

Yancoal Australia Ltd 2019 Interim Result

Australia's Largest Pure-play Coal Producer

21 August 2019



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- for HVO, the report prepared by RPM Advisory Services Pty Ltd for Yancoal, dated 26 November 2018. That report has an effective date of 30 June 2018. The estimates for Resources and Reserves in that report were generated by Competent Persons (as defined by the JORC Code). Resources and Reserves for HVO are as at 30 June 2018.
- for all other mines owned and operated by Yancoal, information prepared and compiled by Competent Persons (as defined by the JORC Code), as disclosed and detailed in the Resources and Reserves Statement. Reserves and Resources for these mines are as at 31 December 2018.

The information related to the Resources and Reserves have been prepared and compiled by persons who have the required qualifications and experience to qualify as Competent Persons (as that term is defined in the JORC Code). Yancoal is unaware of any new information or data that materially affects the information contained in the Resources and Reserves Statement. All material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed at the time of this presentation. References to Resources and Reserves for other assets, companies, countries, regions and basins are sourced from third parties and measured in accordance with their source data.

Information in this presentation relating to Yancoal's Resources and Reserves is extracted from information previously published by Yancoal and is available on the Yancoal and ASX website at www.yancoal.com.au and www.asx.com.au.

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1H 2019 Key Highlights



Sustained improvement in safety performance



US\$500mn debt pre-payment completed in 1H19,
Leverage reduced to 1.4x
Gearing reduced to 32.5%⁽²⁾



17.8Mt Attributable Saleable Production⁽¹⁾



Interim dividend of A\$136.7MM, or
A\$0.1035/share ⁽³⁾



A\$62/tonne Operating Cash Cost



Continued progress towards developing growth projects



A\$940MM EBITDA
(operating margin of 40%)



2019 Production, unit cost and expenditure targets unchanged

Notes:

1. Attributable figures for 2018 include: 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); Mt Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%) and Yarrabee (100%)
2. Net debt does not include debt and earnings associated with Watagan arrangements
3. 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). The payment of dividends by Yancoal is at the discretion of the Directors. The decision as to whether or not a dividend will be paid will be subject to a number of considerations including the general business environment, operating results, cash flows, future capital requirements, regulatory restrictions and any other factors the Directors may consider relevant. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

Our Proposition to Drive Shareholder Returns



World class large-scale coal mines which produce high value export coal and operate at industry-leading cash margins



Platform for growth underpinned by significant base of reserves / resources and a long-term sustainable capital structure



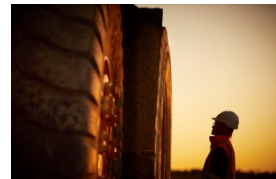
Experienced management team with track record of capturing and executing growth opportunities and creating shareholder value



Valuable and strategic operational and trade relationships with customers



Strong support from key shareholders and access to attractive funding sources



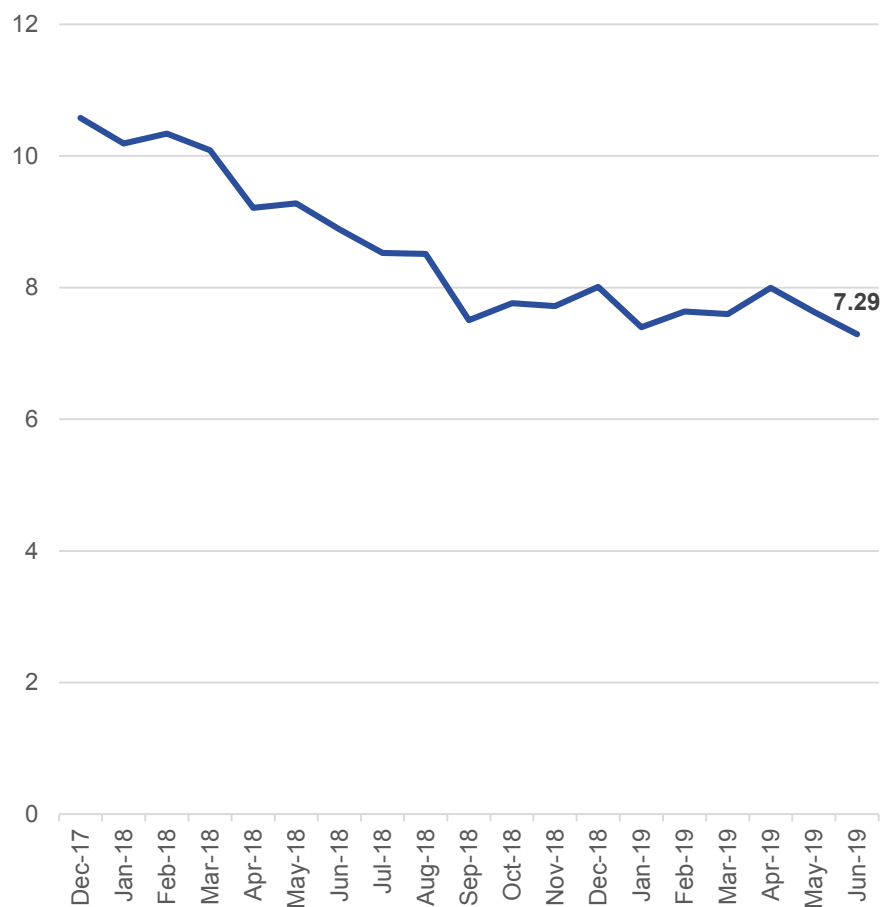
Safety Performance

Commitment to operating mines to the highest safety standards.

Core Hazard Critical Control development and implementation continued throughout 1H19.

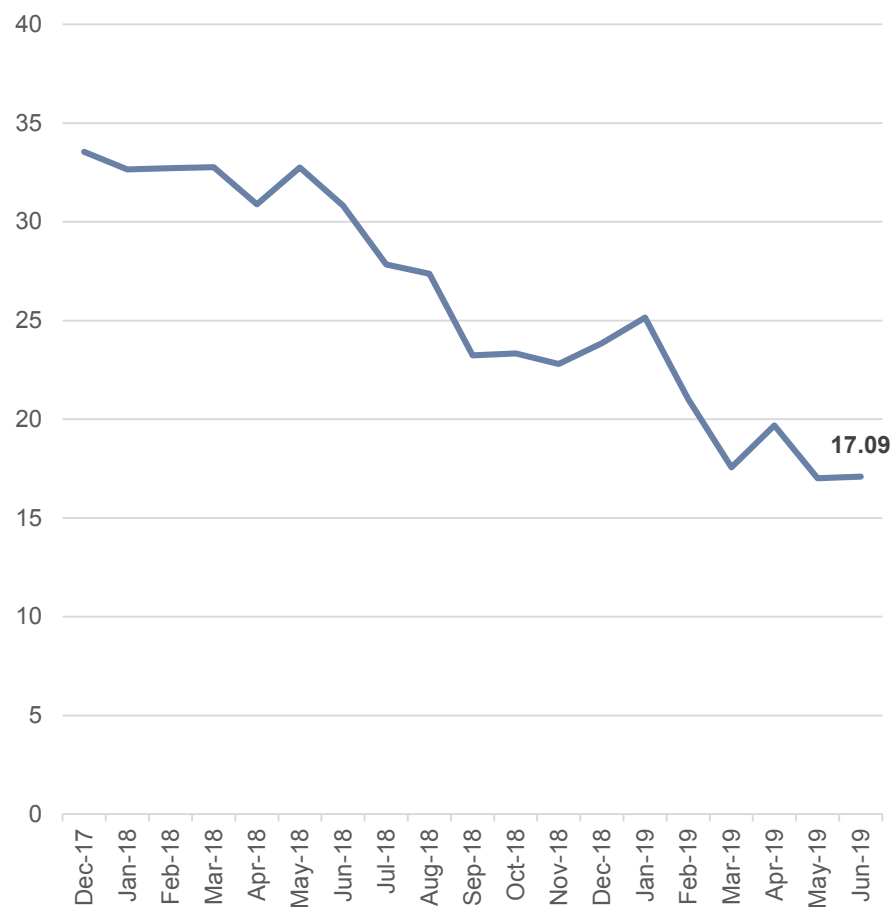
TRIFR – Yancoal ⁽²⁾

Rolling 12 Month Basis



TRIFR – Watagan ⁽³⁾

Rolling 12 Month Basis



Notes:

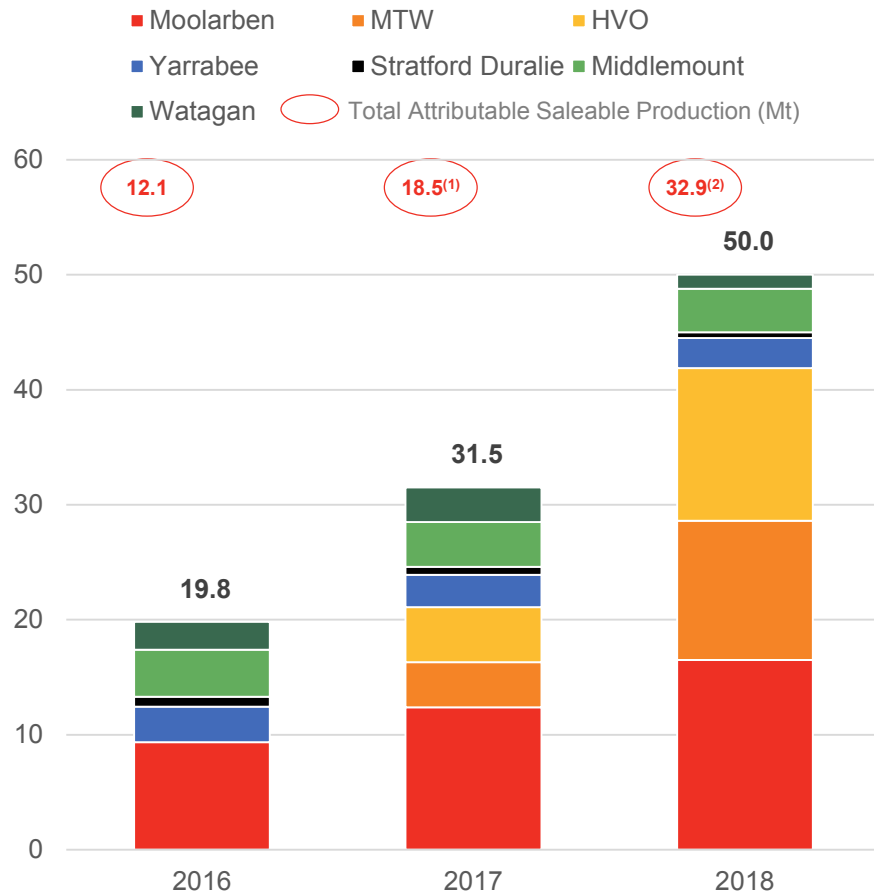
1. TRIFR – Total Recordable Injury Frequency Rate as at 30 June 2019
2. Excludes data from the Middlemount and Watagan assets (Austar, Ashton and Donaldson). HVO included until JV established in May 2018.
3. The Equity accounted Watagan assets are: Austar, Ashton and Donaldson.

Coal Production

Portfolio transformation drove considerable production expansion in 2018, and incremental production gains have continued into 2019

Annual Saleable Production by Asset (100% Basis) ^{(1) (2)}

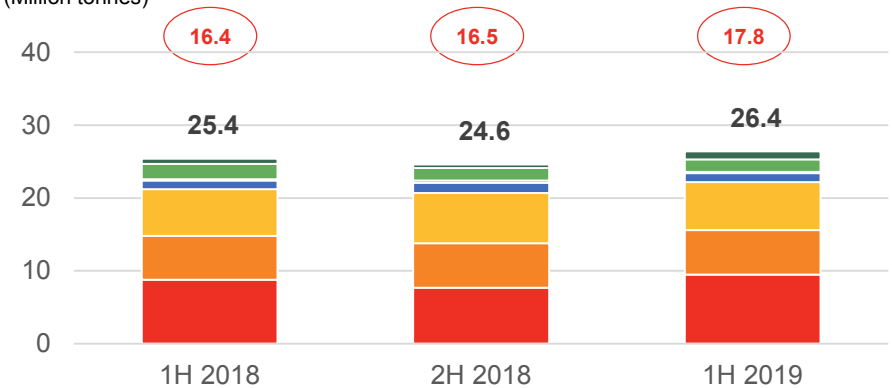
(Million tonnes)



- 34.4Mt Run-of-mine (ROM) production, up 5% from 1H18.
- 22.7Mt Attributable ROM, up 10% from 1H18.
- Volume driven by strong extraction rates at Moolarben, Hunter Valley Operations and Mount Thorley Warkworth.
- Additional assets contribute high margin coal products.

Half-year Saleable Production by Asset (100% Basis)

(Million tonnes)



Notes:

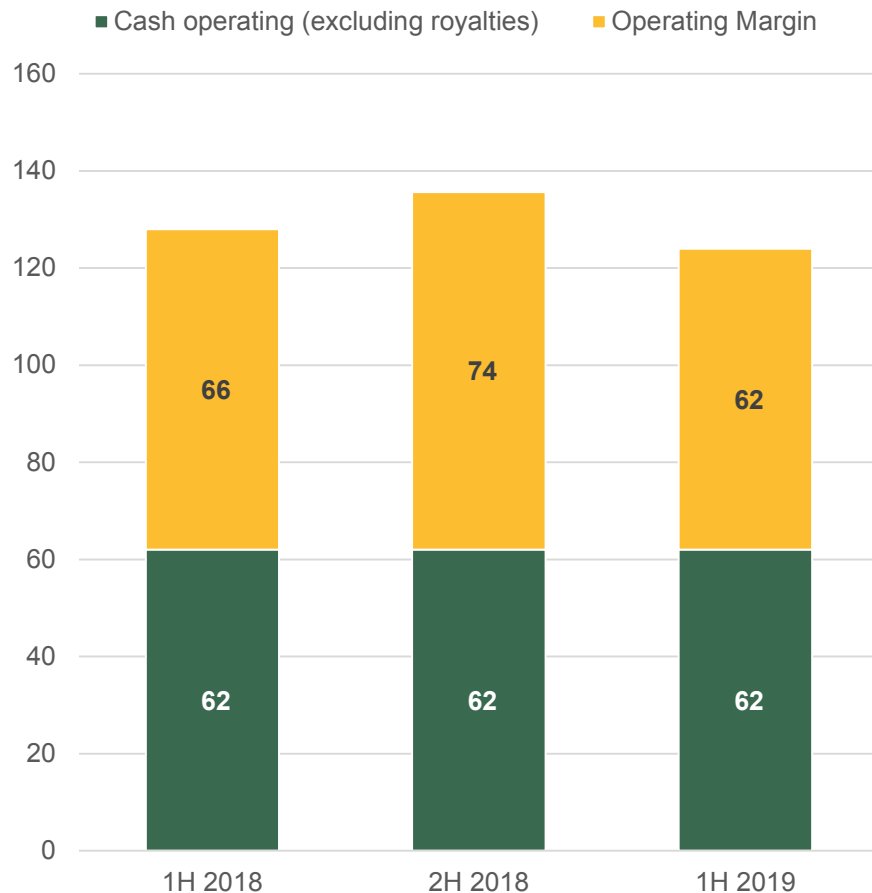
1. Attributable figures for 2017 include only four months of attributable production for HVO and MTW from 1 September 2017. Figure excludes 16.6% interest in HVO, production from Middlemount (incorporated joint venture) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016)
2. Attributable figures for 2018 include: 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); Mt Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%) and Yarrabee (100%)

Sales Volumes and Unit Costs

Production costs have been stable despite industry cost inflation

Cash Operating costs (per tonne of saleable production)

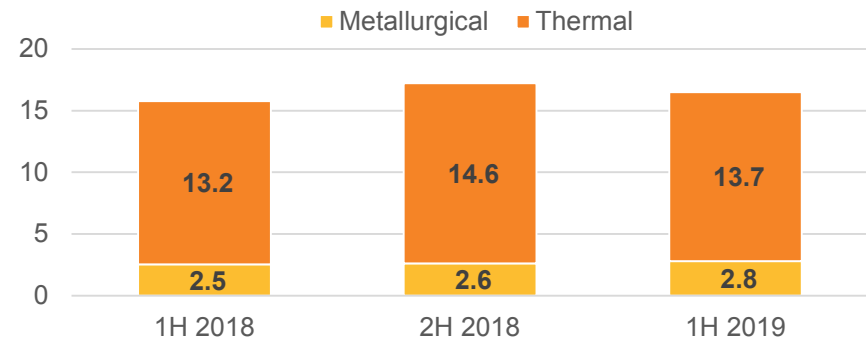
(A\$/tonne)



- A\$124/tonne average realised price for 1H19.
- Lower global US\$ coal prices partially offset by weaker A\$ and an increased proportion of metallurgical coal sales.
- Operating margins robust as prices received for contracted tonnes generally out performed spot price.
- There was inventory accumulation in 1H19 – there was a similar trend in the previous corresponding period.

Sales volume (attributable mine production sold) ⁽¹⁾

(Million tonnes)



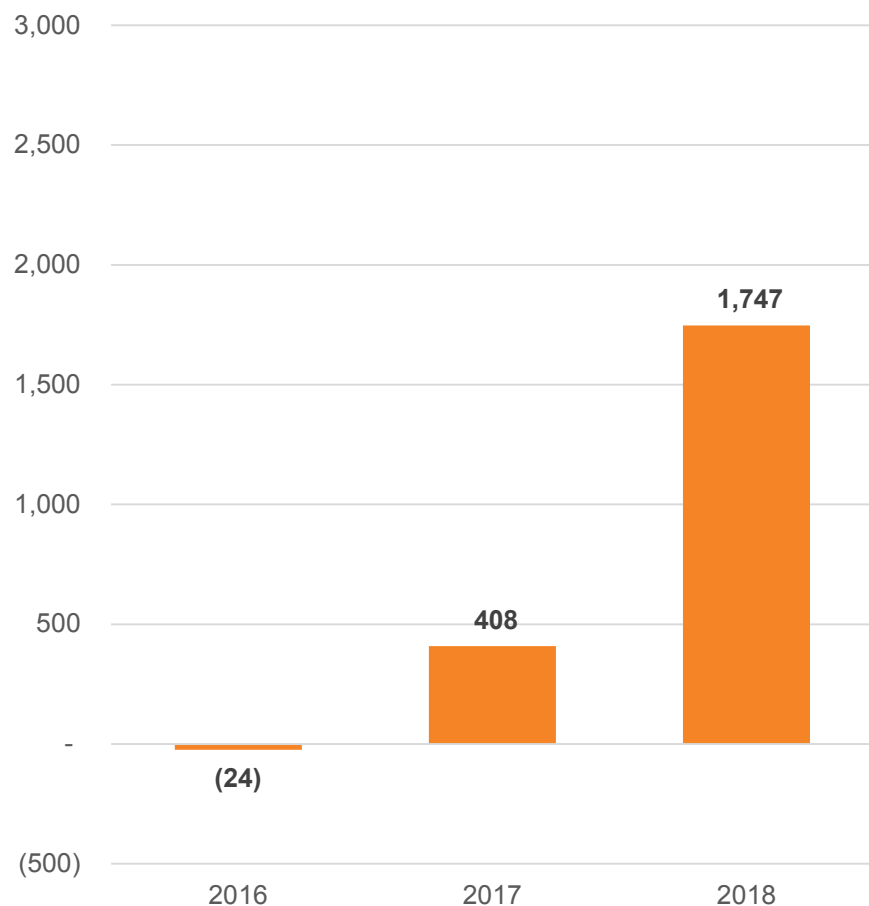
Notes:
 1. Attributable figures for 2018 include: Moolarben (81% - up to and including 30 November 2018 and 85% thereafter - reflecting Yancoal's increased ownership in the Moolarben Joint Venture as announced on 30 November 2018); Mt Thorley/Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%) and Yarrabee (100%)

Operating cashflow

Production volumes, unit cost and coal prices drive the operating cashflow profile

Annual Operating Cashflow

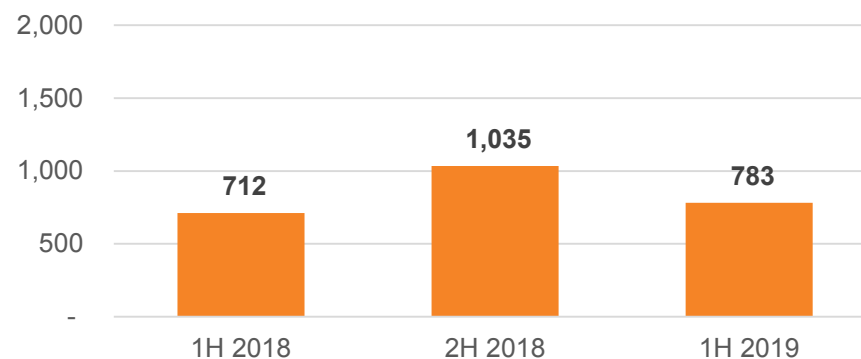
(A\$ Million)



- The operating cashflow turnaround through 2018 is a reflection of the asset scale and quality.
- The higher sales volumes (16.5Mt), and the met coal proportion (2.8Mt), in 1H19 countered an average realised price that was \$4/t lower than 1H18 (A\$124/t).

Half-year Operating Cashflow

(A\$ Million)

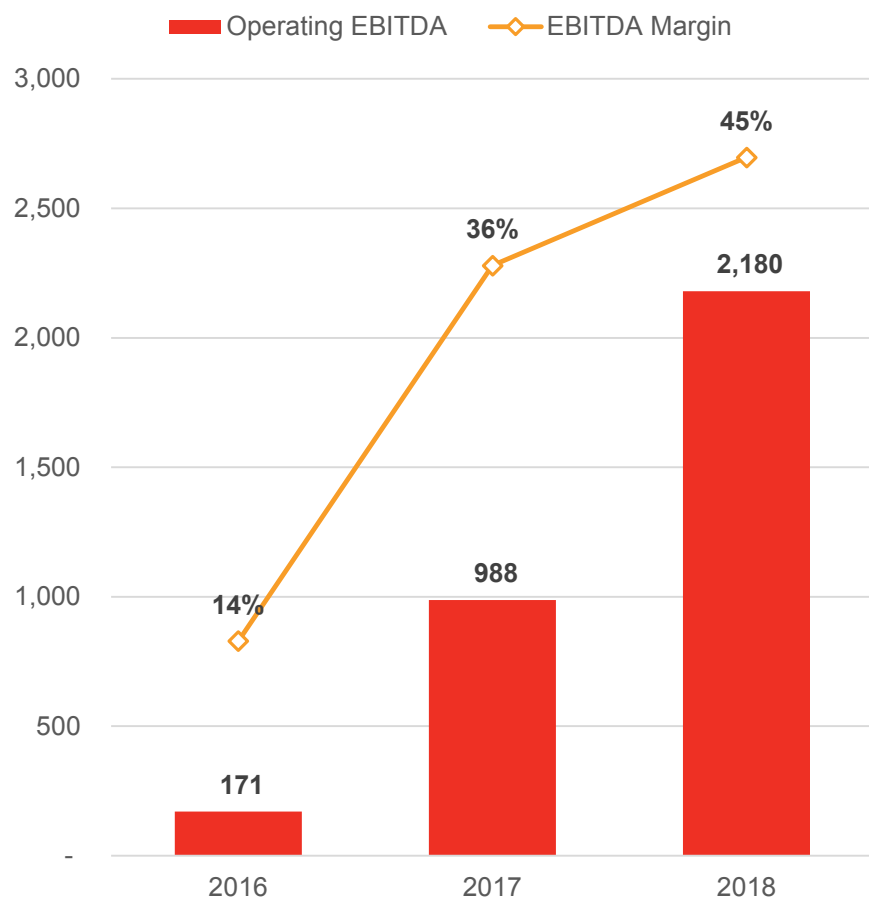


Robust Operating EBITDA

EBITDA and margin rebased with the expanded asset base

Annual Operating EBITDA and EBITDA Margin ⁽¹⁾

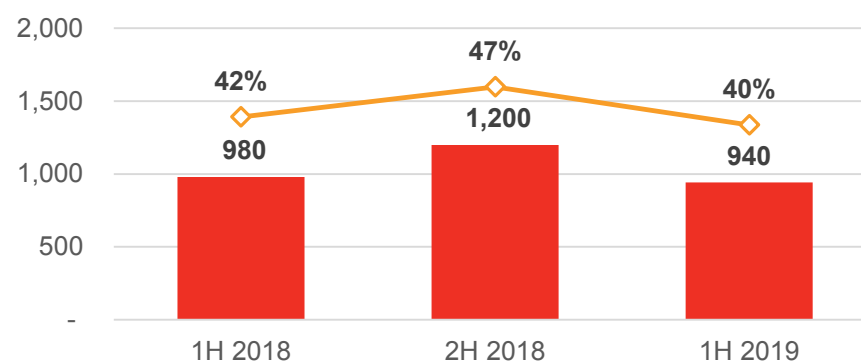
(A\$ Million) | (%)



- EBITDA 4% lower versus 1H 2018 largely due to flat revenue and increased costs associated with increased production.
- 40% Operating EBITDA Margin supports continued pursuit of strategy to reinvest capital and provide shareholder returns.

Half-year Operating EBITDA and EBITDA Margin

(A\$ Million) | (%)



Notes:

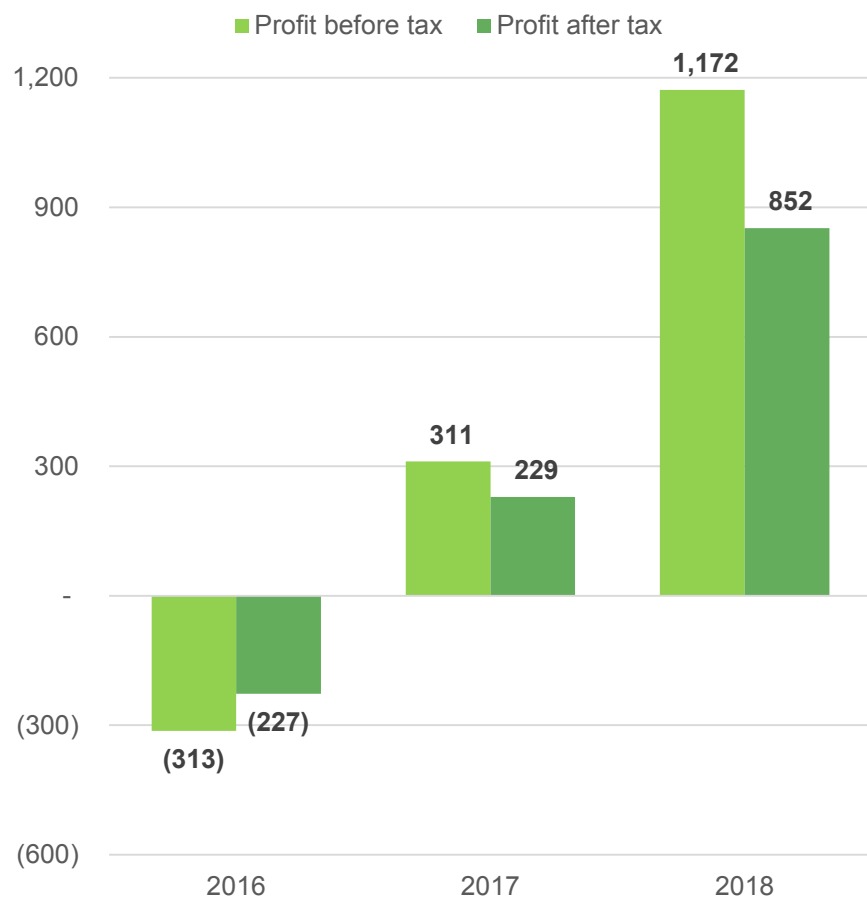
1. EBITDA Margin calculated as Operating EBITDA divided by total operating revenue

Positive Profit Trend

Two-year turnaround in profitability has been consolidated

Annual Pre and Post Tax Profit Results

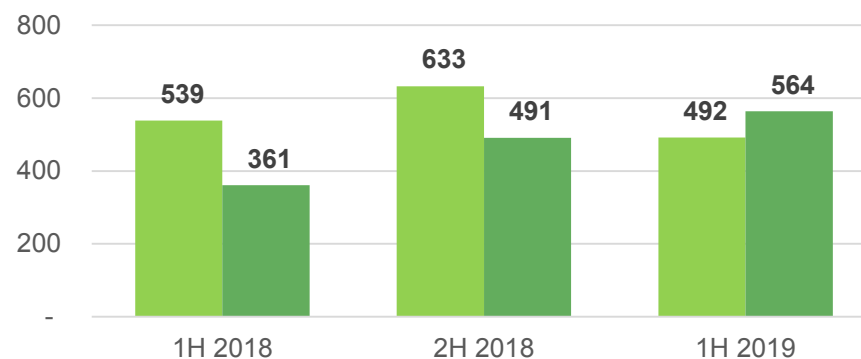
(A\$ Million)



- Profit has increased sharply over the past two years.
- Profit before tax for the period mirrors the EBITDA profile.
- 1H 2019 Profit after tax benefitted from a \$219 million tax expense adjustment related to assets acquired in 2017.
- Effective tax rate of 29.9%, versus 33.0% in 1H 2018 (a period that was impacted by non-deductable items and financial asset impairments).

Half Year Pre and Post Tax Profit Results

(A\$ Million)

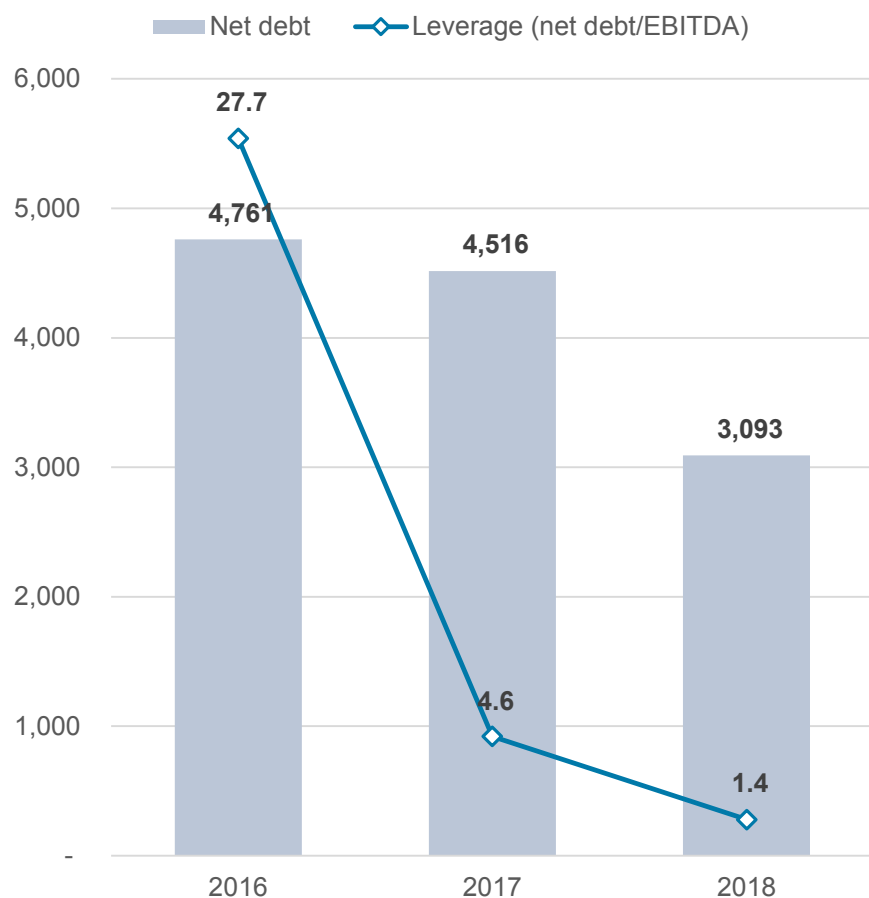


Continued Debt Reduction and Deleveraging

Balance sheet materially strengthened and well-poised to deliver future growth and shareholder returns

Annual Net Debt⁽¹⁾ and Leverage Ratio⁽²⁾

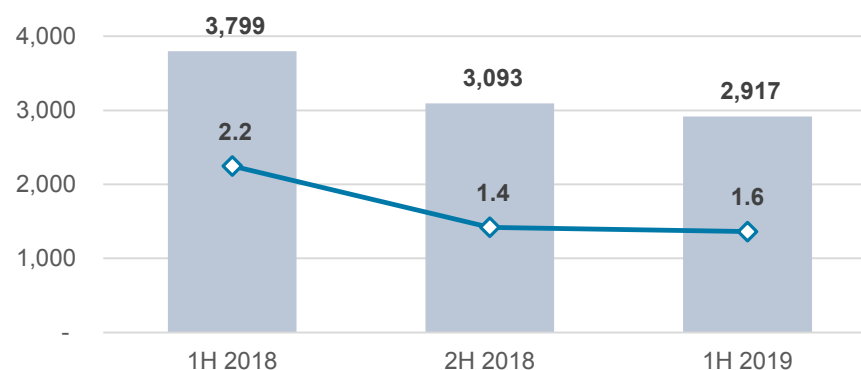
(A\$ Million) | (x)



- A US\$500 million early debt repayment was made in 1H19. This in addition to US\$750 million completed in 2018.
- Gearing ratio improved to 32.5% in the period (34.6% at 31 December 2018).

Half-year Net Debt and Leverage Ratio

(A\$ Million) | (x)



Notes:

1. Net debt does not include debt and earnings associated with Watagan arrangements
2. Leverage Ratio calculated as closing Net Debt divided by Operating EBITDA for corresponding period

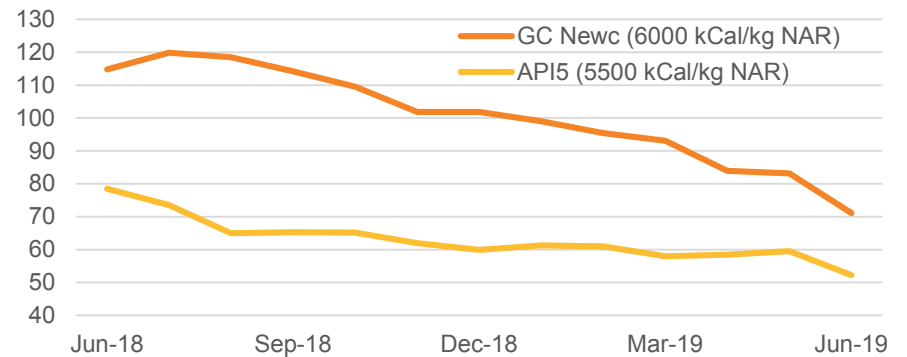
Evolving Coal Market Conditions

Market conditions are driving the index movements and relative price dynamic

- Thermal coal prices under pressure through 1H19.
- Premium for higher-energy thermal coal has narrowed.
- High stock levels and other energy markets have influenced the regional coal market.

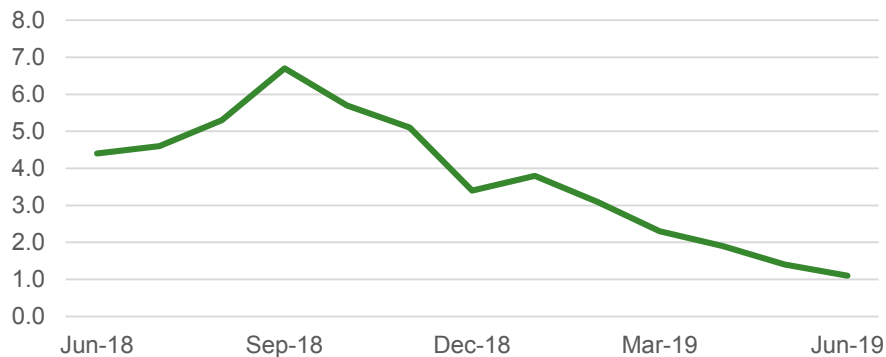
Regional coal indices

USD/tonne



US LNG to Europe (HH – NBP)

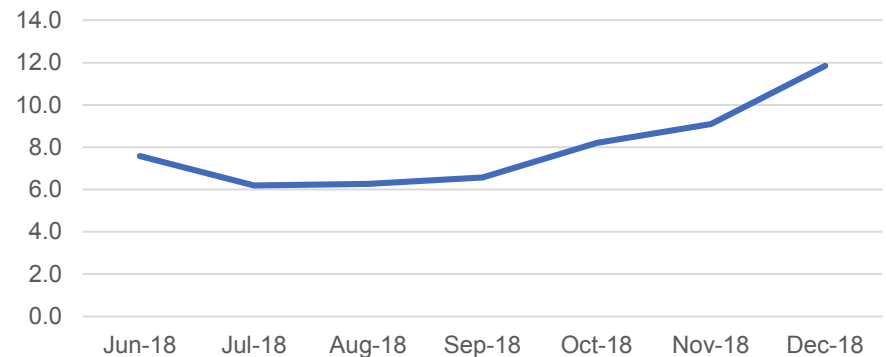
US\$/mmbtu (nominal)



Source: Wood Mackenzie

Dry Bulk Freight – Newcastle to China

US\$/tonne (capesize vessel)



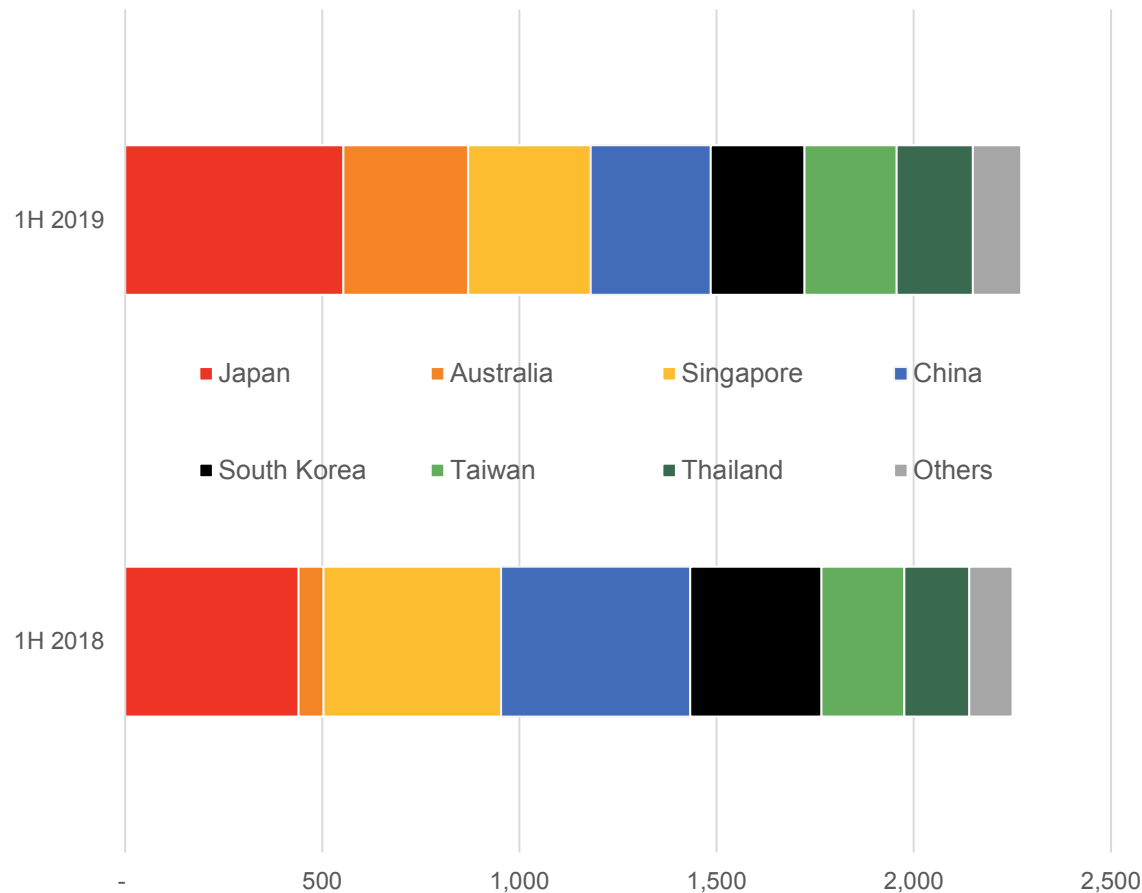
Source: AME

Regional customer base

Yancoal has delivers to customers throughout the region

Revenue from external customers ⁽¹⁾

A\$ Million



- ~72% of revenue in 1H19 was from Japan, Singapore, China, South Korea and Taiwan.
- Our thermal coal is generally priced on an index price, an annual fixed price or on a spot price basis.
- Our metallurgical coal is either priced on a benchmark or spot price basis.
- Yancoal actively considers the effect that its supply level can have on specific coal markets.

Notes:

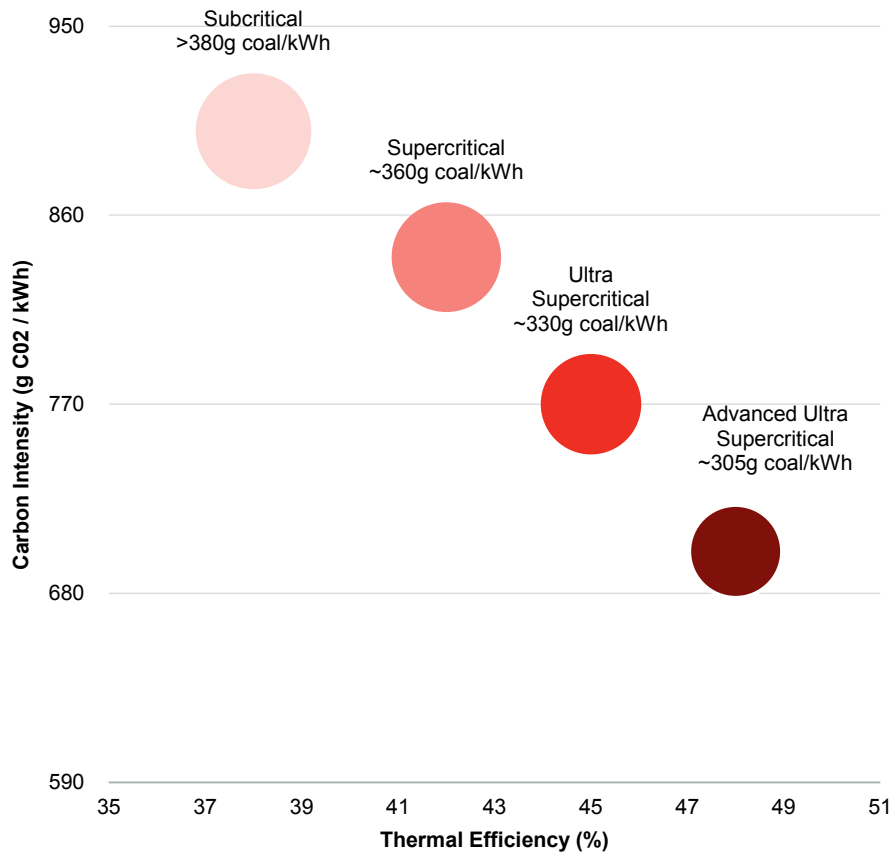
1. Others includes Germany, Hong Kong, India, Malaysia, Switzerland, United Arab Emirates and Vietnam

Demand for High Quality Coal Expected to Remain

Regulatory landscape means power generators are increasingly focused on securing coal with a high energy content

Power generators are focused on improving thermal efficiency

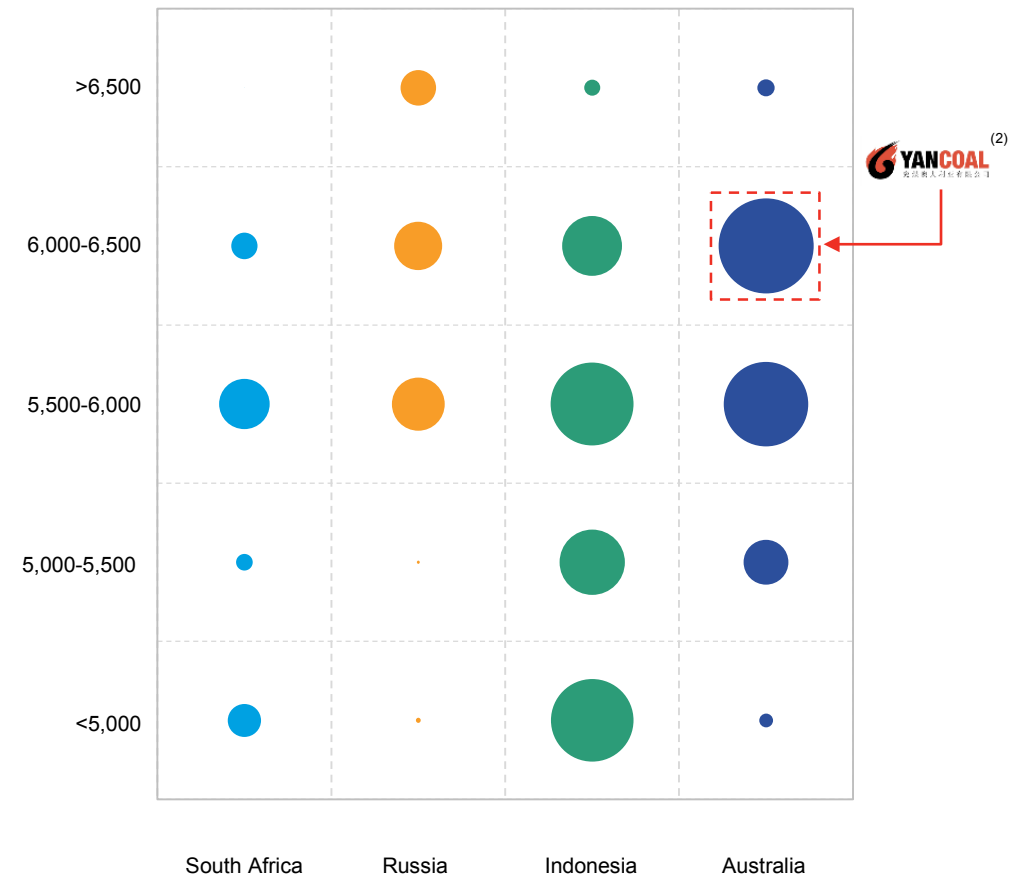
Note: bubble size represents grams of coal required for each kWh of power generated



Source: AME Industry Report 26 November 2018, International Energy Agency

...which should drive demand for high quality Australian product⁽¹⁾

Energy Content (kcal/kg NAR)



Source: AME Industry Report 26 November 2018

Notes:

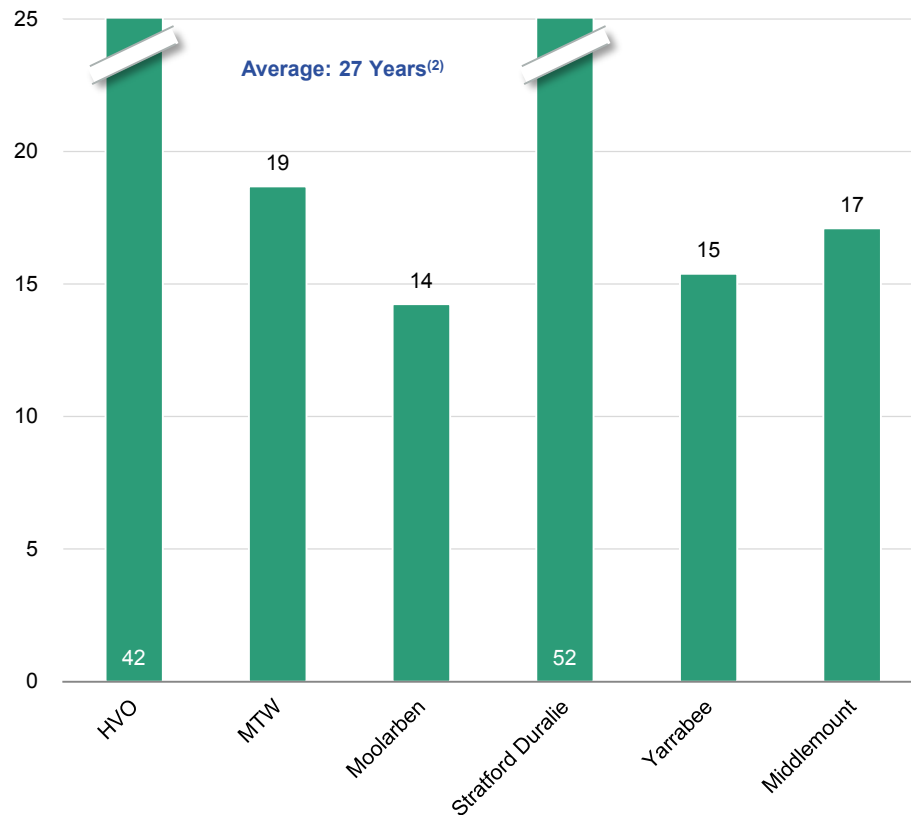
1. Ball size represents relative contribution to seaborne thermal trade
2. Refers to Yancoal's Hunter Valley Low Ash Thermal product

Well-positioned for Continued Growth

Our large-scale and long-life asset base contains several organic growth initiatives which have the potential to deliver material value for shareholders

Large-scale and long-life asset base...

Yancoal Owned and Operated Assets Only⁽¹⁾ | Reserve Life (Years)



Source: Yancoal 2018 Annual Results and 2018 Reserves and Resource Statement

Notes:

- Mine life for Watagan (deconsolidated from Yancoal in March 2016 and equity-accounted) not shown on chart.
- Mine life of each individual mine calculated as marketable reserves (as at 31 December 2017) divided by CY17 production. Average represents average of each individual mine life
- Based on a conceptual level study, potential underground targets at MTW have been identified in the Mount Arthur, Vaux and Bayswater seams, which have seam characteristics generally favourable for longwall mining that is currently utilised at our Moolarben, Ashton and Austar mining operations. Based on a conceptual underground mine of an estimated 270Mt of potential ROM coal mineable over an approximate 40 year mine life. Further details and assumptions of the production estimates of the underground mining targets are set out in Appendix III – Competent Person’s Report – HVO / MTW Underground Mining Potential – Production Estimate of the Prospectus uploaded to ASX on 26 November 2018. To date, all underground mine planning that has been completed is at a conceptual level only and no capital estimate is available. Further drilling and mining studies are required to determine if any resource is economically viable and before any decision on whether to develop the potential expansion project and commit material resources on developing the project can be made.
- Based on findings of a third-party consultant engaged by Yancoal
- Further details and assumptions can be found in Appendix III – Competent Person’s Report – HVO / MTW Underground Mining Potential – Production Estimate of the Prospectus uploaded to ASX on 26 November 2018. Further detailed integrated planning will need to be conducted to confirm the estimated tonnage. We have no current plans to develop this potential expansion project

...with growth projects that could drive material value for shareholders

MTW Underground

- Significant amount of coal identified as potential underground targets
- Conceptual underground mine with an estimated 6Mt of potential ROM coal per annum⁽³⁾

HVO Boundary Coal

- Additional coal tonnage of between 100 and 120Mt could be exploited with extensions to current mine pits⁽⁴⁾
- Integrated mining plan should present upside to the current LOM plan⁽⁵⁾

Moolarben Expansion

- Increase in site **ROM coal production from 18Mtpa to 24Mtpa** through optimising the approved Stage 1 and Stage 2 operations

Blending

- Blending strategy will **optimise mining operations**
- Continued value creation through maximising blending opportunities

Guidance for 2019

Operational guidance for 2019:

- Yancoal attributable⁽¹⁾ saleable coal production of around 35Mt.
- Yancoal attributable⁽¹⁾ cash cost (excl. Government royalties) of around A\$62.50/t.
- Expected attributable⁽¹⁾ capital expenditure of around A\$285MM.

Aim to balance long-term debt reduction with shareholder returns by:

- Targeting a long-term Net Debt / Operating EBITDA Leverage Ratio of <1.5x.
- Setting a target 2019⁽²⁾ dividend payout ratio of 50% of Net Profit After Tax.

Notes:

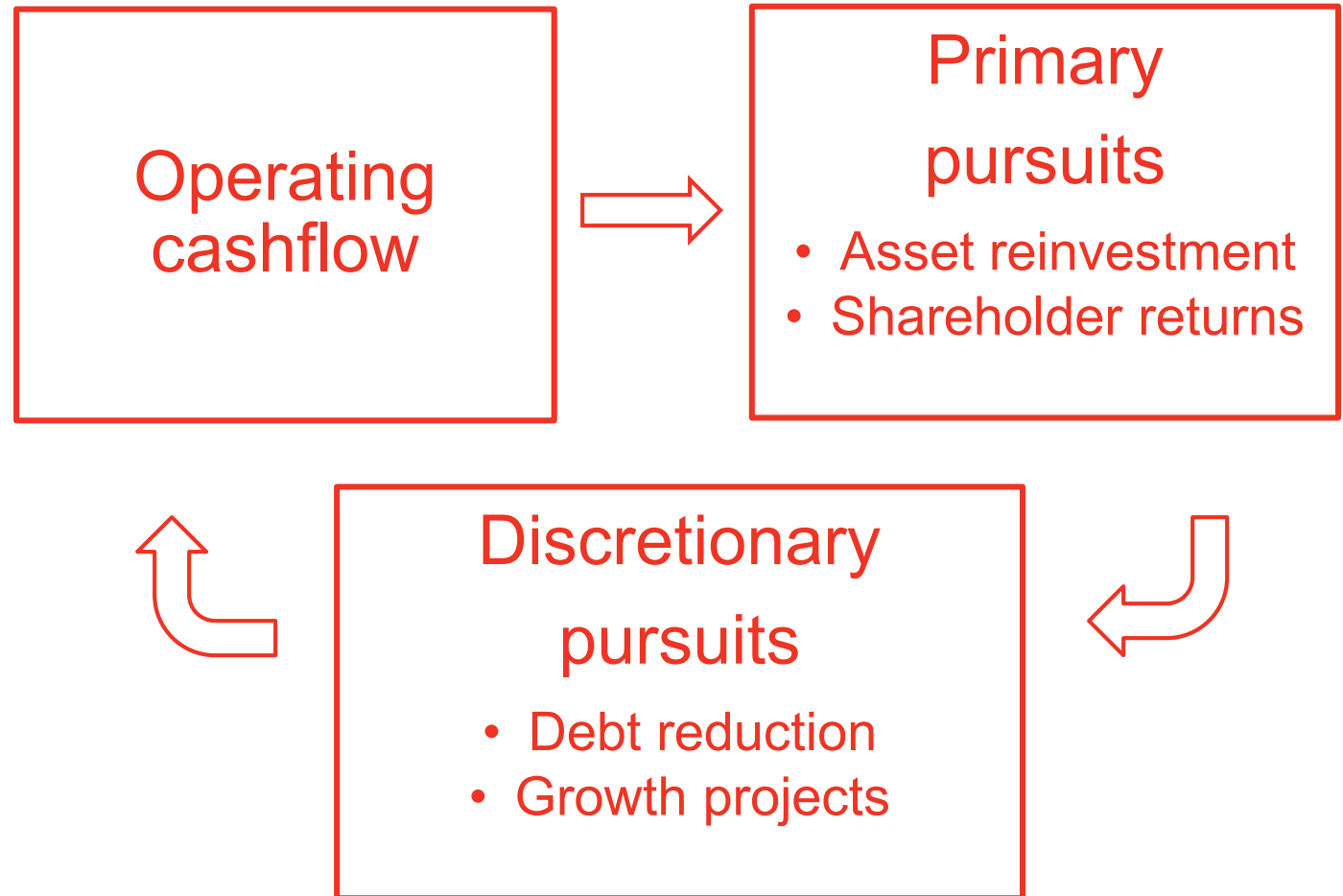
1. Attributable excludes Middlemount (incorporated joint venture and equity-accounted) and Watagan (deconsolidated from Yancoal in March 2016 and equity-accounted)
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Prioritising Capital Returns and Asset Reinvestment

Yancoal Capital Allocation Cycle – Prioritises Capital Returns and Asset Reinvestment

Utilise operating cash flow to:

- Reinvest in operations
- Reward shareholders through dividends
- Reduce debt and optimise loan facilities
- Pursue growth through both organic and M&A activities.





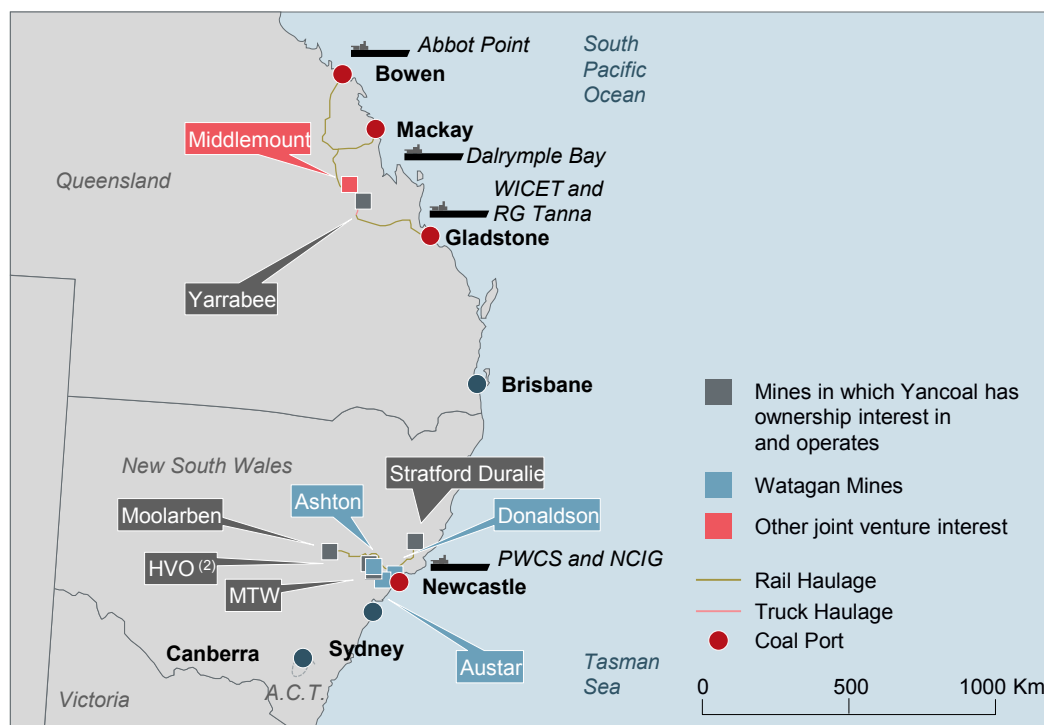
Appendices

Strength, Performance, Profit

Portfolio Overview

A diversified portfolio of world-class coal assets comprising interests in 9 mines with supporting rail and port infrastructure

Yancoal's Portfolio



Source: Company Filings

Notes:

1. Marketable Reserves, Resources and Saleable Production for individual assets are reported on a 100% basis
2. HVO is operated as a 51:49 unincorporated joint venture with Glencore. The HVO JV is jointly controlled by Yancoal and Glencore through a joint venture management committee and is operated by a manager, HV Ops, which is appointed by Yancoal and Glencore and which reports to the joint venture management committee
3. Marketable Reserves as at 31 December 2018 with the exception of HVO which is as at 30 June 2018
4. Measured, indicated and inferred Resources as at 31 December 2018 with the exception of HVO which is as at 30 June 2018. Total also includes 97 Mt (100% basis) for Monash (UG)
5. Adjusted for full-year contribution of Coal & Allied assets and subject to limitations and qualifications set out in the RPM Competent Person's Report

Asset Overview⁽¹⁾

	Location	Ownership	Marketable Reserves ⁽³⁾	Resources ⁽⁴⁾	Saleable Production		
					(CY17) ⁽⁵⁾	(CY18)	
Hunter Valley Operations ⁽²⁾	NSW	51%	554 Mt	3,788 Mt	4.8 Mt	13.3 Mt	Our Three Flagship Assets
Mount Thorley Warkworth	NSW	82.9%	226 Mt	2,030 Mt	3.9 Mt	12.1 Mt	
Moolarben	NSW	85%	235 Mt	1,150 Mt	12.4 Mt	16.5 Mt	
Stratford Duralie	NSW	100%	26 Mt	313 Mt	0.7 Mt	0.5 Mt	Watagan Mines
Yarrabee	QLD	100%	40 Mt	195 Mt	2.8 Mt	2.6 Mt	
Middlemount	QLD	49.9997%	65 Mt	135 Mt	3.9 Mt	3.8 Mt	
Ashton, Auster and Donaldson	NSW	100%	119 Mt	1,170 Mt	3.0 Mt	1.2 Mt	
Total (100% Basis)	NSW, QLD	n/a	1,265 Mt	8,878 Mt	31.5 Mt	50.0 Mt	
Total (Attributable)	NSW, QLD	n/a	891 Mt	6,442 Mt	18.5 Mt⁽⁶⁾	32.9Mt⁽⁷⁾	

Source: Company Filings

6. Attributable figures for 2017 include only four months of attributable production for HVO and MTW from 1 September 2017. Figure excludes 16.6% interest in HVO, production from Middlemount (incorporated joint venture) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016)
7. Attributable figures for 2018 include: 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); Mt Thorley Warkworth (82.9%); Hunter Valley Operations (51%); Stratford Duralie (100%) and Yarrabee (100%)

Reserves and Resources By Mine

As at 31 December 2018, Yancoal has Coal Reserves of 1,763Mt, Marketable Coal Reserves of 1,265Mt and Coal Resources of 8,878Mt (on 100% basis)

- On an attributable basis, Yancoal's Coal Reserves were 1,240Mt, Marketable Coal Reserves were 891Mt and total Coal Resources (measured, indicated and inferred) were 6,442Mt (as at 31 Dec 2018)
- The three flagship mines amount to ~80% of Coal Reserves, Marketable Coal Reserves and Coal Resources

Coal Reserves (Proved and Probable, as at 31 Dec 2018, on a 100% basis)⁽¹⁾⁽²⁾

	Mines in which Yancoal has ownership interests in and operates					Other Joint Venture Interests	Watagan Mines			Total
	HVO (OC)	MTW (OC)	Moolarben (OC/UG)	Stratford Duralie (OC)	Yarrabee (OC)	Middlemount (OC)	Ashton (OC/UG)	Austar (UG)	Donaldson (UG)	
Recoverable Coal Reserves (Mt)	796	MT: - W: 315	OC: 209 UG: 65	44	52	85	OC: 15 UG: 32	40	110	1,763
Marketable Coal Reserves (Mt)	554	MT: - W: 226	OC: 169 UG: 66	26	40	65	OC: 8 UG: 18	31	62	1,265
Product Type	Semi / Thermal	Semi / Thermal	Thermal	Met / Thermal	PCI / Thermal	Met / Thermal	Semi / Thermal	Met / Thermal	Met / Thermal	
	79% of Total Coal Reserves, and 80% of Marketable Coal Reserves									

Coal Resources (as at 31 Dec 2018, on a 100% basis)⁽¹⁾⁽²⁾⁽³⁾

	Mines in which Yancoal has ownership interests in and operates					Other Joint Venture Interests	Watagan Mines			Total
	HVO (OC/UG)	MTW (OC/UG)	Moolarben (OC/UG)	Stratford Duralie (OC/UG)	Yarrabee (OC)	Middlemount (OC)	Ashton (OC/UG)	Austar (UG)	Donaldson (OC/UG)	
Measured (Mt)	704	MT: 210 W: 460	710	8	95	73	80	110	190	2,640
Indicated (Mt)	1,430	MT: 200 W: 550	240	195	80	54	70	40	400	3,276
Measured and Indicated (Mt)	2,134	MT: 410 W: 1,010	950	203	175	127	150	150	590	5,916
Inferred (Mt)	1,654	MT: 150 W: 460	200	110	20	8	110	70	100	2,962
Total	3,788	MT: 560 W: 1,470	1,150	313	195	135	260	220	690	8,878
	78% of Total Measured, Indicated and Inferred Resources									