YANCOAL
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31 August 2020

ASX Release:

2020 First Half Financial Result Presentation

Yancoal Australia Ltd (the "Company") is pleased to present its investor presentation for the half-year ended 30 June 2020.

The CEO, David Moult, will deliver the presentation via a teleconference at 11:00am AEST, Monday 31 August 2020.

Participants can access the teleconference using the following:

- Passcode: 65920778
- Australia toll free: 1800 896 323
- Sydney: (02) 8088 0906
- Melbourne: (03) 8648 8889
- China 4001 200916
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Participants will be asked to provide their name and company.

Yancoal Australia Ltd

2020 First Half Financial Result

31 August 2020

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1H 2020 – Yancoal responded to challenging conditions

Continued improvement in safety performance

$481 million Operating EBITDA & operating margin of 24%

19.0Mt Attributable Saleable Production

Gearing sustained at 29%

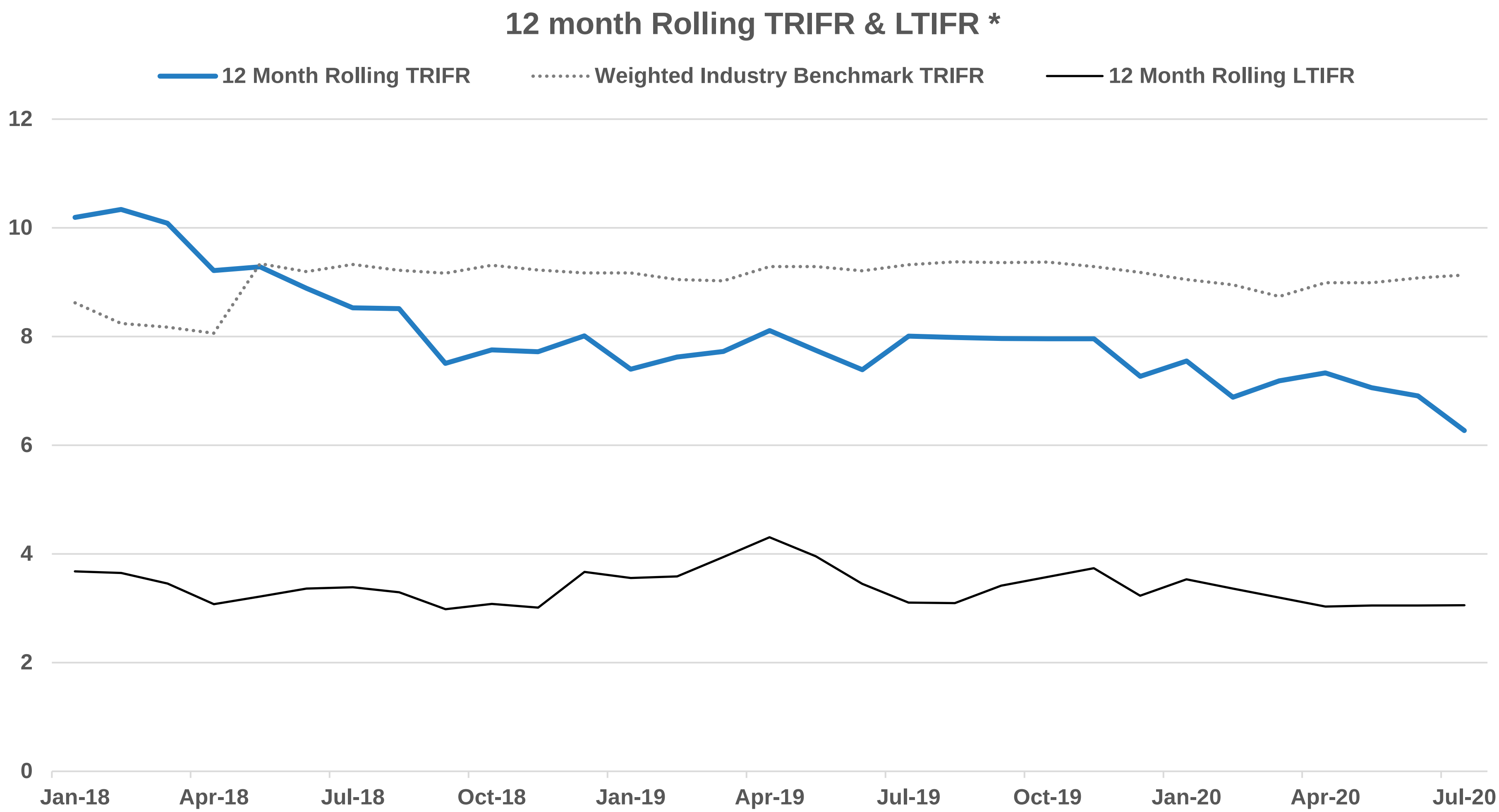
A$60/tonne Operating Cash Cost

No interim dividend declared for the period

Additional 10% stake in Moolarben acquired

2020 Unit cost and capital expenditure targets reduced

Safety Performance



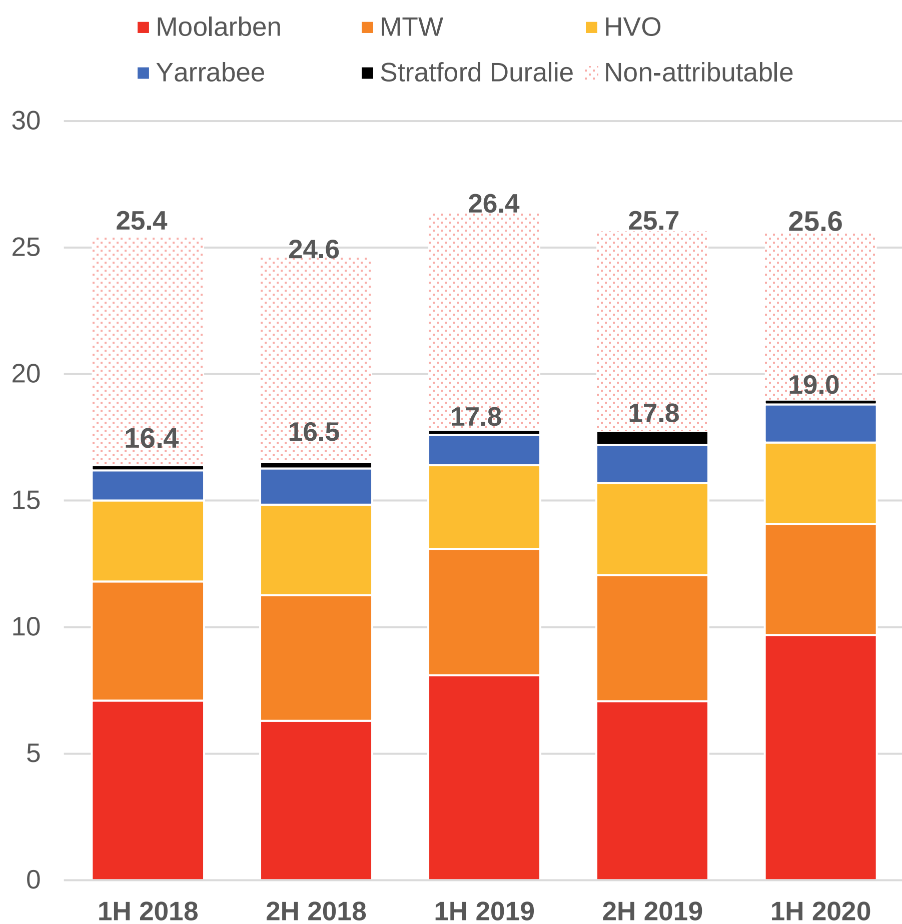
Ongoing focus resulted in improved metrics across Yancoal operations

- TRIFR = Total Recordable Injury Frequency rate, and LTIFR = Lost Time Injury Frequency Rate. Both exclude data from Hunter Valley Operations, Middlemount and Watagan assets (Austar, Ashton and Donaldson). The weighted industry average combines NSW open-cut, NSW underground and Queensland open-cut data.

Coal Production

Attributable Saleable Production by Asset *

(Million tonnes)



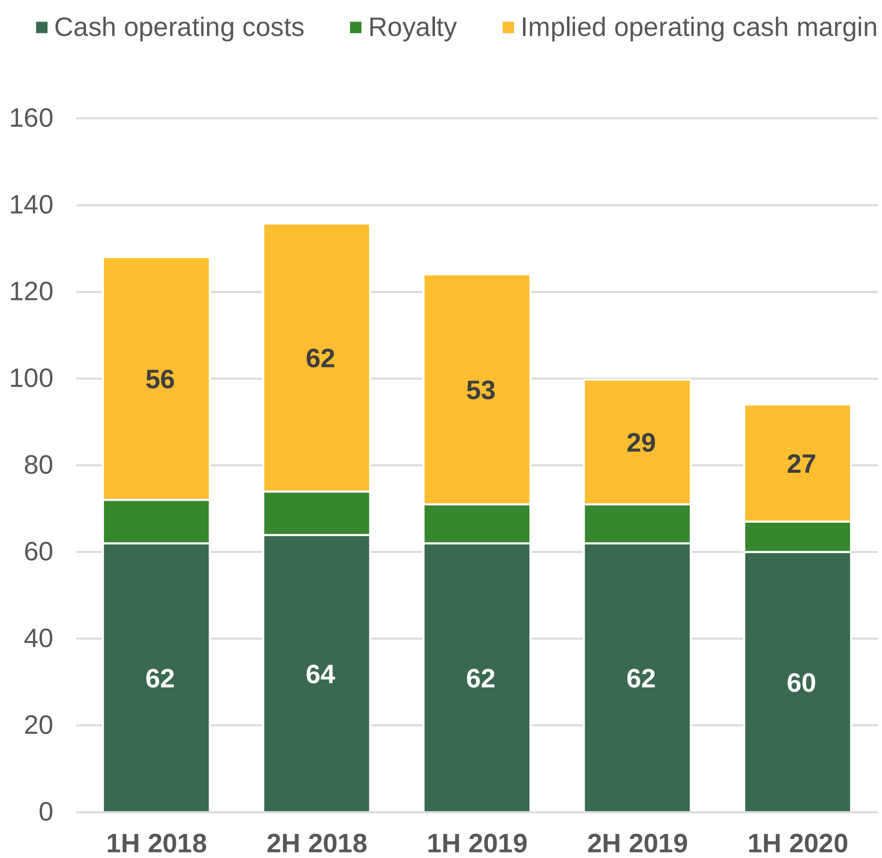
- Yancoal is on track for ~38Mt of attributable saleable coal production in 2020.
- 19.0Mt of attributable saleable coal (+7% vs 1H 2019); this includes the benefit of the additional 10% stake in Moolarben.
- Large-scale, low-cost and long-life mines underpin performance:
  - Moolarben,
  - Mount Thorley Warkworth (MTW),
  - Hunter Valley Operations (HVO).

Tier-one, low-cost mines provide most of the production profile

* 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, the 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.

Unit costs and achieved price

Cash Operating costs (per production tonne)
(A$/tonne)



- A$60/t operating cash costs, -3% YoY.
- A$94/t average sale price, -24% YoY.
- 2020 unit cost target revised to A$60/tonne compared to A$61/tonne previously.

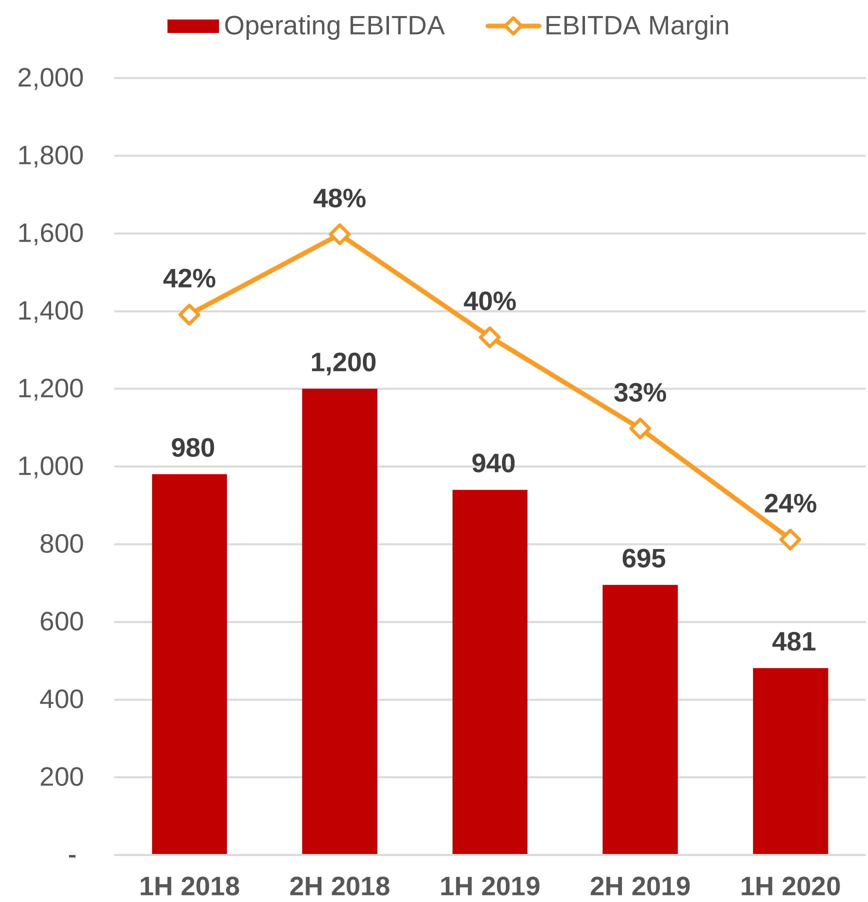
		1H 2020	1H 2019	% Change
Thermal coal price achieved	A$/t	88	112	-21%
Metallurgical coal price achieved	A$/t	140	184	-24%
Combined coal price achieved	**A$/t**	**94**	**124**	**-24%**

Disciplined cost management

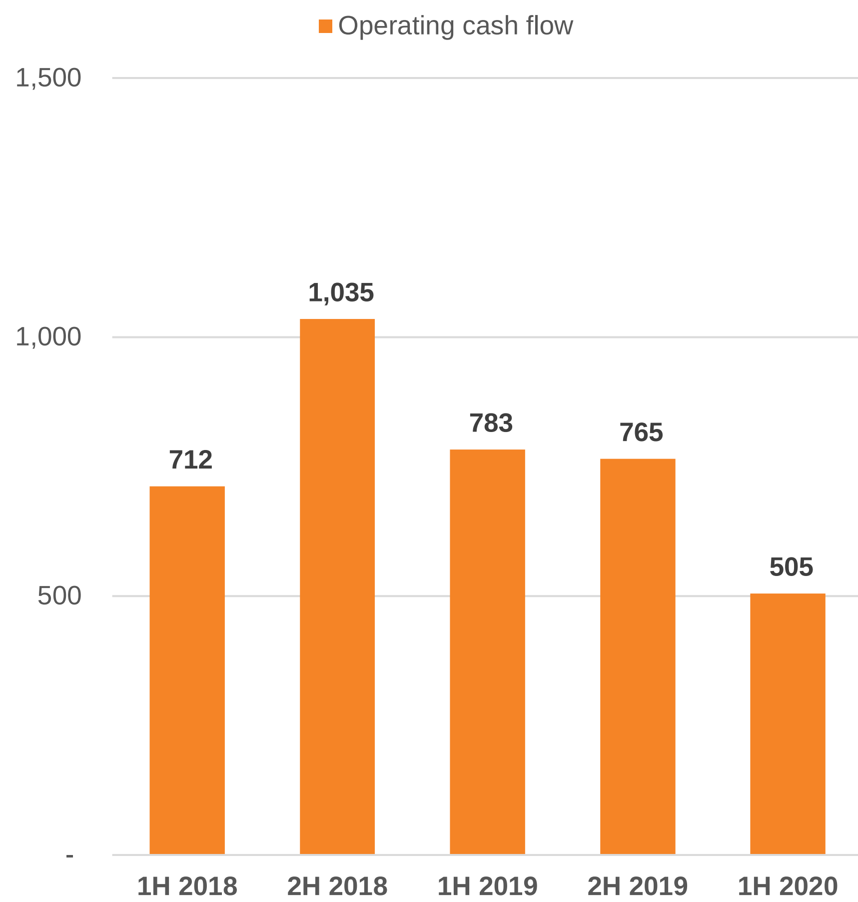
* Operating cash costs include mining, processing, and logistics charges to the port, it excludes royalties.

EBITDA and Operating Cashflow

EBITDA and Margin
(A$ Million)

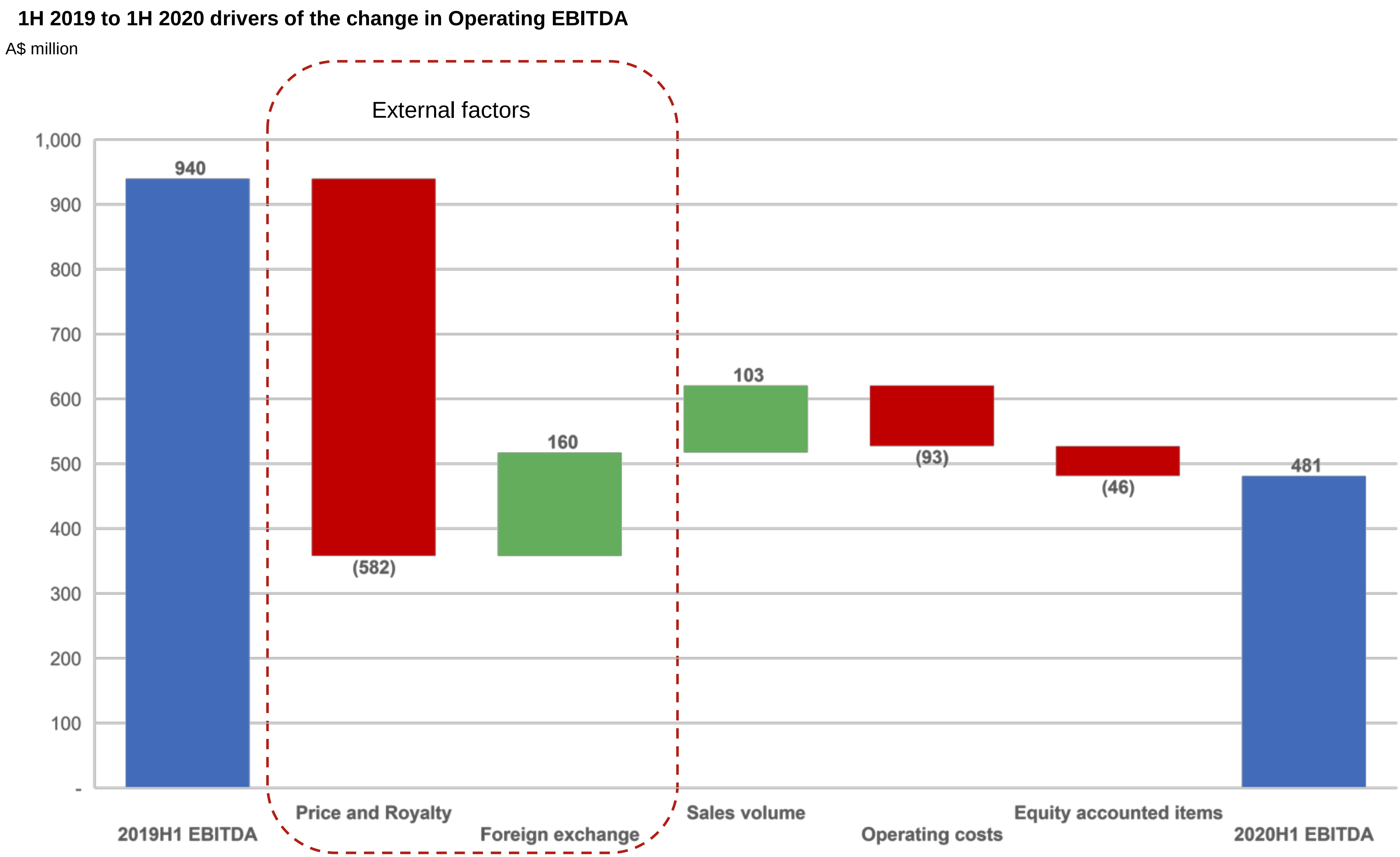


Operating Cashflow
(A$ Million)



Yancoal business remains fundamentally sound in challenging conditions

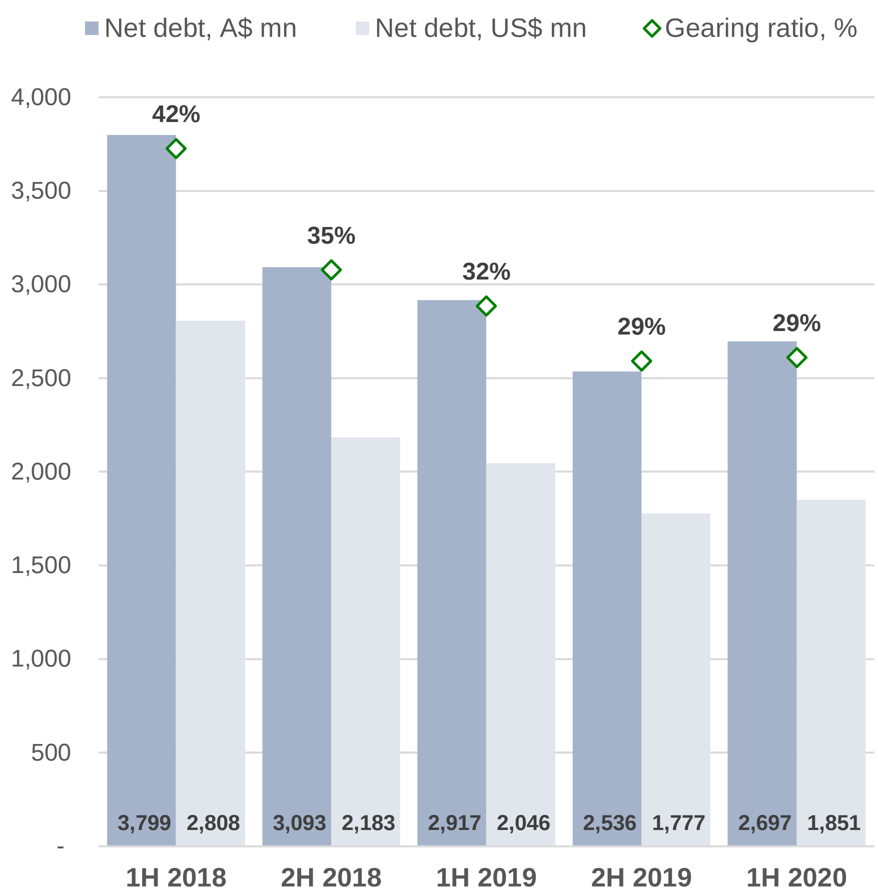
Operating EBITDA Drivers



The lower coal price was the most significant factor

Debt and Distributions

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



- Debt level and gearing are at manageable and stable levels.
- At 30 June the ‘cash and cash equivalents’ balance was $423 million.
- A debt facility that had repayments due in 2020 and 2021 has been replaced.
- No interim dividend for 2020; along with deferred capital expenditure, this is a response to the current coal market conditions.
- $924 million returned to shareholders over the past two years.

Financial flexibility influenced by the achieved coal price

* Net debt does not include debt and earnings associated with Watagan arrangements.
** Gearing calculated as the ratio of Net Debt to Net Debt plus Equity

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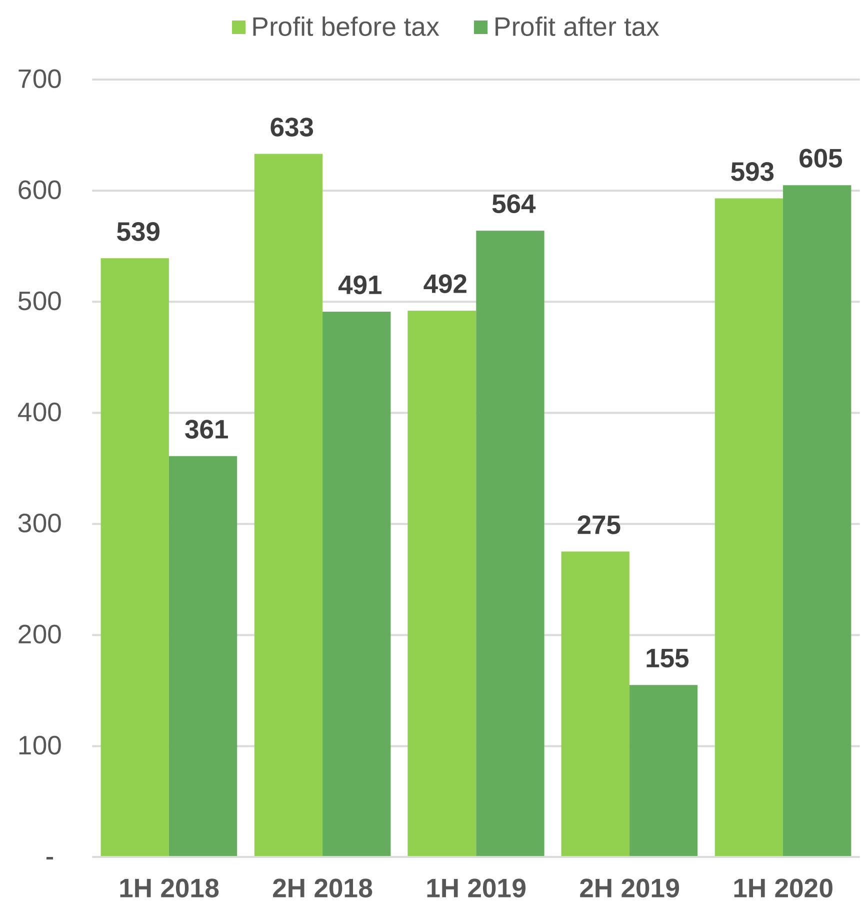
Profit After Tax has non-operating items

Pre and Post Tax Profit Results
(A$ Million)



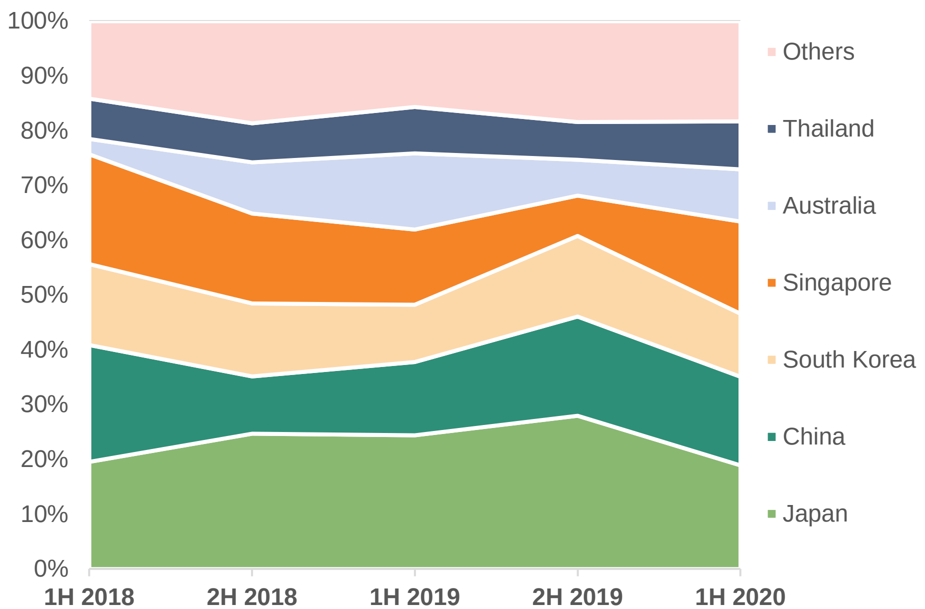
- Non-operating items totalling $576 million bolstered the Reported Profit.
- Non-operating items include an accounting gain of $653 million on Moolarben. The acquisition of an additional 10% stake increased Yancoal's overall interest to 95% and required Yancoal to book its entire position at fair value, compared to the carried book value.
- Eliminating the one-off items, operating profit before tax was $17 million in 1H 2020 and 'normalised' NPAT was $6 million.

Excluding the non-operating items 1H 2020 achieved a profit

Customer base and product mix

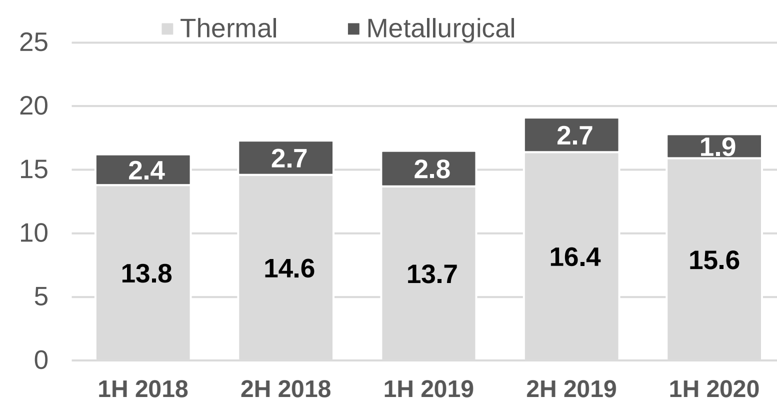
- Yancoal's diverse customer base limits the impact from disruption from any one market.
- The product mix is predominantly thermal coal with some PCI and semi-soft coking coal.

Yancoal revenue mix by country*
(%)



- Yancoal's thermal coal sales can be an annual fixed price, index price or spot price basis. Typically our low-ash coal is priced off the GlobalCOAL Newcastle price, and high-ash coal off the Argus/McCloskey API5 Index.
- Met. coal sales are a benchmark or spot price basis; most term contracts negotiated quarterly.

Sales volume*
(Million tonnes)



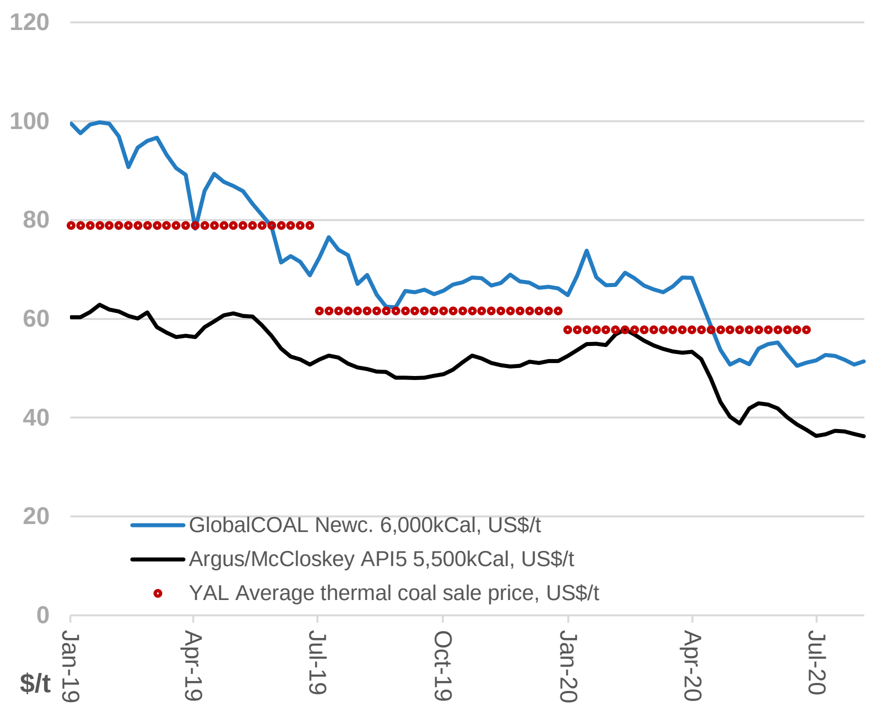
The proportion of revenue from any one country is usually less than 25%

* Customer mix is based on the customer's country of domicile. Almost all Yancoal product is exported into the international market.
** Excludes purchased coal tonnage. Excludes Middlemount (incorporated joint venture and equity-accounted) and Watagan (deconsolidated from Yancoal in March 2016 and equity-accounted).

Coal market conditions

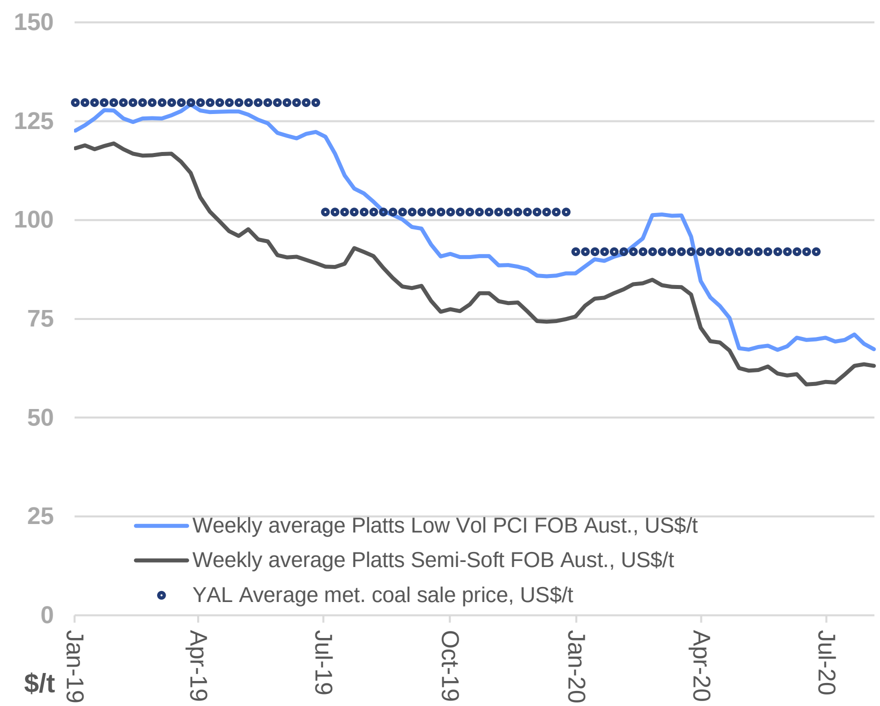
- Yancoal's average realised thermal coal price, A$88/t, in 1H 2020 was down 21% from 1H 2019 as lower economic activity affected demand for thermal coal.
- Yancoal's average realised met. coal price, A$140/t, in 1H 2020 was down 24% from 1H 2019 as low-grade met. coal prices fell due to reduced steel making activity.

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

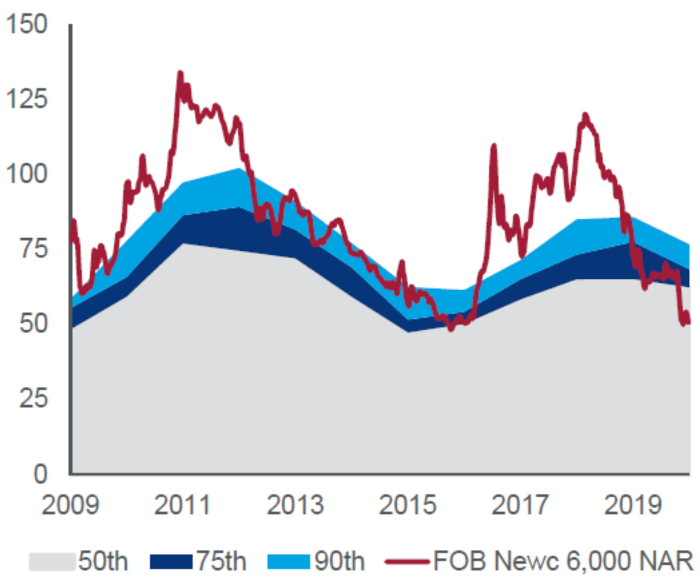
Index prices levelling, awaiting supply restructure or improved demand

* 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

Coal market conditions

- We have recently observed coal price indices demonstrating some price stability as supply curtailment begins in response to market conditions.
- Yancoal's three largest production assets sit in the first quartile on global, quality adjusted thermal coal cost curve.

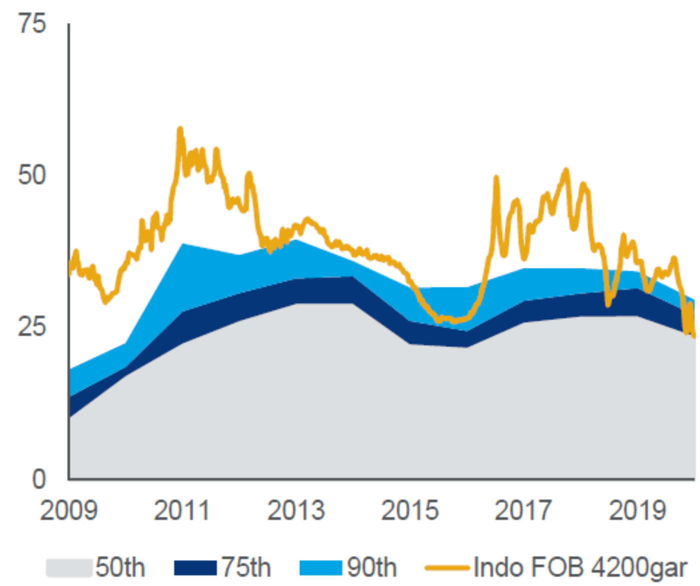
Newcastle price and marginal costs, US$/t



Source: Wood Mackenzie, the Argus Media Group, GlobalCOAL

The foregoing chart was obtained from Wood Mackenzie

Indonesia price and marginal costs, US$/t



Source: Wood Mackenzie, the Argus Media Group, GlobalCOAL

The foregoing chart was obtained from Wood Mackenzie

Yancoal continues to operate the assets efficiently, and position the business for the next upswing in the coal price cycle

- The marginal costs are quality adjusted Total Cost Plus Sustaining or FOB plus sustaining capital costs for the global seaborne export thermal market as a whole. The chart on the left is for coals of greater than 5850kcal/kg nar quality adjusted to a 6000nar benchmark price, and the chart on the right is for coals less than 4600 kcal/kg gar quality adjusted to a 4200gar benchmark price.

Guidance for 2020

Current operational guidance for 2020:

- Attributable saleable coal production of around 38 million tonnes.
- Attributable cash cost (excl. government royalties) of around $60/t.
- Attributable capital expenditure of less than $300 million.

Initial operational guidance for 2020:

- Attributable saleable coal production of around 36 million tonnes.
- Attributable cash cost (excl. government royalties) of around $61/t.
- Attributable capital expenditure of around $380 million.

Strategy and Investment case

- Low cost, Tier 1 assets underpin the business, especially during cyclical downturns
- The diverse customer base continues to demonstrate appetite for Yancoal product
- Asset reinvestment and shareholder returns are a priority
- Debt optimisation and reduction is an ongoing focus
- Capturing further value-add growth opportunities remains a key objective



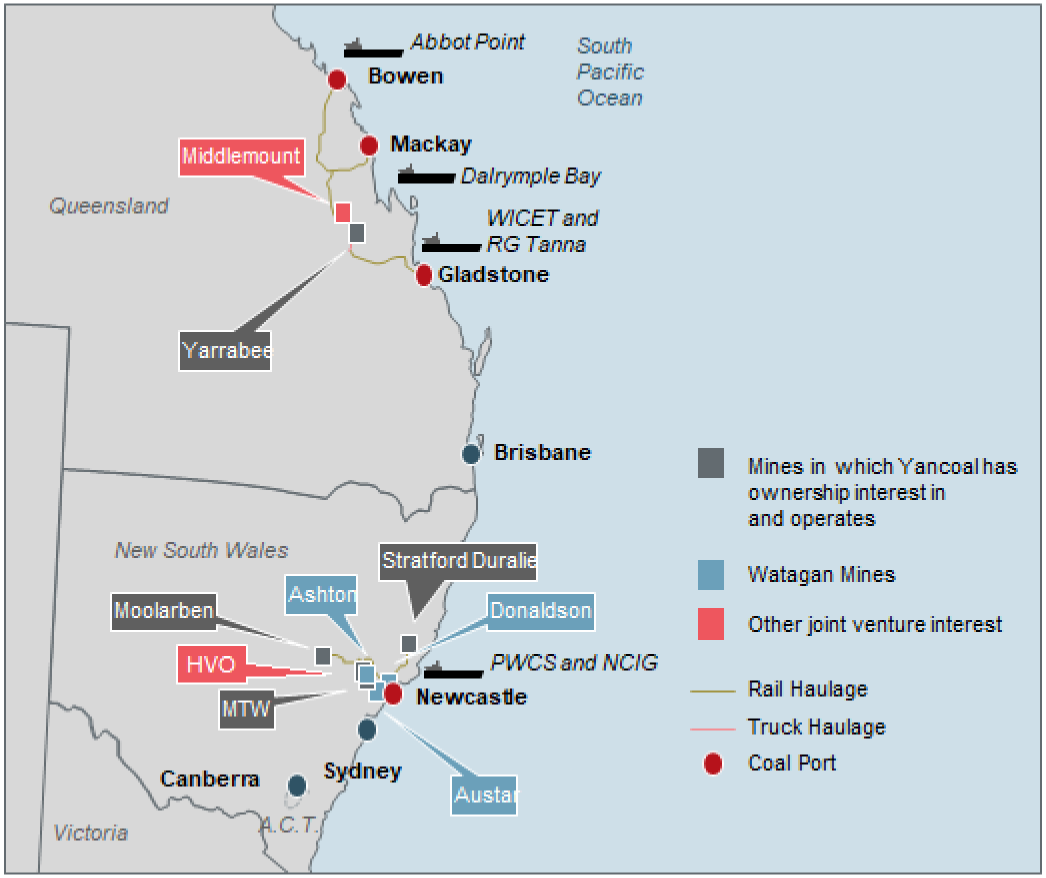


Appendices

Portfolio Overview

A diversified portfolio including world-class coal assets mines and supporting infrastructure

Yancoal's Portfolio



Source: Company Filings

Asset Overview (100% basis as at 31 December 2019)

	Location	Ownership	Marketable Reserves	Resources	Saleable Production CY18	Saleable Production CY19
Moolarben	NSW	95%	226 Mt	1,140 Mt	16.5 Mt	17.8 Mt
MTW	NSW	82.9%	210 Mt	2,140 Mt	12.1 Mt	12.1 Mt
HVO	NSW	51%	650 Mt	4,510 Mt	13.3 Mt	13.7 Mt
Yarrabee	QLD	100%	42 Mt	215 Mt	2.6 Mt	2.8 Mt
Stratford Duralie	NSW	100%	11 Mt	313 Mt	0.5 Mt	0.8 Mt
Middlemount	QLD	49.9997%	62 Mt	135 Mt	3.8 Mt	2.7 Mt
Ashton, Austar and Donaldson	NSW	100%	97 Mt	1,170 Mt	1.2 Mt	2.2 Mt
Total (100% Basis)*	**NSW, QLD**	**n/a**	**1,297 Mt**	**9,720 Mt**	**50.0 Mt**	**52.1 Mt**
Total (Attributable)	**NSW, QLD**	**n/a**	**880 Mt**	**6,911 Mt**	**32.9 Mt**	**35.6 Mt**

Flagship Assets

Watagan

Source: Company Filings

* Total includes 97 Mt (100% basis) for Monash (UG).

Reserves and Resources

As at 31 December 2019, Yancoal had:

Recoverable Coal Reserves of 1,780Mt,
Marketable Coal Reserves of 1,297Mt, and
Coal Resources of 9,720Mt (on 100% basis)

- On an attributable basis, Yancoal's Coal Reserves were 1,211Mt, Marketable Coal Reserves were 880Mt and total Coal Resources (measured, indicated and inferred) were 6,911Mt (as at 31 Dec 2019).
- The three tier-one mines amount to ~80% of Coal Reserves, Marketable Coal Reserves and Coal Resources.

Coal Reserves (Proved and Probable, as at 31 Dec 2019, on a 100% basis)

						Other Joint Venture Interests	Watagan Mines			
	Moolarben (OC/UG)	MTW (OC)	HVO (OC)	Stratford Duralie (OC)	Yarrabee (OC)	Middlemount (OC)	Ashton (OC/UG)	Austar (UG)	Donaldson (UG)	Total
Recoverable Coal Reserves (Mt)	OC: 204 UG: 59	MT: 44 W: 248	900	19	51	82	OC: 32 UG: 31	0.2	110	**1,780**
Marketable Coal Reserves (Mt)	OC: 166 UG: 60	MT: 30 W: 180	650	11	42	62	OC: 17 UG: 18	0.16	62	**1,297**
Product Type	Thermal	Semi / Thermal	Semi / Thermal	Met / Thermal	PCI / Thermal	Met / Thermal	Semi / Thermal	Met / Thermal	Met / Thermal	

82% of Total Coal Reserves, and 84% of Marketable Coal Reserves

Coal Resources (as at 31 Dec 2019, on a 100% basis)

						Other Joint Venture Interests	Watagan Mines			
	Moolarben (OC/UG)	HVO (OC)	MTW (OC/UG)	Stratford Duralie (OC)	Yarrabee (OC)	Middlemount (OC)	Ashton (OC/UG)	Austar (UG)	Donaldson (OC/UG)	Total
Measured (Mt)	760	810	MT: 300 W: 610	8	80	73	85	110	190	**3,026**
Indicated (Mt)	180	1,300	MT: 160 W: 420	195	85	54	85	40	400	**2,919**
Measured and Indicated (Mt)	**940**	**2,110**	**MT: 460 W: 1,030**	**203**	**165**	**127**	**170**	**150**	**590**	**5,945**
Inferred (Mt)	200	2,400	MT: 180 W: 470	110	50	8	90	70	100	**3,678**
Total	**1,140**	**4,510**	**MT: 640 W: 1,500**	**313**	**215**	**135**	**260**	**220**	**690**	**9,623**

80% of Total Measured, Indicated and Inferred Resources

Yancoal Commentary for the 1H 2020 Result Presentation

Slide 1 – Cover Sheet
This presentation covers aspects of the Company's performance in six months to 30 June 2020. The Financial Result release contains full detail.

Slide 2 & 3 – Important Notice and Disclaimer
Please take note of the information and disclaimers provided on pages two and three of the presentation.

Slide 4 – 1H 2020

During the first half of 2020, the Yancoal team worked hard to deliver the best possible operational and financial outcomes from our high-quality assets. This included implementing our pandemic response plan to prioritise the health and safety of our people, while ensuring minimal disruption to our operations.

In March we acquired an additional 10% stake in Moolarben, our highest output and lowest cost asset. It was a sound strategic move to establish 95% ownership of this high-quality asset.

At the mid-point of the year, we are on track or ahead of all three guidance metrics set in February.

Coal production is on track for the production target, which is around 38 million tonnes following the purchase of an additional 10% stake in Moolarben.

Our operating cash costs are tracking below the original $61 per tonne target, so we have revised the guidance to $60 per tonne; and

Capital expenditure has been revised to less than $300 million for the year; down from $380 million after electing to defer expenditure. The deferral is a prudent response to the lower coal price resulting from reduced global economic activity.

Although revenue is down from the prior period, EBITDA and EBITDA margin results for the Half demonstrate the Company's ability to successfully navigate cyclical downturn in the coal market.

Slide 5 – Safety Performance

As always safety is our number one priority. Yancoal is committed to safe work practices, particularly during the coronavirus pandemic. The Company acted rapidly; the additional health and safety protocols implemented and infrastructure installed, such as thermal cameras at all sites, with no known COVID-19 cases across our workforce and minimal disruption to our operations to date.

We consistently engage with all Yancoal employees and contractors to empower them to identify and address foreseeable safety risks and injuries.

Pleasingly, our improved safety performance in the period demonstrated that we continue to be effective in these safety efforts.

Yancoal's Total Recordable Injury Frequency Rates improved during the period; over the six months, it reduced from 7.3 to 6.9. This rate sits below the industry weighted average applicable to our sites.

Our Lost Time Injury Frequency rate also declined during the period from 3.5 to 3.1.

Slide 6 – Coal Production

Ongoing improvements in the mining and processing operations continue to bolster Yancoal's attributable saleable production.

Total ROM produced in the first half was 32.9 million tonnes on a 100% basis.

From the ROM coal production, the total saleable coal production was 25.6 million tonnes, with 19.0 million tonnes attributable to Yancoal, up 7% from the first half in 2019.

Consistently reliable extraction and delivery rates at our tier-one assets underpin underpin this performance and the Company's overall production and sales.

The three primary assets accounted for 85% of Yancoal's saleable production on a 100% basis. The asset portfolio with multiple large-scale, low-cost mines set Yancoal apart in Australia's coal mining industry.

Slide 7 – Unit cost and achieved price

A metric we are particularly proud of is our cash operating costs, which declined by 3% to $60 per production tonne during the period. We continue to keep operating costs low through the pursuit of operational efficiencies across all our assets and by maximising production volumes from lower-cost operations.

The cash cost achieved is an outstanding result given the additional time and effort applied to implementing our pandemic response plan and managing the workforce disruptions resulting from proactive isolation measures.

Yancoal's realised average price in the period declined to $94 per tonne: with $88/tonne for thermal coal and $140/tonne for metallurgical coal.

Given the coal price environment, keeping cash costs low is critical to ensure we maintain the best possible operating margin.

Slide 8 – EBITDA and Operating Cashflow

Yancoal has built a resilient business underpinned by a broad asset portfolio, including tier-one assets.

Operating multiple mines allows us to optimise our coal products and prices through blending coal from the various assets.

Having multiple operations also allows us the flexibility to respond to changes in rail and port capacity and to take advantage of any opportunities that arise to maximise output and sales volumes.

Our ability to blend product, to leverage production from low-cost mines and to implement efficiency improvements allows Yancoal to navigate cyclical downturns in the international coal market.

Unsurprisingly, lower coal prices impacted our operating margin; however, the resilience of our business allowed us to generate a margin that compares favourably to other pure-play coal companies within the international market.

As you can see, our operating cash flow remained healthy during 2019, and this leads onto the next slide.

Slide 9 – EBITDA Drivers

The chart depicts the main drivers of the change in EBITDA between the first half of last year and the first half of this year. External factors, particularly the coal price, were the primary reasons for the lower EBITDA in the Half.

The Company focuses on improving controllable elements of the business. We succeeded in this during the Half delivering an increase in sales volume and a lower unit cost of production. However, due to the increase in the volume of coal mined, the total operating costs increased, mainly attributable to the 10% acquisition of Moolarben during the period taking our ownership to 95%.

The equity-accounted items are predominantly Middlemount, which was negatively impacted by coal price during the Half.

Slide 10 – Debt and Distributions

Despite the reduced operating revenue, Yancoal has maintained net debt and gearing at manageable levels.

In July, we replaced a US$1.275 billion debt facility. The new facility has the same capacity and similar terms, but, importantly, it rescheduled sizable repayments from this year and next year out to 2024 and 2025.

The primary obligations of the capital allocation strategy are asset reinvestment and dividends for shareholders.

Yancoal has returned over $900 million to shareholders over the past two years, including $280 million distributed in April this year. However, in response to the current market conditions there will not be an interim dividend paid this year.

The dividend decision and the plan to defer capital expenditure are responses to the current coal market conditions. We are pleased that the Company has the financial flexibility to be able to manage our Balance Sheet and cashflows in response to lower coal prices and softer conditions in the international coal market.

Slide 11 – Profit After Tax

The reported profit was bolstered by $576million of non-operating items.

The most notable non-operating item was a $653 million gain Yancoal was required to book on the Moolarben asset. The acquisition of the additional 10% stake triggered the accounting gain; we recognised the fair value of the asset, rather than the carried book value. The difference between the two values is the result of the investment and expansion efforts over recent years that have improved the production profile and lowered the operating cost profile of the asset.

If adjustments are made for the one-off items, the operating profit before tax was $17 million, and a “normalised" Net Profit After Tax would have been $6 million.

Slide 12 – Customer base and product mix

Yancoal has a diverse customer base across the Asia-Pacific region. While some revenue is derived from sales to traders in Singapore and Australia, all the coal sales are at export market terms.

The sales split included 89% thermal coal during the half, slightly higher than prior periods.

Our mix of contract types with differing durations and reference prices somewhat mitigates against declining spot prices in international markets.

Slide 13 – Coal market conditions

During the period, lower economic activity negatively affected the demand for thermal and metallurgical coals. While the COVID-19 pandemic had a more pronounced and immediate effect on demand than supply dynamics, we have recently observed some level of price stability as supply curtailment begins to evolve in response to market conditions.

Reduced steel-making activities during the period in Japan, Korea and India resulted in hard-coking coal displacing low-grade metallurgical coal in regional markets, and the PCI price fell sharply midway through the half before stabilising.

The average sale price Yancoal achieved during the period was $88 per tonne for thermal and $140/t for met coal. These prices were down 21-24% compared to the first half of 2019. The charts show the average sale price for every six months converted to US dollar terms using the average exchange rate for each period. The change in the achieved price is comparable to the relevant indices.

Slide 14 – Coal market conditions

Support appears to be forming for the thermal coal as supply curtailment begins in response to market conditions. The charts on this slide, sourced from Wood Mackenzie, show the two coal price indices plotted against the cost curve percentiles over the past ten years.

The Newcastle coal price has dropped to below the 50th percentile on the cost curve; the last time this occurred was 2016, before there was a subsequent upward swing in the coal price. It is a similar profile for the Indonesian coal price.

The implication from this data is that a significant proportion of the global seaborne supply is presently uneconomic, and a supply-side response seems likely. However, for any coal price rebound to be prolonged, an uplift in economic activity and demand for coal would also be required.

The majority of Yancoal's production sits low on the cost curve and should continue to generate positive EBITDA margins through low points in the coal price cycle. We continue to operate our assets efficiently and position the Company for the next upswing in the coal price cycle.

Slide 15 - Guidance for 2020

We expect saleable coal production to be around 38 million tonnes, we are currently halfway to achieving this target.

We expect cash costs (excluding government royalties) of around $60 per tonne. In February, the forecast was $61 per tonne, but having achieved $60 per tonne in the first half, we now aim to hold that level through the rest of 2020.

The original capital expenditure budget for 2020 was around $380 million. The forecast has since been revised to less than $300 million as we defer expenditure or utilise financing arrangements. Yancoal's budget at the start of the year mostly consisted of sustaining capex and fleet replacement; this will still be incured over the next year or two, and this is why the expenditure is referred to as deferral rather than as a reduction.

Slide 16 – Strategy and Investment Case

We strongly believe that Yancoal offers our shareholders and potential investors a unique investment opportunity within the coal sector.

We have built a strong portfolio of assets, producing quality coal at low costs. This allows the Company to operate continuously through the cyclical downturns and repay debt and make distributions during periods of better prices.

Yancoal believes its higher-quality coal will remain a vital component of the regional energy mix. We have good relationships with our diversified customer base and continually work with them meet their needs.

The first strategic obligation of the Company is to reinvest in the assets to ensure we continually produce high-quality coal at a low cost. This year some expenditure has been deferred, however not at the expense of the operating profile. Similarly, it was a matter of financial prudence not to pay an interim dividend this year.

In the past two and a half years, Yancoal has made early debt repayments totalling US$1.4 billion. Capital management including debt optimisation and debt reduction remain a key objective of the Company.

Yancoal has expansion projects at its primary assets to pursue over the coming years. At Moolarben, we have the required approval to increase annual production from 21 million tonnes to 24 million tonnes, and at Mount Thorley Warkworth there is the potential to add 5 million tones per annum of saleable coal from an underground mine development.

Despite the difficult conditions currently faced in the coal market, the Yancoal business remains fundamentally sound and well placed for a subsequent recovery in the coal price.

END