YANCOAL 兖煤澳大利亚有限公司

YANCOAL AUSTRALIA LTD
ADDRESS: Tower 2, 201 Sussex Street Sydney NSW 2000
PHONE: 61 2 8583 5300
FAX: 61 2 8583 5399
WEBSITE: www.yancoal.com.au

28 FEBRUARY 2022

ASX Release:

Full Year Financial Result 2021

FINANCIAL HIGHLIGHTS:

- **Revenue from continuing operations of $5.40 billion**, up 56% from $3.47 billion in the year ended 31 December 2020 ("FY20"). The higher realised coal price and increased ratio of metallurgical coal sales drove the revenue uplift. [1]
- **Operating EBITDA of $2.53 billion,** up from $748 million in FY20 due mainly to the increased revenue. The Operating EBITDA Margin for the period jumped to 46% compared to 21% in FY20.
- **Operating Profit Before Tax** of $1.41 billion, up from the $218 million loss in FY20.
- The **record Revenue, Operating EBITDA and Operating Profit Before Tax** facilitated an early debt repayment of US$500 million in October, the resumption of dividends and a significant reduction in the gearing to 24%.[2]
- **Net Profit after Tax was $791 million**, a pleasing reversal from the $1.04 billion loss in FY20.
- **Cash held of $1.50 billion** at the end of the year reconfirms Yancoal's capacity to deliver strong financial performance during periods of elevated coal prices.

OPERATIONAL HIGHLIGHTS:

- **Total Recordable Injury Frequency Rate** ("TRIFR") - At the end of FY21, TRIFR was 8.4, compared to 7.4 at the end of FY20 and a comparable industry weighted average of 10.2.
- **Saleable Production** - Despite a hard rock intrusion at the Moolarben underground, wet weather, and COVID-19 issues, attributable saleable coal production of 36.7 million tonnes was only 4% off FY20.
- **Attributable coal sales** - Stockpiles accumulated in prior periods were sold down in 2H 2022 to capitalise on the elevated coal price. Attributable sales were 37.5 million tonnes, just 1% off FY2020.
- **Unit costs** - Yancoal's cash operating costs (excluding government royalties) per production tonne were $67/tonne compared to $59/tonne in FY20. Higher diesel prices, demurrage costs and reduced output due to issues at Moolarben, wet weather, and COVID-19 were factors in the cost increase.
- **Capital expenditure below guidance** – Capital expenditure was $269 million (attributable) after some FY21 planned spending was held over into FY22.

CORPORATE HIGHLIGHTS:

- The early debt repayment made in October will save around US$82 million in total finance costs over the loan period.
- Yancoal made a $100 million impairment of the Donaldson exploration asset after a strategic review to identify assets it does not expect to become operating mines.
- The robust cash position and lower gearing ratio at the end of FY21 enable the resumption of dividend payments: the dividend allocation for FY21 is $930 million, with A$0.5000/share unfranked as a final dividend and A$0.2040/share unfranked as a special dividend.

[1] All financial numbers presented are stated in Australian dollars (A$ or $) unless otherwise stated
[2] The gearing is at 31-Dec-2021 and is prior to the distribution of dividends subsequently declared

CHAIRMAN COMMENTARY

Yancoal Chairman Baocai Zhang said:

"Yancoal delivered record revenue of over $5.4 billion, and record Operating EBITDA of over $2.5 billion in 2021, after capturing the benefit of the robust coal price.

"The record financial performance was made possible by the combined efforts of all Yancoal team members to meet the challenges posed by the La Niña weather cycle and COVID-19 in 2021. Both these challenges required Management to be continually agile throughout the year to ensure production targets could be achieved.

"The Company is in a strong financial position with cash directed to early debt repayment in October and now the resumption of dividends for our shareholders. The magnitude of the dividend demonstrates Yancoal's capacity to make distributions during periods of coal price strength."

CEO COMMENTARY

Yancoal CEO David Moult said:

"The health and wellbeing of all our employees are of vital importance to Yancoal, and Management and operational staff worked closely together during 2021 on the continued implementation of an effective COVID-19 pandemic response plan. The effort of all involved kept the production impacts of COVID-19 to a minimum, but there were some unavoidable production losses due to logistics constraints and staff absences because of mandated isolation requirements. We remain vigilant to the continued risks posed by the pandemic. In relation to broader health and safety issues, Yancoal's 12-month Total Recordable Injury Frequency Rate remained below the comparable industry average throughout 2021.

"The other recurring challenge during the year was the regular rain events generated by the prevailing La Niña weather pattern. The effects included halting or restricting mining activities due to excess water in open-cut operations (particularly when on-site water storage limits were reached), protecting and repairing unsealed roads, and rail and port interruptions.

"Coal prices rallied through 2021, peaking in October. Supply constraints in the international coal market and the broader energy markets continue to underpin high commodity prices, which are likely to persist through the coming months. Yancoal continually seeks to broaden its mix of customers in a range of countries. In 2021, opportunities to redirect sales from specific traditional markets and to develop exposure in new markets (as regional trade patterns continued to evolve from the events of 2020) supported this diversification strategy.

"Achieving $67/tonne operating costs was a good outcome in the context of a challenging year. The low-cost production and record average realised coal price of $141/tonne delivered an implied operating cash margin of $63/tonne, after government royalties. Combined with almost 37 million tonnes of attributable coal production, these factors delivered record earnings and operating cash flow.

"The rapid deleveraging to a 24% gearing level and resumption of dividend payments serves as a timely reminder of Yancoal's scale and capacity during periods of elevated coal prices to reduce debt and pay dividends to shareholders concurrently.

"During 2022, Yancoal will continue to focus on the controllable elements of our business and mitigate the impacts of uncontrollable elements, particularly optimising production and keeping our operating cash costs low, in order to maximise operating margins."

SAFETY

Yancoal continued its proactive response to the COVID-19 pandemic throughout the year. Late in the year, the rising case levels in regional areas resulted in reduced workforce availability, as employees and contractors adhered to mandated isolation requirements. The Group's TRIFR increased moderately during the year to 8.4 due entirely to the reconsolidation of the Watagan underground assets into the Group performance, but remained below the comparable weighted industry average of 10.2 at the end of the year.[3]

PRODUCTION and SALES:

ROM COAL PRODUCTION (100%)	Economic interest	FY21 Million tonnes	FY20 Million tonnes
Moolarben	95%	20.4	21.7
Mount Thorley Warkworth (MTW)	82.9%	16.5	17.6
Hunter Valley Operations (HVO)	51%	14.4	16.9
Yarrabee	100%	3.0	3.3
Stratford Duralie	100%	1.5	1.0
Middlemount	49.9997%	4.8	4.0
Ashton	100%	2.6	3.6
Total - 100% Basis		**63.2**	**68.1**
Total - Attributable[4]		**47.5**	**48.0**

SALEABLE COAL PRODUCTION (100%)	Attributable contribution	FY21 Million tonnes	FY20 Million tonnes
Moolarben	95%	18.4	19.7
Mount Thorley Warkworth	82.9%	11.2	11.9
Hunter Valley Operations	51%	10.6	12.0
Yarrabee	100%	2.6	3.0
Stratford Duralie	100%	0.8	0.5
Middlemount	0% (equity accounted)	3.7	2.9
Ashton	100% (from 17-Dec-2020)	1.2	1.8
Total - 100% Basis		**48.5**	**51.8**
Total – Attributable [4]		**36.7**	**38.3**

Total ROM (100% basis) produced during the period was 63.2Mt, a decrease of 7% from FY20 after the combination of the pandemic disruption to supply chains and workforce availability and heavy rain in NSW disrupting operations and coal transport logistics. The rain did not directly affect the underground mine at Moolarben, but it was impacted by an unanticipated widening of a hard rock intrusion in the coal seam. The decision was made to extract the longwall and bypass the section of the coal seam with the intrusion.

[3] Excludes data from the Hunter Valley Operations, Middlemount and Watagan assets (up to 16-December 2020). 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 references.

[4] Attributable figures exclude production from Middlemount (an equity-accounted investment) and Watagan (equity-accounted investment prior to 16 December 2020). Attributable figures for Moolarben are 95% after 31 December 2019, but note economic attribution is 85% up to 31 March 2020 and 95% after that date. Ashton volumes in Q1 2020 include the final tonnes produced at Austar before it transferred to 'care and maintenance'.

Attributable ROM production was 47.5Mt, a 1% reduction from FY20. The ability of the operations to mitigate the impacts of these disruptions on production resulted from a concerted effort from all mines throughout the year. Management of excess site water at NSW operations as a result of rain events in FY21 is a priority that will continue well into 2022.

Attributable Saleable Production was 36.7Mt; a 4% decline from over FY20. Sales of attributable production were 37.5Mt[5], comprising 31.7Mt thermal coal (85%) and 5.8Mt metallurgical coal (15%). Coal stockpiles accumulated in prior periods were sold down in the second half of the year to meet customer demand and maximise the benefit of the higher coal prices. The proportion of metallurgical coal sales increased from 11% to 15%.

Operating cash costs per tonne, excluding government royalties, were $67/tonne ($59/tonne in FY20). Uncontrollable factors affecting the unit costs included: higher diesel prices and demurrage costs; reduced output due to the wet weather; COVID-19 impacts; and a hard rock intrusion in the Moolarben underground mine. The cost increase also incorporated the "wash harder" strategy, which incurs an additional cost to produce higher-quality coal. The unit cost of production increased from $66 per tonne in the first half to $68 per tonne in the second half primarily due to a lower relative production contribution from the low-cost Moolarben mine.

SALES VOLUME Attributable mine production sold	FY21 Million tonnes	FY20 Million tonnes
Metallurgical	5.8	4.2
Thermal	31.7	33.7
Total - Attributable	**37.5**	**37.9**

Realised coal prices strengthened in FY21. Yancoal realised an average price of $134/tonne for thermal coal products ($76/tonne in FY20) and $180/tonne for metallurgical coal products ($124/tonne in FY20), giving an overall average-sales-price of $141/tonne ($82/tonne in FY20)[6]. Supply constraints resulting from wet weather in Australia and Indonesia, combined with logistic disruptions to coal exports from Russia and South Africa, contributed directly to thermal coal indices rising. Supply shortfalls in the gas and oil markets contributed to the overall elevated prices for energy commodities. Yancoal continually optimised its product profile and customer base during the year in response to the market conditions, at times establishing deliveries to first-time customers in new markets on competitive contractual terms. The product mix optimisation involved selling a higher proportion of metallurgical coal as demand for semi-soft and PCI metallurgical recovered.

Realised Coal prices (on the attributable mine production sold)	FY21 A$ / tonne	FY20 A$ / tonne
Metallurgical average	134	76
Thermal average	180	124
Combined average	**141**	**82**

[5] Purchased coal volumes are used to optimise overall product quality and the realised price; the purchased volumes are not included in the reported sales volumes

[6] Realised prices for Attributable Ex-Mine Sales (excluding purchased coal sales)

FINANCIAL PERFORMANCE:

Results for 2021 and 2020	FY21 $ Million	FY20 $ Million
Revenue from continuing operations	5,404	3,473
Operating EBITDA	**2,530**	**748**
Depreciation and amortisation	(831)	(804)
Operating EBIT	**1,699**	**(56)**
Net finance costs	(286)	(162)
Recurring items	(210)	(180)
One-off items	(100)	(745)
Profit / (Loss) before tax	**1,103**	**(1,143)**
Tax expense	(312)	103
Profit / (Loss) after tax	**791**	**(1,040)**

Revenue of $5.40 billion was $1.93 billion above FY20 of $3.47 billion. The positive effect of the higher realised coal price and relatively stable sales volume had a material impact on the revenue line. The revenue exceeded the Group's previous highest record of $4.85 billion achieved in 2018.

Operating EBITDA was $2.53 billion, an increase of $1.78 billion above FY20 of $748 million, a flow-on effect from higher coal prices, driving up the revenue line. The increase in operating cash costs was a modest impact in the context of the higher coal prices achieved.

The Group's "key tasks" initiatives delivered productivity and yield improvements, resulting in additional product tonnes, estimated to have delivered more than $80 million in profit before tax improvements during the period. These are structural improvements that are now embedded in the site processes to provide ongoing benefit to the Group.

Profitability rebounded; the profit before tax was $1.10 billion compared to a loss of $1.04 billion in FY20. These figures are not directly comparable, as the loss in FY20 included two notable one-off, non-cash items; a $653 million gain recorded on the acquisition of a further 10% stake in Moolarben and a $1.38 billion loss on the reconsolidation of Watagan.

CASH FLOW:

Cash flow summary	FY21 $ Million	FY20 $ Million
Operating cash flow [7]	1,900	605
Investing cash flow	(306)	(591)
Net free cash flow before financing	**1,594**	**14**
Financing cash flow	(761)	(314)
Cash at the beginning of the period	637	962
Effect of FX on cash	25	(25)
Cash at the end of the period	**1,495**	**637**

[7] Net interest expense cash outflow is included in Operating cash flows

Similar to Operating EBITDA, the 214% increase in operating cash flow is directly linked to the coal price. Net investing cash outflow decreased by 48% to $306 million, which included $269 million of capital expenditure and the final $100 million installment for the additional 10% interest in the Moolarben joint venture, partially offset by the $60 million repayment of the revolver loans provided to Middlemount.

Net financing cash outflows increased by 142% to $761 million. The single largest component was a voluntary debt prepayment of US$500 million in October. Total debt repayments in 2021 were US$581 million. The only compulsory debt repayment scheduled in 2022 is US$25 million in July. Yancoal will consider the potential for further voluntary debt prepayments in future periods, subject to all of the prevailing circumstances at the time.

Capital management		31-Dec-21 $ Million	31-Dec-20 $ Million
Net debt		1,940	3,568
Gearing ratio (net debt/(net debt plus equity))	(%)	24% [8]	41%
Leverage (net debt/EBITDA)[9]	(times)	0.8	4.8

Yancoal ended FY21 with a gearing ratio of 24%. The leverage ratio dropped to 0.8x at the end of 2021; this should be viewed in the context of the coal price profile and the resultant EBITDA impact.

DIVIDEND:

The improvement in Yancoal's fiscal position allows the resumption of dividend payments. The Board of Directors of Yancoal ("Board") elected to declare a FY21 total dividend allocation of $930 million, with $0.5000 per share (unfranked) as a final dividend and A$0.2040 per share (unfranked) as a special dividend. Dividends are presently unfranked, but as tax losses continue to be paid down there is the potential for franking credits to be accumulated in future periods.

NON-CASH ITEM:

The 2021 Financial Result includes a $100 million impairment of the Group's Donaldson exploration asset to nil book value. Management is undertaking a strategic review of underperforming assets, and with Donaldson currently on care and maintenance, it was considered unlikely that the value attributed to the exploration asset would be recovered.

[8] The gearing is at 31-Dec-2021 and is prior to the distribution of dividends subsequently declared

[9] Leverage is based on the end of period net debt and a rolling 12-month value for the EBITDA

OUTLOOK:

International coal indices are again at record levels in early 2022 as supply-side constraints persist and commodity shortages occur in other international energy markets. Yancoal's rolling contract structures means it will continue to capture the benefit of the recent and current prices in the coming months.

Wet weather and the regional escalation of COVID-19 during Q4 2021 resulted in low in-pit and ROM stockpiles at the Group's NSW mines, requiring a period of pit re-establishment.

In 2022, ongoing wet weather and COVID-19 impacts have hampered this recovery and could continue to impact the Group's performance throughout the year. Open-cut mines in NSW still have excess water on-site, with most near their water storage capacity, making them susceptible to further rain events if La Niña persists. Despite the number of positive COVID-19 cases dropping, there remains a risk of further interruptions.

Taking into account the risks noted, Yancoal has set the following targets for 2022:

- Saleable coal production of 35 to 38 million tonnes (attributable).
- Cash operating costs (excluding government royalties) of $71 to 76/tonne[10].
- Capital expenditure is expected to be $600 to 650 million (attributable).

The bottom end of the production guidance and top end of the cost guidance is where existing challenges persist. The top end of the production guidance and bottom end of the cost guidance is where operations rapidly return to optimal operating performances and external cost pressures decline. Capital expenditure increases in 2022, after two years of modest expenditure, as the Group replaces some mining fleet and to keep our large-scale, low-cost mines performing efficiently, together with the completion of the Moolarben coal wash plant upgrade.

Yancoal continually examines opportunities to grow the business and is open to expanding or extending the operational profile of its existing assets with organic projects, acquiring additional assets, or diversifying into other minerals, energy or renewable energy projects. Any new initiative would be subject to careful evaluation and require consideration and approval of the Board before commencement.

[10] Operating cash costs are exclusive of royalties and sea-freight. The comparable figure for FY2021 is $65/tonne.

INVESTOR TELECONFERENCE and WEBCAST:

An investor teleconference and webcast hosted by CEO David Moult is scheduled for 11:00am AEDT on Tuesday, 1 March 2022.

The teleconference and webcast is accessible via the following:

- Webcast: https://redback.events/ir-3a019a
- Australia dial-in number: 1800 896 323
- International dial-in number: +612 8088 0906

Participants are advised to join the teleconference and webcast ahead of the scheduled start time.

END

Authorised for lodgement by the Yancoal Disclosure Committee
Investor Relations Contact: Brendan Fitzpatrick, GM Investor Relations - Brendan.Fitzpatrick@yancoal.com
Media Relations Contact: Matthew Gerber, GM Corporate Affairs - Matthew.Gerber@yancoal.com.au
Additional information about the Company is available at www.yancoal.com.au

CEO -	**Registered Office**	**Shareholder Enquiries**
David Moult	Yancoal Australia Ltd	Computershare Investor Services
CFO -	Level 18, Tower 2, 201 Sussex Street,	Level 3, 60 Carrington Street,
Kevin Su	Sydney NSW 2000	Sydney, NSW, 2000
Company Secretary	Phone: (02) 8583 5300	Phone: 1300 850 505
Laura Ling Zhang	www.yancoal.com.au	www.computershare.com.au