THE EGO



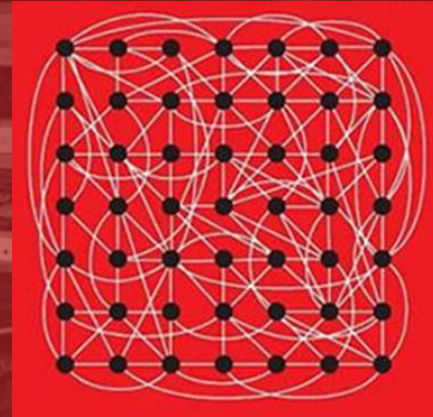
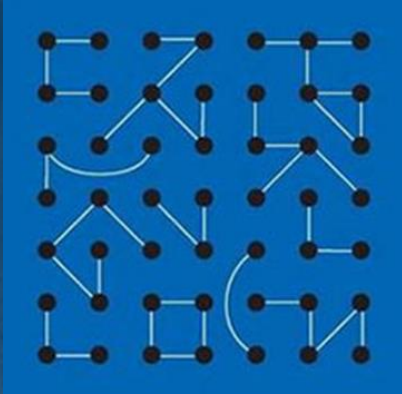
SOCIAL HIERARCHY



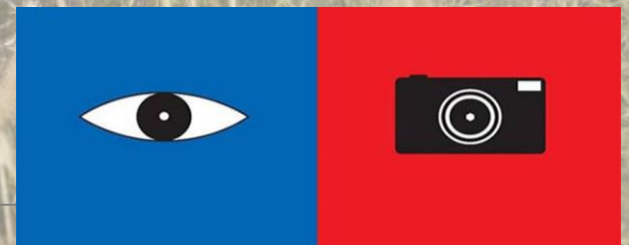
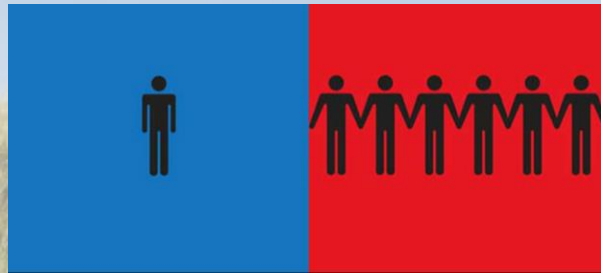
PROBLEM-SOLVING



CONNECTIONS & CONTACTS



SOCIAL INSIGHTS



RESPONDING TO UNCERTAINTY



WEST

Individual identity:
uncertainty affects self worth

Behaviour: “Us versus Them”



EAST

Collective identity

Commitment to follow
rules of hierarchy / elite



GOAL

Merge Western ideal of **speaking up** with Eastern ideal of **listening**

Allow for **creativity and flexibility**

99% of what we need to know is already within the Yancoal workforce



Acting like the West drove Yancoal win

Reinhold Schmidt accepts the idea that the \$3.63 billion package of deals that leaves Yancoal the senior owner of Rio Tinto's rich Hunter Valley legacy represents the biggest shift in the tectonics of Australian coal since Xstrata's takeover of MIM Holdings in 2003.

And Yancoal's ambitious South African-born boss should know.

He was part of Xstrata team, led by the legendary Mick Davis, who took out MIM in a \$2.9 billion deal that introduced Glencore's mining outpost to the mainstream of Australian hard-rock mining at Mount Isa, and to the frontline of the Queensland coal business at Oak Creek, Rollerston and the historic Newlands-Collinsville complex.

"I was heavily involved in the Xstrata-MIM transaction, I was right in the middle of it. It changed the (Australian) coal landscape forever," Schmidt reflected in an exclusive interview with *The Australian Financial Review* last week.

But, after a pregnant pause, Schmidt resists the invitation to expand on why this latest transaction might prove just as significant to the local coal business.

But the odds are that it will.

The business that evolved from that 2003 deal is now fully owned by Glencore and is Australia's biggest coal business by tonnes mined and volumes

cohort of government-owned Chinese investors with profound control of a material body of Australian coal mines.

There is the fact that Schmidt's Yancoal was eventually able to out-fence one of the most nimble-footed

and commercial acute of the giants of global mining, Glencore, which made a spectacular last-minute bid-off for Coal & Allied.

Over an exciting three-week period in June, Yancoal moved fast and often to deflect Glencore's eleventh-hour attempts to take a prize that Schmidt thought he had locked up in February.

Twice in successive weeks Glencore was left surprised by the speed and commercial acuity of Yancoal's response to counter-offers for Coal & Allied.

In the end it was Glencore that decided to take another tack. Having withdrawn from the auction, it opened simultaneous negotiation with the Japanese minority owners of the coal mines that are controlled by Coal & Allied and with Yancoal.

In the end – and again with a speed that belied China Inc's reputation for favouring reflection over action – Yancoal fabricated a \$1.4 billion deal with Glencore that will see the pair own and operate the better half of the Coal & Allied business.

The deal will see Glencore delivered

Glencore's synergies.

Schmidt reflects with frank surprise at the pace at which his major shareholders responded to Glencore's determination to make an auction of the Coal & Allied deal.

"This was a demonstration of the fact that the East can act like the West in these circumstances," he said.

"When we were in a bidding war, the speed that they (Hong Kong-listed owner Yanzhou and its Chinese-based controlling shareholder Yankuang Group) moved at was unbelievable.

They moved at a pace I never believed they could. And that was because they really wanted to get this deal done.

"I would make the point here that this is not a deal that is all about China protecting itself, about supply security or anything like that. I mean, we can't transfer price our coal, we are a listed entity and I have to make as much money as I can for all our shareholders.

"And our main markets are not Chinese. They are Japan, Korea, Taiwan, Hawaii and elsewhere. Quite frankly, selling this coal to China has nothing to do with this.

"There has been a fundamental shift in how the Chinese SOEs look at their domestic and international businesses now. They are looking for returns rather than just growth. They are about building commercial savvy, cashflow-generating, profit-making businesses



