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ASX Release:

First Half Financial Result 2020

FINANCIAL HIGHLIGHTS:

- **Revenue from continuing operations of $1.98 billion** in the six-months ended 30 June 2020 ("1H 2020"), down 16% from $2.36 billion in the six-months ended 30 June 2019 ("1H 2019"). The decrease reflects the change in coal price between the periods.
- **Total Operating EBITDA of $481 million**, down 49% from $940 million in 1H 2019. The Operating EBITDA Margin for the period was 24%.
- **Profit After Tax of $605 million**, up 7% from $564 million in 1H 2019. The profit was bolstered by non-operating items of $576 million, primarily the gain resulting from a remeasurement of the 95% interest in Moolarben following the acquisition of an additional 10% stake.

OPERATIONAL HIGHLIGHTS:

- **Unit cost guidance ahead of target** – Cash costs (excluding government royalties) were reduced to $60/tonne; the unit costs were $62/tonne in 1H 2019.
- **Attributable Saleable Production on target** - Saleable Production (100% basis) was 25.6Mt (26.4Mt in 1H 2019), with Attributable Saleable Production of 19.0Mt (17.8Mt in 1H 2019)[1].
- **Realised coal prices declined** – The average price achieved across all coal sales was A$94/tonne, down 25% from A$124/tonne in 1H 2019.
- **Capital expenditure being deferred** – Capital expenditure during the half was $136 million (attributable). Where possible, Yancoal intends to defer capital expenditure from 2020 to 2021 to conserve cash during this period of low coal prices.
- **Lower Total Recordable Injury Frequency Rate** (TRIFR) - At the end of 1H 2020 TRIFR was 6.9 (12-month rolling average), compared to 7.3 at the end of 2019.

CORPORATE HIGHLIGHTS:

- The corporate gearing ratio was 29% at the end of 1H 2020, unchanged from 31 December 2019.
- No interim dividend will be declared. Along with deferring capital expenditure, this is in response to prevailing conditions in the international coal market.

[1] Attributable figures include 85% attributable production for Moolarben up to and including 31 December 2019, and 95% thereafter. Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan Mining Company Pty Ltd ("Watagan") (equity-accounted investment and deconsolidated in March 2016)

CEO COMMENTARY:

Yancoal Chief Executive Officer, David Moult said:

"The health and wellbeing of all Yancoal employees is always our key focus. In response to the ongoing COVID-19 pandemic, we have successfully implemented work practices and measures to mitigate transmission risks. To date, we have recorded no known COVID-19 cases across our workforce and experienced minimal disruption to our operations. The 12-month rolling Total Recordable Injury Frequency Rate[2] at 30 June 2020 was 6.9; down from 7.3 at the start of the six months[3].

"We expect that the COVID-19 pandemic will continue to have an impact on the international coal markets and our revenue profile for the remainder of 2020. Given the ongoing uncertain economic and market conditions, we are deferring non-essential capital expenditure until 2021 and have decided not to pay an interim dividend. We have also replaced an existing debt facility, which will improve our financial flexibility as it extends the debt repayment schedule by five years.

"Coal indices that are relevant to the products we sell are currently down 20-25% year-to-date, and there has been no material offset from the AUS:USD exchange rate. In contrast to A$124/t price we averaged in the first half of 2019 across all our coal sales, we have averaged A$94/t for the first half of 2020.

"Our focus is on the controllable elements of our business, such as optimising production and reducing operating costs. The lower operating cash costs during the half was particularly pleasing, given the additional effort and expenditure required to implement our effective pandemic response. Unit costs of A$60/tonne (free-on-board) were A$2/tonne better than the first half of 2019 and kept Yancoal competitively placed in the international coal market. Increased sales volumes during the first half of 2020 demonstrated that, despite the challenging and fluid market conditions, Yancoal continues to successfully sell coal products to a range of diverse customers and markets.

"The Company achieved an operating EBITDA of A$481 million and an operating EBITDA margin of 24% for the period. While the margin is lower than the 40% recorded in the first half of 2019, it demonstrates that even during difficult market conditions, the Yancoal business is fundamentally sound. Yancoal remains on track to deliver its 2020 production and operating cost goals.

"The Yancoal team will continue to operate the assets efficiently and to strategically position the group for the next upswing in the coal price cycle."

[2] Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Middlemount (not operated by Yancoal), Hunter Valley Operations (not operated by Yancoal) and Watagan. Most recently available industry benchmarks are 6.3 for surface mines in NSW, 11.0 for surface mines in Queensland, and 32.0 for underground mines in NSW.

[3] Prior periods may be revised for reclassification of past events.

SAFETY

The Group's Total Recordable Injury Frequency Rates ("TRIFR") improved through the period and at the end of 1H 2020 the 12-month moving average was 6.9. Yancoal rapidly and effectively implemented a successful COVID-19 response plan and, to date, no confirmed cases have been identified at our operations.

PRODUCTION and SALES:

ROM COAL PRODUCTION (100% basis)	Ownership	1H 2020 Million tonnes	1H 2019 Million tonnes
Moolarben	95%	11.1	10.9
Mount Thorley Warkworth	82.9%	8.2	9.1
Hunter Valley Operations	51%	8.4	8.8
Yarrabee	100%	1.4	1.1
Stratford Duralie	100%	0.4	0.3
Middlemount	~50%	1.7	2.2
Watagan	100%	1.7	2.0
Total - 100% Basis		**32.9**	**34.4**
Total - Attributable[4]		**23.4**	**22.7**

SALEABLE COAL PRODUCTION (100% basis)	Ownership	1H 2020 Million tonnes	1H 2019 Million tonnes
Moolarben	95%	10.2	9.5
Mount Thorley Warkworth	82.9%	5.3	6.1
Hunter Valley Operations	51%	6.3	6.6
Yarrabee	100%	1.5	1.2
Stratford Duralie	100%	0.2	0.2
Middlemount	~50%	1.2	1.7
Watagan	100%	0.9	1.1
Total - 100% Basis		**25.6**	**26.4**
Total - Attributable		**19.0**	**17.8**

SALES VOLUME Attributable mine production sold	1H 2020 Million tonnes	1H 2019 Million tonnes
Metallurgical	1.9	2.8
Thermal	16.5	13.7
Total - Attributable	**18.4**	**16.5**

Total ROM (100% basis) produced during the period was 32.9Mt, a 4% decrease from 1H 2019. **Total Attributable** production to Yancoal was 23.4Mt; a 3% uplift over 1H 2019. The additional 10% stake in Moolarben that was secured this half year helped to drive this positive result, with the additional tonnes attributable from 1 January 2020 and the financial contribution commencing from 1 April 2020. Middlemount and Watagan provided an equity-accounted contribution.

[4] Attributable includes: 85% of Moolarben up to and including 31 December 2019 and 95% thereafter, 82.9% of Mount Thorley Warkworth, 51% of HVO, 100% Yarrabee and 100% Stratford-Duralie representing the Group's ongoing economic interest and excludes Middlemount and Watagan

Attributable Saleable Production was 19.0Mt; a 7% increase from 1H 2019. The **Sales Volume** of attributable production was 18.4Mt[5], with Yancoal's sales split being 16.5Mt thermal coal (13.7Mt in 1H 2019) and 1.9Mt metallurgical coal (2.8 Mt in 1H 2019).

Consistently reliable extraction and delivery rates at the tier-one Moolarben, Mount Thorley Warkworth and Hunter Valley Operations operations are the foundation of Yancoal's production profile.

Cash Costs per tonne, excluding royalties, were $60/tonne ($62 in 1H 2019). Continued pursuit of operational efficiencies across the combined asset suite, maximising volumes from lower-cost operations and declining inputs costs – such as diesel – more than offset the additional costs required to respond to the COVID-19 pandemic successfully.

Yancoal realised an average price of $88/tonne for thermal coal products ($112/tonne in 1H 2019) and $140/tonne for metallurgical coal products ($184/tonne in 1H 2019), representing an overall average-sales-price of $94/tonne ($124/tonne in 1H 2019).[6] Yancoal's mix of contract types with differing durations and reference prices help to mitigate against changing spot prices in the international coal markets. Still, the overall trend of declining coal prices is apparent in the realised prices.

FINANCIAL PERFORMANCE:

Operating Results	1H 2020 $ Million	1H 2019 $ Million
Revenue	1,973	2,350
Operating EBITDA	**481**	**940**
Depreciation and amortisation	(386)	(294)
Operating EBIT	**95**	**646**
Net finance costs	(78)	(89)
Non-operating item	576	(65)
Profit Before Tax	**593**	**492**
Tax benefit	12	72
Profit After Tax	**605**	**564**

Operating Revenue of $1.98 billion was down from the previous period ($2.36 billion). A moderately increased sales volume was more than offset by a lower realised average sales prices and an increased proportion of thermal coal sales, both a consequence of shifting supply and demand conditions globally.

Operating EBITDA was $481 million - down from $940 million – a direct flow-on effect from lower coal prices, reducing the revenue line.

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)

Profit AfterTax was $605 million compared to $564 million for the previous period. However, this value captures non-operating items of $576 million, the primary component of which was a one-off $653 million gain recognised following the 10% acquisition of an additional interest in Moolarben and the resulting remeasurement of the overall 95% interest in Moolarben.

CASH FLOW:

Cash flow summary		1H 2020 $ Million	1H 2019 $ Million
Net operating cash flow		505	783
Net investing cash flow		(345)	(165)
Net financing cash flow		(728)	(1,054)
Net decrease in cash		**(568)**	**(436)**
Cash at the beginning of the period		962	1,031
Effect of foreign exchange on cash balance		29	(5)
Cash at the end of the period		**423**	**590**
Capital management		**1H 2020 $ Million**	**1H 2019 $ Million**
Net debt		2,697	2,917
Gearing ratio (net debt/(net debt plus equity))	(%)	29%	33%

The lower net operating cash flow is directly related to the lower coal price. The increase in net investing cash flow reflected the Moolarben acquisition. While a debt repayment made up the majority of the net financing cash flow during the period, Yancoal redrew this amount following the replacement of the debt facility announced on 8 July 2020; there was also a $280 million dividend payment in the period. Yancoal ended 1H 2020 with a gearing ratio of 29% - an improvement from twelve months earlier, but consistent with the ratio at 31 December 2019.

DEBT REPLACEMENT:

On 8 July 2020, Yancoal replaced a debt facility that had a US$1.275 billion limit on 31 December 2019. Yancoal will repay the new facility over the next five years, with the majority of the repayment occurring in years four and five. In contrast, the replaced facility had repayments due during 2020 and 2021.

NON-OPERATING ADJUSTMENT:

Several non-operating items impacted profit attributable to the owners of Yancoal. The most notable was a $653 million gain resulting from a remeasurement of the 95% interest in Moolarben following the acquisition of an additional 10% stake in the Moolarben unincorporated joint venture (see Note E1 to the Half-Year Financial Report).

DIVIDEND:

To preserve the Companys' cash position no interim dividend will be declared for 2020. Along with deferring capital expenditure, this is in response to the current coal market conditions.

OUTLOOK:

Yancoal generally sells high-grade thermal coal (priced using the GlobalCOAL NEWC 6,000kCal NAR index - "GCNewc") and lower grade coal (priced off lower energy level benchmarks such as the All Published Index 5 - "API5"). During 1H 2020, the GCNewc price averaged US$61/t and ended the period trading around US$51/t. Similarly, the API5 price averaged US$49/t but subsequently ended around US$38/t.

During the period, lower economic activity negatively affected the demand for thermal and metallurgical coals. While the COVID-19 pandemic has had a more pronounced and ongoing effect on demand than supply dynamics, we have recently observed coal price indices demonstrating some 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 AUD:USD exchange rate movements toward the end of the period bucked previous trends and decoupled from commodity price movements, strengthening 13% between 1 April and 30 June. During the same period, coal indices relevant to Yancoal fell 15-30%.

Over the remainder of 2020, several key factors are likely to drive coal market dynamics. Gas could begin to displace coal in the global energy generation mix, counteracted by improving demand profiles from markets such as China, Japan and Korea.

OPERATING GUIDANCE UPDATE:

Yancoal's stated performance targets for 2020 are:

- Saleable coal production of around 38 million tonnes (attributable).
- Operating Cash Costs (excluding government royalties) around $60/tonne, previously around A$61/tonne.
- Capital expenditure is expected to be less than $300 million (attributable); this is lower than the initial guidance of A$380 million (attributable) that was provided in February 2020.

END

Authorised for lodgement by the Yancoal Board

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