

28 February 2020

# ASX Release:

## 2019 Result Presentation

Yancoal Australia Ltd (the “Company”) is pleased to present its annual results investor presentation for the year ended 31 December 2019, which is attached to this announcement.

Authorised for lodgement by the Yancoal Disclosure Committee

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Additional information about the company is available at [www.yancoal.com.au](http://www.yancoal.com.au)

# Yancoal Australia Ltd 2019 Result

*Australia's Largest Pure-play Coal Producer*

28 February 2020



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Investors should be aware that certain financial measures included in this presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information/non-GAAP financial measures include EBITDA, net debt and others. Such non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although Yancoal believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this presentation.

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## Reserves and Resources Reporting

In this presentation, references to mineral resources (**Resources**) and ore reserves (**Reserves**) for Yancoal are compliant with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 (**JORC Code**) and are measured in accordance with the JORC Code. The information in this Presentation that relates to Resources and Reserves has been previously disclosed to the market in the Coal Resources and Coal Reserves statement for the year ending 31 December 2018 dated 28 March 2019 (**Resources and Reserves Statement**) and is sourced from the following:

- 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](http://www.yancoal.com.au) and [www.asx.com.au](http://www.asx.com.au).

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# 2019 Key Highlights



Sustained improvement in safety performance



A\$1.64 billion EBITDA  
(operating margin of 36%)



35.6Mt Attributable Saleable Production



US\$500mn debt pre-payment  
Leverage reduced to 1.6x  
Gearing reduced to 29.2%<sup>(1)</sup>



A\$61/tonne Operating Cash Cost



Total dividend of A\$417 million, or  
A\$0.3156/share



2019 Production and unit cost targets reached



Continued progress towards developing growth projects

# Yancoal advantages

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**Portfolio of mines producing high-value export coal at industry-leading cash margins**



**Significant reserve base and sustainable capital structure underpin platform for growth**



**Management track record of capturing growth opportunities and creating shareholder value**



**Valuable and strategic operational and trade relationships with customers**



**Strong support from key shareholders and access to funding**

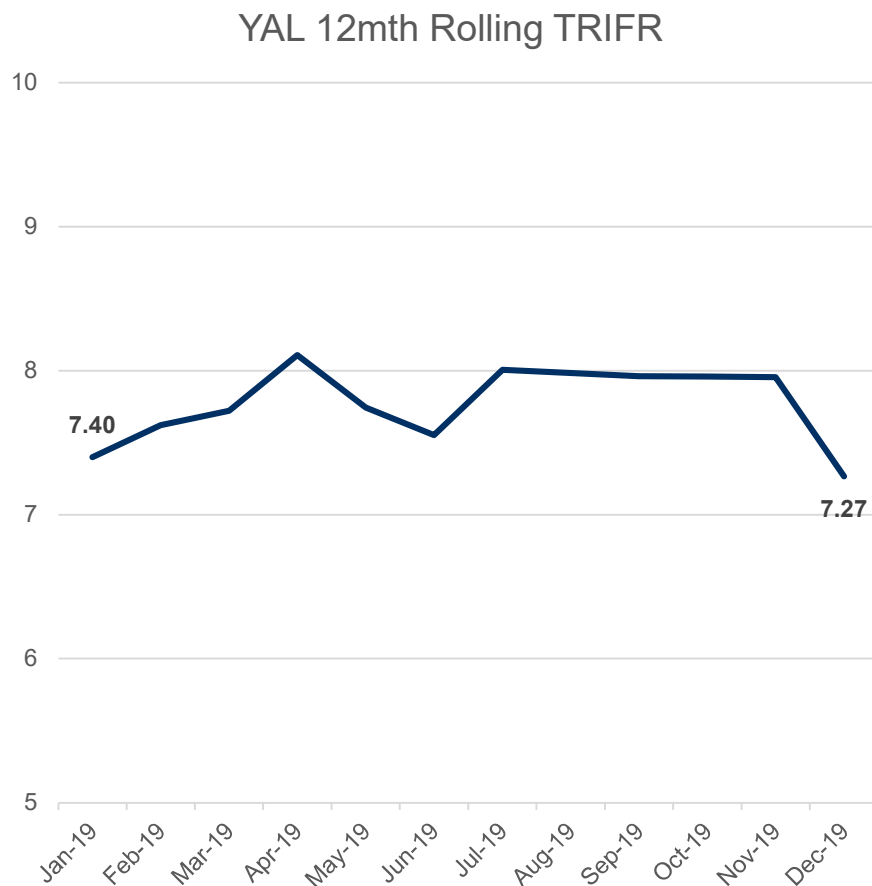




# Safety Performance

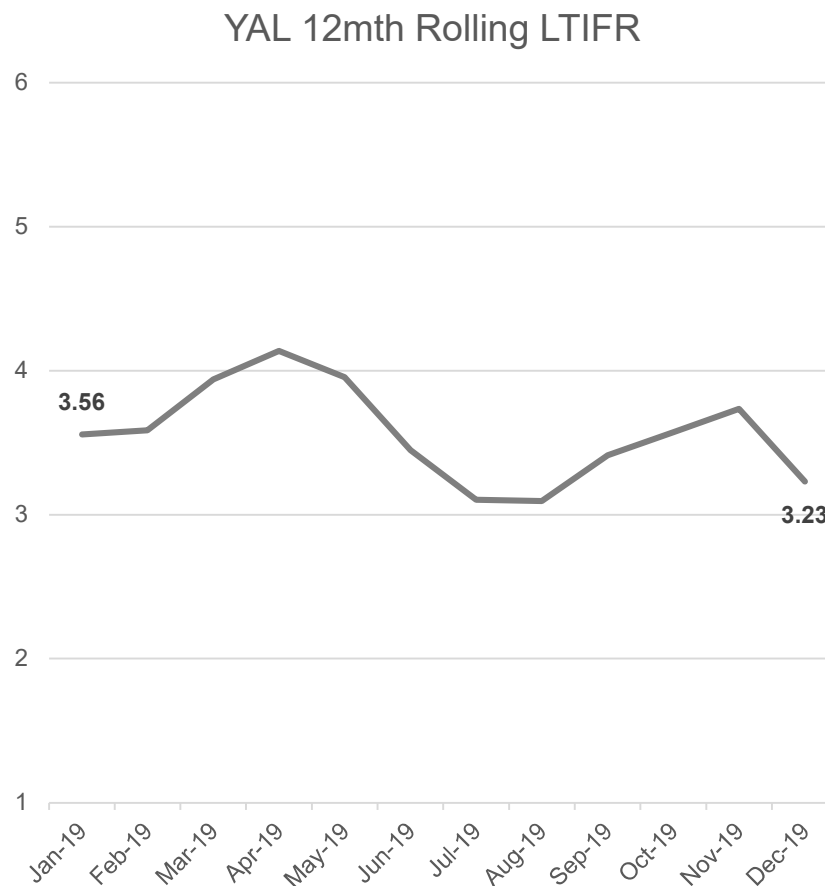
## TRIFR – Yancoal <sup>(2, 3)</sup>

Rolling 12 Month Basis



## LTIFR – Yancoal <sup>(4)</sup>

Rolling 12 Month Basis

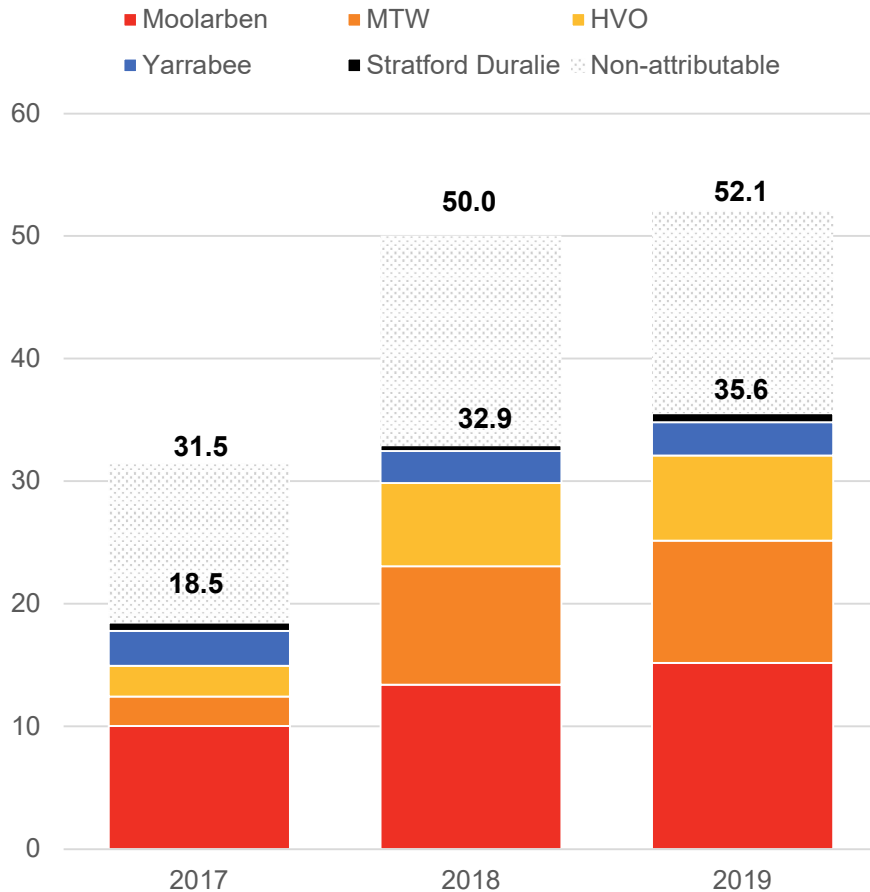


**Ongoing focus resulted in improved metrics across Yancoal operations**

# Coal Production

**Attributable Saleable Production by Asset (100% Basis) <sup>(5, 6)</sup>**

(Million tonnes)



- 2019 production target of ~35Mt exceeded.
- 35.6Mt of attributable saleable coal (+8% YoY).
- Large-scale, low-cost and long-life mines underpin performance
  - Moolarben
  - Mount Thorley Warkworth (MTW)
  - Hunter Valley Operations (HVO)

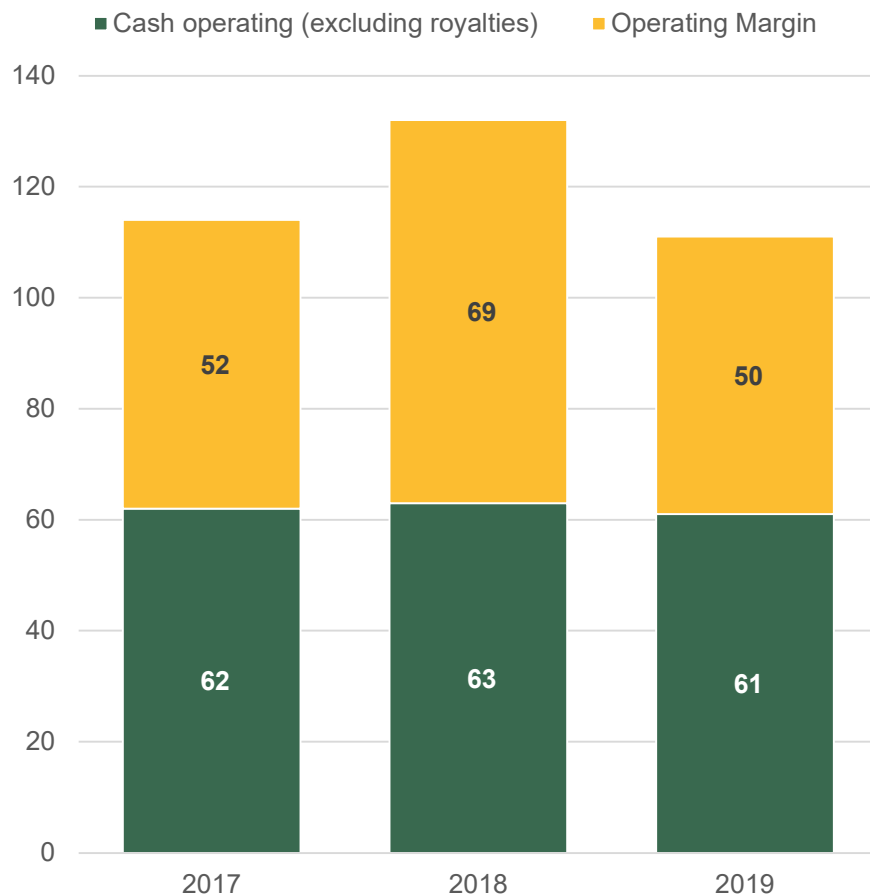
**Tier-one, low-cost mines are driving incremental production gains**



# Sales Volumes and Unit Costs

## Cash Operating costs (per sales tonne)

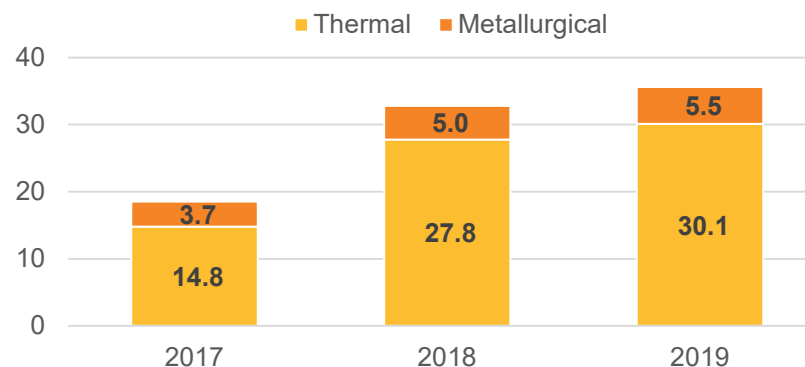
(A\$/tonne)



- 2019 unit cost target achieved.
- A\$61/t FOB<sup>(7)</sup> (-3% YoY despite sector inflation).
- A\$111/t average sale price (-16% YoY).
- A\$50/t operating margin before royalty.

## Sales volume (attributable mine production sold) <sup>(8, 9)</sup>

(Million tonnes)

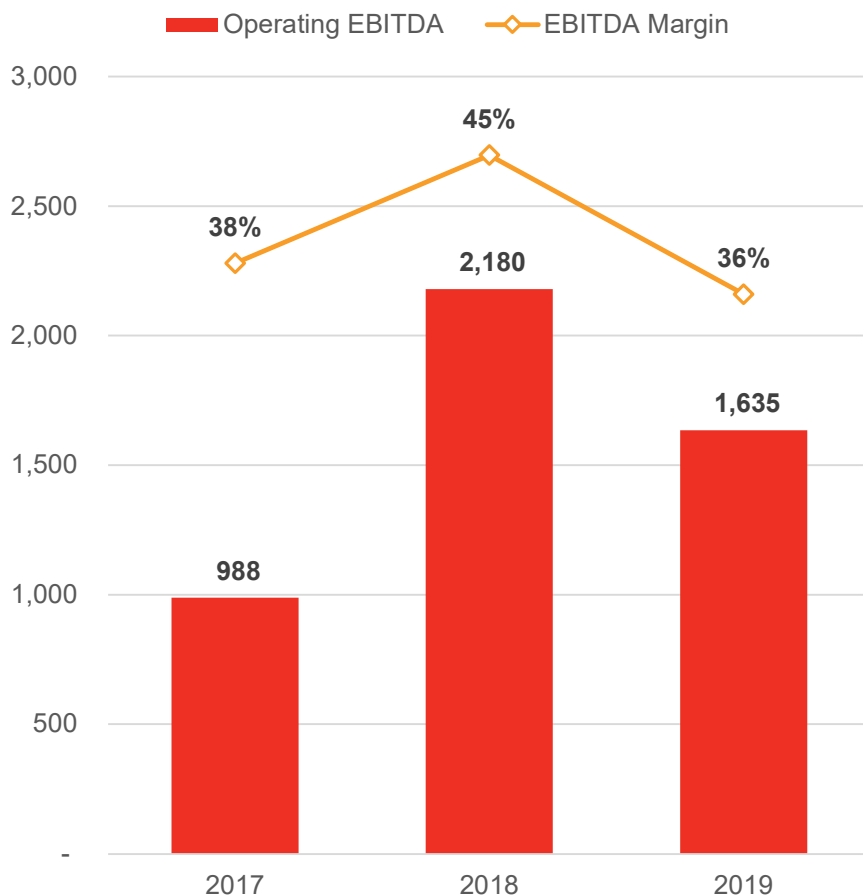


**Costs controlled while experiencing inflationary pressure in the sector**

# EBITDA and Operating Cashflow

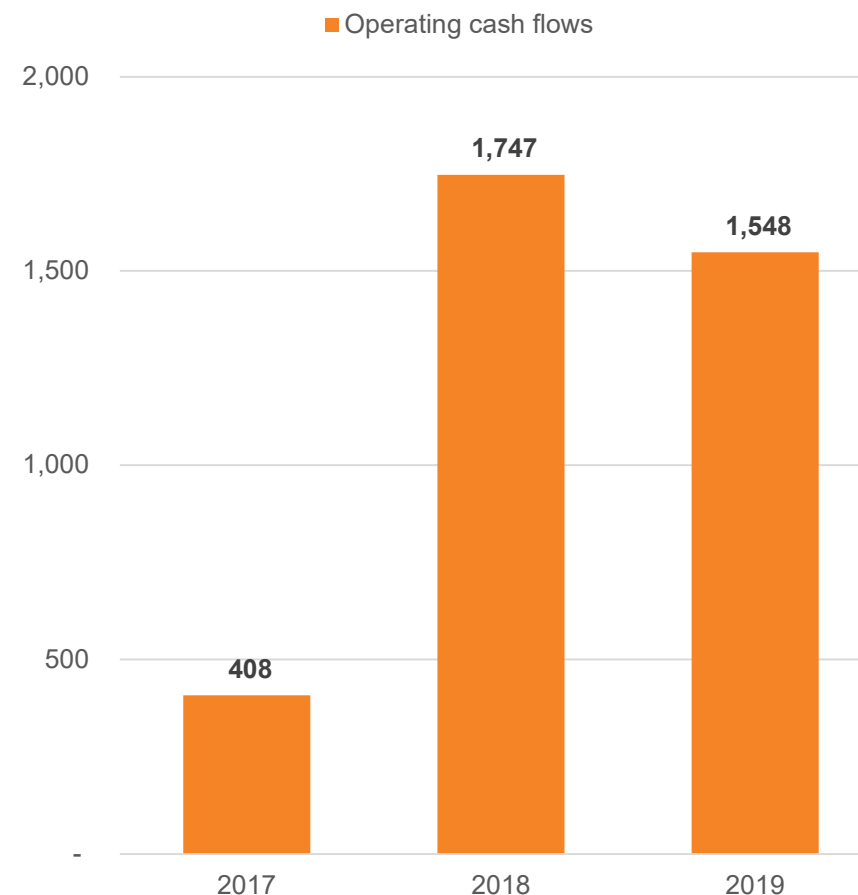
## EBITDA and Margin

(A\$ Million)



## Operating Cashflow

(A\$ Million)

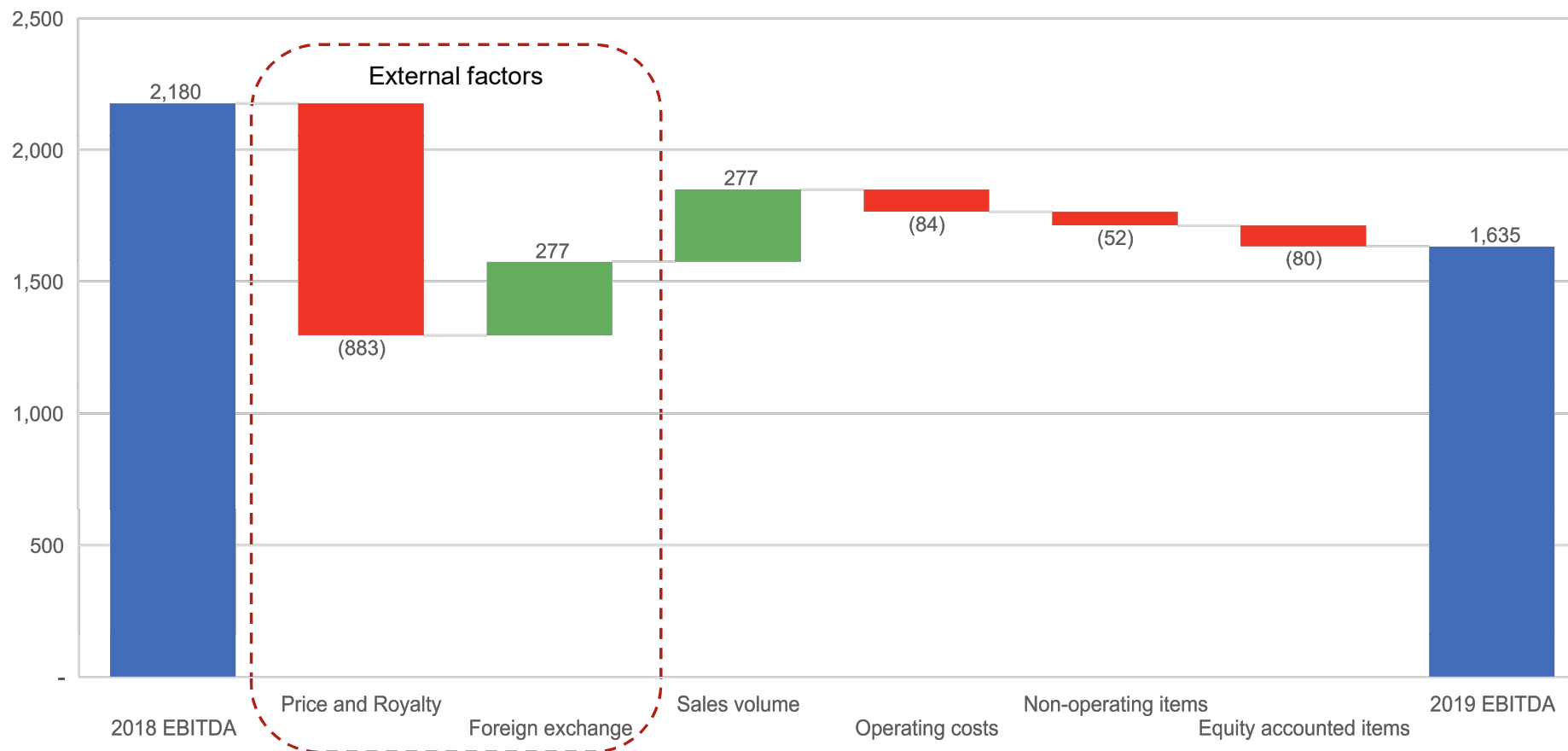


**Quality assets are delivering healthy margins and strong cashflows**

# EBITDA Drivers

## 2018 to 2019 drivers of the change in EBITDA

A\$ million

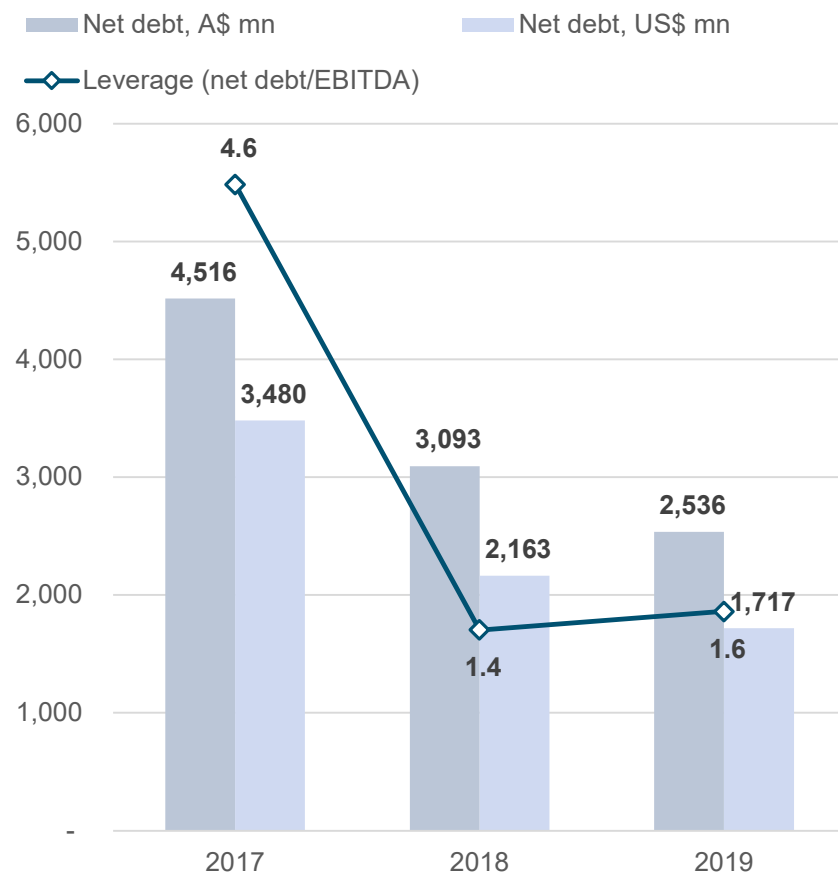


**The lower coal price was the most significant factor**

# Continued Dividends and Debt Reduction

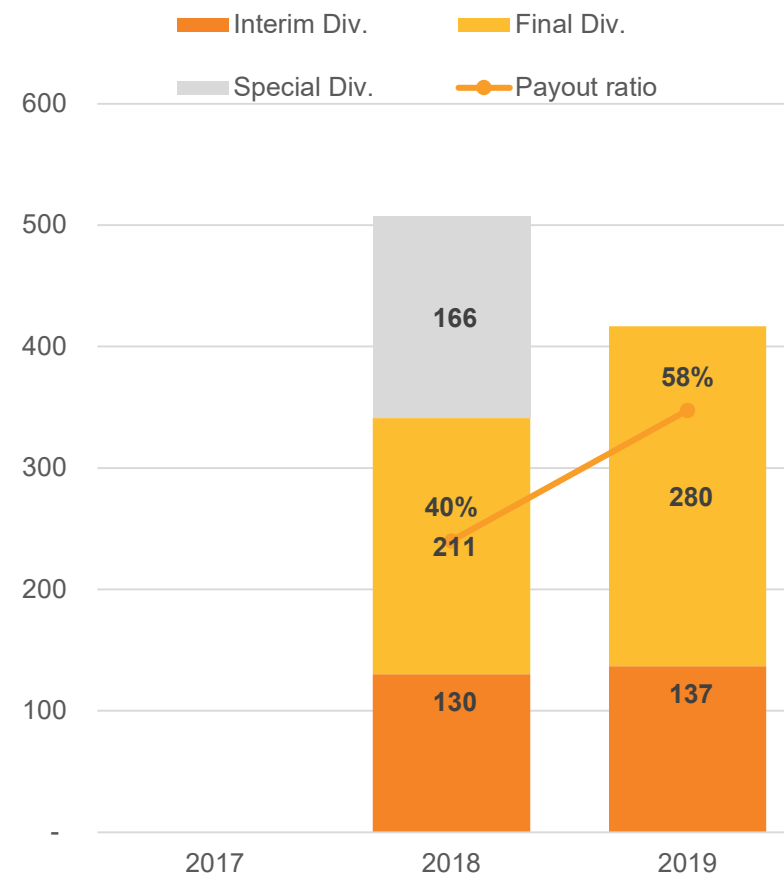
## Annual Net Debt <sup>(10)</sup> and Leverage Ratio <sup>(11)</sup>

(A\$ Million) | (x)



## Dividend distribution and Payout ratio <sup>(12)</sup>

(A\$ Million) | (%)

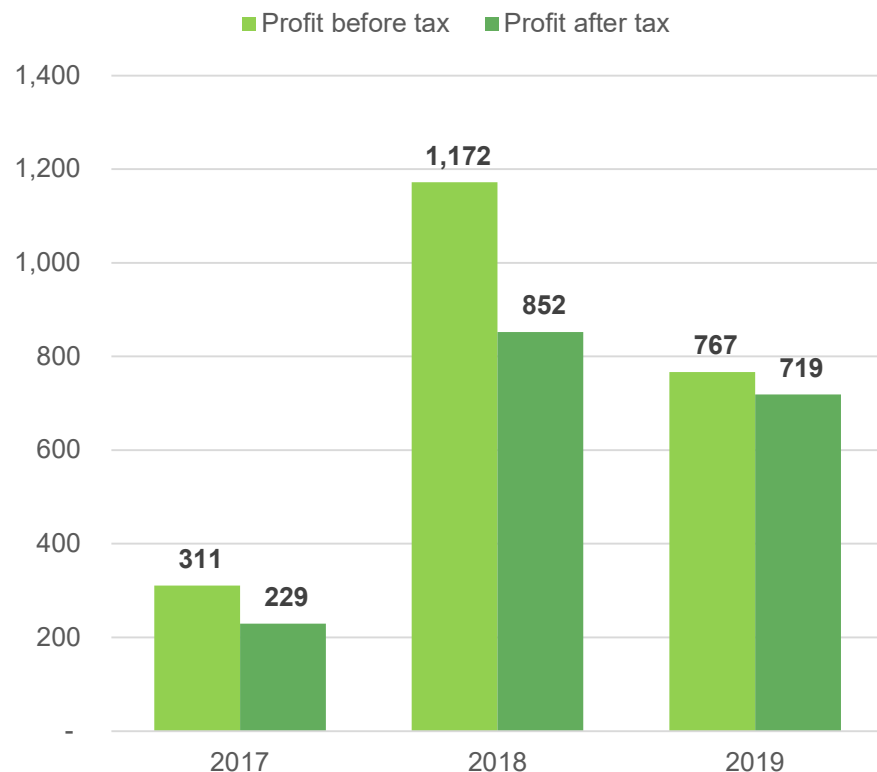


**Strong cashflow allows for continued dividend payments and debt reduction**

# Profit after tax has one-off items

## Annual Pre and Post Tax Profit Results

(A\$ Million)



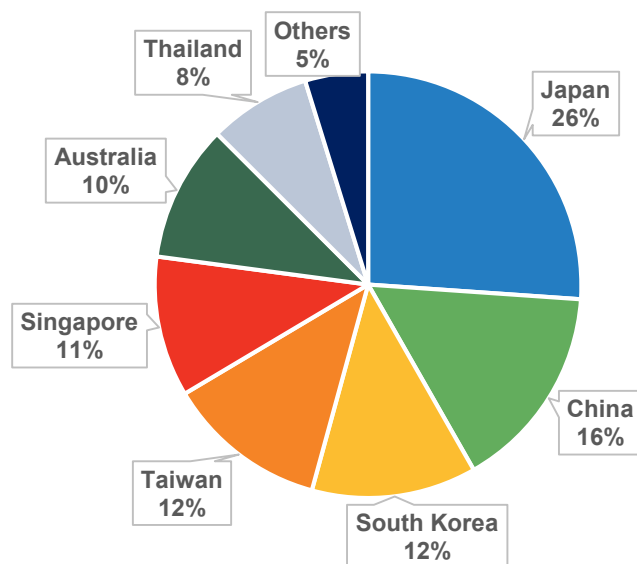
- Lower coal prices reduced the Profit before tax in 2019.
- One-off items include an income tax credit of \$219 million to the Profit After Tax, arising from the consolidation of Coal and Allied.
- Yancoal is still utilising accumulated tax losses, therefore no cash tax payments mean the dividend is unfranked.

**Reported profit includes one-off factors that partially counters the coal price**

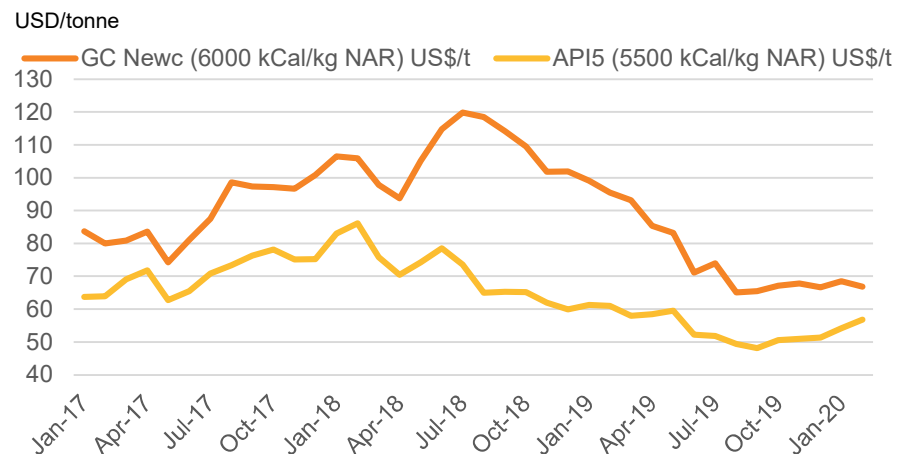
# Evolving coal market conditions

- Thermal coal found price support by the end of 2019.
- The high-energy thermal coal premium returned to past levels during the year.
- Low grade metallurgical coal also showing indications of support.

Yancoal 2019 customer mix by country<sup>(13)</sup>

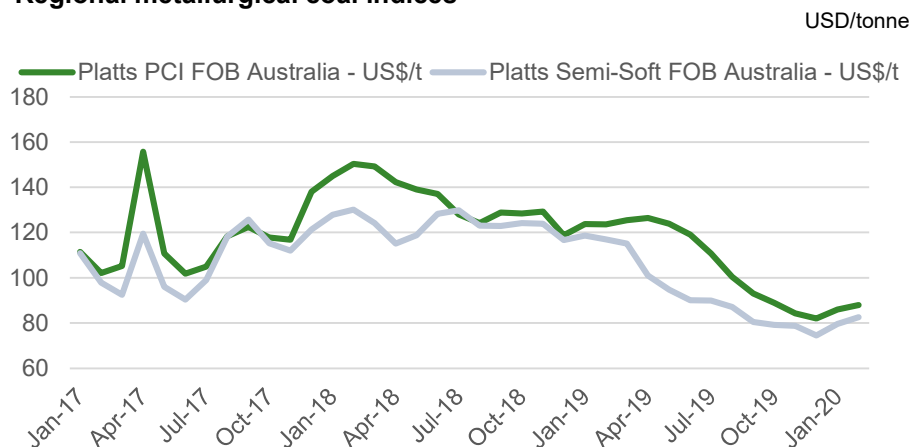


Regional thermal coal indices



Source: Argus/McCloskey, globalCOAL

Regional metallurgical coal indices



Source: Platts

**2019 - No coal supply disruptions and excess energy supply globally**

# Guidance for 2020

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## Operational guidance for 2020:

- Attributable<sup>(14)</sup> saleable coal production of around 36 million tonnes.
- Attributable<sup>(14)</sup> cash cost (excl. government royalties) of around A\$61/t.
- Attributable<sup>(14)</sup> capital expenditure expected of around A\$380 million<sup>(15)</sup>.

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

- For 2020, and subject to the ongoing cash needs of the business, Yancoal will target a dividend payout of 50% of net profit after tax (pre-Abnormal Items); or 50% of the free cash flow (pre-Abnormal Items), whichever is higher<sup>(16)</sup>.



# Strategy and Investment case

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## Core assets drive Yancoal forwards

- Our production base and unit costs are a strategic advantage.
- High-quality coal is essential to the global energy mix.
- Asset reinvestment and shareholders returns are a priority.
- Debt optimisation and debt reduction is an ongoing focus.
- Value-add growth opportunities remain goal.

# Footnotes

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1. Net debt does not include debt and earnings associated with Watagan arrangements.
2. TRIFR – Total Recordable Injury Frequency Rate as at 31 December 2019.
3. Excludes data from the Middlemount and Watagan assets (Austar, Ashton and Donaldson).
4. LTIFR – Lost Time Injury Frequency Rate as at 31 December 2019.
5. 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).
6. 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); MTW (82.9%); HVO (51%); Stratford Duralie (100%) and Yarrabee (100%).
7. FOB is the Free-on-Board cost, it includes mining, processing, and logistics charges through to loading the coal for export, it excludes royalties.
8. 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).
9. 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); MTW (82.9%); HVO (51%); Stratford Duralie (100%) and Yarrabee (100%).
10. Net debt does not include debt and earnings associated with Watagan arrangements.
11. Leverage Ratio calculated as closing Net Debt divided by Operating EBITDA for corresponding period.
12. Payout ratio is the combined Interim and Final Dividend over the Net Profit after Tax (Unadjusted).
13. Customer mix is based on the customer's country of domicile. All Yancoal product is exported into the international market. 'Others' includes Germany, Malaysia, Vietnam, India, Luxemborg and USA.
14. Attributable excludes Middlemount (incorporated joint venture and equity-accounted) and Watagan (deconsolidated from Yancoal in March 2016 and equity-accounted).
15. The capital expenditure includes exploration, studies and growth projects; it also incorporates some of the truck fleet renewal at MTW and HVO that was identified at the time of acquisition.
16. The Net Profit After Tax is 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 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.