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INTERIM REPORT 2021
2021中期報告

YANCOAL AUSTRALIA LTD
兗煤澳大利亞有限公司*

(INCORPORATED IN VICTORIA, AUSTRALIA WITH LIMITED LIABILITY)
(於澳大利亞維多利亞註冊成立的有限公司)
ASX STOCK CODE: YAL HKEX STOCK CODE 股份代號: 3668 ACN 111 859 119

* 僅供識別

Yancoal Australia Ltd

ABN 82 111 859 119

Interim Report

for the half-year ended 30 June 2021

This Half-Year Financial Report contains information required by Appendix 4D of the Australian Securities Exchange ("ASX") Listing Rules. It should be read in conjunction with Yancoal Australia Ltd's Annual Financial Report for the year ended 31 December 2020 and is lodged with the ASX under listing rule 4.2A.

1. Results for Announcement to the Market

	30 June 2021 $M	30 June 2020 $M	% Change
Revenue from ordinary activities	**1,775**	1,969	(10)
Loss before income tax (before non-recurring items)	**(177)**	(45)	(293)
Loss before income tax (after non-recurring items)	**(177)**	593	(130)
Net loss after income tax attributable to members (before non-recurring items)	**(129)**	(37)	(249)
Net loss after income tax attributable to members (after non-recurring items)	**(129)**	605	(121)

2. Earnings per share

	30 June 2021 cents	30 June 2020 cents	% Change
Loss per share (before non-recurring items)			
- Basic	**(9.8)**	(2.8)	(250)
- Diluted	**(9.8)**	(2.8)	(250)
Loss per share (after non-recurring items)			
- Basic	**(9.8)**	45.8	(121)
- Diluted	**(9.8)**	45.8	(121)

3. Net tangible assets per security

	30 June 2021 $	30 June 2020 $	% Change
Net tangible assets per share	**3.85**	4.82	(20)

4. Distributions

No dividends have been paid during the financial period.

The Directors do not recommend that a dividend be paid in respect of the current financial period (30 June 2020: $280 million or 21.21 cents per share).

5. Entities over which control has been gained or lost during the period

a. Acquisitions

No entities were incorporated or acquired during the financial period.

b. Disposals

During the financial period, below entities were disposed of or deregistered:

SASE Pty Ltd

6. Details of associates and joint venture entities

	30 June 2021		30 June 2020	
	Holdings %	**Profit after income tax contribution $M**	Holdings %	Profit after income tax contribution $M
Joint venture entities				
Moolarben Joint Venture (unincorporated)	**95**	**45**	95	53
Hunter Valley Operations Joint Venture (unincorporated)	**51**	**14**	51	1
Warkworth Joint Venture (unincorporated)	**84.472**	**27**	84.472	1
Mount Thorley Joint Venture (unincorporated)	**80**	**(6)**	80	(6)
Middlemount Joint Venture	**49.9997**	**(18)**	49.9997	(35)
HVO Entities [(a)]	**51**	**-**	51	(2)
Boonal Joint Venture (unincorporated)	**50**	**Immaterial**	50	Immaterial
Associate entities				
Newcastle Coal Infrastructure Group Pty Ltd	**27**	**Nil**	27	Nil
Watagan Coal Mining Company Pty Ltd	**NA**	**NA**	100	Nil
Port Waratah Coal Services Pty Ltd	**30**	**4**	30	2
WICET Holdings Pty Ltd	**25**	**Nil**	25	Nil

(a) HVO Entities consists of the following entities:

HV Operations Pty Ltd

HVO Coal sales Pty Ltd

HVO Services Pty Ltd

All financial results included in this report are stated in Australian dollars unless otherwise stated. All other information can be obtained from the attached financial statements, accompanying notes and Directors' report.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("Yancoal" or the "Group") consisting of Yancoal Australia Ltd (the "Company") and the entities it controlled at the end of, or during, the six-months ended 30 June 2021 (the "period").

DIRECTORS

The following persons were Directors of Yancoal Australia Ltd during the period and until the date of this report:

Chairman

- Baocai Zhang (became a director on 26 June 2012)

Co-Vice Chairmen

- Ning Zhang (became a director on 20 March 2020)
- Gregory James Fletcher (became a director on 26 June 2012)

Directors

- Xing Feng (became a director on 15 December 2017)
- Helen Jane Gillies (became a director on 30 January 2018)
- Cunliang Lai (became a director on 18 November 2004)
- Geoffrey William Raby (became a director on 26 June 2012)
- Xiangqian Wu (became a director on 28 April 2017)
- Qingchun Zhao (became a director on 28 April 2017)

Company Secretary

The Company Secretary in office during the period, and up to the date of this report is Laura Ling Zhang.

REVIEW OF ACTIVITIES

Safety and Environment

Yancoal remains committed to operating safely and transparently to achieve its objective of zero harm. Yancoal operates its mines to meet legislative and safety standards and be an industry leader in this aspect of its business.

Under the direction of the board of Directors ("Board") and the Health, Safety, Environment and Community Committee, Yancoal utilises Core Hazard and Critical Controls across all operations, identifying critical hazards within the workplace and instituting adequate controls. These controls are regularly verified to ensure that they are operating as intended for our people's safety.

During the period, Yancoal reintroduced the COVID-19 response measures that had proved effective during 2020. To date, the work practices and measures implemented have proven successful, with no known COVID-19 cases across our workforce[1]. However, the spread of COVID-19 to areas in which we operate has recently lead to increased instances of workers being unable to attend site as they follow Government protocols.

Yancoal's Total Recordable Injury Frequency Rate ("TRIFR") at the end of the reporting period was 8.4; the TRIFR recorded at the end of 2020 was 7.4 [2]. The reported TRIFR at the end of the period is below the comparable industry weighted average TRIFR of 11.1 [3].

Yancoal's operations are subject to stringent environmental approvals and licences. To honour these regulatory obligations and to meet the requirements of Yancoal's management directives, Yancoal has developed and implemented systems, processes and practices to manage compliance with the conditions of these approvals and licences. These systems, processes and practices are subject to continuous improvement initiatives and are audited by a third party to provide "third line" assurance.

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[1] As at the 12th August 2021, the date this report was prepared.

[2] Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Joint venture operated Middlemount and Hunter Valley Operations as well as Watagan (up to 16 December 2020). From January 2021 onwards the Yancoal TRIFR and Industry weighted average were revised to include the Watagan assets. Prior periods may be revised for reclassification of past events.

[3] The Industry weighted average combines proportional components from the relevant New South Wales and Queensland industry averages.

The following environmental initiatives were undertaken in H1 2021 to improve environmental performance or comply with environmental approvals and licences:

- Progressive Rehabilitation and Closure Plan prepared for the Cameby Downs Mine (managed by Yancoal) in accordance with Queensland's recent mining rehabilitation reforms,
- Yancoal Corporate's Environment & Community Department implemented a new process to maintain corporate oversight of potential mining activities that could impact Aboriginal cultural heritage sites with moderate to high archaeological significance, and
- Yancoal continued to roll out its third party Independent Environmental Assurance Audit program, with audits undertaken at Cameby Downs, Stratford and Duralie during the period.

In addition to these actions, Yancoal is taking steps towards a lower emissions profile through long-term concepts. Investigation into opportunities such as replacing diesel-powered mining fleet or introducing renewable power generation to the mine sites are examples of potential future endeavours.

Operations

Yancoal owns, operates or has a joint-venture stake in nine active coal mines in New South Wales ("NSW") and Queensland. The thermal, semi-soft coking and pulverised coal injection ("PCI") coal products are exported through ports in Newcastle, Gladstone and Dalrymple Bay to customers throughout the Asia-Pacific region.

During March, a one-in-100-year-rain event occurred in NSW, with parts of the state subject to severe flooding. Throughout the period, above-average rainfall and high winds further disrupted activity at mines and ports. These conditions resulted in decreased production from the Group's open-cut mines located in NSW and led to increased vessel queues off the port at Newcastle.

Compared to 1H 2020, ROM coal production was down 11% to 29.3 million tonnes (100%), and saleable coal production was down 10% to 23.2 million tonnes (100%).

The attributable saleable coal volume was down 5% to 17.5 million tonnes in 1H 2021. The teams at each mine site are working proactively to recover production and take advantage of the current market conditions. Production guidance of around 39 million tonnes for the year is retained. The emphasis is on the second half of the year, where we are targeting saleable coal of around 21.5 million tonnes. The impact of COVID-19 restrictions through the remainder of the year has the potential to influence production.

The Group's overall average cash operating costs, excluding government royalties, increased from A$63 per tonne in 1H 2020 to A$66 per tonne in 1H 2021. Uncontrollable factors affecting the unit costs included: higher diesel prices, reduced output due to the wet weather 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 and deliver a net increase to the operating margin.

In the 2Q Production Report, the operating cash cost guidance was revised from A$60-62/tonne up to A$62-64/tonne. Increased output in the second half of the year should contribute to lower costs per tonne; however external factors such the impact of uncontrollable external factors such as COVID-19 restrictions influencing production or demurrage and diesel costs could impact operating cash costs.

The 'Management Discussion and Analysis' provides a detailed review of the period's operational performance.

Coal Markets

Yancoal typically sells the majority of its thermal coal on contracts linked to the All Published Index 5 ("API5") 5,500kCal index, with the balance priced off the GlobalCOAL NEWC 6,000kCal NAR index ("GCNewc"). During the period, the API5 price averaged US$60/t but ended at around US$76/t. This positive price trend was less pronounced than the rally in the GCNewc price, which averaged US$98/t and ended the period at around US$132/t.

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 the coal indices rising. Demand also contributed to increasing prices as regional economic stimulus packages instigated in 2020 continued into the period underpinning demand for thermal coal.

Yancoal actively responds to prevailing market conditions and customer requirements to the best of its ability while also expanding its customer base.

During the period, the attributable sales volume declined 7% to 17.2 million tonnes compared to 1H 2020, but the ratio of metallurgical coal to thermal coal increased.

The Group's overall average ex-mine selling price was A$94/tonne, the same as 1H 2020 as a higher proportion of metallurgical coal was countered by a lower realised metallurgical coal price. Compared to 1H 2020 a higher AUD:USD exchange rate offset some of the benefit of the stronger USD denominated coal price indices. Price realisation during 2H 2021 will benefit from the higher coal price indices, the 'lag effect' as prior sales contracts rollover, and increased sales volumes.

During the second half of 2021, Yancoal will focus on increasing the proportion of higher quality thermal it produces to capture more of the price arbitrage between the API5 and GCNewc indices; this is the essence of the "wash harder" strategy.

Financial Performance

Revenue decreased by 10% from $1,969 million in 1H 2020 to $1,775 million in 1H 2021, primarily due to the 8% decrease in coal sales.

Operating EBITDA decreased by $82 million to $406 million in 1H 2021. While the Operating EBITDA margin of 23% in 1H 2021 was marginally below 25% in 1H 2020 it was a sharp increase from 17% in 2H 2020.

The depreciation and amortisation expenses were stable at $397 million in 1H 2021. After including the depreciation and amortisation, the net finance costs of $135 million, non-operating items of $51 million and an income tax benefit of $48 million, there was a loss after income tax of $129 million.

Although a net loss was recorded, the net operating cash flow was positive, $179 million. Yancoal made the final $100 million payment for the additional 10% stake in Moolarben and spent $135 million on capital expenditure – mostly on items required to sustain the operations. Financing cash flows were just $50 million as Yancoal made mandatory debt repayments. Despite the overall net decrease in cash, the gearing ratio decreased from 41% at 31 December 2020 to 40% at 30 June 2021.

As of 30 June 2021, the Group had $539 million in cash and cash equivalents. It also had over $800 million of undrawn debt across its various facilities.

The 'Management Discussion and Analysis' provides a detailed review of the period's financial performance.

Potential growth projects

At Moolarben, Yancoal has the required approvals to increase annual ROM production from 21 million tonnes to 24 million tonnes (16 million tonnes from the open cut mine and 8 million tonnes from underground). Studies under review incorporate work to assess the optimal production profile and address the various licensing requirements. Yancoal's ability to increase open-cut production to 16 million tonnes per annum depends on a decision by the Company to invest in increasing the capacity at the Coal Handling and Preparation Plant.

At MTW, there is a coal resource that could potentially support an underground operation. An initial concept study was undertaken, but it remains subject to study and assessment.

Beyond the Company's organic growth opportunities, it is open to acquiring additional coal assets or diversifying into other minerals, energy, or renewable energy projects. Any new initiative would be subject to careful evaluation and require Yancoal Board consideration and approval before commencement.

CORPORATE ACTIVITIES

During the six months year ended 30 June 2021, neither Yancoal nor any of its subsidiaries purchased, sold or redeemed Yancoal's listed securities.

Significant changes in the state of affairs

The coal market, and the benchmark coal prices, have a history of progressing through cycles of more favourable or less favourable conditions. Global economic conditions and international coal trade circumstances turned around to create a set of more favourable conditions in the past six months. The Company continually evaluates its product profile and market conditions seeking to best match the customer requirements and maximise the operating margin.

Weather events have affected production during the period resulting in revised operating cost guidance being provided in the 2Q Production report. During the period, the Yancoal Board approved the commencement of mine closure activities at Austar, with such activities expected to take between five and ten years to complete; the mine had been on 'care and maintenance' since early 2020. Further details on the significant changes in the state of affairs are provided in the Management Discussion and Analysis section of this report.

Directors' interests in transactions, arrangements or contracts

No transactions, arrangements or contracts of significance in relation to the Group's business to which any of the Company's subsidiaries and fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

Compliance with the Hong Kong Corporate Governance Code

The Company has adopted the provisions of the Corporate Governance Code in Appendix 14 (the HK Code) to the HK Listing Rules as part of its corporate governance policy effective upon its listing on the Hong Kong Stock Exchange on 6 December 2018 (the HK Listing).

In the opinion of the Board, the Company has complied with the code provisions of the HK Code during the period.

Dealings in Company's securities and Directors' confirmation

The Company's Share Trading Policy was revised with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the HK Listing Rules to regulate the Directors' securities transactions, which is also applicable to its employees who are likely to be in possession of unpublished inside information. The policy was reviewed together with the Company's previous insider trading policy as part of the Company's annual review process. As a result of that review, the Company combined the two policies to create one Share Trading Policy to ensure that the Company's Directors and employees had a clear understanding of the insider trading laws and guidelines in relation to dealing in the Company's shares. The combined Share Trading Policy was approved by the Board in February 2021, and a copy is available on the Corporate Governance section of the Company's website. A specific enquiry has been made of all the Directors, and they have each confirmed that they have complied with the Company's Share Trading Policy throughout the period.

INTERESTS AND POSITIONS IN SHARES AND LOANS

Interests of the Directors and Chief Executive of the Company

As at 30 June 2021 the interests or short positions (as applicable) of the Directors and the Chief Executive of the Company in the fully paid ordinary shares ("Shares"), underlying Shares and debentures of the Company and any interests or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (1) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, are as follows:

The Company

Name of Executive or Director	Number of Shares	Interest in underlying Shares [4]	Combined Total	Nature of interest	Approximate percentage
Baocai Zhang	274,404	–	274,404	Beneficial owner	0.02078%
Gregory James Fletcher	2,100	–	2,100	Beneficial owner	0.00016%
Geoffrey William Raby	22,858	–	22,858	Beneficial owner	0.00173%

[4] These represent the number of shares underlying the performance share rights which were granted pursuant to the Company's Equity Incentive Plan approved by shareholders. The terms of the Equity Incentive Plan governing the grant of performance share rights are not subject to the provisions of Chapter 17 of the HK Listing Rules as it does not involve the grant of options by the Company to subscribe for new shares of the Company.

Associated corporations of the Company

Name of Director	Name of the associated corporation	Number of shares	Interest in Underlying Shares	Combined Total	Nature of interest	Approximate percentage
Qingchun Zhao	Yanzhou Coal Mining Company Limited	85,800	174,200	260,000	Beneficial owner	0.00535%
Xiangqian Wu	Yanzhou Coal Mining Company Limited	162,600	214,400	377,000	Beneficial owner	0.00776%

Save as disclosed above, as at 30 June 2021, none of the Directors or the Chief Executive of the Company have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the Shares, underlying Shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

Interests of persons other than Directors and Chief Executive Officer of the Company

As at 30 June 2021, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position (as applicable) in the Shares or underlying Shares which were recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Capacity	Number of shares held or interested	Approximate percentage (%)
Yanzhou	Beneficial interest	822,157,715	62.26
Shandong Energy Group Company Limited [5]	Interest in controlled entity	822,157,715	62.26
Cinda International HGB Investment (UK) Limited	Beneficial interest	209,800,010	15.89
China Agriculture Investment Limited	Interest in controlled entity	209,800,010	15.89
International High Grade Fund B, L.P.	Interest in controlled entity	209,800,010	15.89
Cinda International GP Management Limited	Interest in controlled entity	209,800,010	15.89
China Cinda (HK) Asset Management Co., Ltd [6]	Interest in controlled entity	209,800,010	15.89
Cinda Strategic (BVI) Limited	Interest in controlled entity	209,800,010	15.89
Cinda International Holdings Limited	Interest in controlled entity	209,800,010	15.89
Cinda Securities Co., Ltd	Interest in controlled entity	209,800,010	15.89
China Cinda (HK) Holdings Company Limited	Interest in controlled entity	209,800,010	15.89
China Cinda Asset Management Co., Ltd	Interest in controlled entity	209,800,010	15.89
Glencore Coal Pty Ltd	Beneficial interest	84,497,858	6.40
Glencore Holdings Pty Limited	Interest in controlled entity	84,497,858	6.40
Glencore plc [7]	Interest in controlled entity	84,497,858	6.40
CSIL [8]	Beneficial interest	71,428,571	5.41
Shandong Lucion Investment Holdings Group Co., Ltd	Interest in controlled entity	71,428,571	5.41

Save as disclosed above, as at 30 June 2021, none of the substantial shareholders or other persons (other than the Directors and Chief Executive Officer of the Company) had any interest or short position in the shares

[5] Shandong Energy Group Company Limited (formerly known as Yankuang Group Company Ltd) is deemed to be interested in the 822,157,715 Shares which Yanzhou is interested in as beneficial owner as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Yanzhou.

[6] Cinda International HGB Investment (UK) limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd, is interested in 209,800,010 Shares which are held by J P Morgan Nominees Australia Limited as nominee. China Cinda Asset Management Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Securities Co., Ltd, Cinda Strategic (BVI) Limited, China Cinda (HK) Asset Management Co., Ltd, Cinda International GP Management Limited, International High Grade Fund B, L.P. and China Agriculture Investment Limited are each deemed to be interested in the 209,800,010 Shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

[7] Glencore plc and Glencore Holdings Pty Limited are deemed to be interested in the 84,497,858 Shares which Glencore Coal Pty Ltd is interested in as beneficial owner. Glencore plc wholly owns Glencore Holdings Pty Ltd which in turn wholly owns Glencore Coal Pty Ltd.

[8] CSIL, a wholly owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd, is interested in 71,428,571 Shares which are held by HSBC Custody Nominees (Australia) Limited – A/C 2 as nominee.

and/or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Review by the Audit and Risk Management Committee

The interim financial statements of the Company and its subsidiaries for the half-year ended 30 June 2021 have not been audited but have been reviewed by the audit and risk management committee of the Company and the Company's auditor, ShineWing Australia, in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 10.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in this Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off to the nearest million dollars in accordance with that legislative instrument.

This report is made in accordance with a resolution of the Directors.

Gregory James Fletcher

Director

Sydney

19 August 2021

Accountants & Advisors

Take the lead

Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the directors of Yancoal Australia Ltd

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2021 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

ii. No contraventions of any applicable code of professional conduct in relation to the review.

ShineWing Australia

ShineWing Australia
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Melbourne, 19 August 2021

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Yancoal operates a diversified portfolio of world class assets consisting of both large-scale open cut and underground mines comprising six coal mine complexes in Australia[1].

As a leading low-cost coal producer in the global seaborne market, Yancoal's coal mining operations produce a mix of premium thermal, semi-soft coking, and pulverised coal injection ("PCI") coals, together with mid-to–high ash thermal coals. The Group's financial results are influenced by the interaction between the demand and supply for thermal and metallurgical coal. This in turn depends on macroeconomic trends, including regional and global economic activity, the price and availability of alternative forms of energy production as well as more localised supply impacts.

Our customers are located throughout the Asia-Pacific region with Japan, Taiwan, Singapore and South Korea accounting for approximately 72% of our revenue from coal sales in the half-year ended 30 June 2021.

Thermal coal is primarily used in electricity generation and its end users are typically power and utilities companies. Metallurgical coal is primarily used to produce coke for blast furnace steel production and its end users are typically steel plants. We also sell coal to customers in the commodities trading business, who purchase the Group's coal for trading purposes or to on-sell to their end customers. Commodity traders are similarly exposed to regional and global demand trends in the coal market.

The Group's export thermal coal is generally priced on either an index price, an annual fixed price or on a spot price basis. Generally, lower ash products are priced relative to the GlobalCOAL Newcastle index and higher ash products are priced relative to the Argus/McCloskey API5 index. Annual fixed price contracts are mostly priced against the Japanese Power Utility Reference Price, which is the contract price agreed between major Australian suppliers and Japanese power utilities. The balance of our sales are spot sales priced relative to the market at their transaction date and mostly at fixed prices.

The Group's export metallurgical coal is either priced on a benchmark or spot price basis. Most term contracts are priced against a benchmark pricing mechanism which is negotiated on a quarterly price basis between major Australian suppliers and Japanese steel mills. Spot sales are priced relative to the market at their transaction date and mostly at fixed prices. The large majority of the Group's semi-soft coking coal out of Newcastle and low volatile PCI coal out of Queensland is priced relative to the quarterly benchmark.

In March 2021, New South Wales experienced a one-in-100-year-rain event with parts of the state subject to severe flooding disrupting mining, rail and port activity. More generally during the Period, New South Wales experienced above average rainfall and high winds associated with the La Niña weather cycle that further disrupted mining and port activity and hampered the recovery from the March floods. Most significantly this resulted in decreased production from the Group's open cut mines located in New South Wales, of Moolarben, MTW, HVO and Stratford Duralie and led to increased vessel queues off the port at Newcastle.

During the Period coal price indices appreciated on the back of supply issues caused by the wet weather in Australia and Indonesia. This was coupled with logistic disruptions to coal being supplied from Russia and South Africa.

China ceasing to purchase Australian coals kept the high ash thermal index relatively flat during the Period with an increase late in the Period due to COVID-19 and weather issues in Indonesia. Demand from China for coal imported from other countries remained and strengthened later in the Period on the back of a hot summer and lower than expected hydro energy production. This in turn increased demand for Australian coal from other countries. In the metallurgical market, China ceased exporting steel, providing the opportunity for other countries to increase steel production resulting in greater demand for Australian coking and PCI coals. With ongoing economic stimulus packages instigated in 2020 continuing into the Period, demand for all coals remained robust.

Yancoal actively considers the effect that its supply level can have on specific coal markets and responds appropriately to prevailing market conditions. To counter the anticipated short-term volatility in thermal coal price indices, we continue to optimise the product quality and volume we place into the market and actively seek to expand our customer base and sales to new markets.

In 2021, it is currently expected that Australia's share of the world seaborne thermal coal supply market, of 21% in 2020, will increase to approximately 33% by 2050[2], and it will continue to play a critical role as a primary source of premium grade coals. Ongoing challenges associated with obtaining development approvals for greenfield projects has the potential to support premium coal prices and domestic exporters with brownfield expansion opportunities, such as Yancoal, should benefit from such conditions.

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[1] Includes Moolarben, MTW, HVO (jointly owned), Yarrabee, Stratford Duralie and Ashton (from 17 December 2020) with Donaldson on care and maintenance and Austar transitioning to mine closure (both from 16 December 2020).

[2] Wood Mackenzie Coal Market Service thermal trade 2021 outlook to 2050

The Group's coal sales revenue is typically recognised on a Free on Board ("FOB") basis when coal is loaded at the load port in Australia.

The Group's overall average ex-mine selling price was A$94 per tonne across 1H 2020 and 1H 2021 resulting from a combination of (i) an increase in global USD coal prices with the weekly average GlobalCOAL Newcastle thermal coal index price increasing by US$37 per tonne (61%) during the same period; the weekly Argus/McCloskey API5 coal index price increasing by US$10 per tonne (20%) during the same period; and the average semi-soft coking coal benchmark price decreasing by US$7 per tonne (7%) during the same period; (ii) weather disruptions and port facility outages in NSW continued to affect the timing of shipments from Newcastle resulting in an extended period between when sales contracts were agreed and when they were performed resulting in a 'lag effect' on the Group's realised prices; (iii) a decrease in the proportion of thermal coal sales to 80% in 1H 2021 down from 85% in 1H 2020; and (iv) the Australian dollar strengthening against the US dollar by 17% from an average of 0.6577 in 1H 2020 to 0.7716 in 1H 2021.

The Group's overall average cash operating costs per product tonne, excluding government royalties, increased from A$63 per tonne in 1H 2020 to A$66 per tonne in 1H 2021 with the increase primarily due to the wet weather experienced in New South Wales and a hard rock intrusion encountered in the Moolarben underground.

The table below sets out the ROM and saleable production for each Yancoal owned mine on a 100% basis during the Group's period of ownership.

	Half-year ended 30 June		
	2021 Mt	**2020 Mt**	**Change %**
ROM production			
Moolarben	10.1	11.1	(9%)
MTW	7.4	8.2	(10%)
HVO	6.4	8.4	(24%)
Yarrabee	1.1	1.4	(19%)
Stratford Duralie	0.5	0.4	18%
Middlemount	2.5	1.7	44%
Watagan	1.3	1.7	(24%)
Total – 100% basis	**29.3**	**32.9**	**(11%)**
Saleable production			
Moolarben	9.2	10.2	(10%)
MTW	5.0	5.3	(6%)
HVO	5.1	6.3	(19%)
Yarrabee	1.2	1.5	(23%)
Stratford Duralie	0.3	0.2	31%
Middlemount	1.8	1.2	52%
Watagan	0.6	0.9	(33%)
Total – 100% basis	**23.2**	**25.6**	**(10%)**

On a 100% basis, ROM coal production was down 11% from 32.9Mt in 1H 2020 to 29.3Mt in 1H 2021. This included a decrease in the three tier-one assets (being Moolarben, MTW and HVO) of 14% from 27.7Mt in 1H 2020 to 23.9Mt in 1H 2021.

Saleable coal production was down 10% from 25.6Mt in 1H 2020 to 23.3Mt in 1H 2021. This included a decrease in the three tier-one assets of 11% from 21.8Mt in 1H 2020 to 19.3Mt in 1H 2021.

Moolarben's ROM production decreased by 1.0Mt (9%) and its saleable production decreased by 1.0Mt (10%). The decrease in ROM production was primarily due to a hard rock intrusion encountered in the underground that interrupted production and wet weather impacting the open cut. The decrease in saleable production was primarily attributable to the decrease in ROM with the underground being 100% bypass coal.

MTW's ROM production decreased by 0.8Mt (10%) and its saleable production decreased by 0.3Mt (6%). The decrease in ROM production was primarily due to wet weather encountered in the first half with the decrease in saleable production benefitting from the timing of ROM feed into the wash plant.

HVO's ROM production decreased by 2.0Mt (24%) and saleable production decreased by 1.2Mt (19%). The decrease in ROM and saleable production was primarily due to the planned reduction in production implemented from Q3 2020 compounded by the wet weather in the Period.

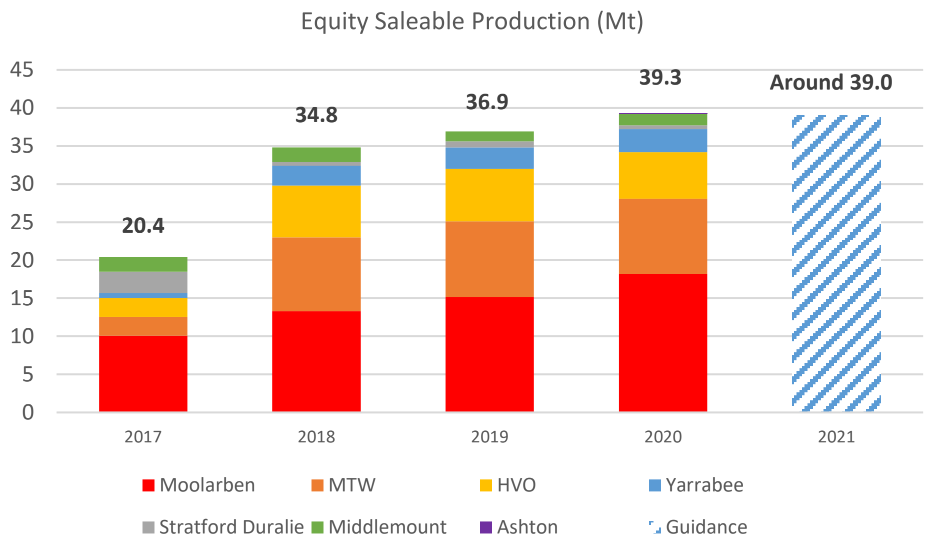
The below table sets out the Group's ongoing equity interest in the saleable production for each Yancoal owned mine that contributes to the financial results of the Group.

		Half-year ended 30 June		
	Ownership % [3]	**2021 Mt**	**2020 Mt**	**Change %**
Saleable production				
Moolarben [4]	95	8.7	9.2	(5%)
MTW	82.9	4.1	4.4	(6%)
HVO	51	2.6	3.2	(18%)
Yarrabee	100	1.2	1.5	(23%)
Stratford Duralie	100	0.3	0.2	31%
Ashton	100	0.6	-	100%
		17.5	**18.5**[5]	**(5%)**
Middlemount (equity-accounted)	~50	0.9	0.6	50%
Total – equity basis		**18.4**	**19.1**	**(4%)**
Thermal		14.7	16.3	(10%)
Metallurgical		3.7	2.8	32%
Total		**18.4**	**19.1**	**(4%)**

The Group's saleable coal production, excluding Middlemount, was down 5% from 18.5Mt in 1H 2020 to 17.5Mt in 1H 2021 and including Middlemount was down 4% from 19.1Mt in 1H 2020 to 18.4Mt in 1H 2021. This included a decrease in the three tier-one assets of Moolarben, MTW and HVO of 8% from 16.8Mt in 1H 2020 to 15.4Mt in 1H 2020.

The saleable production contribution of the Group's tier-one assets decreased from 91% to 88%.

Thermal coal saleable production decreased by 10% from 16.3Mt in 1H 2020 to 14.7Mt in 1H 2021 and metallurgical coal saleable production increased by 32% from 2.8Mt in 1H 2020 to 3.7Mt in 1H 2021. Thermal coal represented 80% of total saleable coal production in 1H 2021 a decrease from 85% in 1H 2020.



The Group's equity saleable production increased from 20.4Mt in 2017 to 39.3Mt in 2020. 2017 represented a transformative year with the acquisition of Coal & Allied on 1 September 2017, including interests in MTW and HVO from that date. Further growth in equity saleable production tonnes has been driven by the continued expansion of Moolarben including increasing the Group's interest from 81% on 1 January 2017 to 85% on 30 November 2018 and 95% on 31 March 2020.

The Group's equity saleable production guidance for full year 2021 is "around 39.0Mt", with the 1% decrease from 39.3Mt in 2020 primarily due to the hard rock intrusion encountered in the Moolarben underground and the severe wet weather

[3] Ownership percentage stated as at 30 June 2021.
[4] Includes saleable production of i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter and ii) 0% of Watagan's mines (Ashton) up to and including 16 December 2020 and 100% thereafter.
[5] The Group's quarterly report issued on 19 July 2021 included Attributable Saleable Coal Production of 19.0Mt for the 6 month period ended 30 June 2020 with this amount including an additional 0.5Mt attributable to the additional 10% interest acquired in Moolarben in the first quarter of 2020. The difference arises as the economic effective date of the acquisition was 1 January 2020 but for accounting purposes the transaction completion date was 31 March 2020.

encountered in the first half. The impact of COVID-19 restrictions through the remainder of the year has the potential to influence production.

The key risks affecting the Group's operations and where applicable, the strategies and measures taken to manage these risks are detailed in the Corporate Governance Statement included in the Group's Annual Report for the year ended 31 December 2020.

SAFETY AND ENVIRONMENT

Yancoal remains committed to operating safely and transparently to achieve its objective of zero harm. Yancoal operates its mines to meet legislative and safety standards and be an industry leader in this aspect of its business.

Under the direction of the board of Directors ("Board") and the Health, Safety, Environment and Community Committee, Yancoal utilises Core Hazard and Critical Controls across all operations, identifying critical hazards within the workplace and instituting adequate controls. These controls are regularly verified to ensure that they are operating as intended for our people's safety.

Our 12-month rolling TRIFR[6] at 30 June 2021 was 8.4, an increase from 7.4 at 31 December 2020 but below the comparable weighted average industry TRIFR of 11.1 at 30 June 2021.

Yancoal's operations are subject to stringent environmental approvals and licences. To honour these regulatory obligations and to meet the requirements of Yancoal's management directives, Yancoal has developed and implemented systems, processes and practices to manage compliance with the conditions of these approvals and licences. These systems, processes and practices are subject to continuous improvement initiatives and are audited by a third party to provide "third line" assurance.

Yancoal is also taking steps towards a lower emissions profile through long-term concepts. Investigation into opportunities such as replacing diesel-powered mining fleet or introducing renewable power generation to the mine sites are examples of potential future endeavours.

COVID-19

The health and wellbeing of all Yancoal employees remains a key focus in response to the ongoing COVID-19 pandemic. Pleasingly, the work practices and measures implemented to mitigate COVID-19 related risks have so far proven successful, with no known COVID-19 cases across our workforce. However, with COVID-19 more prevalent in regional areas we have introduced additional protocols in response to the increased number of positive cases in the community. Adhering with Government COVID regulations is resulting in an increased number of workers unable to attend site as lockdowns and precautionary isolations become more common in regional areas.

The most significant impact to date of COVID-19 was the decline in both the thermal and metallurgical seaborne USD coal price in April 2020, reaching lows in Q3 before beginning to recover in Q4 2020 and through the first half of 2021. As noted above the Group's overall average ex-mine selling price in 1H 2020 and 1H 2021 was A$94 per tonne with negligible period on period cash flow impact.

Given the changing economic and market conditions, where the Group's financial performance and cash flows for the second half of 2021 will continue to be heavily influenced by the global economy and supply-demand drivers in the international coal markets, we continue to adopt a cautious capital management approach. Our focus continues to be on the controllable elements of our business; particularly optimising production volume and coal specifications for the market conditions, reducing operating costs wherever possible, and managing capital expenditure.

[6] TRIFR includes Moolarben, MTW, Stratford Duralie, Yarrabee, Watagan (from 17 December 2020) and the Corporate office; it excludes Middlemount (not operated by Yancoal), HVO (not operated by Yancoal) and Watagan (before 16 December 2020). The weighted average industry TRIFR combines proportional components from the relevant New South Wales and Queensland Industry references.

FINANCIAL RESULTS REVIEW

RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2021

For the management discussion and analysis, the Group's operating results for the half-year ended 30 June 2021 are compared with the operating results for the half-year ended 30 June 2020.

All financial numbers included below, and in the commentary to follow, are stated in Australian dollars (A$ or $) unless otherwise stated.

	Half-year ended 30 June						
	2021			**2020** [7]			
	IFRS Reported $m	**Non-operating $m**	**Operating $m**	**IFRS Reported $m**	**Non-operating $m**	**Operating $m**	**Change %**
Revenue	**1,775**	**17**	**1,792**	**1,969**	**18**	**1,987**	**(10%)**
Other income	26	-	26	700	(662)	38	(32%)
Changes in inventories of finished goods and work in progress	(19)	-	(19)	(19)	-	(19)	-
Raw materials and consumables	(360)	-	(360)	(343)	-	(343)	5%
Employee benefits	(284)	-	(284)	(295)	-	(295)	(4%)
Transportation	(289)	-	(289)	(276)	-	(276)	5%
Contractual services and plant hire	(180)	-	(180)	(186)	-	(186)	(3%)
Government royalties	(123)	-	(123)	(131)	-	(131)	(6%)
Coal purchases	(97)	-	(97)	(199)	-	(199)	(51%)
Other operating expenses	(94)	48	(46)	(97)	44	(53)	(13%)
Share of loss of equity-accounted investees, net of tax	(14)	-	(14)	(35)	-	(35)	(60%)
EBITDA	**341**	**65**	**406**	**1,088**	**(600)**	**488**	**(17%)**
EBITDA %	***19%***		***23%***	***55%***		***25%***	
Depreciation and amortisation	(397)	-	(397)	(386)	-	(386)	3%
EBIT	**(56)**	**65**	**9**	**702**	**(600)**	**102**	**(91%)**
EBIT %	***(3%)***	***-***	***1%***	***36%***	***-***	***5%***	
Net finance costs	(121)	(14)[8]	(135)	(109)	20[6]	(89)	52%
Non-operating items	-	(51)	(51)	-	580	580	(109%)
(Loss) / profit before income tax	**(177)**	**-**	**(177)**	**593**	**-**	**593**	**(130%)**
(Loss) / profit before income tax %	***(10%)***	***-***	***(10%)***	***30%***	***-***	***30%***	
Income tax benefit	48	-	48	12	-	12	300%
(Loss) / profit after income tax	**(129)**	**-**	**(129)**	**605**	**-**	**605**	**(121%)**
(Loss) / profit after income tax %	***(7%)***	***-***	***(7%)***	***31%***	***-***	***31%***	
Attributable to:							
- Owners of Yancoal	**(129)**	**-**	**(129)**	**605**	**-**	**605**	**(121%)**
- Non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**

7 In 2020 the accounting presentation of the Middlemount royalty was changed to better reflect the substance of the royalty income. This required the reclassification of certain prior half-year income statement items but with no change in profit before tax or the balance sheet. The reclassifications comprised the recognition of $7 million of royalty revenue, the de-recognition of $11 million of interest income and a $4 million decrease in the remeasurement of royalty receivable within other income.

8 Includes the reclassification of interest income of $11 million (1H 2020: $48 million) from Revenue to Net finance costs and Bank fees and other charges of $25 million (1H 2020: $28 million) from Other operating expenses to Net finance costs as these amounts are excluded from Operating EBITDA.

To supplement the Group's consolidated financial statements, which are presented in accordance with International Financial Reporting Standards ("IFRSs") the Group also uses adjusted Operating EBITDA and Operating EBIT as additional financial measures, as set out in the table above, which are unaudited and not required by or presented in accordance with, IFRSs. These financial measures are presented because they are used by management to evaluate the Group's financial performance. These non-IFRSs measures provide additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as they help management compare the financial results across accounting periods with those of our peer companies, by removing one-off or non-operating items.

As presented by the management, Operating EBITDA represents profit or loss before income tax for the half-year as adjusted for net finance costs, depreciation and amortisation and any significant non-operating items, while Operating EBIT represents profit or loss before income tax as adjusted for net finance costs and any significant non-operating items.

LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss after income tax decreased by 121% from a profit of $605 million in 1H 2020 to a loss of $129 million in 1H 2021 and was fully attributable to the owners of Yancoal with no non-controlling interests.

Loss attributable to the owners of Yancoal of $129 million was impacted by a number of non-operating items during 1H 2021. These totaled a net loss before tax impact of $51 million comprising a $28 million fair value loss recycled from the hedge reserve and a $13 million of contingent royalty payments together with a $10 million contingent royalty revaluation loss. These are discussed in more detail separately below, refer to "Overview of non-operating items", and have been excluded from the operating commentary.

OVERVIEW OF OPERATING RESULTS

The below comparison of the financial results for the half-years ended 30 June 2021 and 30 June 2020 is impacted by changes in the Group's portfolio of assets, most significantly the acquisition of a further 10% interest in the Moolarben joint venture from 1 April 2020 and the Watagan reconsolidation on 16 December 2020.

The analysis in this section includes ex-mine sales tonnes, saleable production and ex-mine revenue comprising (i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter (ii) 51% of the unincorporated HVO joint venture (iii) 82.9% of the combined unincorporated Mount Thorley and Warkworth joint ventures (MTW) (iv) 100% of Yarrabee and Stratford Duralie and (v) 100% of the Watagan group from 16 December 2020.

The results of Middlemount and Watagan (prior to 17 December 2020) are excluded from the line-by-line commentary below as their results, as incorporated equity-accounted investments, are included in share of profits of equity-accounted investees, net of tax in the statement of profit and loss and is discussed separately below.

REVENUE

	Half-year ended 30 June		
	2021 $m	**2020 $m**	**Change %**
Ex-mine coal sales [9]	1,621	1,665	(3%)
Sale of purchased coal	105	226	(54%)
Other	10	6	66%)
Sale of coal	**1,736**	**1,897**	**(8%)**
Sea freight	37	38	(3%)
Royalty revenue	9	7	29%
Mining services fees	-	29	(100%)
Other	10	16	(38%)
Revenue	**1,792**	**1,987**	**(10%)**

Total revenue decreased by 10% from $1,987 million in 1H 2020 to $1,792 million in 1H 2021, primarily due to an 8% decrease in coal sales revenue from $1,897 million in 1H 2020 to $1,736 million in 1H 2021 and a 100% decrease in mining service fees due to the consolidation of Watagan on 16 December 2020 resulting in their elimination on consolidation from that date. With respect to coal sales revenue, the key factors were:

[9] Ex-mine coal sales include only coal that has been produced at one of the Group's mines. They exclude the sale of coal that has been purchased from third parties.

	Half-year ended 30 June		
	2021	**2020**	**Change %**
Thermal coal			
Average selling price (A$ per tonne)	89	88	1%
Sales volume (Mt)	14.5	15.9	(8%)
% of total ex-mine sales volume	85%	89%	(4%)
Total ex-mine thermal coal revenue (A$ million)	1,297	1,399	(7%)
Metallurgical coal			
Average selling price (A$ per tonne)	122	140	(15%)
Sales volume (Mt)	2.7	1.9	42%
% of total ex-mine sales volume	15%	11%	4%
Total ex-mine metallurgical coal revenue (A$ million)	324	266	18%
Total coal			
Average selling price (A$ per tonne)	94	94	-
Total ex-mine sales volume (Mt)	17.2	17.8	(3%)
Total ex-mine coal revenue (A$ million)	**1,621**	**1,665**	**(3%)**

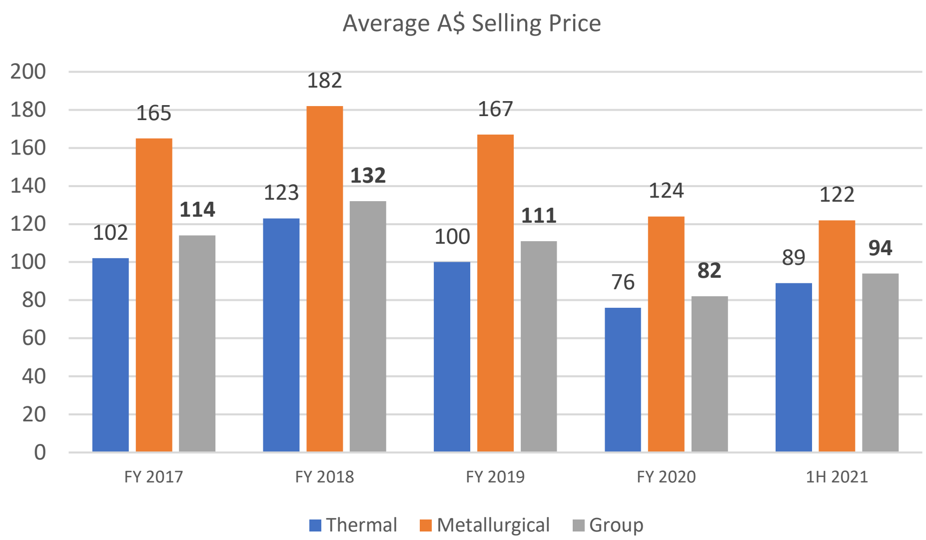
The Group's overall average ex-mine selling price was A$94 per tonne across 1H 2020 and 1H 2021 resulting from a combination of (i) an increase in global USD coal prices with the weekly average GlobalCOAL Newcastle thermal coal index price increasing by US$37 per tonne (61%) during the same period; the weekly Argus/McCloskey API5 coal index price increasing by US$10 per tonne (20%) during the same period; and the average semi-soft coking coal benchmark price decreasing by US$7 per tonne (7%) during the same period; (ii) weather disruptions and port facility outages in NSW continued to affect the timing of shipments from Newcastle resulting in an extended period between when sales contracts were agreed and when they were performed resulting in a 'lag effect' on the Group's realised prices; (iii) a decrease in the proportion of thermal coal sales to 85% in 1H 2021 down from 89% in 1H 2020; and (iv) the Australian dollar strengthening against the US dollar by 17% from an average of 0.6577 in 1H 2020 to 0.7716 in 1H 2021.

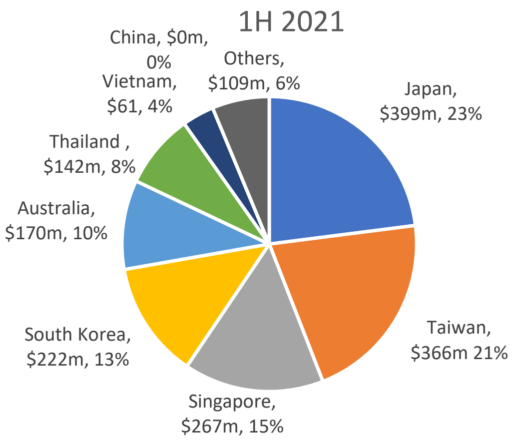
The Group's average selling price of thermal coal increased from A$88 per tonne to A$89 per tonne. The Group's average selling price of metallurgical coal decreased from A$140 per tonne to A$122 per tonne.

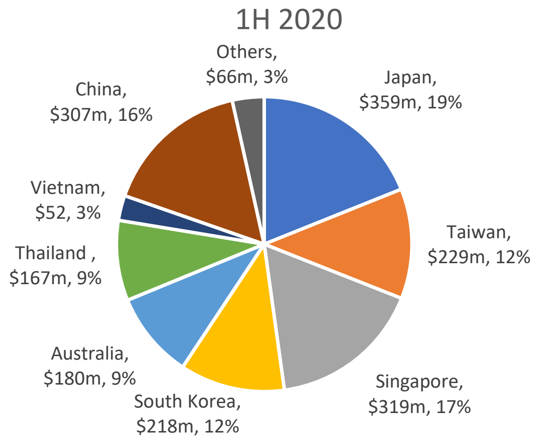
The Group's ex-mine sales volume decreased by 8% from 17.8Mt in 1H 2020 to 17.2Mt in 1H 2021, primarily due to the 5% decrease in saleable production together with the slippage of sales into the second half due to wet weather resulting in large vessel queues at Newcastle.

A 54% decrease in the sale of purchased coal from $226 million in 1H 2020 to $105 million in 1H 2021, resulting from a 51% decrease in purchases of coal from third parties primarily due to the weather impacted reduction in supply across many other Australian producers creating limited opportunities to make coal purchases.

The chart below shows the longer-term trend in the Group's average realised A$ selling price.







Others includes Malaysia, India, Hong Kong, Pakistan, USA and UAE (1H 2020: USA, India and Germany)

Sales by customer location as a percentage of total coal sales revenue changed significantly between 1H 2020 and 1H 2021 primarily due to the import control policies placed on Australian coal, with the 16% of sales made to China in 1H 2020 being sold into existing and alternate markets.

Most noticeably this resulted in a 14% increase in sales to the primary Asian seaborne markets of Japan, South Korea and Taiwan with increases of 4%, 1% and 9%, respectively, to those markets.

The decrease in Singapore was primarily due to Yancoal's continued move away from sales to traders, who are primarily domiciled in Singapore, in favour of developing direct end user sales, many of which are included in the 3% increase in sales to Others.

Other income

	Half-year ended 30 June		
	2021 $m	**2020 $m**	**Change %**
Net gain on foreign exchange	24	36	(33%)
Sundry income	2	2	-
Other income	**26**	**38**	**(32%)**

Other income decreased from $38 million in 1H 2020 to $26 million in 1H 2021. This included a net gain on foreign exchange of $24 million (1H 2020: $36 million) primarily recognised on holding USD cash balances as the Australian dollar weakened during 1H 2021.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress was consistent at $19 million in 1H 2021 (1H 2020: $19 million).

PRODUCTION COSTS

All-in total production costs include cash and non-cash operating costs, representing costs directly attributable to the production, transportation and selling of coal but excludes care and maintenance costs. It also includes indirect corporate costs, in particular, corporate employee costs, but excluding transaction costs. Cash operating costs comprise the cost of raw materials and consumables used, employee benefits, contractual services and plant hire, transportation and other operating expenses. Non-cash operating costs include depreciation and amortisation.

Per ex-mine sales tonne[10]	**Half-year ended 30 June**	
	2021	**2020**
	$/t	**$/t**
Cash operating costs		
Raw materials and consumables used	21	19
Employee benefits	16	17
Transportation	17	16
Contractual services and plant hire	10	10
Other operating expenses[11]	3	3
Cash operating costs (excluding royalties)	**67**	**65**
Royalties	7	7
Cash operating costs	**74**	**72**
Non-cash operating costs		
Depreciation and amortisation	23	22
Total production costs	**97**	**94**
Total production costs (excluding royalties)	90	87

The table above is prepared on a cost per sales tonne basis. Over time ex-mine sales tonnes and saleable production will be consistent with the Group maintaining level coal stocks. However, over shorter periods ex-mine sales tonnes and saleable production can differ e.g. through purposefully increasing coal stocks to allow blending flexibility or reducing coal stocks due to short-term production issues.

The table below has been restated on a per saleable production tonne basis to remove the impact of inventory movements and more accurately represents the cost of production. Royalties have been removed as these are based on sales revenue and are driven by ex-mine sale tonnes.

Per saleable production tonne	**Half-year ended 30 June**	
	2021	**2020**
	$/t	**$/t**
Cash operating costs		
Raw materials and consumables used	21	19
Employee benefits	16	16
Transportation	16	15
Contractual services and plant hire	10	10
Other operating expenses	3	3
Cash operating costs (excluding royalties)	**66**	**63**
Non-cash operating costs		
Depreciation and amortisation	23	21
Total production costs (excluding royalties)	**89**	**84**

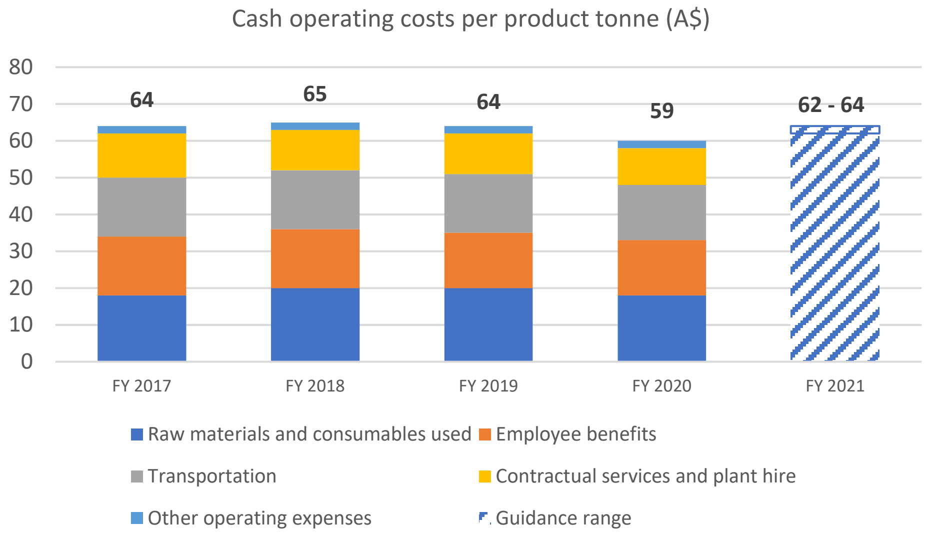
The Group's cash operating costs, after capitalised development, per saleable tonne increased by $3/t from $63/t in 1H 2020 to $66/t in 2H 2021 primarily due to an increase in raw materials and consumables used and transportation costs. These first half increases were mainly attributable to uncontrollable factors including; i) lower low cost, 100% bypass, production from the Group's lowest cost operation, the Moolarben underground, due to the hard rock intrusion encountered; (ii) severe wet weather reducing production and incurring additional remediation costs; (iii) increases in diesel costs due to the strengthening oil price; and (iv) increases in demurrage costs due to multiple adverse weather and Newcastle Port facility interruptions. These uncontrollable impacts have been compounded by the additional costs incurred by the Group's "washing harder" strategy to improve coal quality to capture more of the current low-ash thermal coal price arbitrage opportunity for a net positive outcome on the Group's operating margin.

The increases in operating costs due to the aforementioned uncontrollable factors and the Group's "washing harder" strategy have been partially offset by management's non-negotiable focus on operational productivity improvements and cost reduction initiatives. In 2021 this is led by the Group's "Key Tasks" initiative that focuses on 48 key workstreams across the Group overseen directly by the Board.

The chart below shows the longer-term trend in the Group's full year cash operating costs per product tonne.

[10] Ex-mine sales tonnes includes (i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter (ii) 51.0% of the unincorporated HVO joint venture (iii) 82.9% of the unincorporated MTW joint venture (iv) 100% of Yarrabee and Stratford Duralie and (v) 100% of Watagan from 16 December 2020.

[11] Other operating expenses have been included in the above analysis, consistent with 31 December 2020, with the prior year period similarly adjusted, to provide a more inclusive analysis.



The Group's cash operating costs, after capitalised development, increased to $65/t in 2018 primarily due to the first full year inclusion of MTW and HVO and then decreased to $59/t in 2020. Despite inflationary pressures, particularly on labour costs, management has been able to deliver year-on-year cost reductions through a strong focus on operational productivities, assisted by increased tonnes from the low-cost Moolarben mine.

The Group's cash operating costs guidance for full year 2021 is $62/t - $64/t with the increase from $59/t in 2020 primarily due to i) uncontrollable factors encountered during the first half of 2021 as noted above with more normal production conditions forecast for the second half and ii) cost deferral activities undertaken to preserve cash as a response to COVID-19 in 2020. Increased output in the second half of the year should directly contribute to lower costs per tonne; however the impact of uncontrollable external factors such as COVID-19 restrictions influencing production or demurrage and diesel costs could impact operating cash costs.

Raw materials and consumables used

Raw materials and consumables used increased by 5% from $343 million in 1H 2020 to $360 million in 1H 2021, primarily due to higher diesel prices, lower production at the Moolarben underground, Yancoal's lowest cost operation and an expected increase in maintenance costs after the deferral of non-essential maintenance in 2020 as part of the response to COVID-19 and lower coal prices. This contributed to an increase in per saleable production tonne raw materials and consumables used from $19 to $21 over the same period.

Employee benefits

Employee benefits expenses decreased by 4% from $295 million in 1H 2020 to $284 million in 1H 2021, primarily due to the decrease in production and productivity improvements offsetting wage inflations. This contributed to a flat per saleable production tonne employee benefits expense of $16 over the same period.

Transportation

Transportation costs increased by 5% from $276 million in 1H 2020 to $289 million in 1H 2021, primarily due to the consolidation of Watagan from 16 December 2020 and higher demurrage costs at Newcastle due to wet weather impacting vessel queues. This contributed to an increase in per saleable production tonne transportation costs from $15 to $16 over the same period.

Contractual services and plant hire

Contractual services and plant hire expenses decreased by 3% from $186 million in 1H 2020 to $180 million in 1H 2021 primarily due to the decrease in production. This contributed to a flat per saleable production tonne contractual services and plant hire costs of $10 over the same period.

Government royalties

Government royalty expenses decreased by 6% from $131 million in 1H 2020 to $123 million in 1H 2021, primarily due to a 3% decrease in ex-mine coal sales revenue. Royalties are determined on an ad valorem basis by reference to the value of coal sold, the type of mine and the State the mine is in and are payable to the appropriate State government. This contributed to a flat per ex-mines sales tonne government royalties of $7 over the same period.

Coal purchases

Coal purchases decreased by 51% from $199 million in 1H 2020 to $97 million in 1H 2021, primarily due to the weather impacted reduction in supply across many other Australian producers creating limited opportunities to make coal purchases.

Other operating expenses

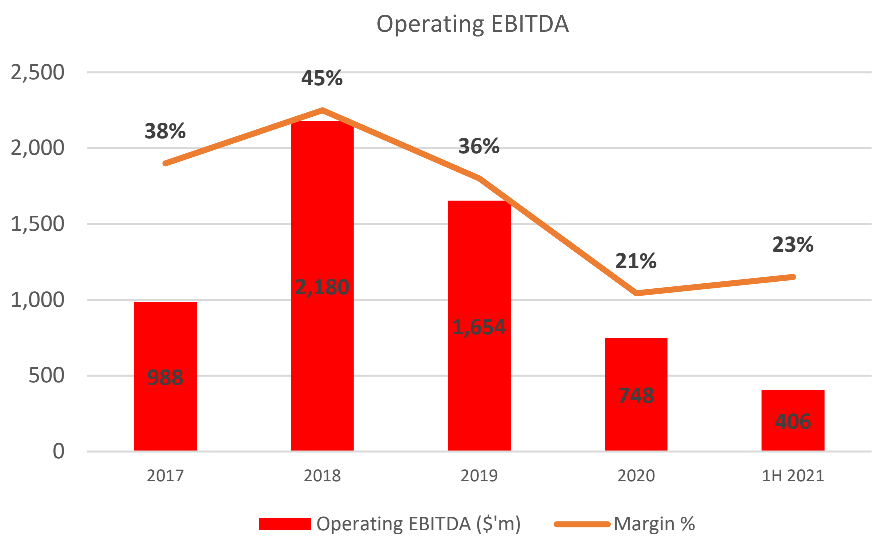
Other operating expenses decreased by 13% from $53 million in 1H 2020 to $46 million in 1H 2021 and included a $3 million decrease in insurance costs, positively impacted by several one-offs, with insurance premiums for coal companies generally increasing and a $2 million decrease in travel and accommodation.

Share of loss of equity-accounted investees, net of tax

Share of loss of equity-accounted investees, net of tax decreased from $35 million in 1H 2020 to $14 million in 1H 2020 primarily due to the improved loss after tax performance of the incorporated Middlemount joint venture. This was positively impacted by a 50% increase in sales tonnes as the mine recovered from challenging geotechnical conditions partially offset by a 15% decrease in realised A$ coal price.

Operating EBITDA and operating EBITDA margin

Operating EBITDA decreased by 17% from $488 million in 1H 2020 to $406 million in 1H 2021. The $82 million decrease was due to (i) a $207 million (10%) decrease in revenue and other income primarily due to lower coal prices and sale volumes; (ii) a $2 million decrease in costs primarily due to lower production offset by the first half cost pressures noted above; (iii) a $102 million decrease in coal purchases and (iv) a $21 million decrease in the equity accounted loss. Operating EBITDA margin as a percentage of operating revenue decreased from 25% in 1H 2020 to 23% in 1H 2021, however it was an improvement over the 21% achieved overall in 2020.



Depreciation and amortisation

Depreciation and amortisation expenses increased by 3% from $386 million in 1H 2020 to $397 million in 1H 2021. The increase was primarily due to i) the consolidation of the Watagan mines from 16 December 2020; and ii) increased depreciation at Moolarben on higher depreciable asset values following the recognition of the gain on acquisition from 31 March 2020; partially offset by lower production tonnes. Per ex-mine sales tonne depreciation and amortisation costs increased from $22 to $23 over the same period.

Operating EBIT and operating EBIT margin

Operating EBIT decreased by 91% from $102 million in 1H 2020 to $9 million in 1H 2021 primarily due to 17% decrease in Operating EBITDA and a 3% increase in depreciation and amortisation as noted above. Operating EBIT margin as a percentage of operating revenue decreased from 5% in 1H 2020 to 1% in 1H 2021.

Net finance costs

Net finance costs increased by 52% from $89 million in 1H 2020 to $135 million in 1H 2021 due to a $9 million (7%) increase in interest expense and bank fees and charges and a $37 million (77%) decrease in interest income.

The $9 million increase in interest expense and bank fees and charges was primarily due to the consolidation of the Watagan US$775 million loan from 16 December 2020 partially offset by a decrease in the Group's LIBOR based debt facilities from an average of 5.02% in 1H 2020 to an average of 4.51% in 1H 2021; and iii) an increase in the AUD:USD exchange rate during the period from an average of 0.6577 in 1H 2020 to an average of 0.7716 in 1H 2021 resulting in a decrease in the Australian dollar value finance charge, where the Group's loans are denominated in US dollars.

The $37 million decrease in interest income was primarily due to the consolidation of Watagan from 16 December 2020 resulting in the elimination on consolidation of interest income on the loan provided to Watagan from that date (1H 2020: $35 million).

Operating (loss) / profit before income tax and profit before income tax margin

As a result of the aforementioned reasons, the operating profit before income tax decreased from a profit of $13 million in 1H 2020 to a loss of $126 million in 1H 2021. Operating profit before income tax margin as a percentage of operating revenue decreased from 1% to (7%) over the same period.

(Loss) / profit before income tax and profit before income tax margin

As a result of the aforementioned reasons, and the non-operating items discussed below, profit before income tax decreased by 130% from $593 million in 1H 2020 to a loss of $177 million in 1H 2021. Profit before income tax margin as a percentage of operating revenue decreased from 30% to (10%) over the same period.

Income tax benefit

Income tax benefit increased from $12 million in 1H 2020 to $48 million in 1H 2021. The effective tax rate was (2.0%) and 27.1% in the same periods, respectively, compared to the Australian corporate income tax rate of 30%. In 1H 2021, the lower effective tax rate was primarily due to the non-deductible equity accounted losses of $14 million. In 1H 2020, the lower effective tax rate was primarily due to the non-taxable gain on bargain purchase of $653 million and the non-deductible equity accounted losses of $35 million.

(Loss) / profit after income tax and profit after income tax margin

As a result of the aforementioned reasons, profit after income tax decreased by 121% from a profit of $605 million in 1H 2020 to a loss of $129 million in 1H 2021. Profit after income tax margin as a percentage of operating revenue decreased from 31% to (7%) over the same period.

OVERVIEW OF NON-OPERATING ITEMS

Non-operating items in the half-year ended 30 June 2021 and 2020 included the following:

	Half-year ended 30 June	
	2021	2020
	$m	$m
Non-operating items		
Fair value losses recycled from hedge reserve	(28)	(66)
Contingent royalty payments	(13)	-
Re-measurement of contingent royalty	(10)	9
Re-measurement of royalty receivable [12]	-	(1)
Gain on acquisition	-	653
Stamp duty expensed	-	(15)
(Loss) / profit before tax impact	**(51)**	**580**

Fair value losses recycled from the hedge reserve of $28 million (1H 2020: $66 million) represent retranslation losses on the Group's US dollar-denominated loans which are attributable to changes in USD:AUD foreign exchange rates. Under the Group's natural hedge policy, such losses are recycled to the statement of profit and loss based on the scheduled loan

[12] In 2020 the accounting presentation of the Middlemount royalty was changed to better reflect the substance of the royalty income. This required the reclassification of certain prior half-year income statement items but with no change in profit before tax or the balance sheet. The reclassifications comprised the recognition of $7 million of royalty revenue, the de-recognition of $11 million of interest income and a $4 million decrease in the remeasurement of royalty receivable within other income.

maturity dates. The amount of any fair value loss or gain recycled from the hedge reserve in a period is a function of the amount of the hedged US dollar loan scheduled to mature in that period and the respective USD:AUD exchange rates at the time the hedge was put in place and at the time the loan matured.

Contingent royalty payments of $13 million (1H 2020: nil) represents the contingent coal price-linked royalty payable to Rio Tinto as part of the purchase consideration for the 2017 Coal & Allied acquisition. During the period 1 September 2020 to 31 August 2030, if the GlobalCOAL Newcastle index is above a threshold price, a royalty is payable to Rio Tinto. Due to the strengthening thermal coal price in the first half of 2021, the GlobalCOAL Newcastle index price was above the threshold price.

Re-measurement of contingent royalty up by $10 million (1H 2020: down by $9 million) represents an increase in the provision against the aforementioned contingent coal-price linked royalty payable to Rio Tinto in future periods with the increase attributable to the strengthening thermal coal price forecasts.

Re-measurement of the royalty receivable of nil (1H 2020: down by $1 million) relates to the change in the estimated fair value of the Group's Middlemount royalty receivable recognised on its right to receive a royalty of 4% of Free on Board Trimmed Sales on 100% of the Middlemount mine coal sales.

In 1H 2020, non-operating items also included a gain on acquisition of $653 million representing the accounting gain recognised on the acquisition of the additional 10% interest in the unincorporated Moolarben joint venture together with a stamp duty expense of $15 million also on the Moolarben acquisition.

CASH FLOW ANALYSIS

	Half-year ended 30 June		
	2021 $m	**2020 $m**	**Change $m**
Net operating cash flows	179	505	(326)
Net investing cash flows	(236)	(345)	109
Net financing cash flows	(50)	(728)	678
Net decrease in cash	**(107)**	**(568)**	**461**

Net operating cash flows

Net operating cash inflows decreased by $326 million (65%) to $179 million reflecting a decrease in net receipts from customers over payments to suppliers primarily due to a 10% decrease in revenue over the same period.

Net investing cash flows

Net investing cash outflows decreased by $109 million (32%) to $236 million. In 1H 2021, investing cash outflows included (i) $100 million being the final instalment payment for the further 10% interest in the Moolarben joint venture; and (ii) $135 million of capital expenditure, including exploration. In 1H 2020, investing cash outflows included (i) $104 million of instalment payments for the further 10% interest in the Moolarben joint venture; (ii) $136 million of capital expenditure, including exploration; (iii) a net $64 million provided to Watagan under the Watagan loan facility; and (iv) $35 million of revolver loans provided to Middlemount.

Net financing cash flows

Net financing cash outflows decreased by $678 million (93%) to an outflow of $50 million. In 1H 2021, the net financing cash outflow included i) $32 million (US$25 million) of mandatory debt repayments and iii) $18 million of lease repayments. In 1H 2020, the net financing cash outflow included (i) $432 million (US$300 million) of mandatory debt repayments; (ii) $280 million of dividends; and (iii) $16 million of lease repayments.

FINANCIAL RESOURCES AND LIQUIDITY

	30 June 2021 $m	31 December 2020 $m	Change $m
Current assets	1,347	1,343	4
Current liabilities	(1,097)	(1,199)	102
Net current assets	**250**	**144**	**106**
Total assets	10,877	11,055	(178)
Total liabilities	(5,652)	(5,862)	210
Total equity	**5,225**	**5,193**	**32**

Current assets increased by $4 million to $1,347 million at 30 June 2021, mainly reflecting an increase in trade and other receivables of $126 million partially offset by a decrease in cash and cash equivalents of $98 million and a decrease in inventories of $20 million.

Current liabilities decreased by $102 million to $1,097 million at 30 June 2021, mainly reflecting a $47 million decrease in trade and other payables and debt repayments of $32 million noted above.

Total assets decreased by $178 million to $10,877 million at 30 June 2021, mainly reflecting a $151 million decrease in mining tenements due to amortisation in the period.

Total liabilities decreased by $210 million to $5,652 million at 30 June 2021, mainly reflecting i) a $230 million decrease in interest bearing liabilities, including a $309 million initial recognition fair value gain on the below market interest rate received on the US$775 million loan provided by Shandong Energy (formerly Yankuang) recognised in equity and the $32 million debt repayment noted above partially offset by a $99 million unrealised foreign exchange loss on the Group's US$ denominated interest bearing liabilities, due to the Australian dollar weakening from 0.7657 at 31 December 2020 to 0.7518 at 30 June 2021; and ii) a $49 million decrease in trade and other payables partially offset by a $61 million increase in provisions.

Total equity increased by $32 million to $5,225 million at 30 June 2021, mainly reflecting the $129 million loss after income tax for the half year and the increase in the deferred loss of $56 million recognised in the hedge reserve offset by an increase in contributed equity of $216 million representing the after-tax amount of the $309 million loan fair value noted above.

The Group's primary source of liquidity was operating cash flows that contributed $179 million in the half-year ended 30 June 2021. Together with the opening cash position this enabled the payment for investing activities of $236 million and financing activities of $50 million.

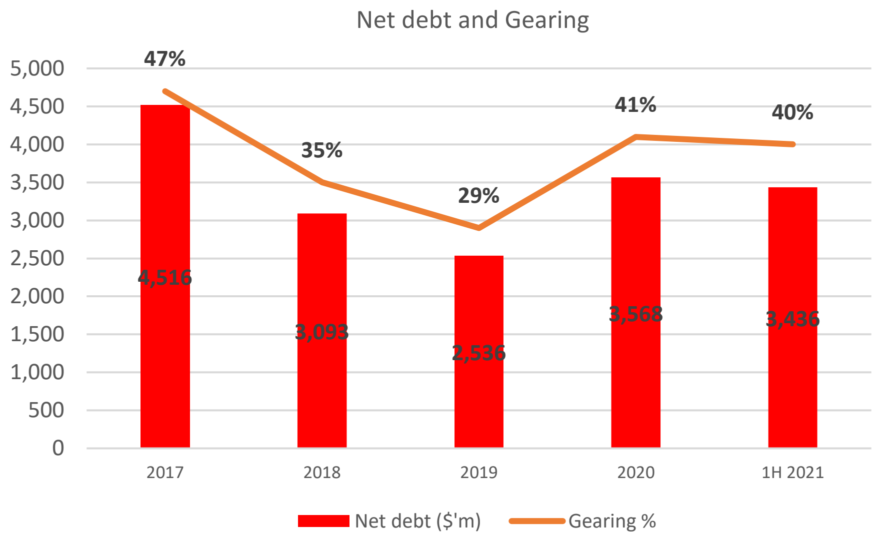
For the year ending 31 December 2021, the primary source of liquidity is expected to continue to be operating cash flows for ongoing business supplemented by refinancing existing interest-bearing liabilities due within the next six months and potentially additional interest-bearing liabilities for any possible transactions. Historically, the Group's primary sources of liquidity have consisted of operating cash flows, interest-bearing liabilities, including shareholder loans, and new equity.

The Group's Syndicated Term Loan of US$300 million provided from a syndicate of five domestic and international banks is due to mature on 23 August 2021. The Group is expecting to successfully refinance the facility with an amount marginally above the currently facility limit, with a cost largely comparable with the existing facility

The Group's capital structure and gearing ratio is set out in the table below.

	30 June 2021 $m	31 December 2020 $m	Change $m
Interest-bearing liabilities	3,975	4,205	(230)
Less: cash and cash equivalents	(539)	(637)	98
Net debt	**3,436**	**3,568**	**(132)**
Total equity	5,225	5,193	32
Net debt + total equity	**8,661**	**8,761**	**(100)**
Gearing ratio [13]	0.40	0.41	

[13] The Group's gearing ratio is defined as net debt (being interest-bearing liabilities less cash and cash equivalents) divided by net debt + total equity.



The Group's objective when managing its capital structure is to provide capital towards sustaining capital expenditure, pay down interest-bearing liabilities to a supportable level whilst providing dividends to equity holders and pursuing organic and inorganic expansion opportunities when appropriate.

The gearing ratio decreased from 41% at 31 December 2020 to 40% at 30 June 2021.

The Group's interest-bearing liabilities include secured bank loans of A$2,038 million (31 December 2020: A$2,019 million) and unsecured loans from related parties of A$1,817 million (31 December 2020: A$1,059 million) both denominated in US dollars and lease liabilities of A$120 million (31 December 2020: A$121 million) denominated in Australian dollars.

Secured bank loans carry a floating interest rate calculated with reference to the 3-month LIBOR rate for which the average all-in rate (including guarantee fees) for the half-year ended 30 June 2021 was 4.51% (1H 2020: 5.02%). Unsecured loans from related parties comprise two facilities i) US$816 million at a fixed interest rate for which the rate for the half-year ended 30 June 2021 was 7.00% (1H 2020: 7.00%); and ii) US$775 million at a fixed cash rate of 4.65% for the first three years and at the Loan Prime Rate[14] for the next three years[15].

During the Period Yancoal repaid US$25 million (mandatory repayment) of its US$1,275 million secured bank loan reducing the facility to US$1,250 million.

The Group's cash and cash equivalents includes A$210 million (31 December 2020: A$192 million), US$247 million (31 December 2020: US$343 million).

While the Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the A$, foreign currency exposure arises particularly in relation to coal supply contracts, which generally are priced and payable in USD, procurement of diesel and imported plant and equipment, which can be priced in USD or other foreign currencies, and debt denominated in USD.

The impact of exchange rate movements will vary depending on factors such as the nature, magnitude and duration of the movements, the extent to which currency risk is hedged under forward exchange contracts or other hedging instruments and the terms of these contracts.

The hedging policy of the Company aims to protect against the volatility of cash expenditures or reduced collection in the abovementioned transactions and to reduce the volatility of the profit or loss on the retranslation of US dollar denominated loans at each period end.

Operating foreign exchange risk that arises from firm commitments or highly probable transactions is managed through the use of bank issued forward foreign currency contracts. The Company hedges a portion of contracted USD sales and asset

[14] The Loan Prime Rate (LPR) is the new reference rate for lending in China. The People's Bank of China announced the reform in August 2020. The LPR is the interest rate banks charge their most creditworthy customers.

[15] The arms' length interest rate of the US$775 million loan was independently determined to be 12% resulting in a fair value discount of $309 million being recognised as noted above. The unwind of this discount through the profit and loss over the life of the loan effectively increases the interest expense to 12%.

purchases settled in foreign currencies in each currency to mitigate the adverse impact on cash flow due to the future rise or fall in the A$ against the relevant currencies.

More details on interest-bearing liabilities, cash and cash equivalents and equity including types of instrument used, security provided, maturity profile of interest-bearing liabilities, interest rates and hedging strategies are included in Notes D2, D4 and D9 of the Group's Annual Report for the year ended 31 December 2020.

Available debt facilities

As at 30 June 2021, the Group has A$638 million of undrawn debt under its A$1,400 million unsecured facility from related parties.

As at 30 June 2021, the Group has A$67 million of undrawn debt under its US$50 million unsecured working capital facility from an external party.

As at 30 June 2021, the Group has $130 million of undrawn bank guarantee facilities that are provided for operational purposes in favour of port, rail, government departments and other operational functions in the normal course of business.

The Directors of Yanzhou have provided a letter of support whereby unless revoked by giving not less than 24 months' notice, for so long as Yanzhou owns at least 51% of the shares of the Company, Yanzhou will ensure that the Group continues to operate so that it remains solvent.

CAPITAL EXPENDITURE AND COMMITMENTS

During the half-year ended 30 June 2021, capital expenditure cash flows of the Group amounted to $135 million (1H 2020: $136 million) comprising $135 million (1H 2020: $135 million) of property, plant and equipment and $nil (1H 2020: $1 million) of exploration.

Included in the capital expenditure of $135 million is capitalised operating expenses, net of any applicable revenue, incurred on open-cut and underground development activities of $28 million (1H 2020: $18 million). Amortisation of such capitalised costs commences on either i) the start of commercial production from the new mine or pit for open-cuts; and ii) over the life of mine if development roads service the entire mine or over the life of the longwall panels accessible from the development roads, if shorter, for undergrounds.

As at 30 June 2021, commitments of the Group comprised capital commitments of $102 million.

SIGNIFICANT INVESTMENTS

The Company continues to look for high quality acquisition opportunities.

The Company will inform the market as required, if and when any material transaction occurs. The Group also focuses on organic growth opportunities and business as usual capital expenditure.

The Group continues to pursue its long-term strategy for organic growth, with a commitment to progressing its brownfield expansion and extension projects.

In the six months ahead, the Group will continue to focus on exploration and expansion works across the tier-one assets of Moolarben and MTW, to be funded from operating cash flows.

At Moolarben, Yancoal has the required approvals to increase annual ROM production from 21Mt to 24Mt (16Mt from the open cut mine and 8Mt from underground). Studies under review incorporate work to assess the optimal production profile and address the various licensing requirements. Yancoal's ability to increase open-cut production to 16Mtpa depends on increasing the capacity at the Coal Handling and Preparation Plant.

At MTW, Yancoal has identified a coal resource that could support an underground operation with the concept subject to study and assessment.

Yancoal continually examines opportunities to grow the business. The Company is open to expanding or extending the operational profile of its existing assets with organic projects, like those identified at Moolarben. It would also consider acquiring additional coal assets or diversifying into other minerals, energy or renewable energy projects should suitable opportunities arise. Any new initiative would be subject to careful evaluation and require Yancoal Board consideration and approval before commencement.

Organic growth opportunities are expected to be funded through operating cashflows as part of the group's overall capital expenditure program.

Funding of any inorganic opportunities will be assessed on a case-by-case basis and could include funding from operating cashflows and potentially interest-bearing liabilities depending on the debt market availability at the time.

On 16 December 2020, the Company received a letter from Yankuang (now Shandong Energy) confirming its commitment, having regard to the overall situation of the coal industry; the operations and financial circumstances of the Company and Yankuang; the Company's existing financings; the global funding market; and the profitability of any proposed project, to explore with the Company whether, and the basis on which, financial support may be provided to the Company by Yankuang in the next few years for the purpose of (i) potential acquisitions or finance lease arrangements; or (ii) additional financial support required by Watagan. In addition, Yankuang confirmed it is willing to assist and support the Company in discussions with Yanzhou to explore the possibility of (i) obtaining a licence on paid terms for the use of technology recently acquired by Yanzhou; and (ii) commencing technology cooperation in accordance with standard and reasonable commercial practices.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Period, the Company undertook no material acquisitions or disposals.

EMPLOYEES

As at 30 June 2021, the Group had approximately 3,086 employees, all located in Australia, in addition to other contractors and service providers who support the Group's operations by delivering fixed scopes of work. For the Period, the total employee costs (including director's emoluments, HVO employees who are not included in the employee number above and excluding contract labour, contractors and service providers whose costs are included in Contractual services and plant hire) amounted to $284 million (1H 2020: $295 million).

Remuneration packages and benefits are determined in accordance with market terms, industry practice as well as the nature of duties, performance, qualifications and experience of employees and are reviewed an on annual basis. Remuneration packages include base wages or salaries, short-term site production bonuses, short and long-term staff incentives, non-monetary benefits, superannuation and long service leave contributions and insurance.

The Group's remuneration policies ensure remuneration is equitable, aligns with the long-term interests of the Group and Shareholders, comply with the diversity policy, provide market competitive remuneration to attract and retain skilled and motivated employees and structure incentives to link rewards with performance.

Details of the Group's incentive plans are included in the Remuneration Report in the Groups' Annual Report for the year ended 31 December 2020.

The Company believes that capable and competent employees contribute to the success of the Group. The Group invests in competence development and assurance programs to ensure statutory compliance and zero harm to its employees. The Group also contributes to the ongoing professional development of its employees. This investment contributes to a pipeline of employees who are ready to transition into new roles as well as creating a value proposition for new employees looking to join the Group.

EVENTS OCCURRING AFTER THE REPORTING DATE

No matters or circumstances have occurred subsequent to the end of the Period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state-of- affairs of the Group.

FINANCIAL AND OTHER RISK MANAGEMENT

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include currency risk, price risk, interest rate risk, credit risk and liquidity risk and are detailed in Note D9 of the Group's Annual Report for the year ended 31 December 2020. The Board reviews and agrees policies and procedures for management of these risks.

Coal sales are predominately provisionally priced initially. Provisionally priced sales are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables. The final sales price is determined normally 7 to 90 days after delivery to the customer. At 30 June 2021, there are $89 million of provisionally priced sales still to be finalised, of which $80 million is yet to be received. If prices were to increase by 10% provisionally priced sales would increase by $8 million.

CONTINGENT LIABILITIES

The contingent liabilities of the Group as at 30 June 2021 comprise (i) $845 million (31 December 2020: $809 million) of bank guarantees comprising $373 million (31 December 2020: $377 million) of performance guarantees provided to third parties and $472 million (31 December 2020: $432 million) of guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute with respect to the Group's owned and managed mines (ii) a letter of support provided to the Middlemount Coal Pty Limited joint venture and (iii) a number of claims that have been made against the Group, including in respect of personal injuries, and in relation to contracts which Group members are party to as part of the Group's day to day operations.

See Note D6 to the financial statements in this report for further details on the Group's contingent liabilities.

CHARGES ON ASSETS

The Group has a Syndicated Bank Guarantee Facility provided by a syndicate of nine Australian and International banks totalling A$975 million. As at 30 June 2021, the facility was drawn to A$845 million.

The Group has a Syndicated Term Loan facility provided by a syndicate of five Australian and International banks totalling US$300 million. As at 30 June 2021, the facility was fully drawn.

The Group has a Syndicated Term Loan facility provided by a syndicate of five Australian and International banks totalling US$300 million. As at 30 June 2021, the facility was fully drawn. As noted above this facility is expected to be refinanced on or around 23 August 2021 with the replacement facility expected be for an amount marginally above the current limit.".

The Syndicated Bank Guarantee and Term Loan facilities are both secured by the assets of the consolidated group of Yancoal Resources Pty Ltd and Coal & Allied Industries Pty Ltd (both wholly owned subsidiaries of Yancoal) with a carrying value of $5,431 million as at 30 June 2021.

FUTURE PROSPECTS

Yancoal will maintain strong cost discipline, with 2021 operating cash costs guidance (excluding government royalties) of $62/t - $64/t.

2021 saleable coal production guidance of around 39 million tonnes (attributable) and capital expenditure guidance of $360 million - $380 million (attributable).

Yancoal has retained its current guidance; with the spread of COVID-19 into regional areas, the risk of further disruptions has increased; should COVID-19 or other factors affect the 2021 targets, we will provide revised guidance at that time.
Yancoal has a long-term strategic commitment to organic growth, through brownfield expansion and extension projects. The current focus remains on exploration and expansion works across Moolarben and MTW.

	Notes	**30 June 2021 $M**	30 June 2020 $M
Revenue (reclassified)	B2, A(c)	**1,775**	1,969
Other income	B3	**26**	700
Changes in inventories of finished goods and work in progress		**(19)**	(19)
Coal purchases		**(97)**	(199)
Raw materials and consumables used		**(360)**	(343)
Employee benefits	B4	**(284)**	(295)
Depreciation and amortisation		**(397)**	(386)
Transportation		**(289)**	(276)
Contractual services and plant hire		**(180)**	(186)
Government royalties		**(123)**	(131)
Other operating expenses (reclassified)	B4, A(c)	**(94)**	(97)
Finance costs	B4	**(121)**	(109)
Share of loss of equity-accounted investees, net of tax	E2	**(14)**	(35)
(Loss) / profit before income tax		**(177)**	593
Income tax benefit	B5	**48**	12
(Loss) / profit after income tax		**(129)**	605
(Loss) / profit is attributable to:			
Owners of Yancoal Australia Ltd		**(129)**	605
Non-controlling interests		**-**	-
		(129)	605
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Fair value losses		**(108)**	(66)
Fair value losses transferred to profit and loss		**28**	66
Deferred income tax benefit		**24**	-
Other comprehensive expense, net of tax		**(56)**	-
Total comprehensive (expense) / income		**(185)**	605
Total comprehensive (expense) / income for the period attributable to owners of Yancoal Australia Ltd arises from:			
Continuing operations		**(185)**	605
		(185)	605
(Loss) / profit per share attributable to the ordinary equity holders of the Company:			
Basic (loss) / profit per share (cents)	B6	**(9.8)**	45.8
Diluted (loss) / profit per share (cents)	B6	**(9.8)**	45.8

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

	Notes	**30 June 2021 $M**	31 December 2020 $M
ASSETS			
Current assets			
Cash and cash equivalents		**539**	637
Trade and other receivables	C7	**470**	344
Inventories	C8	**292**	312
Royalty receivable	D7	**17**	16
Non-contingent royalty receivable		**-**	4
Assets classified as held for sale		**2**	2
Other current assets		**27**	28
Total current assets		**1,347**	1,343
Non-current assets			
Trade and other receivables	C7	**229**	221
Property, plant and equipment (reclassified)	C1, A(c)	**3,289**	3,291
Mining tenements (reclassified)	C2, A(c)	**4,790**	4,883
Exploration and evaluation assets	C4	**641**	709
Intangible assets	C5	**140**	135
Royalty receivable	D7	**200**	201
Investments accounted for using the equity method	E2	**238**	257
Other non-current assets		**3**	15
Total non-current assets		**9,530**	9,712
Total assets		**10,877**	11,055
LIABILITIES			
Current liabilities			
Trade and other payables	C9	**618**	665
Interest-bearing liabilities	D1	**462**	496
Provisions		**17**	25
Non-contingent royalty payable		**-**	13
Total current liabilities		**1,097**	1,199
Non-current liabilities			
Trade and other payables		**4**	6
Interest-bearing liabilities	D1	**3,513**	3,709
Provisions		**882**	813
Deferred tax liabilities		**156**	135
Total non-current liabilities		**4,555**	4,663
Total liabilities		**5,652**	5,862
Net assets		**5,225**	5,193
EQUITY			
Contributed equity	D2	**6,698**	6,482
Reserves	D5	**(189)**	(134)
Accumulated losses		**(1,286)**	(1,157)
Capital and reserves attributable to the owners of Yancoal Australia Ltd		**5,223**	5,191
Non-controlling interests		**2**	2
Total equity		**5,225**	5,193

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

	Notes	Attributable to owners of Yancoal Australia Ltd					
		Contributed equity $M	**Reserves $M**	**Retained earnings / (accumulated losses) $M**	**Total $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 January 2020		6,482	(484)	163	6,161	2	6,163
Profit after income tax		-	-	605	605	-	605
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**605**	**605**	**-**	**605**
Transactions with owners in their capacity as owners:							
Dividends paid	D2	-	-	(280)	(280)	-	(280)
Movements in other reserves	D5	-	(3)	-	(3)	-	(3)
		-	(3)	(280)	(283)	-	(283)
Balance at 30 June 2020		**6,482**	**(487)**	**488**	**6,483**	**2**	**6,485**

	Notes	**Contributed equity $M**	**Reserves $M**	**Retained earnings / (accumulated losses) $M**	**Total $M**	**Non-controlling interests $M**	**Total equity $M**
Balance at 1 January 2021		**6,482**	**(134)**	**(1,157)**	**5,191**	**2**	**5,193**
Loss after income tax		-	-	(129)	(129)	-	(129)
Other comprehensive expense		-	(56)	-	(56)	-	(56)
Total comprehensive expense		**-**	**(56)**	**(129)**	**(185)**	**-**	**(185)**
Transactions with owners in their capacity as owners:							
Movements in other contributed equity		216	-	-	216	-	216
Movements in other reserves	D5	-	1	-	1	-	1
		216	1	-	217	-	217
Balance at 30 June 2021		**6,698**	**(189)**	**(1,286)**	**5,223**	**2**	**5,225**

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

	Notes	**30 June 2021 $M**	30 June 2020 $M
Cash flows from operating activities			
Receipts from customers		**1,652**	2,093
Payments to suppliers and employees		**(1,391)**	(1,567)
Interest paid		**(86)**	(64)
Interest received		**4**	43
Net cash inflow from operating activities		**179**	505
Cash flows from investing activities			
Payments for property, plant and equipment		**(135)**	(135)
Payments for capitalised exploration and evaluation activities		**-**	(1)
Payment of non-contingent royalties		**(13)**	(15)
Receipts of non-contingent royalties		**4**	4
Payments for acquisition of interest in joint operation (net of cash acquired)	E1	**(100)**	(104)
Repayment of borrowing from joint venture		**3**	-
Advances of borrowing to joint venture		**-**	(35)
Repayment of borrowings from associates		**-**	165
Advance of borrowings to associates		**-**	(229)
Dividends received	E1	**5**	5
Net cash outflow from investing activities		**(236)**	(345)
Cash flows from financing activities			
Repayment of interest-bearing liabilities		**(32)**	(432)
Dividends paid	D3	**-**	(280)
Payment of lease liabilities		**(18)**	(16)
Net cash outflow from financing activities		**(50)**	(728)
Net decrease in cash and cash equivalents		**(107)**	(568)
Cash and cash equivalents at the beginning of the financial year		**637**	962
Effects of exchange rate changes on cash and cash equivalents		**9**	29
Cash and cash equivalents at the end of the period		**539**	423

These Half-Year Financial Statements should be read in conjunction with the accompanying notes.

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A Basis of preparation of half-year financial statements

These financial statements for the half-year ended 30 June 2021 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements are for the consolidated entity (the "Group") consisting of Yancoal Australia Ltd (the "Company") and the entities it controlled at the end of, or during, the half-year ended 30 June 2021 ("the period"). These half-year financial statements do not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 31 December 2020 and any public announcements made by Yancoal Australia Ltd during the half-year ended 30 June 2021 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*, Australian Securities Exchange ("ASX") and the Stock Exchange of Hong Kong.

These half-year financial statements were authorised for issue in accordance with a resolution of the Directors on 19 August 2021.

The accounting policies adopted are consistent with those of the most recent Annual Financial Report and the corresponding half-year financial report in the prior period.

The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards. The Group is of a kind referred to in ASIC Legislative Instrument 2016/191 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded to the nearest million dollars unless otherwise stated.

The outbreak of the Novel Coronavirus ("COVID-19") was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020. Developments throughout 2020 and 2021 has caused great uncertainty for the coal industry and the global and Australian economy. This uncertainty has created risks and conditions that the Group has not encountered before. As a result, there has been a continual assessment of the impacts of COVID-19 on the financial statements arising from this major global risk.

Compliance with IFRS

The half-year financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Auditor sign-off

The independent auditor's report of these consolidated half-year financial statements is unqualified and unmodified.

In addition:

- the half-year financial statements have been reviewed by the Company's external auditors per Appendix 16 paragraph 46(6) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"); and
- the accounting information given in the half-year financial report has not been audited per Appendix 16 paragraph 43 of the Listing Rules.

(a) New and amended accounting standards adopted by the Group

New and amended accounting standards, amendments and interpretations effective for the current reporting period have not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

(b) Impact of standards issued but not yet applied by the Group

Australian Accounting Standards and Interpretations issued but not yet applicable for the half-year ended 30 June 2021 have not been early adopted by the Group. The Group has not yet determined the potential impacts of other amendments on the Group's financial statements.

A Basis of preparation of half-year financial statements (continued)

(c) Reclassifications

(i) Reclassification of royalty revenue from Middlemount

In line with the adjustment made in the 2020 Annual Financial Report an adjustment of amounts disclosed in 2020 has been made to reclassify $7 million of royalty revenue received/receivable from Middlemount Coal Pty Ltd ("Middlemount") to revenue, derecognise the previous interest income of $11 million, and decrease the loss on remeasurement of the royalty receivable from $5 million to $1 million in other operating expenses. There is no change to the balance sheet or net profit after tax as it is a reclassification only.

(ii) Accounting for WICET Holdings Pty Ltd ("WICET") as an associate

A review of the WICET agreement was performed during the period and it was identified that the Group has, and previously held, significant influence of WICET. In accordance with accounting standards, WICET should have been accounted as an associate. There is no impact on the balance sheet or net profit after tax as the Group's share of WICET's loss after tax exceeded its interest in WICET for the periods ended 30 June 2021, 31 December 2020 and 30 June 2020. The Group does not have contractual agreements or a constructive obligation to contribute to WICET and therefore no additional liabilities have been recognised. Additional disclosures relating to WICET have been included in Note E2.

(iii) Adjustments due to provisional accounting

Refer to Note E1 for details on the adjustments associated with finalising provisional accounting.

B Performance

B1 Segment information

(a) Accounting Policies

Management has determined the operating segments based on the strategic direction and organisational structure of the Group together with reports reviewed by the Chief Operating Decision Makers ("CODM"), defined as the Executive Committee, that are used to make strategic decisions including resource allocation and assessment of segment performance.

The reportable segments are considered at a regional level being New South Wales ("NSW") and Queensland ("QLD"). NSW includes the Austar and Donaldson mines that are on closure, and care and maintenance respectively.

Non-operating items of the Group are presented under the segment Corporate which includes administrative expenses, foreign exchange gains and losses on interest-bearing liabilities, and the elimination of intersegment transactions and other consolidation adjustments.

B Performance (continued)

B1 Segment information (continued)

(b) Segment information

The segment information for the reportable segments for the half-year ended 30 June 2021 is as follows:

30 June 2021	**Coal mining NSW** $M	**QLD** $M	**Corporate** $M	**Total** $M
Total segment revenue*	1,571	165	(28)	1,708
Add: Fair value losses recycled from hedge reserve	-	-	28	28
Revenue from external customers	**1,571**	**165**	**-**	**1,736**
Operating EBIT	80	(51)	(20)	9
Operating EBITDA	454	(32)	(16)	406
Material income or expense items				
Non-cash items				
Depreciation and amortisation expense	(374)	(19)	(4)	(397)
Remeasurement of royalty receivable	-	-	(1)	(1)
Remeasurement of contingent royalty	-	-	(10)	(10)
	(374)	**(19)**	**(15)**	**(408)**
Total Capital Expenditure	242	2	-	244
30 June 2021				
Segment assets	9,207	622	810	10,639
Investments in associates and joint ventures	176	-	62	238
Total assets	**9,383**	**622**	**872**	**10,877**

The segment information for the reportable segments for the half-year ended 30 June 2020 and segment assets as at 31 December 2020 are as follows:

30 June 2020	**Coal mining NSW** $M	**QLD** $M	**Corporate** $M	**Total** $M
Total segment revenue*	1,717	180	(66)	1,831
Add: Fair value losses recycled from hedge reserve	-	-	66	66
Revenue from external customers	**1,717**	**180**	**-**	**1,897**
Operating EBIT	148	(51)	5	102
Operating EBITDA	509	(30)	9	488
Material income or expense items				
Non-cash items				
Depreciation and amortisation expense	(361)	(21)	(4)	(386)
Gain on acquisition of interest in joint operation	-	-	653	653
Remeasurement of contingent royalty	-	-	9	9
Remeasurement of royalty receivable	-	-	(5)	(5)
Stamp duty expense	(15)	-	-	(15)
	(376)	**(21)**	**653**	**256**
Total capital expenditure	**171**	**10**	**1**	**182**
31 December 2020				
Segment assets	9,272	645	881	10,798
Investments in associates and joint ventures	177	-	80	257
Total assets	**9,449**	**645**	**961**	**11,055**

B Performance (continued)

B1 Segment information (continued)

(b) Segment information (continued)

* Total segment revenue consists of revenue from the sale of coal whereas revenue disclosed in the profit or loss also includes other revenue such as management fees, sea freight, rents and sub-lease rentals, interest income, dividend income and royalty income.

Apart from the items included as non-cash items, and the fair value losses there was no impairment charge or other significant non-cash items recognised during the half-years ended 30 June 2020 and 30 June 2021.

(c) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties for the reportable segments are measured in a manner consistent with that in the profit or loss.

Revenue from external customers are derived from the sale of coal from operating mines and coal purchases. Segment revenues are allocated based on the country in which the customer is located refer to Note B2 for revenue from external customers split by geographical regions.

Revenues from the top five external customers were $618 million (30 June 2020: $518 million) which in aggregate represent approximately 36% (30 June 2020: 27%) of the Group's revenues from the sale of coal. These revenues are attributable to the NSW and QLD coal mining segments.

Segment revenue reconciles to total revenue as follows:

	30 June 2021 $M	30 June 2020 $M (restated)
Total segment revenue	**1,708**	1,831
Interest income	**11**	48
Sea freight	**37**	38
Royalty revenue	**9**	7
Mining services fees	**-**	29
Other revenue	**10**	16
Total revenue (Note B2)	**1,775**	1,969

(ii) Operating EBITDA

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBITDA. This measure excludes the effects of non-recurring expenditure or income from the operating segments such as restructuring costs, business combination related expenses and impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value remeasurements and unrealised gains/(losses) on interest-bearing liabilities.

B Performance (continued)

B1 Segment information (continued)

(c) Other segment information (continued)

A reconciliation of Operating EBITDA to profit before income tax is provided as follows:

	30 June 2021 $M	30 June 2020 $M (restated)
Operating EBITDA	**406**	488
Depreciation and amortisation	**(397)**	(386)
Operating EBIT	**9**	102
Finance costs	**(121)**	(109)
Bank fees and other charges	**(25)**	(28)
Interest income	**11**	48
Fair value losses recycled from hedge reserve	**(28)**	(66)
Contingent royalty payments	**(13)**	-
Remeasurement of contingent royalty	**(10)**	9
Remeasurement of royalty receivable	**-**	(1)
Gain on acquisition of interest in joint operation	**-**	653
Stamp duty	**-**	(15)
Profit before income tax	**(177)**	593

(iii) Segment capitalised expenditure

Amounts with respect to capital expenditure are measured in a manner consistent with that of the financial statements. Reportable segments' capital expenditure is set out in Note B1(b).

All segment assets are located in Australia.

(iv) Segment liabilities

A measure of total liabilities for reportable segments are not provided to the Executive Committee. The Executive Committee reviews the liabilities of the Group at a consolidated level.

B2 Revenue

Contracts with customers

The Group has recognised the following amounts relating to revenue in the profit or loss:

	30 June 2021 $M	30 June 2020 $M (restated)
From continuing operations		
Sales revenue		
Sale of coal	**1,736**	1,897
Fair value losses recycled from hedge reserve	**(28)**	(66)
	1,708	1,831
Other revenue		
Interest income	**11**	48
Sea freight	**37**	38
Royalty revenue	**9**	7
Mining services fees	**-**	29
Other items	**10**	16
	67	138
	1,775	1,969

B Performance (continued)

B2 Revenue (continued)

At 30 June 2021 there are $89 million (30 June 2020: $106 million) of provisionally priced sales, still to be finalised, of which $80 million is yet to be collected (30 June 2020: $97 million).

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market and major products/service lines of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's three reportable segments (see Note B1):

30 June 2021	NSW $M	QLD $M	Corporate $M	Total $M
Primary geographical markets				
Japan	369	30	-	399
Taiwan	362	4	-	366
Singapore	246	21	-	267
South Korea	185	37	-	222
Australia (Yancoal's country of domicile)	168	2	-	170
Thailand	142	-	-	142
Vietnam	-	61	-	61
All other foreign countries	98	11	-	109
Total	**1,570**	**166**	**-**	**1,736**
Major product/service lines				
Thermal coal	1,410	26	-	1,436
Metallurgical coal	160	140	-	300
Total	**1,570**	**166**	-	**1,736**

30 June 2020	NSW $M	QLD $M	Corporate $M	Total $M
Primary geographical markets				
Japan	311	48	-	359
Singapore	291	28	-	319
China	307	-	-	307
Taiwan	218	11	-	229
South Korea	189	29	-	218
Australia (Yancoal's country of domicile)	180	-	-	180
Thailand	167	-	-	167
Vietnam	-	52	-	52
All other foreign countries	54	12	-	66
Total	**1,717**	**180**	**-**	**1,897**
Major product/service lines				
Thermal coal	1,549	28	-	1,577
Metallurgical coal	168	152	-	320
Total	**1,717**	**180**	-	**1,897**

In 2021 8.6% of coal sales were attributable to the largest customer and 35.6% to the top five customers (2020: 8.8% and 27.3% respectively).

B Performance (continued)

B2 Revenue (continued)

Contract balances

The Group has recognised the following revenue-related receivables, contract assets and liabilities:

	30 June 2021 $M	30 December 2020 $M
Receivables from contracts with customers	**344**	223

There are no other contract assets or liabilities or costs as at 30 June 2021 or 31 December 2020.

B3 Other income

	30 June 2021 $M	30 June 2020 $M
Net gain on foreign exchange	**24**	36
Gain on acquisition of interest in joint operation	**-**	653
Gain on remeasurement of contingent royalty	**-**	9
Sundry income	**2**	2
	26	700

There is no impact on the conversion of US dollar denominated interest-bearing liabilities (2020: nil).

B4 Expenses

	30 June 2021 $M	30 June 2020 $M
(Loss) / profit before income tax includes the following specific expenses:		
(a) Employee benefits		
Employee benefits	**260**	272
Superannuation contributions	**24**	23
Total employee benefits	**284**	295

During the period to 30 June 2021 $10 million of employee benefits were capitalised (31 December 2020: $4 million)

(b) Finance costs

Unwinding of discount on provisions and deferred payables	**6**	8
Lease charges	**4**	3
Amortisation of non-substantial loan refinance	**-**	3
Other interest expenses	**111**	95
Total finance costs	**121**	109

B Performance (continued)

B4 Expenses (continued)

(c) Other operating expenses

	30 June 2021 $M	30 June 2020 $M (restated)
Bank fees and other charges	**25**	28
Rates and other levies	**15**	14
Contingent royalty payments	**13**	-
Loss on remeasurement of contingent royalty	**10**	-
Insurance	**9**	12
Information technology	**9**	10
Travel and accommodation	**3**	5
Rental expense	**1**	1
Other operating expenses	**9**	9
Stamp duty	**-**	15
Net loss on disposal of property, plant and equipment	**-**	2
Loss on remeasurement of royalty receivable	**-**	1
Total other operating expenses	**94**	97

(e) Largest suppliers

In 2021 7.3% of total operating expenses related to one supplier and 23.2% to the top five suppliers (2020: 6.5% and 21.0% respectively).

B5 Income tax benefit

(a) Income tax benefit

	30 June 2021 $M	30 June 2020 $M
Income tax benefit	**48**	12
Income tax benefit is attributable to:		
Profit from continuing operations	**48**	12

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	30 June 2021 $M	30 June 2020 $M
(Loss) / profit from continuing operations before tax	**(177)**	593
Tax at the Australian tax rate of 30% (2020 - 30%)	**53**	(178)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Share of loss of equity-accounted investees not deductible	**(4)**	(10)
Other	**(1)**	4
Gain on acquisition of interest in joint operation	**-**	196
Income tax benefit	**48**	12

B Performance (continued)

B5 Income tax benefit (continued)

The income tax benefit is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the financial period. The estimated average tax rate used for the half-year ended 30 June 2021 is 27.1% (2020: 31.0% once adjusted for the gain on acquisition of interest in joint operation). The estimated average tax rate takes into account permanent differences that may arise from thin capitalisation, transfer pricing and the equity accounting of associates.

The Group has assessed that the likelihood of generating sufficient taxable earnings in future periods will be sufficient to utilise the prior and current year tax loss asset recognised on the balance sheet. At 30 June 2021 the amount of recognised tax losses and offsets included in the net deferred tax liabilities are $481 million (31 December 2020: $480 million).

B6 Earnings per share

(a) Basic and diluted earnings per share

	30 June 2021	30 June 2020
Total basic (loss) / profit per share (cents)	**(9.8)**	45.8
Total diluted (loss) / profit per share (cents)	**(9.8)**	45.8

(b) Weighted average number of shares used in calculating earnings per share

	30 June 2021 Number	30 June 2020 Number
Ordinary shares on issue at the start of the period	**1,320,439,437**	1,320,439,437
Less: weighted average of treasury shares held	**(31,225)**	(31,225)
Weighted average number of ordinary shares used in basic earnings per share	**1,320,408,212**	1,320,408,212
Adjusted for rights and options on issue	**3,294,850**	1,191,481
Anti-dilutive options	**(3,294,850)**	-
Weighted average shares used in diluted earnings per share	**1,320,408,212**	1,321,599,693

(c) Reconciliation of earnings used in calculating earnings per share

	30 June 2021 $M	30 June 2020 $M
Basic and diluted earnings per share		
(Loss) / profit used in calculating the basic and diluted earnings per share:		
From continuing operations	**(129)**	605

C Operating assets and liabilities

C1 Property, plant and equipment

	Assets under construction $M	Freehold land and buildings $M	Mine development $M (restated)	Plant and equipment $M	Right of use assets $M	Total $M
At 31 December 2020						
Cost or fair value	202	484	2,025	3,368	178	6,257
Accumulated depreciation	-	(84)	(636)	(2,169)	(77)	(2,966)
Net book amount	202	400	1,389	1,199	101	3,291
Half-year ended 30 June 2021						
Opening net book amount	202	400	1,389	1,199	101	3,291
Additions	140	-	71	-	32	243
Transfers from assets under construction	(86)	-	38	41	-	(7)
Other disposals	-	-	-	-	(1)	(1)
Depreciation charge	-	(5)	(85)	(128)	(19)	(237)
Closing net book amount	256	395	1,413	1,112	113	3,289
At 30 June 2021						
Cost or fair value	256	484	2,143	3,409	178	6,470
Accumulated depreciation	-	(89)	(730)	(2,297)	(65)	(3,181)
Net book amount	256	395	1,413	1,112	113	3,289

During the period ended 30 June 2021 $4 million of depreciation was capitalised (31 December 2020: $7 million).

C2 Mining tenements

	30 June 2021 $M	31 December 2020 $M (restated)
Opening net book amount	**4,883**	4,047
Acquisition through business combination	**-**	1,121
Transfers from exploration and evaluation	**69**	31
Amortisation	**(162)**	(316)
Closing net book amount	**4,790**	4,883

C3 Impairment of assets

(a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines of Moolarben, Mount Thorley Warkworth, Hunter Valley Operations, Ashton and Stratford Duralie are considered to be one Cash Generating Unit ("CGU"). Yarrabee and Middlemount are considered separate CGU's due to their location and ownership structure. Donaldson is currently on care and maintenance and the Austar mine is progressing toward closure such that neither mine is included in the NSW CGU.

The Donaldson CGU represents 1.6% of the total CGU book value as at 30 June 2021 and as such is not considered significant. LOM models are reassessed on a regular basis and any change in the LOM model may result in a change in the recoverable amount and possibly result in an impairment charge.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(b) Assessment of fair value

Each CGU's fair value less costs of disposal has been determined using a discounted cash flow model over the expected life of mine (17 - 54 years). The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

The key assumptions in the model include:

Key assumptions	Description
Coal prices	The Group's cash flow forecasts are based on estimates of future coal prices, which assume benchmark prices will revert to the group's assessment of the long term real coal prices of US$57 – US$105 per tonne (2020: US$57 – US$103 per tonne) for thermal and US$103 – US$180 per tonne (2020: US$103 – US$177 per tonne) for metallurgical coal. The Group receives long term forecast coal price data from multiple external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities. The external sources have determined their benchmark coal price forecasts having regard to countries various National Energy Policies including Nationally Determined Contributions submitted in accordance with the 2015 Paris Agreement, including coal fired power generation phase out plans that have been announced. This contemplates the global seaborne demand for thermal coal will remain relatively consistent to 2030 and then range between remaining relatively consistent and declining to 21% below 2021 levels by 2040, whilst the global seaborne demand for metallurgical coal will increase up to 2040. Key risks to the outlooks are increasing decarbonisation trends, trade disputes, protectionism, import control policies in end markets, shareholder activism to divest from coal, the pace of renewable technology advancement and investor behaviour to coal project financing. The Group has considered the impacts of a more rigorous international response to climate change under the Paris Agreement and notes that the average mine life required for the recoverable amount to continue to exceed the book value, holding all inputs constant, including coal prices, is 7, 9 and 6 years for the NSW, Yarrabee and Middlemount CGUs, respectively. The NSW CGU has an approximate 91% exposure to thermal coal and 9% exposure to metallurgical coal whilst Yarrabee and Middlemount are both metallurgical coal mines. The Group concludes that whilst a more rigorous international response to climate change could reduce the future demand for coal the likely impact of any such action are not expected to materially impact during the time periods noted above and hence would not result in the recoverable amount falling below book value. For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts. These forecasts include the assumption that the world economy will return to the growth trajectory that was occurring before the COVID-19 pandemic, China will increase its imports of seaborne coal and that limited supply will be brought online due to low investment in new coal production capacity over the last five to ten years. There is a risk that these assumptions are incorrect and that future coal prices are different from those forecast.
Foreign exchange rates	The long-term AUD/USD forecast exchange rate of $0.75 (2020: $0.75) is based on external sources. The 30 June 2021 AUD/USD exchange rate was $0.75 per the Reserve Bank of Australia.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(b) Assessment of fair value (continued)

Production and capital costs	Production and capital costs are based on the Group's estimate of forecast geological conditions, stage of existing plant and equipment and future production levels. This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans, JORC reports, and project evaluations performed by the Group in its ordinary course of business.
Coal reserves and resources	The Group estimates its coal reserves and resources based on information compiled in accordance with the JORC 2012 Code and ASX Listing Rules 2014. Further discussion is included in Note C2 of the Group's Annual Financial Report for the year ended 31 December 2020.
Discount rate	The Group has applied a post-tax nominal discount rate of 10.5% (2020: 10.5%) to discount the forecast future attributable post-tax cash flows. The post-tax discount rate applied to the future cash flow forecasts represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. This rate is also consistent with the Group's five year business plan, life of mine models and project evaluations performed in ordinary course of business.

Based on the above assumptions at 30 June 2021 the recoverable amount is determined to be above book value for all CGU's resulting in no impairment.

Impairment provision recorded as at 30 June 2021 is $47 million for Stratford Duralie. Stratford Duralie is included in the NSW CGU. Management may consider reversals of the impairment provision previously recognised if there is either an increase in the average long term real revenue over the life of the mine due to either an increase in USD coal prices, or a weakening of the AUD/USD foreign exchange rate or a combination of both, or reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserves.

In determining the value assigned to each key assumption, management has used: external sources of information; the expertise of external consultants; as well as the experience of experts within the Group to validate entity specific assumptions such as coal reserves and resources. Additionally, various sensitivities have been determined and considered with respect to each of the key assumptions, further supporting the above fair value conclusions.

C Operating assets and liabilities (continued)

C3 Impairment of assets (continued)

(c) Key sensitivity

The most sensitive input in the fair value model is forecast revenue, which is primarily dependent on estimated future coal prices and the AUD/USD forecast exchange rate.

2021	NSW $M	Yarrabee $M	Middlemount $M
Book Value	6,494	352	237
Recoverable Amount	10,669	606	299
Head Room	4,175	254	62
US$ Coal Price (i)			
+10%	2,148	277	217
-10%	(2,186)	(284)	(252)
Exchange Rate (ii)			
+5 cents	(1,299)	(151)	(135)
-5 cents	1,696	194	160
Discount Rate (iii)			
+50 bps	(394)	(23)	(9)
-50 bps	425	24	10

(i) This represents the change in recoverable amount due to a +/- 10% change to our coal price assumption.

(ii) This represents the change in recoverable amount due to a +/- 5 cents change to the long term AUD/USD foreign exchange rate adopted.

(iii) This represents the change in recoverable amount due to a +/- 50bps change in discount rate adopted.

If coal prices were 10% lower over life of mine the NSW CGU recoverable amounts would exceed book value however for Yarrabee and Middlemount the book value would exceed the recoverable amounts by $30 million and $190 million respectively. If the AUD/USD over the life of mine long term forecast exchange rate was $0.80, the recoverable amount would exceed book value for NSW and Yarrabee however for Middlemount the book value would exceed recoverable amount by $98 million. If the WACC was 11.0%, or 0.5% higher, the recoverable amount would exceed book value for all CGU's.

The Yarrabee goodwill was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

C4 Exploration and evaluation assets

	30 June 2021 $M	31 December 2020 $M
Opening net book amount	**709**	555
Acquisition through business combination	**-**	184
Transfers to mining tenements	**(69)**	(31)
Other additions	**1**	1
Closing net book amount	**641**	709

C Operating assets and liabilities (continued)

C5 Intangible assets

	Goodwill $M	Computer software $M	Water rights $M	Other $M	Total $M
At 31 December 2020					
Cost	60	35	57	15	167
Accumulated amortisation	-	(28)	-	(4)	(32)
Net book amount	60	7	57	11	135
Half year ended 30 June 2021					
Opening net book amount	60	7	57	11	135
Transfers - assets under construction	-	1	6	-	7
Amortisation charge	-	(1)	-	(1)	(2)
Closing net book amount	60	7	63	10	140
At 30 June 2021					
Cost	60	36	63	15	174
Accumulated amortisation	-	(29)	-	(5)	(34)
Net book amount	60	7	63	10	140

(a) Impairment tests for goodwill

The goodwill relates to the acquisition of Yancoal Resources Pty Limited (formally known as Felix Resources Limited) from an independent third party in an arm's length transaction and was allocated to the Yarrabee mine. Refer to Note C3 for the details regarding the fair value less costs on disposal calculation performed at 30 June 2021. The CGU for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value of the CGU.

C6 Leases

(a) Amounts recognised in profit or loss

	30 June 2021 $M	30 June 2020 $M
Other income from equipment leasing	**-**	2
Depreciation on right of use assets (refer Note C1)	**(19)**	(18)
Expenses relating to short-term and variable leases	**(21)**	(16)
Interest on lease liabilities	**(4)**	(3)

(b) As a lessee

Right-of-use assets

	Buildings $M	Plant and equipment $M	Total $M
Opening balance at 31 December 2020	12	89	101
Additions	-	32	32
Disposals	-	(1)	(1)
Depreciation	(1)	(18)	(19)
Closing balance at 30 June 2021	**11**	**102**	**113**

An undiscounted maturity analysis of lease liabilities is disclosed in Note D1(d).

The cash outflow for capitalised leases was $18 million for the period to 30 June 2021 (30 June 2020: $16 million).

C Operating assets and liabilities (continued)

C7 Trade and other receivables

	30 June 2021 $M	31 December 2020 $M
Current		
Trade receivables from contracts with customers	**344**	223
Other trade receivables	**69**	61
Receivables from joint venture (i)	**57**	60
	470	344
Non - current		
Receivables from joint venture (ii)	**142**	135
Receivables from other entities (iii)	**14**	14
Long service leave receivables	**73**	72
	229	221

(i) Current receivables from joint venture includes revolver loans provided to Middlemount Coal Pty Ltd ("Middlemount") with a maturity date of 31 December 2021 and interest rate of 10%. The drawn balance of the revolver loan is $57 million at 30 June 2021, facility balance is $80 million (31 December 2020: $60 million drawn, $80 million facility balance).

(ii) Receivables from joint venture includes a loan provided to Middlemount with a face value of $212 million (2020: $212 million). From 15 October 2020 the shareholders of Middlemount agreed to renew the loan interest free until 31 December 2025. At 30 June 2021 this loan has been revalued using the effective interest rate method to $142 million. The initial difference was recognised against the investment in joint venture, and is subsequently unwound through profit and loss over the loan term.

(iii) Receivables from other entities includes the Group's investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ("WICET"). These include E Class WIPS and Gladstone Island Long Term Securities ("GiLTS"). During 2018 the WIPS were revalued to nil from $29 million and the GiLTS were impaired by $17 million to a carrying value of $14 million.

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis, as appropriate. The following is an aged analysis of trade receivables based on the invoice dates at the reporting dates:

	30 June 2021 $M	31 December 2020 $M
0 - 90 days	**311**	199
91 - 180 days	**4**	3
181 - 365 days	**7**	9
Over 1 year	**22**	12
Total	**344**	223

(a) Past due but not impaired

The ageing analysis of the Group's and the Company's trade receivables, that were past due but not yet impaired as at 30 June 2021 and 31 December 2020, is as follows:

	30 June 2021 $M	31 December 2020 $M
0 - 90 days	**4**	6
91 - 180 days	**4**	3
181 - 365 days	**7**	9
Over 1 year	**22**	12
Total	**37**	30

C Operating assets and liabilities (continued)

C7 Trade and other receivables (continued)

Included above is $36 million (2020: $30 million) of royalty revenue receivable from Middlemount which under the terms of the revolver loans provided defer the payment obligation from Middlemount whilst there is a current balance in the revolver loans.

The Group does not hold any collateral over these balances. Management closely monitors the credit quality of trade receivables and considers the balance that are neither past due or impaired to be of good quality.

C8 Inventories

	30 June 2021 $M	31 December 2020 $M
Coal - at lower of cost or net realisable value	**173**	197
Tyres and spares - at cost	**115**	111
Fuel - at cost	**4**	4
	292	312

(a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 30 June 2021 amounted to $6 million (31 December 2020: $14 million). Any movement in the provision has been included in "Changes in inventories of finished goods and work in progress" in the profit or loss.

C9 Trade and other payable

	30 June 2021 $M	31 December 2020 $M
Trade payables	**360**	414
Payroll costs payable	**136**	127
Interest payable	**119**	99
Other payables	**3**	25
	618	665

The following is an aged analysis of trade payable based on the invoice dates at the reporting date:

	30 June 2021 $M	31 December 2020 $M
0 - 90 days	**359**	412
91 - 180 days	**-**	1
181 - 365 days	**1**	1
Over 1 year	**-**	-
Total	**360**	414

The average credit period for trade payable is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

D Capital structure and financing

D1 Interest-bearing liabilities

	30 June 2021 $M	31 December 2020 $M
Current		
Bank loans	**432**	455
Lease liabilities	**30**	41
	462	496
Non-current		
Bank loans	**1,606**	1,564
Lease liabilities	**90**	80
Bonds	**-**	1,006
Unsecured loans from related parties	**1,817**	1,059
	3,513	3,709
Total interest-bearing liabilities	**3,975**	4,205

Reconciliation of liabilities arising from financing activities:

	Lease liabilities $'M	Loans from related parties $'M	Bank loan $'M	Bonds $'M
Opening balance at 31 December 2020	121	1,059	2,019	1,006
Additions	17	1,019	-	-
Repayments	(22)	-	(32)	(1,019)
Initial revaluation of loan from Shandong Energy	-	(309)	-	-
Unwind of interest expenses and costs	4	10	3	-
Foreign exchange movements	-	38	48	13
Closing balance at 30 June 2021	**120**	**1,817**	**2,038**	**-**

(a) Bank loans

The bank loans are made up of the following facilities:

	Facility US $M	30 June 2021 Facility $M	30 June 2021 Utilised $M	31 December 2020 Facility $M	31 December 2020 Utilised $M
Secured bank loans					
Syndicated facility (i)*	1,250	**1,662**	**1,662**	1,655	1,655
Syndicated term loan (ii)	300	**399**	**399**	390	390
Unsecured bank loan					
Working capital facility (iii)	50	**67**	**-**	65	-
	1,600	**2,128**	**2,061**	2,110	2,045

* Facility balance excludes transaction costs of AU$23 million (31 December 2020: AU$26 million)

D Capital structure and financing (continued)

D1 Interest-bearing liabilities (continued)

(a) Bank loans (continued)

(i) Syndicated Facility

On 8 July 2020 the Syndicated Facility of US$1,275 million was renewed. Repayments of US$25m each are due after six months, the first, second and third anniversary with the balance split over the fourth and fifth anniversary. In the period US$25 million was repaid and on 8 July 2021 another US$25 million was repaid (31 December 2020: nil). In 2009 the original Syndicated facility of US$2,900 million was taken out and fully drawn down to fund the acquisition of the Felix Resources Group.

Security is held over this loan in the form of a corporate guarantee issued by the Company's majority shareholder, Yanzhou Coal Mining Company Limited ("Yanzhou"), for the full amount of the facility in return for a 1.5% guarantee fee.

The Syndicated Facility includes the following financial covenants to be tested half-yearly:

(a) The interest cover ratio is greater than 1.40;
(b) The gearing ratio of the Group will not exceed 0.75; and
(c) The consolidated net worth of the Group are greater than AU$3,000 million.

The calculation of the above covenants include certain exclusions with regard to unrealised gains and losses including foreign exchange gains and losses.

The Syndicated Facility also includes the following minimum balance requirements to be satisfied daily and at each end of month:

- The Company is to maintain in the Lender Accounts an aggregate daily average balance of not less than US$25 million, this is tested at the end of each month, and;
- The Company is to maintain in the Lender Accounts an aggregate end of month balance of not less than US$50 million.

There was no breach of covenants at 30 June 2021.

(ii) Syndicated Term Loan

During 2018 a Syndicated Term Loan of US$300 million was taken out and all proceeds were used to partially repay the Syndicated Facility, maturing on 23 August 2021. The Syndicated Term Loan facility is provided from a syndicate of five domestic and international banks.

The Syndicated Term Loan is secured by the assets of the consolidated groups of Yancoal Resources Pty Ltd and Coal & Allied Industries Pty Ltd with carrying value of $5,431 million.

The Syndicated Term Loan includes the following financial covenants based on consolidated results of Yancoal Resources Pty Ltd and Coal & Allied Industries Pty Ltd groups to be tested half-yearly:

(a) The interest cover ratio is greater than 5.0 times;
(b) The finance debt to EBITDA ratio is less than 3.0 times; and
(c) The net tangible assets is greater than AU$1,500 million.

There was no breach of covenants at 30 June 2021.

(iii) Working Capital Facility

On 30 June 2020 the Company renewed a general purpose working capital facility with an international bank on an unsecured basis with an annual review. No amounts were drawn on the facility as at 30 June 2021.

The financial covenants match the Syndicated Facility except the gearing ratio which will not exceed 0.80. There was no breach of covenants at 30 June 2021.

(b) Bank guarantee facility

The Group is party to a bank guarantee facility which have been issued for operational purposes in favour of port, rail, government departments and other operational functions.

D Capital structure and financing (continued)

D1 Interest-bearing liabilities (continued)

(b) Bank guarantee facility (continued)

AU$975 million of available facility (30 June 2021: AU$845 million utilised) is provided by a syndicate of nine domestic and international banks (31 December 2020: AU$809 million utilised). The facility was secured by the assets of the consolidated groups of Yancoal Resources Pty Ltd and Coal & Allied Industries Pty Ltd with carrying value of $5,431 million. It expires on 3 June 2023.

The Syndicated Bank Guarantee Facility includes the same financial covenants as the Syndicated Term Loan.

(c) Unsecured loans from related parties

On 31 March 2021 Yankuang Group Co Ltd ("Yankuang", and during the period was renamed as Shandong Energy Group Company Ltd, "Shandong Energy") provided to the Group US$775 million to repay the Watagan bonds (refer Note D1(d)) on an unsecured and subordinated basis. This loan matures on 31 March 2027. At 30 June 2021 no repayments have been made on this loan.

In December 2014, the Company successfully arranged two long term loan facilities from its majority shareholder, Yanzhou repayable on 31 December 2024.

- Facility 1: AU$1,400 million - the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. At 30 June 2021 US$573 million (AU$762 million) was drawn (31 December 2020 US$573 million (AU$744 million)). During the period no amounts have been drawn down or repaid.
- Facility 2: US$243 million - initially the facility totalled US$807 million with the purpose of the facility being to fund the coupon payable on subordinated capital notes ("SCN"). On 31 January 2018 all remaining SCN's were redeemed limiting the facility to the current drawn amount US$243 million (AU$323 million) (31 December 2020: US$243 million (AU$315 million)). During the period no amount has been drawn down or repaid.

Both of the facilities have a term of 10 years (with principal repayable at maturity, 31 December 2024) and are provided on an unsecured and subordinated basis with no covenants.

(d) Bonds

On 16 December 2020 the Group reconsolidated Watagan Mining Company Pty Ltd and its subsidiaries and as disclosed in Note E2 of the 31 December 2020 Annual Financial Report, the Group acquired US$775 million of bonds payable to external financiers. The financiers were Industrial Bank Co. Ltd US$550 million, Yankuang Group (Hong Kong) Ltd US$200 million and United NSW Energy US$25 million. A commercial arrangement was entered into between Shandong Energy and the financiers whereby Shandong Energy provided a new loan facility of US$775 million to the Group which was used to refinance all the bonds on 31 March 2021.

(e) Contractual maturities and cash flows of interest-bearing liabilities

The table below analyses the Group's interest-bearing liabilities into relevant maturity grouping based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows, which also includes interest, arrangement fees and withholding tax.

	Less than 1 year $M	Between 1 and 2 years $M	Between 2 and 5 years $M	Greater than 5 years $M	Total cash flows $M	Carrying Amount $M
At 30 June 2021						
Lease liabilities	37	15	58	33	143	120
Other interest bearing liabilities	619	235	3,063	1,067	4,984	3,855
Total	**656**	**250**	**3,121**	**1,100**	**5,127**	**3,975**

D Capital structure and financing (continued)

D2 Contributed Equity

	30 June 2021 $M	31 December 2020 $M
Share Capital		
Ordinary shares	**6,219**	6,219
Other contributed equity		
Contingent value right shares	**263**	263
Related party loan contribution (i)	**216**	-
	479	263
Total contributed equity	**6,698**	6,482

(i) Related party loan contribution

On 31 March 2021 Yankuang (renamed Shandong Energy) provided a US$775 million loan to the Group in order for the Group to redeem an equal amount of external bonds on issue. Using the effective interest method a revaluation to fair value the loan from Shandong Energy was performed at inception. The revaluation took into account the implicit discount between the determined arms length commercial interest rate of the loan if the loan was made by a financier that was not a related party, of 12%, and the actual interest rate. The difference is recognised as an increase to other contributed equity reflecting the contribution made to the Group through the implicit support provided by Shandong Energy. The revaluation of the loan is released through interest expense in the profit and loss using the effective interest method over the life of the loan.

D3 Dividends

(a) Dividends

The Directors do not recommend a dividend for the period ending 30 June 2021 (Final dividend for 2019 was paid on 30 April 2020: $280 million)

D4 Share-based payments

Generally, participation in the Share Based Payment program (Long Term Incentive Program, "LTIP") by the issuing of Rights is limited to Senior Executives of the Group. On the achievement of certain performance hurdles all rights are redeemable on a one-for-one basis for the Group's shares, subject to Board's discretion the rights may be settled in cash. Dividends are not payable on the rights.

Details	**Date of measurement / grant**	**Number of Rights***	**Date of Expiry**	**Conversion Price ($)**
Management performance rights				
2018 LTIP	30 May 2018	383,135	1 January 2021	Nil
2019 LTIP	1 January 2019	591,960	1 January 2022	Nil
2020 LTIP	1 January 2020	2,459,845	1 January 2023	Nil
Balance at 31 December 2020		3,434,940		
2019 LTIP	1 January 2019	591,960	1 January 2022	Nil
2020 LTIP	1 January 2020	2,115,455	1 January 2023	Nil
2021 LTIP	1 January 2021	2,870,651	1 January 2024	Nil
Balance at 30 June 2021		5,578,066		

D Capital structure and financing (continued)

D4 Share-based payments (continued)

	2021 No. of Rights	2020 No. of Rights
Balance at beginning of the year	**3,434,940**	3,599,839
Granted during the period	**2,870,651**	2,591,655
LTIP paid in cash	**(153,254)**	-
LTIP rights lapsed	**(229,881)**	-
Forfeited during the period (i)	**(344,390)**	(2,756,554)
Balance at the end of period	**5,578,066**	3,434,940

(i) In 2021 the Chairman of the Executive Committee forfeited his 2020 LTIP right allocation. In 2020 certain executives including Chief Executive Officer, Chief Financial Officer and Chairman of the Executive Committee resigned and previously allocated LTIP performance rights were forfeited upon their departure.

Fair value of performance rights granted

The fair value of the LTIP performance rights has been determined using the following assumptions:

	2021 LTIP	**2020 LTIP**	**2019 LTIP**
Number of performance rights issued	2,870,651	2,591,655	2,161,669
Number of performance rights on issue	2,870,651	2,115,455	591,960
Grant date (b)	1 January 2021	1 January 2020	1 January 2019
Average share price at grant date ($)	2.45	2.86	3.35
Expected dividend yield	8%	8%	8%
Vesting conditions	(a)	(a)	(a)
Value per performance right ($)	1.94	2.23	2.66

There are a maximum of 5,578,066 shares available for issue, which, if issued as new shares, would represent 0.4% of share capital on issue at 30 June 2021 (31 December 2020: 3,434,940 shares representing 0.3% of share capital).

The LTIP has been valued using the volume weighted average price of Yancoal's ordinary shares across a 20 day trading period around the grant date.

(a) The LTIP performance rights will vest dependent upon the outcome of cost and earnings per share targets. The rights are split 40% and 60% respectively to these conditions.

(b) In 2020, the current Chief Executive Officer and Chair of the Executive Committee's performance rights were granted on 31 July 2020 after approval by shareholders at the AGM. All other senior executives were granted on 1 January 2020.

D5 Reserves

	30 June 2021 $M	31 December 2020 $M
Hedging reserve	**(193)**	(137)
Employee compensation reserve	**4**	3
	(189)	(134)

D Capital structure and financing (continued)

D5 Reserves (continued)

Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity, through other comprehensive income. The closing balance relates to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the United States dollar denominated interest-bearing liabilities against future coal sales.

During the period ended 30 June 2021, losses of $28 million were transferred from other comprehensive income to profit or loss in respect of the hedging reserve (31 December 2020: a loss of $194 million).

	30 June 2021 $M	31 December 2020 $M
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**(137)**	(489)
Fair value (losses) / gains recognised on USD interest bearing liabilities	**(108)**	309
Fair value losses recycled to profit or loss	**28**	194
Deferred income tax benefit / (expense)	**24**	(151)
Closing balance	**(193)**	(137)

If interest-bearing liabilities that are a natural hedge to future coal sales are repaid prior to the original designated date then the hedge gain/loss incurred prior to repayment will be released to the profit or loss in line with the original sales to which they were designated. This has resulted in the following pre-tax release profile as at 30 June 2021:

Twelve month period ending 30 June	**2022 $M**	**2023 $M**	**2024 $M**	**2025 $M**	**2026 $M**	**Total $M**
Hedge loss to be recycled in future periods	275	65	(3)	(29)	(32)	276
Of which:						
Hedges related to loans repaid prior to designated repayment date	290	68	-	36	-	394
Hedges related to loans yet to be repaid	(15)	(3)	(3)	(65)	(32)	(118)
						276
Deferred income tax benefit						(83)
Closing balance						193

Subject to foreign exchange rates the hedge loss to be recycled in the six months to 31 December 2021 is $105 million.

Key accounting estimate and judgement:

In determining the expected commercial borrowing rate that is expected to be payable if the loan was made by a financier that was not a related party requires significant judgement in formulating the estimate as there is limited observable comparable transactions.

Employee compensation reserve

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at the fair value. The difference between the fair value at grant date and the amount received against treasury shares is recognised in retained earnings (net of tax).

During the period the movements related to any additional performance rights issued, settled, lapsed or forfeited as disclosed in Note D4.

D Capital structure and financing (continued)

D6 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2021 in respect of:

(i) Bank guarantees

	30 June 2021 $M	31 December 2020 $M
Parent entity and consolidated entity		
Performance guarantees provided to external parties	**126**	134
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**107**	107
	233	241
Joint operations (equity share)		
Performance guarantees provided to external parties	**161**	153
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**361**	321
	522	474
Guarantees held on behalf of related parties (refer Note E3 (d))		
Performance guarantees provided to external parties	**86**	90
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	**4**	4
	90	94
	845	809

(ii) Letter of Support provided to Middlemount

The Company has issued a letter of support dated 4 March 2015 to Middlemount, a joint venture of the Group confirming:

- it will not demand for the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
- it will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

This letter of support will remain in force whilst the Group is a shareholder of Middlemount or until notice of not less than 12 months is provided or such shorter period as agreed by Middlemount.

(iii) Other contingencies

A number of claims have been made against the Group, including in respect of personal injuries, and in relation to contracts which Group members are party to as part of the Group's day to day operations. The personal injury claims which have been made against the Group have largely been assumed by the insurers of the Group under the Group's insurance policies. The Directors do not believe that the outcome of the personal injury or day to day operations claims will have a material impact on the Group's financial position.

D7 Fair value measurement of assets and liabilities

(a) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities (continued)

(a) Fair value hierarchy (continued)

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2021 and 31 December 2020:

At 30 June 2021	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Royalty receivable	**-**	**-**	**217**	**217**
Total assets			**217**	**217**

At 31 December 2020	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Royalty receivable	-	-	217	217
Total assets			217	217

The Group did not measure any financial assets or financial liabilities on a non-recurring basis as at 30 June 2021.

(b) Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the royalty receivable.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the half-year ended 30 June 2021:

	30 June 2021 Royalty receivable $M	31 December 2020 Royalty receivable $M
Opening balance	**217**	226
Remeasurement of the royalty receivable recognised in profit and loss	**-**	(9)
Closing balance	**217**	217

The remeasurement of the royalty receivable in 2021 was less than $1 million.

(i) Royalty receivable

The fair value of the royalty receivable as at 30 June 2021 has been calculated as the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has been determined to have a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and foreign exchange rates are based on the same external data used for impairment assessments (refer to Note C3). The risk-adjusted post-tax discount rate used to determine the future cash flows is 9.0% (31 December 2020: 9.0%).

D Capital structure and financing (continued)

D7 Fair value measurement of assets and liabilities (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

The estimated fair value would increase if the sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The estimated fair value would also increase if the risk-adjusted discount rate was lower.

Sensitivity

The following table summarises the sensitivity analysis of royalty receivable. The analysis assumes that all other variables remain constant.

	30 June 2021 Fair value increase/ (decrease) $M
Coal price	
+10%	**19**
-10%	**(19)**
Exchange rates	
+5 cents	**(11)**
-5 cents	**14**
Discount rates	
+50 bps	**(8)**
-50 bps	**8**

(d) Fair values of other financial instruments

The carrying amount is assumed to approximate the fair value for the following:

(i) Trade and other receivables
(ii) Other financial assets
(iii) Trade and other payables
(iv) Interest-bearing liabilities

E Group structure

E1 Business combinations

(a) Update on acquisition of 10% interest in Moolarben Coal Joint Venture

On 31 March 2020, Yancoal Moolarben Pty Ltd a 100% owned subsidiary of Yancoal Australia Ltd acquired a 10% interest in Moolarben Coal Joint Venture ("Moolarben JV") previously owned by Sojitz Corporation ("Sojitz"). The Moolarben JV is accounted for as a joint operation. With the 10% acquisition the Group now holds an 95% interest in the Moolarben JV.

On acquiring the 10% interest from Sojitz the Group is deemed to now control the activities of the Moolarben JV by holding all voting rights on the Joint Venture Policy Committee.

During 2021 the final instalment of $100 million was paid. There was no change to the provisional accounting at 31 December 2020 and the accounting for the acquisition is now final at 30 June 2021.

E Group structure (continued)

E1 Business combinations (continued)

(b) Update on reconsolidation of Watagan

On 31 March 2016, the Group transferred its interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines, to Watagan Mining Company Pty Limited ("Watagan") for a purchase price of $1,363 million. The purchase price was funded by way of a $1,363 million loan from Yancoal Australia Ltd to Watagan bearing interest of BBSY plus 7.06% with a maturity date of 1 April 2025. The outstanding interest and principal of this loan was guaranteed by Yankuang (renamed Shandong Energy), the Group's ultimate parent entity. From 31 March 2016 the Group lost control of Watagan and began to equity account its results. For further details on the loss of control refer to Note E2(b)(i) of the 31 December 2020 Annual Financial Report.

On 16 December 2020, the Company announced that a commercial arrangement had been entered into between Shandong Energy, its wholly owned subsidiary Yankuang Group (Hong Kong) Ltd (“Yankuang HK”) and two other Bondholders. This arrangement included an agreement that the remaining US$575 million bonds payable by Watagan would be put to Shandong Energy, noting Yankuang HK previously held US$200 million of bonds. The transaction was completed with completion of the transfer of the bonds to Yankuang HK on 31 March 2021. On 16 December 2020 as part of the commercial arrangement the Bondholder nominated directors stepped down from the Watagan Board. The resignation of the Bondholder nominated Watagan directors resulted in the Group regaining accounting control of Watagan from that date. This change in accounting control resulted in the Group ceasing to equity account for its 100% equity interest in Watagan as an associate and reconsolidate the assets, liabilities and results of Watagan as a subsidiary from 16 December 2020. The Company subsequently included the Watagan Group entities in its ASIC Deed of Cross Guarantee.

The reconsolidation of Watagan Group was accounted for as a business combination under AASB 3, and resulted in $593 million of net assets and a $1,383 million loss on reconsolidation, being recorded in the 31 December 2020 annual financial results.

In the prior period adjustments have been made to the provisional accounting of the Watagan net assets on reconsolidation. This resulted in a decrease to property, plant and equipment of $11 million, and an increase to mining tenements of $11 million. The changes have resulted from analysis of the asset registers and fair value accounting of assets that existed at the reconsolidation date. There has been no change to prior period profit or loss due to the acquisition being so close to the period end.

The accounting for the reconsolidation of Watagan remains provisional as at 30 June 2021.

E2 Interests in other entities

(a) Joint and controlled operations

Controlled entities, Moolarben Coal Mines Pty Ltd and Yancoal Moolarben Pty Ltd, have a combined 95% (85% up to 31 March 2020) interest in the Moolarben Joint Venture whose principal activity is the development and operation of open-cut and underground coal mines.

A controlled entity, Coal & Allied Operations Pty Ltd has a 51% interest in the Hunter Valley Operations Joint Venture whose principal activity is the development and operation of open-cut coal mines.

A controlled entity, Mount Thorley Operations Pty Ltd has an 80% interest in the Mount Thorley Joint Venture whose principal activity is the development and operation of open-cut coal mines.

Controlled entities, CNA Warkworth Australasia Pty Ltd and CNA Resources Pty Ltd, have a combined 84.5% interest in the Warkworth Joint Venture whose principal activity is the development and operation of open-cut coal mines.

A controlled entity, Yarrabee Coal Company Pty Ltd, has a 50% interest in the Boonal Joint Venture, whose principal activity is the provision of a coal haul road and train load out facility.

The principal place of business for the above joint operations is in Australia.

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 30 June 2021 and 31 December 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business / country of incorporation	% of ownership interest 2021	% of ownership interest 2020	Nature of relationship	Measurement method	Carrying amount of investment 2021 $M	Carrying amount of investment 2020 $M
Port Waratah Coal Services Ltd (i)	Australia	30	30	Associate	Equity method	176	177
Newcastle Coal Infrastructure Group Pty Ltd (i)	Australia	27	27	Associate	Equity method	-	-
Middlemount Coal Pty Ltd (ii)	Australia	49.9997	49.9997	Joint Venture	Equity method	62	80
WICET Holdings Pty Ltd (i)	Australia	25	25	Associate	Equity method	-	-
HVO Coal Sales Pty Ltd (ii)	Australia	51	51	Joint Venture	Equity method	-	-
HVO Operations Pty Ltd (ii)	Australia	51	51	Joint Venture	Equity method	-	-
HVO Services Pty Ltd (ii)	Australia	51	51	Joint Venture	Equity method	-	-
Total						**238**	**257**

Amount recognised in profit or loss:	**30 June 2021 $M**	30 June 2020 $M
Middlemount Coal Pty Ltd	**18**	35
Port Waratah Coal Services Ltd	**(4)**	(2)
HVO Entities	**-**	2
	14	35

(i) Interests in associates

Port Waratah Coal Services Ltd

The Group holds a direct shareholding in Port Waratah Coal Services Ltd ("PWCS") of 30% (2020: 30%). Under the shareholder agreement between the Group and the other shareholders of PWCS, the Group has 30% of the voting power of PWCS. The Group has the right to appoint a director who is on the Board to partake in policy-making processes and is the appointed manager.

The principal activities of PWCS were the provision of coal receivable, blending, stockpiling and ship loading services in the Port of Newcastle.

Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2020: 27%) of the ordinary shares of Newcastle Coal Infrastructure Group Pty Ltd ("NCIG"). Under the shareholder agreement between the Group and other shareholders of NCIG, the Group has 27% of the voting power of NCIG. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes.

The principal activities of NCIG were the provision of coal receiving, stockpiling and ship loading services in the Port of Newcastle.

WICET Holdings Pty Ltd

The Group holds 25% (2020: 25%) of the ordinary shares of WICET Holdings Pty Ltd ("WICET"). Under the shareholder agreement between the Group and other shareholders of WICET, the Group has 9.7% of the voting power equal to its capacity entitlement at WICET. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes.

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Interests in associates and joint ventures (continued)

The principal activities of WICET were the provision of coal receiving, stockpiling and ship loading services in the Port of Gladstone.

Summarised financial information of associates

The information disclosed below reflects the Group's share of the results of its principal associates and the aggregated assets and liabilities. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	PWCS		**NCIG**	
	30 June 2021 $M	31 December 2020 $M	**30 June 2021 $M**	31 December 2020 $M
Cash and cash equivalents	**81**	62	**70**	63
Other current assets	**43**	43	**40**	36
Current assets	**124**	105	**110**	99
Property, plant and equipment	**1,255**	1,310	**2,162**	2,215
Deferred tax asset	**-**	-	**289**	281
Other non-current assets	**23**	23	**30**	19
Non-current assets	**1,278**	1,333	**2,481**	2,515
Total assets	**1,402**	1,438	**2,591**	2,614
Current liabilities	**223**	226	**75**	50
Deferred tax liability	**55**	61	**-**	-
Other non-current liabilities	**536**	560	**3,716**	3,718
Non-current liabilities	**591**	621	**3,716**	3,718
Total liabilities	**814**	847	**3,791**	3,768
Net assets / (liabilities)	**588**	591	**(1,200)**	(1,154)
Group's ownership interest in the Net Assets	**176**	177	**(324)**	(312)

	PWCS		**NCIG**	
	30 June 2021 $M	30 June 2020 $M	**30 June 2021 $M**	30 June 2020 $M
Revenue	**168**	168	**240**	232
Other finance costs	**(8)**	(11)	**(112)**	(126)
Depreciation and amortisation	**(62)**	(60)	**(57)**	(52)
Net loss on foreign exchange	**-**	-	**(45)**	(125)
Other expenses	**(76)**	(84)	**(79)**	(48)
Income tax (expense) / benefit	**(7)**	(5)	**7**	27
Profit / (loss) after tax	**15**	8	**(46)**	(92)
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income / (expense)	**14**	8	**(46)**	(92)
Group's ownership interest in profit / (loss) after tax	**4**	2	**(12)**	(25)

Movements in carrying amounts

The Group's share of NCIG's loss after tax has not been recognised for the reporting periods since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at the reporting dates.

As the Group does not have contractual agreements or a constructive obligation to contribute to these associates no additional liabilities have been recognised.

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Interests in associates and joint ventures (continued)

Movements in PWCS carrying amounts	**30 June 2021 $M**	31 December 2020 $M
Opening net book value	**177**	184
Share of profit of equity accounted investee, net of tax	**4**	4
Dividends received	**(5)**	(11)
Closing net book value	**176**	177

(ii) Interest in joint ventures

Middlemount Coal Pty Ltd

A controlled entity, Gloucester (SPV) Pty Ltd, has a 49.9997% interest in the net assets of Middlemount Coal Pty Ltd ("Middlemount"), an incorporated joint venture, whose principal activity is the development and operation of open-cut coal mines in the Bowen Basin.

HVO entities

The Group holds a 51% interest in HVO Coal Sales Pty Ltd, HVO Operations Pty Ltd and HVO Services Pty Ltd (together the "HVO Entities"). These entities are the sales, marketing and employee vehicles of the Hunter Valley Operations Joint Venture.

Summarised financial information of joint venture

The following table provides summarised financial information for the HVO Entities and Middlemount. They have been amended to reflect adjustments made by the Group when using the equity method, including acquisition accounting adjustments and modifications for differences in accounting policy.

	HVO Entities		**Middlemount**	
	30 June 2021 $M	31 December 2020 $M	**30 June 2021 $M**	31 December 2020 $M
Cash and cash equivalents	**5**	6	**7**	12
Other current assets	**114**	76	**88**	69
Total current assets	**119**	82	**95**	81
Total non-current assets	**28**	25	**1,047**	1,103
Total current liabilities	**113**	72	**428**	441
Deferred tax liabilities	**-**	-	**283**	270
Other non-current liabilities	**38**	38	**308**	313
Total non-current liabilities	**38**	38	**591**	583
Net assets	**(4)**	(3)	**123**	160
Group's ownership interest in net assets	**(2)**	(1)	**62**	80

E Group structure (continued)

E2 Interests in other entities (continued)

(b) Interests in associates and joint ventures (continued)

	HVO Entities		Middlemount	
	30 June 2021 $M	30 June 2020 $M	**30 June 2021 $M**	30 June 2020 $M
Revenue	**-**	-	**229**	179
Depreciation and amortisation	**-**	-	**(35)**	(31)
Other expenses	**(1)**	(5)	**(207)**	(221)
Interest expenses	**-**	-	**(26)**	(19)
Income tax (expense) / benefit	**-**	(2)	**2**	22
Loss after tax	**(1)**	(7)	**(37)**	(70)
Movements in reserves, net of tax	**-**	-	**-**	-
	(1)	(7)	**(37)**	(70)
Group's ownership interest in loss after tax	**(1)**	(3)	**(18)**	(35)

The Group's share of the HVO Entities loss after tax has not been recognised for the half-year ended 30 June 2021 since the Group's share of the joint ventures accumulated loss exceeded its interest during the period.

The liabilities of Middlemount include non-interest-bearing liability of $283 million, Yancoal share $142 million (face value of $212 million) due to the Group at 31 June 2021 (31 December 2020: $270 million, Yancoal share $135 million, face value $212 million) with maturity of 31 December 2025 and current interest-bearing revolver of $114 million (Yancoal share $57 million) which has a further $46 million available to drawn upon at 30 June 2021 (31 December 2020: $120 million, Yancoal share $60 million drawn, $160 million facility). The liabilities of Middlemount also include a royalty payable of $42 million due to the Group at 30 June 2021 (31 December 2020: $32 million).

Movements in carrying amounts

	Middlemount	
	30 June 2021 $M	31 December 2020 $M
Opening net book amount	**80**	87
Share of loss of equity-accounted investees, net of tax	**(18)**	(61)
Movement in other equity, net of tax	**-**	54
Closing net book amount	**62**	80

(iii) Commitments and contingent liabilities in respect of associates and joint venture

There were no commitments and no contingent liabilities in respect of the Group's associates and HVO Entities as at 30 June 2021.

There were no commitments and no contingent liabilities in respect of the Group's interest in Middlemount at 30 June 2021.

Other contingent liabilities in respect of the Group's interest in Middlemount are set out in Note D6.

E3 Related party transactions

(a) Parent entities

The parent entity within the Group is Yancoal Australia Ltd. The Group's majority shareholder is Yanzhou Coal Mining Company Limited ("Yanzhou", incorporated in the People's Republic of China). The ultimate parent entity and ultimate controlling party is Shandong Energy incorporated in the People's Republic of China.

E Group structure (continued)

E3 Related party transactions (continued)

(a) Parent entities (continued)

Yancoal International Resources Development Co., Ltd, Yancoal International Trading Co., Ltd (up to 30 April 2020) and Yankuang (Hainan) Intelligent Logistics Technology Co., Ltd ("Yankuang Hainan") are owned by Yanzhou and incorporated in Hong Kong. Yankuang Group (Hong Kong) Ltd is wholly owned by Shandong Energy. Yankuang Resources Pty Ltd's ultimate parent is Shandong Energy and is incorporated in Australia and the Company manages this entity on behalf of Shandong Energy. Yancoal International Trading Co., Ltd from 30 April 2020 is owned by Shandong Energy.

(b) Yancoal International (Holding) Co., Ltd

Yancoal International (Holding) Co., Ltd is a wholly owned subsidiary of Yanzhou and controls the following subsidiaries: Yancoal Technology Development Holdings Pty Ltd, Athena Holdings Pty Ltd, Tonford Holdings Pty Ltd, Wilpeena Holdings Pty Ltd, Premier Coal Holdings Pty Ltd, Premier Coal Ltd, Yankuang Ozstar Ningbo Trading Co Ltd ("Yankuang Ozstar"), Yancoal Energy Pty Ltd and Syntech Resources Pty Ltd (“Yancoal International Group”). The Company manages these entities on behalf of Yanzhou.

(c) Associates and joint ventures

Refer to Note E2 for further details on the associates and joint ventures.

(d) Transactions with other related parties

The following transactions occurred with related parties:

	30 June 2021 $'000	30 June 2020 $'000
Sales of goods and services		
Sales of coal to Yancoal International (Holding) Co., Ltd (i)	**6,167**	67,705
Provision of marketing and administrative services to Watagan Group	**-**	2,993
Provision of marketing and administrative services to Yancoal International Group (ii)	**4,553**	5,050
Purchases of goods and services		
Purchases of coal from Syntech Resources Pty Ltd (i)	**(9,862)**	-
Purchase of coal from Watagan Group	**-**	(75,479)
Advances and loans		
Repayment of loans from Watagan Mining Company Pty Ltd	**-**	164,555
Advances of loans to Watagan Mining Company Pty Ltd	**-**	(229,097)
Advances of loan receivable to Middlemount	**-**	(35,000)
Repayments of loan receivable from Middlemount	**3,000**	-
Finance costs		
Interest expenses on loans from Yancoal International Resources Development Co., Ltd (ii)	**(5,565)**	(6,286)
Interest expenses on loans from Yancoal International (Holding) Co., Ltd (ii)	**(2,308)**	(2,607)
Interest expenses on loans from Yanzhou (ii)	**(27,668)**	(33,223)
Interest on bond from Yankuang Group (Hong Kong) Ltd	**(2,718)**	-
Interest on loan from Shandong Energy	**(11,951)**	-
Interest expense released on loan from Shandong Energy	**(9,536)**	-
Other costs		
Corporate guarantee fee to Yanzhou	**(12,199)**	(15,545)
Port charges to NCIG	**(62,045)**	(56,491)
Port charges to PWCS	**(13,121)**	(18,659)
Finance income		
Interest income on loan to Watagan Mining Company Pty Ltd	**-**	34,558
Interest income released from loan receivable with Middlemount	**6,881**	5,307
Interest income received from loan receivable with Middlemount	**2,882**	2,525

E Group structure (continued)

E3 Related party transactions (continued)

(d) Transactions with other related parties (continued)

	30 June 2021 $'000	30 June 2020 $'000
Other income		
Mining services fees charged to Watagan Group	**-**	28,972
Royalty income charged to Middlemount	**9,480**	7,447
Bank guarantee fee charged to Yancoal International Group (ii)	**1,108**	1,456
Longwall hire fee charged to Austar Coal Mine Pty Ltd	**-**	1,185
Bank guarantee fee charged to Watagan Group	**-**	704
Dividend income received from PWCS	**6,908**	6,755

(e) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	30 June 2021 $'000	31 December 2020 $'000
Current assets		
Trade and other receivables		
Receivable from Yancoal International Group in relation to cost reimbursement	**2,867**	1,293
Royalty receivable from Middlemount	**42,018**	31,636
Other receivable from Yankuang Resources Pty Ltd	**5**	-
Loans receivable		
Loan receivable advanced to Middlemount	**57,000**	60,000
Interest income receivable from Middlemount	**468**	510
	102,358	93,439
Non-current assets		
Advances to joint venture		
Receivable from Middlemount being an unsecured, non-interest-bearing advance (face value $212 million)	**141,659**	134,778
	141,659	134,778
Current liabilities		
Other payables		
Payables to Yanzhou	**96,309**	84,799
Payables to Yancoal International Resources Development Co., Ltd	**5,166**	5,143
Payables to Yancoal International (Holding) Co., Ltd	**12,328**	2,133
Payables to Yankuang Group (Hong Kong) Ltd	**-**	785
Payables to Shandong Energy	**11,951**	-
	125,754	92,860
Other payables to Shandong Energy, Yanzhou and its subsidiaries		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan (ii)	**179,569**	175,279
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan (ii)	**74,484**	72,704
Payable to Yanzhou being an unsecured, interest-bearing loan (ii)	**830,910**	811,060
Payable to Yankuang Group (Hong Kong) Ltd being an interest-bearing bond (ii)	**-**	259,673
Payable to Shandong Energy, interest-bearing loan (face value US$775 million) (ii)	**731,554**	-
	1,816,517	1,318,716

E Group structure (continued)

E3 Related party transactions (continued)

(e) Outstanding balances (continued)

The terms and conditions of the related party non-current liabilities is detailed in Note D1(c) above.

(i) Continuing connected transaction under Chapter 14A of HK listing rules.
(ii) Fully exempt continuing connected transaction under Chapter 14A of HK listing rules.

(f) Guarantees

The financiers of the Group have issued undertakings and guarantees to government departments, and various external parties on behalf of the following related entities:

	30 June 2021 $'000	31 December 2020 $'000
Yancoal International Group		
Syntech Resources Pty Ltd	**60,879**	64,879
AMH (Chinchilla Coal) Pty Ltd	**49**	49
Premier Coal Ltd	**29,000**	29,000
Tonford Holdings Pty Ltd	**10**	10
Athena Joint Venture	**3**	3
Yankuang Ozstar Pty Ltd	**63**	63
Other		
Yankuang Resources Pty Ltd	**45**	45
	90,049	94,049

Refer to Note D7 for details of the nature of the guarantees provided.

(g) Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The terms of the loan facilities from Yanzhou are as follows:

On 31 December 2014 an AU$1,400 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2021 no amounts were repaid or drawn (2020: no amount was repaid or drawn). As at 30 June 2021 a total of US$573 million has been drawn.

On 31 December 2014 an US$807 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2021 no amounts were repaid or drawn (2020: no amount was repaid or drawn). As at 30 June 2021 a total of US$243 million has been drawn. At 31 January 2018, all remaining subordinated capital notes were redeemed limiting the facility to the current drawn amount.

Yanzhou provided corporate guarantees as security for the following facilities:

- Syndicated facility and syndicated bank guarantee facility a fixed rate of 1.5% is charged on the outstanding loan principal and bank guarantee facility limit.

The terms of the loan facilities from Shandong Energy are as follows:

On 31 March 2021 US$775 million was provided by Yankuang, for a term of six years, at a fixed interest rate of 4.65% for the first three years, to be replaced with the five year loans prime rate for the next three years. The loan is provided on an unsecured and subordinate basis. At 30 June 2021 the loan is fully drawn.

(h) Letter of support provided by parent

The Directors of Yanzhou have provided a letter of support whereby unless revoked by giving not less than 24 months notice, for so long as Yanzhou owns at least 51% of the shares of Yancoal, Yanzhou will ensure that Yancoal continues to operate so that it remains solvent.

F Other information

F1 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting date but not recognised as liabilities is as follows:

	30 June 2021 $M	31 December 2020 $M
Property, plant and equipment		
Not later than one year		
Share of joint operations	**94**	42
Other	**5**	-
	99	42
Exploration and evaluation		
Not later than one year		
Share of joint operations	**3**	3
	102	45

F2 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or Company in subsequent financial periods.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 29 to 67 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and

(ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Gregory James Fletcher
Director
19 August 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF YANCOAL AUSTRALIA AND CONTROLLED ENTITIES

Report on the Half-year Financial Statements

Conclusion

We have reviewed the half-year financial statements of Yancoal Australia Ltd (the Company") and its controlled entities ("the Group") which comprises the consolidated balance sheet as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes to the financial statements and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial statements of the Group is not in accordance with the *Corporations Act 2001*, including:

1. giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Half-Year Financial Statements section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES *110 Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the annual financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors' for the Financial Statements

The directors of the Company are responsible for the preparation of half-year financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-Year Financial Statements

Our responsibility is to express a conclusion on the half-year financial statements based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial statements are not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

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A review of half-year financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

ShineWing Australia
Chartered Accountants

R Blayney Morgan
Partner

Melbourne, 19 August 2021

Yang (Bessie) Zhang
Partner

Brisbane, 19 August 2021

ADDITIONAL DISCLOSURES

Exploration drilling

The total payments for capitalised exploration and evaluation activities in the period were approximately $1 million. There were no development activities related to mining structures or infrastructure undertaken in the period. The drilling totals provided exclude pre-production drilling.

	Moolarben		MTW [9]		HVO		Yarrabee [10]	
	Holes	Metres drilled	Holes	Metres drilled	Holes	Metres drilled	Holes	Metres drilled
Non-Core Holes	71	2022	0	0	0	0	0	0
Core Holes	13	1333	3	936	3	799	0	0

	Middlemount		Stratford Duralie		Ashton		Austar		Donaldson	
	Holes	Metres drilled	Holes	Metres drilled	Holes	Metres drilled	Holes	Metres drilled	Holes	Metres drilled
Non-Core Holes	0	0	0	0	0	0	0	0	0	0
Core Holes	0	0	0	0	0	0	0	0	0	0

Fulfilment of conditions and undertakings

The Company confirms that it has complied with the conditions and undertakings imposed by the Hong Kong Stock Exchange during the period from 1 January 2021 to 30 June 2021.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the six months ended 30 June 2021.

Disclosure of Directors' information pursuant to Rule 13.51B(1) of the HK Listing Rules

There is no change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the HK Listing Rules subsequent to the publication of the 2020 Annual Report of the Company.

Pre-emptive rights on new issues of shares

Under the *Corporations Act 2001* (Cth) and the Company's Constitution, shareholders do not have the right to be offered any shares that are newly issued for cash before those Shares can be offered to non-Shareholders.

Share Option Scheme

As of 30 June 2021, the Group has no share option scheme.

Purchase, sale or redemption of the Company's listed securities

During the period, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such securities.

[9] Select pre-production holes were deepened for the underground pre-feasibility study, the capital expenditure component of completed holes is included
[10] Pre-production drilling only (operating expenditure) in 1H 2021

Public float

The Stock Exchange of Hong Kong Limited Rule 8.08(1)(a) of the Hong Kong Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public.

The Company was granted a waiver under Rule 8.08(1) requiring the Company to maintain a minimum public float of approximately 15.37%.

Based on the information available to the Company as at 30 June 2021, approximately 15.41% of the Company's issued ordinary shares are held by the public. Accordingly, the Company has complied with the waiver granted by The Stock Exchange of Hong Kong Limited.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

GLOSSARY

AGM	Annual General Meeting
Aon	Aon Hewitt
ARMC	Audit and Risk Management Committee
ASX	The Australian Securities Exchange
ASX Recommendations	ASX Corporate Governance Council's Principles and Recommendations
AusIMM	Australasian Institute of Mining and Metallurgy
Board	Yancoal's board of directors
CEC	Chair of the Executive Committee
CEO	Chief Executive Officer
CER	Clean Energy Regulator
CFO	Chief Financial Officer
Cinda	Cinda (HK) Holdings Company Limited Group
Coke (steel making)	A grey, hard, and porous fuel with a high carbon content and few impurities, made by heating coal or oil in the absence of air.
Continuing Connected Transactions	The Stock Exchange of Hong Kong requires disclosure of 'Continuing Connected Transactions' which are connected transactions involving the provision of goods or services, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. They are usually transactions in the ordinary and usual course of business of the issuer. Connected transactions are transactions with connected persons, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions.
Costs Target	Costs Target vesting condition
Deferred Share Rights	Rights to Yancoal shares with no dividend equivalent payments that vest over time subject to remaining employed
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPS	Earnings per share
EPS Awards	Earnings per share vesting condition
ESA	Executive Service Agreement
ESG	Environment, Sustainability and Governance
Executive KMPs	Nominated members of the Executive Committee.
Executives	Comprise the executive directors and Executive KMPs
FAR	Fixed Annual Remuneration
FOB Cash Costs	Free On Board Cash Costs (excluding royalties)
HK Code	Corporate Governance Code in Appendix 14
HK Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
HKEx	The Stock Exchange of Hong Kong
HKExnews	Website for regulatory filings and disclosures of listed issuers on the Stock Exchange of Hong Kong
HSEC Committee	Health, Safety, Environment and Community Committee
HVO	The Hunter Valley Operations mine
IFRSs	International Financial Reporting Standards
JORC	Joint Ore Reserves Committee
Key Management Personnel (KMP)	Comprise the Directors of the Company and the Executive KMPs.
KPIs	Key Performance Indicators
LTI/LTIP	Long-term incentive plan

LTIFR	The Lost Time Injury Frequency Rate is the number of lost time injuries occurring in a workplace per 1 million hours worked.
Metallurgical coal	A collective term applied to coal used in the steel making process
Mineral Reserve	Parts of a Mineral Resource that can, at present, be economically mined. The two categories define an increasing level of geological confidence with Probable at the low end and Proved at the high end.
Mineral resource	The concentration of material of economic interest in or on the earth's crust. The three categories define an increasing level of geological confidence with Inferred at the low end, then Indicated, and Measured at the high end.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers
MTW	The Mount Thorley Warkworth Mine
NCIG	Newcastle Coal Infrastructure Group is a coal export terminal in Newcastle, New South Wales.
NGER	National Greenhouse and Energy Reporting
NRC	Nomination and Remuneration Committee
PBT	Profit Before Tax
PCI Coal	Pulverised Coal Injection coal is used heat source and supplementary fuel in the steel making process to reduce coke consumption.
Performance Rights	Rights to Yancoal shares with no dividend equivalent payments that vest over time subject to meeting performance criteria and remaining employed
Protocol	Board Performance Evaluation Protocol
PWCS	Port Waratah Coal Services is a coal export terminal in Newcastle, New South Wales.
ROM Coal	Run Of Mine Coal, the coal volume initially extracted from the mine
ROM tonnes	Run of Mine tonnes
Saleable coal	Coal volume remaining after processing to remove non-coal material
Scope 1 emissions	Scope 1 covers direct emissions from owned or controlled sources; for example emissions released from coal during the mining process.
Scope 2 emissions	Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.
Scope 3 emissions	Scope 3 includes all other indirect emissions that occur in a company's value chain; for example the emissions real during combustion of coal by the end users.
Semi-soft coking coal	Used to produce coke for the steel-making process, but is produces a low coke quality and more impurities compared to hard coking coal.
SFO	Hong Kong Securities and Futures Ordinance
Shandong Energy	Shandong Energy Group Company Limited
STI/STIP	Short-term incentive plan
TCFD	The Taskforce on Climate-related Financial Disclosures was established by the Financial Stability Board to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks.
tCO_2-e	Emissions equivalent to a tonne of carbon dioxide emissions; it is the standard unit in carbon accounting to quantify greenhouse gas emissions.
The Company or **Yancoal**	Yancoal Australia Ltd
The Group	Yancoal Australia Ltd and its controlled entities
Thermal coal	A collective term applied to coal suited to combustion to generate electricity or other purposes.
TRI & DI	Total Recordable Injuries & Disease Injuries
TRIFR	The Total Recordable Injury Frequency Rate is the number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked.
TRIFR	Total Recordable Injury Frequency Rate
VWAP	Volume Weighted Average Price gives the average price a security has traded at throughout a period, based on both volume and price
WICET	Wiggins Island Coal Export Terminal is a coal export terminal in at Gladstone, Queensland.
Yankuang	Yankuang Group Company Ltd
Yanzhou	Yanzhou Coal Mining Company Ltd

CORPORATE DIRECTORY

DIRECTORS

Baocai Zhang

Ning Zhang

Cunliang Lai

Qingchun Zhao

Xiangqian Wu

Xing Feng

Gregory Fletcher

Dr Geoffrey Raby

Helen Gillies

COMPANY SECRETARY:

Laura Ling Zhang

AUDITOR:

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YANCOAL

兖煤澳大利亚有限公司