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19 AUGUST 2020

# ASX Release:

## HALF-YEAR FINANCIAL REPORT PRESENTAION
**For the half-year ended 30 June 2021**

Authorised for lodgement by the Yancoal Board

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YANCOAL
兖煤澳大利亚有限公司

# Yancoal Australia Ltd

## 2021 Half-year Financial Result

**19 August 2021**

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# Robust performance up cycle commences

Effective COVID-19 response and Sustained safety performance

8.4 TRIFR

$1.78 billion Revenue

17.5Mt Attributable Saleable Production

$406 million Operating EBITDA & operating margin of 23%

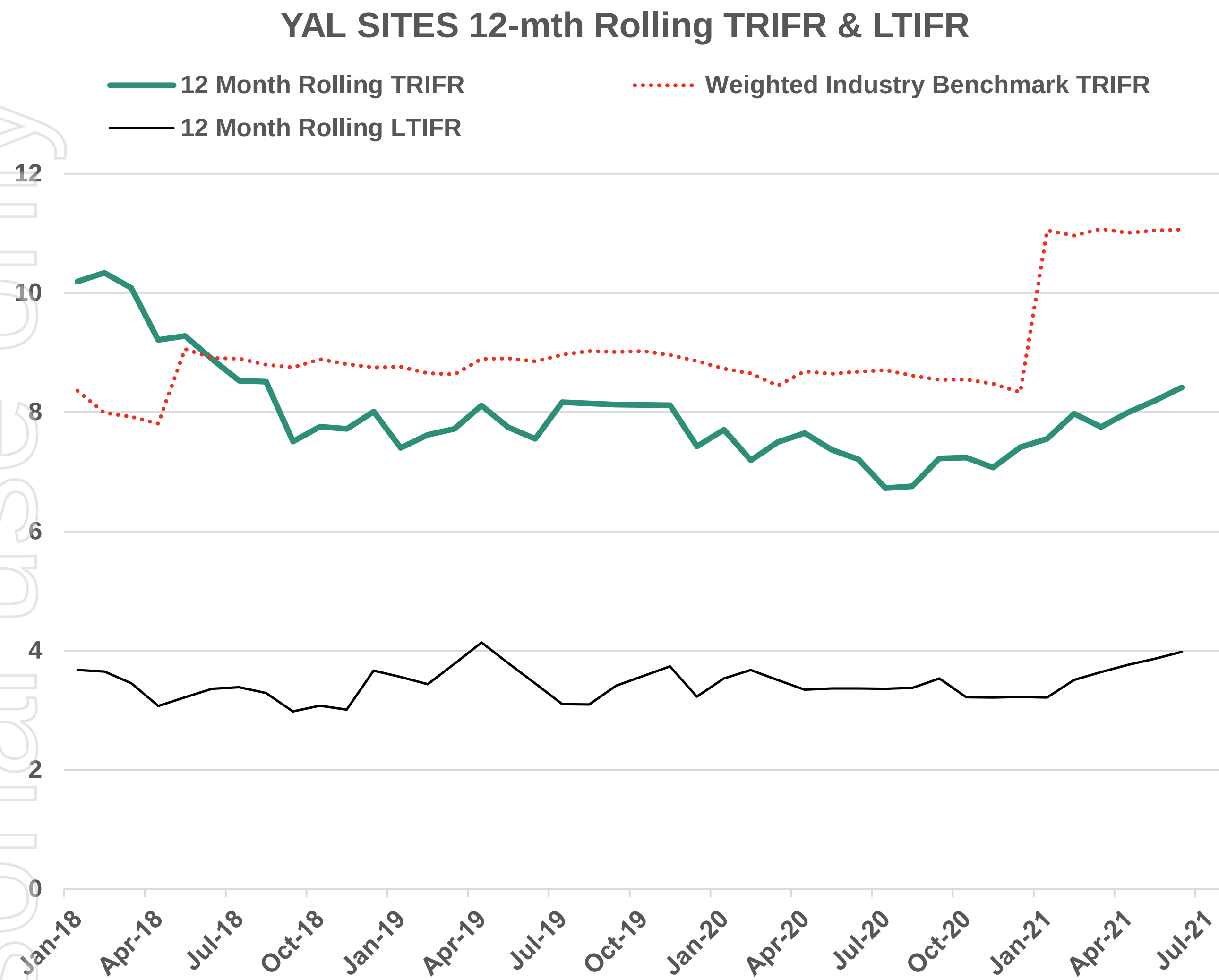
A$66/tonne Operating Cash Cost

Operating cash flow of $179 million

Payment complete on additional 10% stake in Moolarben

Cash position of $539 million

# Safety Performance




Reintroduction of COVID-19 response plans late in 2H 2021. No known COVID-19 cases at the mines^, but lockdowns and proactive isolations taking place in regional areas.

Met the additional challenges and kept key safety stats below our industry benchmark.

**Ongoing focus resulted in a better than industry benchmark performance**

- TRIFR = Total Recordable Injury Frequency rate, and LTIFR = Lost Time Injury Frequency Rate. Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Joint venture operated Middlemount and Hunter Valley Operations as well as Watagan (up to 16 December 2020). From January 2021 onwards the Yancoal TRIFR and Industry weighted average were revised to include the Watagan assets. Prior periods may be revised for reclassification of past events. The Industry weighted average combines proportional components from the relevant New South Wales and Queensland industry averages.
- ^ As at 12th August 2021, the date this presentation was prepared

# Environment, Safety and Governance

- During H1 2021 Yancoal:
  - Implemented a new process to maintain corporate oversight of potential mining activities that could impact Aboriginal cultural heritage sites with moderate to high archaeological significance, and
  - Continued to roll out its third party Independent Environmental Assurance Audit program, with audits undertaken at Cameby Downs, Stratford and Duralie during the period.
- Yancoal is taking steps towards a lower emissions profile through long-term concepts. Investigation into opportunities such as replacing diesel-powered mining fleet or introducing renewable power generation to the mine sites are examples of potential future endeavours.
- Link to Yancoal’s ESG report 2020

**Founded on shared values, focused on Australian futures**

# Controllable and Uncontrollable factors

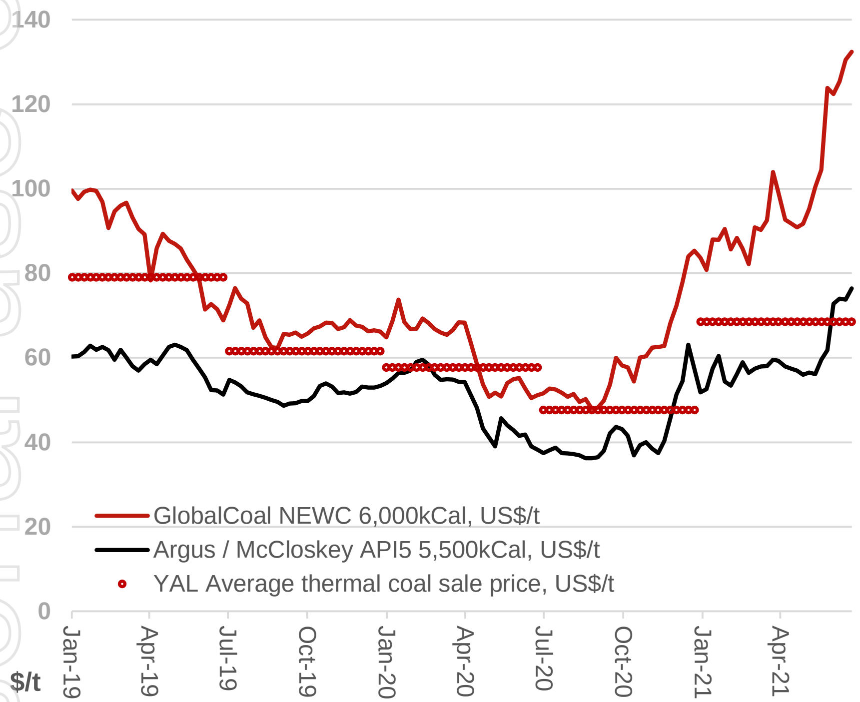
| Operating factors | 1H 2021 | 1H 2020 | Change | Observations |
|---|---|---|---|---|
| Average realised sales price (A$/t) | 94 | 94 | 0% | Higher met coal proportion, but lower met coal price |
| Attributable production (million tonnes) | 17.5 | 19.0 | -8% | Weather disruptions impacted production |
| Attributable sales (million tonnes) | 17.2 | 17.5 | -2% | Sales volume closely followed production volume |
| Operating cash costs (A$/t) * | 66 | 63 | 5% | Diesel price and lower production affected unit costs. |

* Operating cost costs revised to include other operating expenses. Prior period figures have been similarly adjusted.

# Coal market conditions

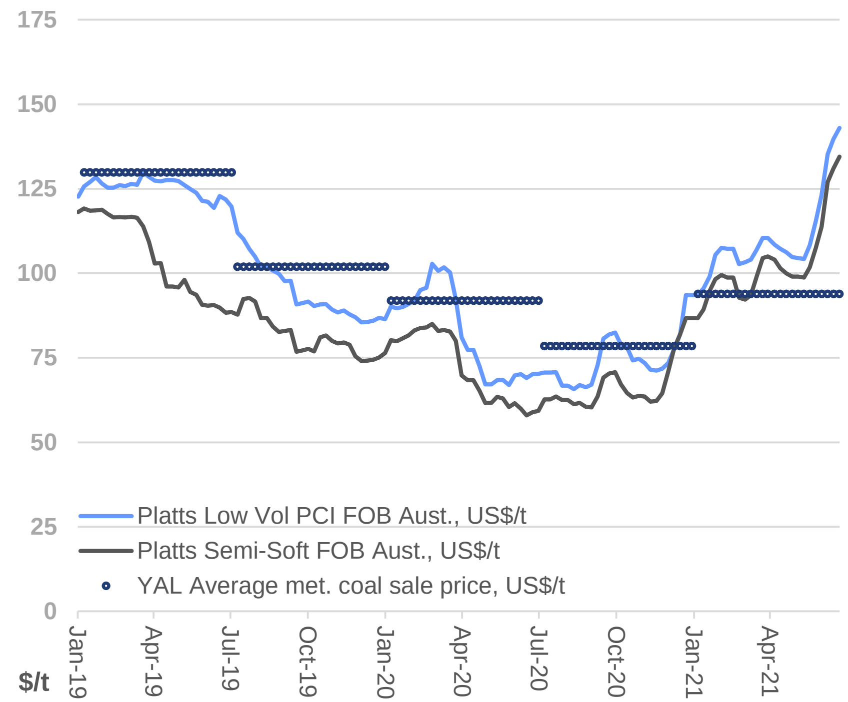
- Average realised thermal coal price of A$89/t was up 1% from 1H 2020 as supply constraints saw international indices recover from the lows in 2H 2020.
- Average realised metallurgical coal price of A$122/t was down 15% from 1H 2020, but price index strength late in the period bodes well for 2H 2021.

**Thermal benchmarks (US$/t), YAL Average thermal coal sale price (US$/t)***




Source: Argus/McCloskey, GlobalCOAL

**Met. coal benchmarks (US$/t) & YAL Average met. coal sale price (US$/t)***




Source: Platts

**The thermal coal index price differential creates an opportunity to pursue.**

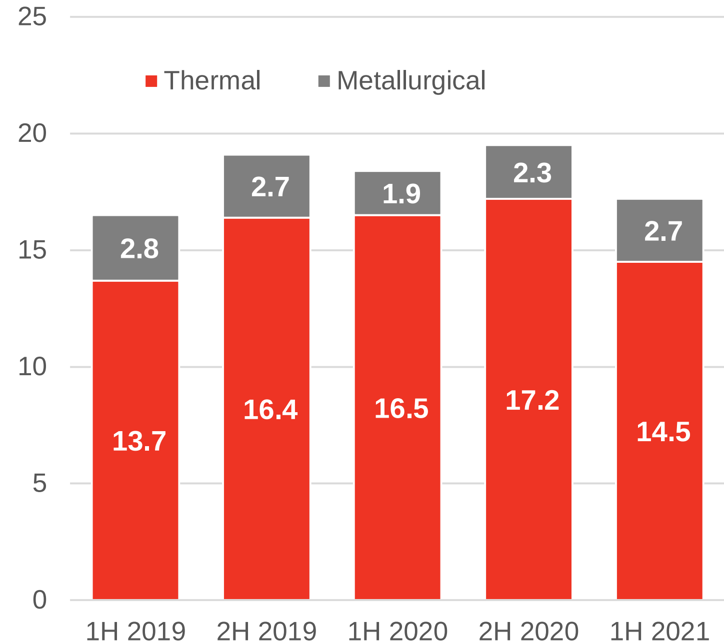
* Average sale price is the average price in AUD term for each half-year period converted to USD terms at the average AUD:USD exchange for the period

# Product mix

- Diverse customer base limits the impact from disruption from any one market.
- Sales volumes weighted to the second half has been the pattern in recent years.
- The metallurgical coal ratio lifted in 1H 2021.

| | | 1H 2021 | 1H 2020 | % Change |
|---|---|---|---|---|
| Thermal coal price achieved | A$/t | 89 | 88 | 1% |
| Metallurgical coal price achieved | A$/t | 122 | 140 | -15% |
| **Combined coal price achieved** | **A$/t** | **94** | **94** | **0%** |

**Attributable sales volume****
(Million tonnes)



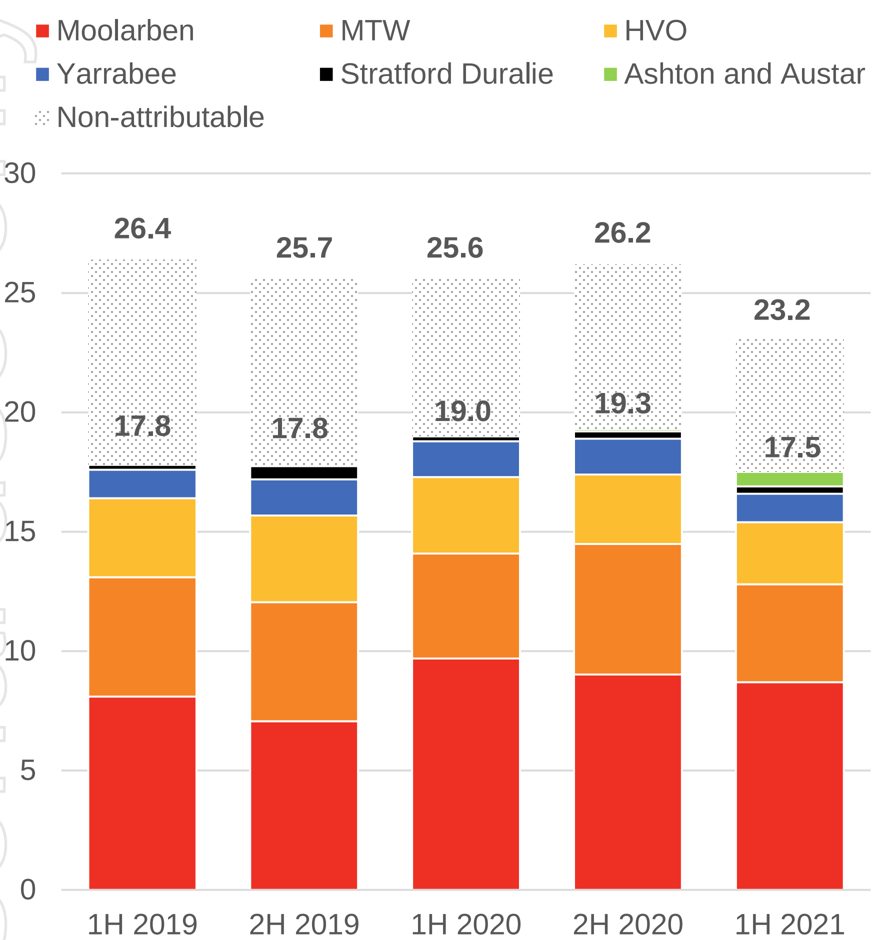

**The proportion of revenue from any one country is usually less than 25%**

** Excludes purchased coal tonnage. Excludes Middlemount (equity-accounted) and Watagan (equity-accounted from 31 March 2016 up to and including 16 December 2020).

# Coal Production temporarily impacted

**Attributable Saleable Production by Asset ***

(Million tonnes)



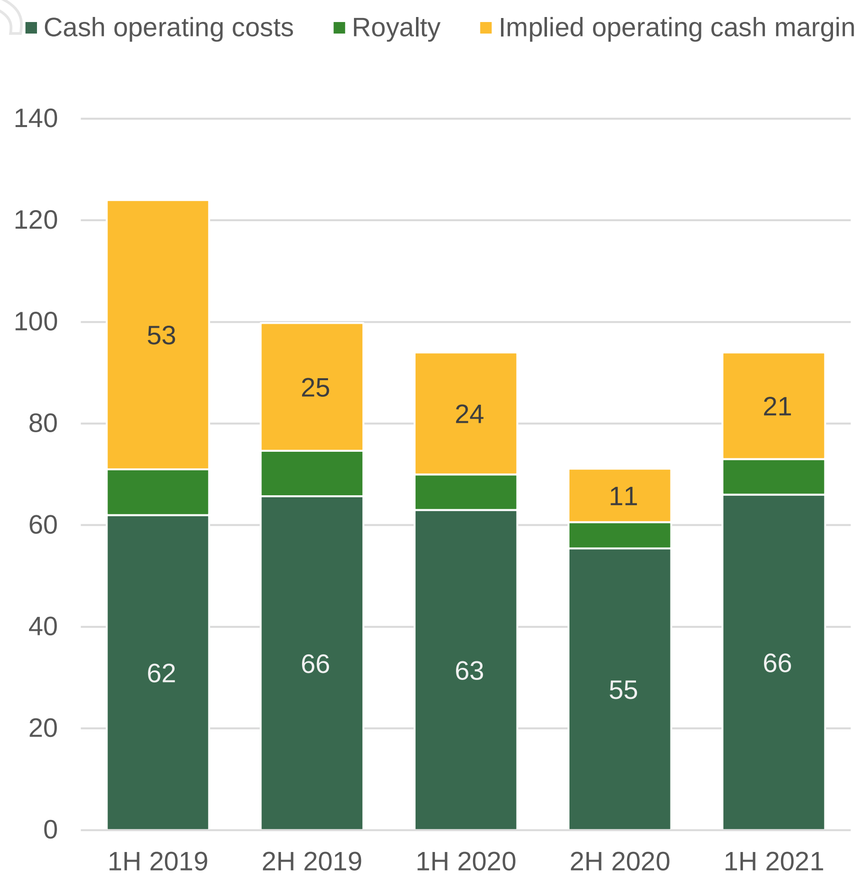

- The decrease in attributable saleable coal largely stems from wet weather disruptions in 1H 2021 in NSW; most notably at two of the three large-scale, low-cost, open-cut mines - Mount Thorley Warkworth (MTW) and Hunter Valley Operations (HVO).
- 2021 guidance of around 39Mt of attributable saleable coal production requires limited production disruptions in 2H 2021.
- The spread of COVID-19 to regional areas and the resulting lockdowns have the potential to affect production expectations.

**Production recovery requires steady production for the rest of the year**

* Attributable figures include: Mount Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%), Yarrabee (100%) and Moolarben (81% - up to and including 30 November 2018, then 85% up to and including 31 December 2019, then 95% thereafter). Note the economic benefit from Moolarben increased from 85% to 95% from 1 April 2020 onwards, with the 3 month difference captured in the transaction terms. Watagan contribution changes from equity accounted to attributable from 17 December 2020 onwards.

# Unit costs fluctuate on uncontrollable elements

**Cash operating costs (per production tonne)**
(A$/tonne)



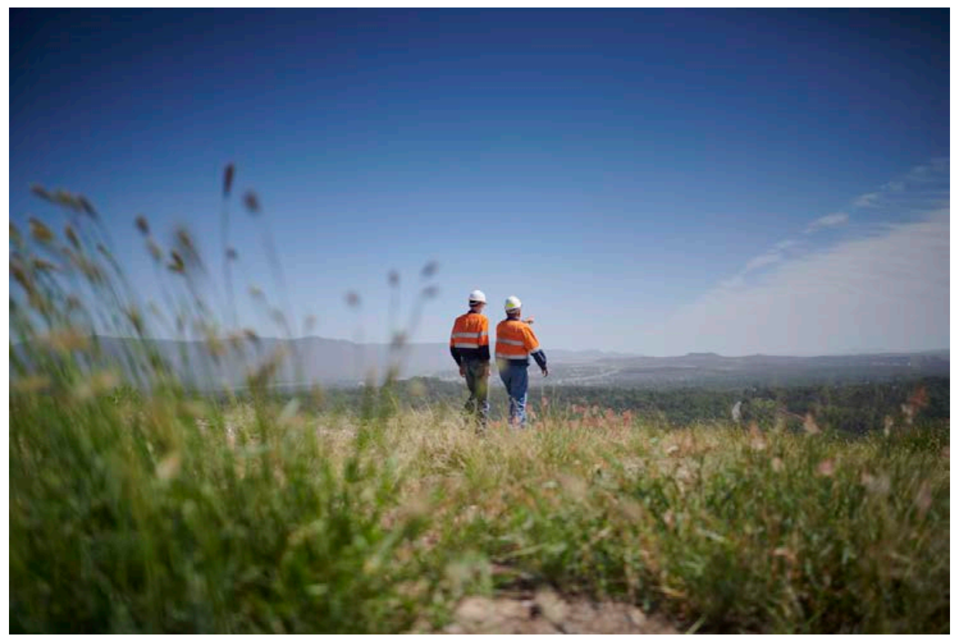

- Cash operating costs, A$66/tonne, increased due to several factors including diesel price, demurrage costs, and reduced output.*
- 2021 figures include the Ashton underground mine which was previously equity accounted.
- Unit costs can improve in 2H 2021 as production volumes increase, but external risk factors such as COVID-19 restrictions are present.
- One component of the higher unit costs is the 'wash harder' strategy. We spend more to upgrade the coal and capture the price arbitrage for higher energy thermal coal.

**Unit costs increased from 2H 2020, but so did the implied operating margin**

- Operating cash costs include mining, processing, and logistics charges to the port, it excludes royalties. The 2020 guidance and past periods have been restated to include other operating expenses. All reported figures are on a consistent basis.

# Financial Summary – Reduced sales volume affect

| Income Statement ($ millions) | 1H 2021 | 1H 2020 | Change | Observations |
|---|---|---|---|---|
| Revenue * | 1,775 | 1,969 | 194 | Lower coal sales volumes in 1H 2021 |
| Operating EBITDA | 406 | 488 | 82 | Lower revenue directly impacts the EBITDA |
| Depreciation and amortisation | -397 | -386 | 11 | Steady period to period |
| Operating EBIT | 9 | 102 | 93 | Replicates the revenue impact at the EBITDA level |
| Net Profit / (Loss) after Tax | -129 | 605 | 734 | Includes one-off, non-cash, non-operating items |

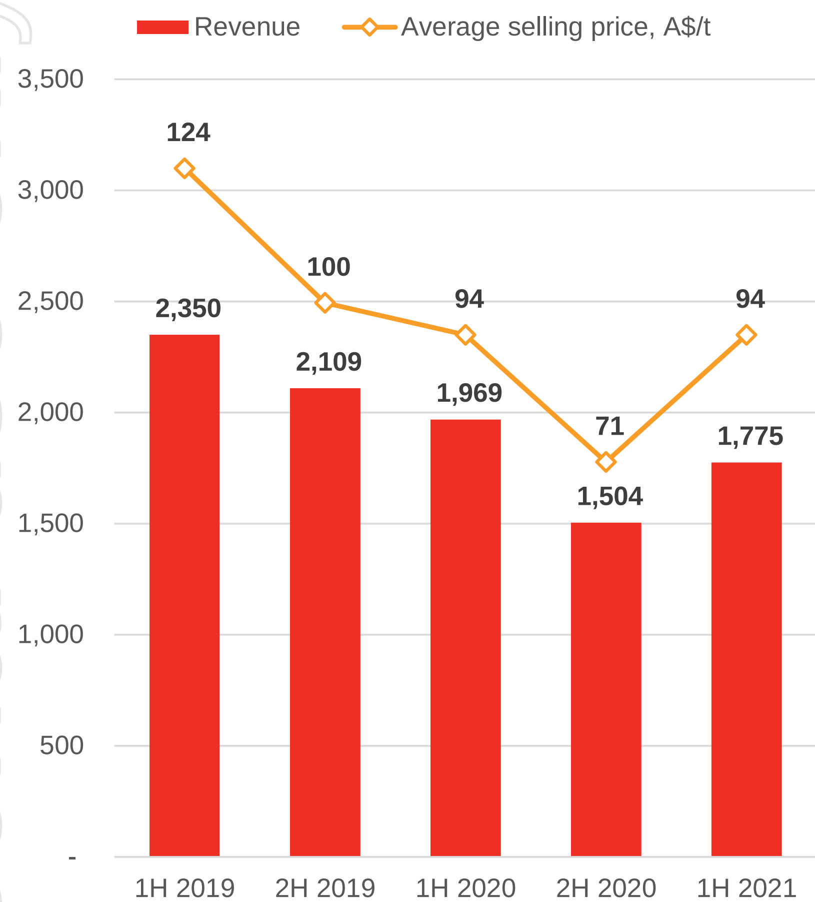
Mining and rehabilitation work continue through the coal price cycle at all our assets

*Includes change in royalty accounting

# Price, Revenue and EBITDA

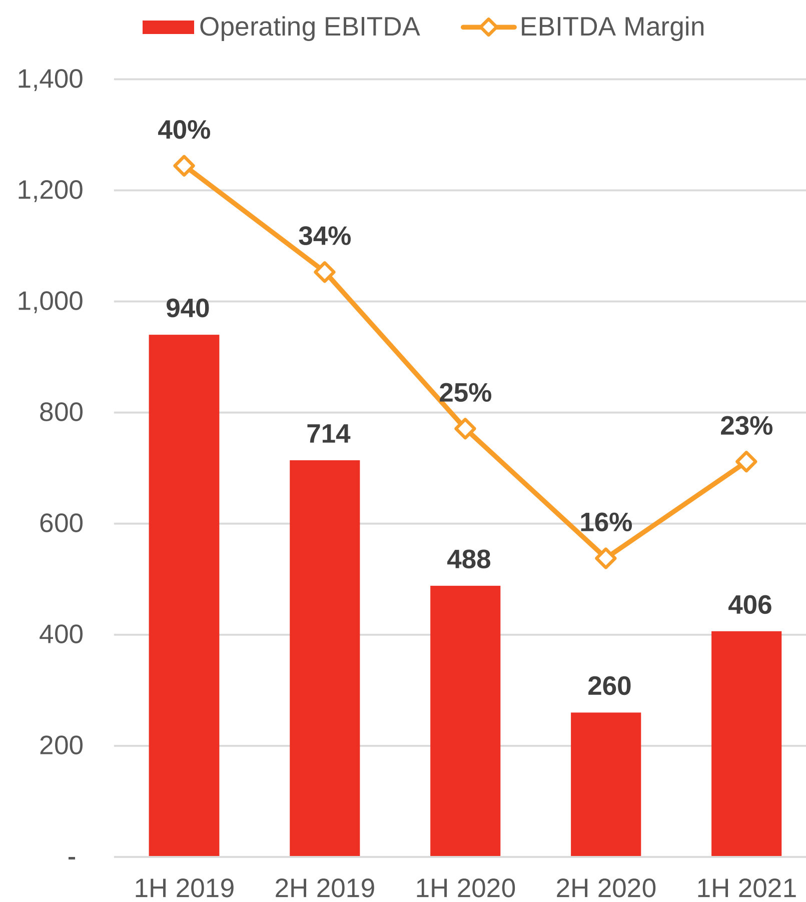
**Revenue and Average realised price**

(A$ Million) | (A$/tonne)




**EBITDA and Margin**

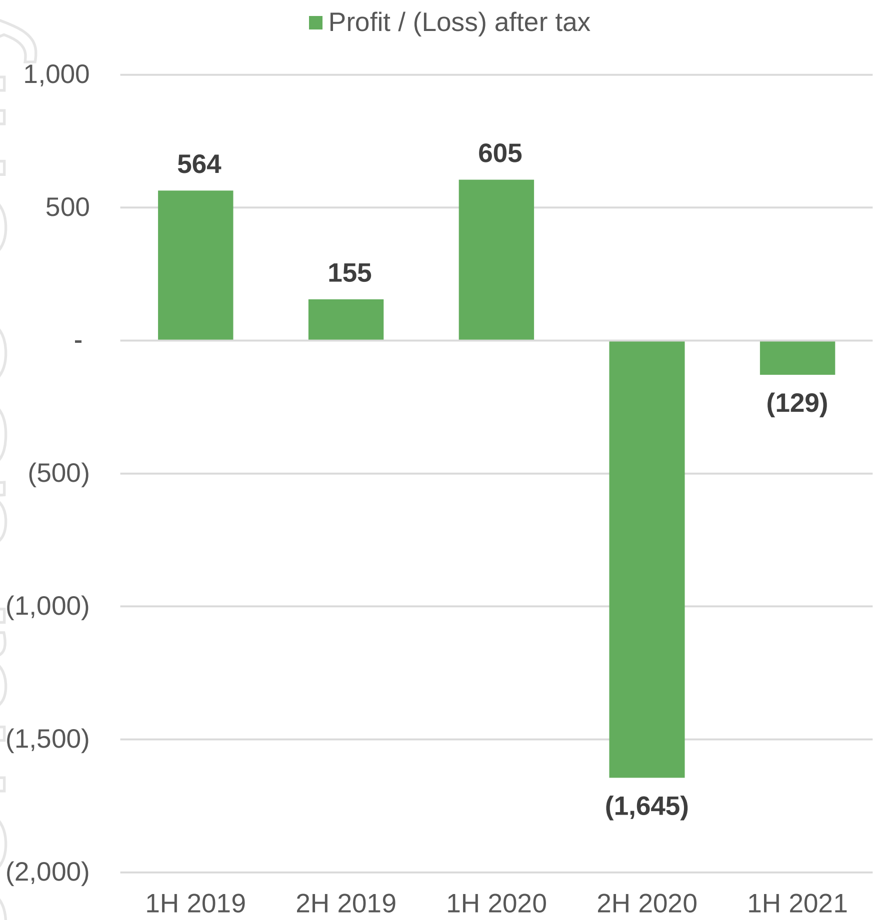
(A$ Million) | (%)



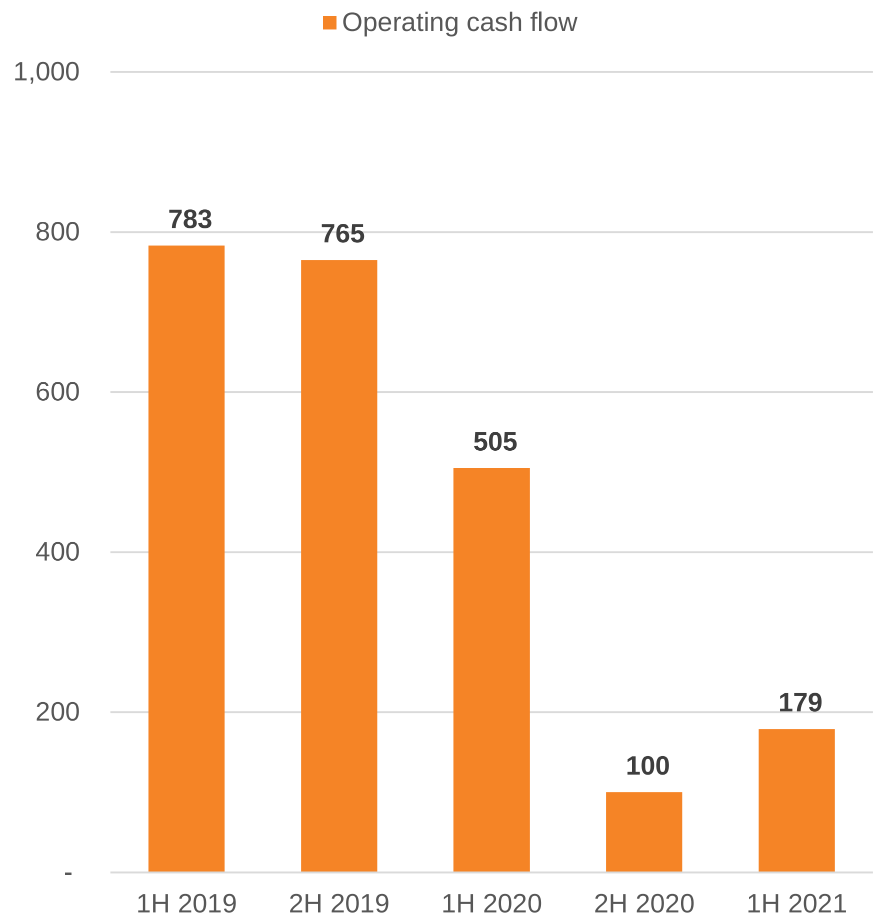

**Rebound in realised coal price directly affects Revenue and EBITDA**

# Profit / (Loss) After Tax can include non-operating items

**Profit / (Loss) after tax**
(A$ Million)




**Operating cash flow**
(A$ Million)




**Operating cash flow reflects the coal price movement**

# Fiscal position affected but not compromised

| Cashflow and Balance Sheet | 1H 2021 | 2H 2020 | Change | Observations |
|---|---|---|---|---|
| Operating cash flow ($ million) | 179 | 100 | 79% | Operating cash flow better than the 2H 2020 trough |
| Cash at end of period ($ million) | 539 | 637 | -15% | Final $100 million payment for Moolarben stake made in 1H 2021 |
| Gearing ratio (%) * | 40% | 41% | - | Gearing reduction is ongoing |
| Leverage ratio (x) ** | 5.2 | 4.8 | - | Change in the Operating EBITDA the main factor |

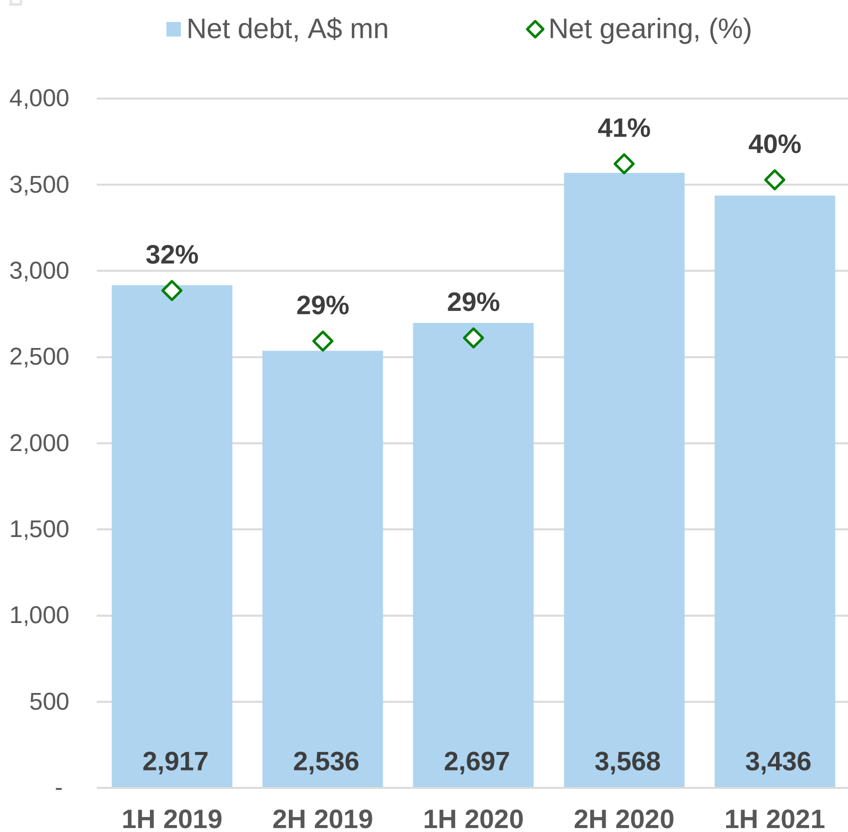
Yancoal continually invests in its assets and infrastructure to maintain output and performance

* Gearing calculated as the ratio of Net Debt to Net Debt plus Equity

** Leverage ratio calculated as the ratio of Net Debt to Operating EBITDA on a rolling 12 month basis

# Debt and Distributions

**Annual Net Debt* and Gearing Ratio****
(A$ Million) | (%)




- From 2H 2020, the debt and gearing levels include Watagan components following the reconsolidation.
- $924 million was returned to shareholders during 2019-2020.
- Although coal prices are rebounding, debt reduction and a prudent approach to the financial position remains appropriate at this time. No interim dividend will be paid.

**$539 million in cash and equivalents, over $800 million in undrawn debt ^**

* Net debt does not include debt and earnings associated with Watagan arrangements between 2016 and 2019.
** Gearing calculated as the ratio of Net Debt to Net Debt plus Equity
^ As at 30 June 2021

# Guidance for 2021

| Guidance component | 2020 Outcome | Original 2021 Guidance | Current 2021 Guidance |
|---|---|---|---|
| Attributable saleable coal production | 38.3 million tonnes | Around 39 million tonnes | Around 39 million tonnes |
| Attributable cash operating cost (excl. government royalties) * | $59/tonne | $60 to 62/tonne | $62 to 64/tonne |
| Attributable capital expenditure | $279 million | $360 to 380 million | $360 to 380 million |

The spread of COVID-19 to areas near our mines has increased the instances of workers not being able to attend site as they follow Government protocols. The impact of COVID-19 restrictions through the remainder of the year has the potential to influence production and unit costs. Fortunately international coal price indices are robust at this time.

* 2020 Attributable cash operating cost guidance restated to include other operating expenses; this figure is consistent with the reported outcome and the 2021 guidance.

# The case for investment

**Three low-cost, large-scale assets underpin the business**

**The capability to blend and wash coal products to maximise the market opportunity**

**Diverse customer base continues to demonstrate appetite for Yancoal product**

**Balanced approach to asset reinvestment, debt optimisation and distributions**

**Capturing further value-add growth opportunities remains a key objective**