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

17 August 2022

Market Release:

Half Year Financial Result 2022

Highlights from the first six months of 2022:

Revenue of $4.8 billion was a half-year record, up $3.0 billion from the first half of 2021. The 234% increase in the average realised coal price to A$314 per tonne was the driver of the increase.[1]

Operating EBITDA of $3.2 billion, and **EBITDA margin of 65%,** were also half-year records. The positive impact of the unprecedented high coal prices more than offset the impacts to **ROM coal production, 25.8 million tonnes (100% basis)** and **operating cash costs, $83 per tonne,** primarily due to wet weather, COVID-19 and inflationary cost pressures.

Operating cash inflows of $2.8 billion, was $2.6 billion higher than achieved 12 months earlier in the first half of 2021. Financing activities included payment of the $930 million 2021 dividend, with cash holding increasing by $1.8 billion during the period.

At 30 June 2022, **cash on hand was $3.4 billion** with **net debt of $232 million** and a **gearing ratio of 3%**. Yancoal made early debt repayments of US$801 million and reached a zero net debt position in July. **A $696 million, A$0.5271/share, interim dividend** has been declared.

Yancoal's average realised coal price typically lags the relevant coal indices due to its contract structures. The record financial performance for 1H 2022 does not fully capture the benefit of recent record coal prices. Ongoing supply-side constraints and demand resulting from shortages and disruption to global energy markets should sustain elevated prices for seaborne thermal coal into 2023.

CEO Comment:

Yancoal delivered a record six-month financial performance. The revenue is close to the $5.4bn delivered for the full year in 2021, which was a record year.

The revenue profile has driven a rapid transformation of the company's financial position. Over the past 12 months Yancoal has taken its net debt position from $3.4 billion to effectively zero.

The cash accumulation facilitated the $930 million dividend payment in April, and a further $696 million to be paid in September. Debt reduction is also ongoing; including repayments made after the period end, Yancoal has retired US$1.3 billion of debt ahead of schedule since October 2021.

The remarkable turnaround in the company's financial position is driven by the coal price but couldn't be achieved without the unwavering focus on the day-to-day operations by all the people across the seven mines. The positive outlook for the coal prices, and the record 1H Result puts Yancoal on track for another full-year record in 2022.

[1] All financial numbers presented are stated in Australian dollars (A$ or $) unless otherwise stated

SAFETY

During the period, Yancoal continued to adapt its COVID-19 response measures moving the emphasis to pre-screening apps/forms, access restrictions for people with symptoms, crew separation measures and additional time for employee briefings on mandatory COVID-19 protocols. However, COVID-19 transmission within the community regularly led to workers being unable to attend site as they followed isolation protocols. The Group's TRIFR ended the half at 8.7, after reducing to 8.1 during the period. The increase in the Group's TRIFR occurred late in the period following an increased number of low severity incidents at two mines. Management has identified the factors contributing to the increase in the incident rate and is taking steps to address them. Yancoal's TRIFR remained below the comparable weighted industry average throughout the period.[2]

PRODUCTION and SALES:

ROM COAL PRODUCTION (100%)	Economic interest	1H 2022 Million tonnes	1H 2021 Million tonnes
Moolarben	95%	9.3	10.1
Mount Thorley Warkworth (MTW)	82.9%	5.6	7.4
Hunter Valley Operations (HVO)	51%	6.6	6.4
Yarrabee	100%	1.1	1.1
Stratford Duralie	100%	0.3	0.5
Ashton	100%	0.9	1.3
Middlemount	49.9997%	2.0	2.5
Total - 100% Basis		**25.8**	**29.3**
Total - Attributable[3]		**19.3**	**21.9**

SALEABLE COAL PRODUCTION (100%)	Attributable contribution	1H 2022 Million tonnes	1H 2021 Million tonnes
Moolarben	95%	8.4	9.2
Mount Thorley Warkworth	82.9%	3.7	5.0
Hunter Valley Operations	51%	5.6	5.1
Yarrabee	100%	1.0	1.2
Stratford Duralie	100%	0.3	0.3
Ashton	100%	0.4	0.6
Middlemount	0% (equity accounted)	1.4	1.8
Total - 100% Basis		**20.8**	**23.2**
Total – Attributable [3]		**15.5**	**17.5**

Total ROM (100% basis) produced during the period was 25.8Mt, a decrease of 12% from 1H 2021 due to: a further six months of heavy rain disrupting operations and coal transport logistics; ongoing pandemic disruption to supply chains and workforce availability and unscheduled down time on essential equipment. Water storage levels at the mines in NSW were already at capacity, so the rain events in the first half: stopped production; caused slower production recovery as time was required to pump water out of pits;

[2] Excludes data from the Hunter Valley Operations and Middlemount. 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.
[3] Attributable figures exclude production from Middlemount (an equity-accounted investment).

reduced productivity when mining resumed due to the boggy conditions and often required water to be stored in operating locations. Managing excess site water at NSW operations as a result of rain events in 2021 and 2022 is a priority that will continue into 2023.

Attributable Saleable Production was 15.5Mt, an 11% decline from over 1H 2021; the ROM coal production impacts were mirrored in the saleable coal output. Sales of attributable production were 15.7Mt, comprising 13.3Mt thermal coal (85%) and 2.4Mt metallurgical coal (15%). Yancoal is working with customers to meet the strong demand for thermal and metallurgical coal products, but 18 months of rain delays mean there is no latent capacity upon which to draw.

Operating cash costs per tonne, excluding government royalties, were $83 per product tonne ($64/tonne in 1H 2021). The lower production volume directly influenced the per tonne operating costs, but other cost pressures were also evident. Higher diesel prices, demurrage costs and wage inflation were examples of uncontrollable external factors pushing up the reported unit costs.

SALES VOLUME Attributable mine production sold	1H 2022 Million tonnes	1H 2021 Million tonnes
Metallurgical	2.4	2.7
Thermal	13.3	14.5
Total - Attributable[4]	**15.7**	**17.2**

REALISED COAL PRICES (on the attributable mine production sold)	1H 2022 A$ / tonne	1H 2021 A$ / tonne
Metallurgical average	402	122
Thermal average	298	89
Combined average	**314**	**94**

Realised coal prices reached unprecedented levels during 1H 2022. Yancoal realised an average price of A$298/tonne for thermal coal products (A$89/tonne in 1H 2021) and A$402/tonne for metallurgical coal products (A$122/tonne in 1H 2021), giving an overall average realised sales price of A$314/tonne (A$94/tonne in 1H 2021)[5].

At the start of the year, supply constraints were already evident in the international coal markets after a year of unusually wet weather or logistic disruptions across the major coal supply regions – Australia, Indonesia, South Africa and Russia. The invasion of Ukraine during the period then exacerbated the supply shortfall across the global energy markets driving energy and coal prices to record levels – particularly for high-energy thermal coal. The ban on Russian coal trade that comes into effect in August 2022 will likely result in a re-adjustment of seaborne coal trade flows and trade balance uncertainty.

[4] 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

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

There appears to be less demand from China for coal imports due to the current economic activity levels and good levels of hydropower generation. However, there is likely to be increased demand from Europe as countries look to restart coal-fired power stations to counter restricted gas availability.

All these factors affect sentiment and contribute to further price volatility in the thinly traded thermal coal spot markets. More time is required before the international coal trade adjusts to the factors disrupting the global energy markets. Thermal coal prices, particularly high-energy thermal coal, seem likely to be well supported for the remainder of 2022 and perhaps into 2023.

FINANCIAL PERFORMANCE:

RESULTS FOR 1H 2022 AND 1H 2021	1H 2022 $ Million	1H 2021 $ Million
Revenue from continuing operations	4,776	1,775
Operating EBITDA	**3,153**	**406**
Depreciation and amortisation	(420)	(397)
Operating EBIT	**2,733**	**9**
Net finance costs	(79)	(135)
Non-operating items	(199)	(51)
Profit / (loss) before tax	**2,455**	**(177)**
Tax (expense) / benefit	(717)	48
Profit / (loss) after tax	**1,738**	**(129)**

Revenue of $4.8 billion was $3.0 billion above 1H 2021 of $1.8 billion. The positive effect of the higher realised coal price more than outweighs the small decrease in production and sales. The performance in the first six months indicates that this year's Revenue will exceed the $5.4 billion record from 2021.

Operating EBITDA was $3.2 billion, an increase of $2.7 billion above 1H 2021 of $406 million, a flow-on effect from higher coal prices, driving the revenue line. The increase in operating cash costs was a modest impact in the context of the higher coal prices.

Profitability rebounded; the profit before tax was $2.5 billion compared to a loss of $177 million in 1H 2021. The tax expense was $717 million, and the profit after tax was $1.7 billion.

CASH FLOW:

CASH FLOW SUMMARY	1H 2022 $ Million	1H 2021 $ Million
Operating cash flow [6]	2,750	179
Investing cash flow	75	(236)
Net free cash flow before financing	**2,825**	**(57)**
Financing cash flow	(972)	(50)
Cash at the beginning of the period	1,495	637
Effect of FX on cash	35	9
Cash at the end of the period	**3,383**	**539**

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

Similar to Operating EBITDA, the $2.5 billion increase in operating cash inflow is directly linked to the coal price.

Net investing cash outflow decreased by $311 million to a $75 million cash inflow with $132 million of capital expenditure offset by $200 million of shareholder loan repayments from Middlemount, while 1H 2021 included the final $100 million installment on the purchase of an additional 10% in the Moolarben Joint Venture.

Net financing cash outflows increased by $922 million to a $972 million outflow with the single largest component being the FY2021 $930 million dividend payment in April. In July 2022, after the period ended, Yancoal completed US$801 million of early debt repayments and US$25 million of mandatory debt repayment.

At 30 June 2022 Yancoal held $3.4 billion in cash and equivalents with a gearing ratio of 3%. The leverage ratio effectively dropped to zero at the end of the period due to the very low net debt position. Yancoal reached a zero net debt position and 0% gearing during July 2022

Capital management		30-Jun-22 $ Million	31-Dec-21 $ Million
Net debt		232	1,940
Gearing ratio (net debt/(net debt plus equity))	(%)	3% [7]	24% [8]
Leverage (net debt/EBITDA)[9]	(times)	0.0	0.8

DIVIDEND:

The cash flow and balance sheet facilitate the payment of an interim dividend. The Board of Directors of Yancoal elected to declare a 2022 interim dividend allocation of $696 million, A$0.5271 per share (unfranked). In combination with the $930 million total dividend for 2021 paid in April 2022 the total amount returned to shareholders during 2022 will be $1.63 billion, or just over A$1.25/share.

CORPORATE ACTIVITY:

On 25 May 2022, Yancoal's majority shareholder, Yankuang Energy Group Company Limited, announced it was considering a transaction to acquire further shares in Yancoal by means of an acquisition structure to be determined by Yankuang Energy. To date, Yancoal has not received any formal offer or proposal from Yankuang Energy in relation to the potential transaction. There is no certainty that the potential transaction will proceed, materialise or be consummated. Yancoal shareholders and potential investors are therefore advised to exercise caution when dealing in the shares and/or other securities of Yancoal.

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

[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 thermal coal indices remain at record levels heading into the second half of 2022 as persistent supply-side constraints and global energy market dislocation combine. Yancoal's rolling contract structures will continue to capture the benefit of the recent and current prices in the coming months.

The production decline incurred by Yancoal during the period is the culmination of 18 months of operational challenges primarily driven by external factors impacting the Australian coal industry. The Company and the operations teams are continually responding to the conditions and revising the recovery plans. Open-cut mines in NSW still have excess water on-site, with all mines at or above their water storage capacity. It will take the rest of this year and into next year to get all the mines back to normal production output – assuming the rain and labour shortages, including COVID-19 disruptions subside.

Yancoal revised its targets for 2022 in the recent 2Q Production Report. The operational guidance for the year is:

- Saleable coal production of 31 to 33 million tonnes (attributable).
- Cash operating costs (excluding government royalties) of $84 to 89/tonne[10].
- Capital expenditure is expected to be $550 to 600 million (attributable).

The production and operating cost guidance include an allowance for the Bureau of Meteorology's forecast for further rainfall in the coming months; however, there remains a risk to the revised guidance if wet weather disruptions exceed the allowances made. If the rain falls as predicted, Yancoal will face water storage capacity constraints well into 2023.

In the first half of the year, record coal prices delivered $4.8 billion of Revenue and $3.2 billion of Operating EBITDA despite the production losses and higher costs, close to the record full-year results from 2021. The Company is on track to achieve another record financial performance in 2022.

For details of the 1H Result investor conference call, please refer to the Yancoal website.

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

[10] Operating cash costs are exclusive of royalties and sea-freight.