PIC AU Holdings LLC

Financial Statements

For the quarter ended
March 31, 2021

TABLE OF CONTENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Basis of Presentation

PIC AU Holdings LLC (the Company) is a wholly-owned subsidiary of Peabody Energy Corporation (Peabody). In July and August 2020, Peabody effected certain changes to its corporate structure (Organizational Realignment) in contemplation of a debt-for-debt exchange, which included, among other steps, the formation of certain wholly-owned subsidiaries, including the Company, to own and conduct the operations of Peabody's Wilpinjong Mine (the Mine). The Mine is engaged in the mining of low-sulfur, high Btu thermal coal in New South Wales, Australia, using surface extraction processes.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and notes thereto included in Peabody's Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, these financial statements reflect all normal, recurring adjustments necessary for a fair presentation. Balance sheet information presented herein as of December 31, 2020 has been derived from the Company's audited consolidated balance sheet at that date. The Company's results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for future quarters or for the year ending December 31, 2021.

All comparative information included herein for the quarter ended March 31, 2020 is based upon the accounts of the Mine prior to the formation of the Company. All information presented herein is in U.S. dollars unless otherwise noted.

Results of Operations

Non-GAAP Financial Measures

The following discussion of the Company's results of operations includes references to and analysis of Adjusted EBITDA, which is a financial measure not recognized in accordance with U.S. GAAP. Adjusted EBITDA is used by management as the primary metric to measure segmental operating performance.

Company management believes non-GAAP performance measures are used by investors to measure its operating performance and lenders to measure its ability to incur and service debt. These measures are not intended to serve as alternatives to U.S. GAAP measures of performance and may not be comparable to similarly-titled measures presented by other companies. Refer to the "Reconciliation of Non-GAAP Financial Measures" section contained within this section for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Quarter Ended March 31, 2021 Compared to the Quarter Ended March 31, 2020

Summary

Wilpinjong's revenues for the quarter ended March 31, 2021 decreased from the prior year ($6.2 million) due to lower realized prices and unfavorable mix variances, partly offset by favorable foreign exchange impacts on domestic revenue.

Results from continuing operations, net of income taxes decreased for the quarter ended March 31, 2021 compared to the same prior year period ($89.2 million) due to the unfavorable revenue variance described above as well as lower foreign exchange benefits ($50.1 million), interest costs attributable to debt issued by the Company ($7.3 million), slightly higher operating costs and expenses ($3.5 million) and an increase in income tax provision ($22.1 million).

Tons Sold, Revenues and Adjusted EBITDA

The following table presents tons sold, revenues, and Adjusted EBITDA for the Company (in thousands):

	Quarter Ended March 31,		(Decrease) Increase	
	2021	2020	Tons/$	%
Tons sold	2,888	3,156	(268)	(8.5)%
Revenues	91,756	97,920	(6,164)	(6.3)%
Adjusted EBITDA	24,586	31,627	(7,041)	(22.3)%

(Loss) Income From Continuing Operations, Net of Income Taxes

The following table presents (loss) income from continuing operations, net of income taxes, for the Company (in thousands):

	Three Months Ended March 31,		Increase (Decrease) to Income	
	2021	2020	$	%
Adjusted EBITDA [1]	$ 24,569	$ 31,627	$ (7,058)	(22)%
Depreciation, depletion and amortization	(18,629)	(16,153)	(2,476)	15 %
Asset retirement obligation expenses	(738)	(637)	(101)	16 %
Interest expense	(7,992)	(267)	(7,725)	2893 %
Foreign exchange gain	507	50,615	(50,108)	(99)%
Management overhead charges	(466)	(873)	407	(47)%
Income tax (provision) benefit	(873)	21,279	(22,152)	(104)%
(Loss) income from continuing operations, net of income taxes	$ (3,622)	$ 85,591	$ (89,213)	(104)%

(1) This is a financial measure not recognized in accordance with U.S. GAAP. Refer to the “Reconciliation of Non-GAAP Financial Measures” below for definitions and reconciliations to the most comparable measures under U.S. GAAP.

Revenues. The decrease in revenues for the quarter ended March 31, 2021 compared to the prior year quarter was driven by unfavorable realized coal pricing and product mix as well as lower volume.

Adjusted EBITDA. The decrease in Adjusted EBITDA for the quarter ended March 31, 2021 compared to the prior year quarter resulted from lower revenues, partially offset by lower costs for fuel, equipment maintenance, services and repairs.

Interest expense. The increase in interest expense is attributable to debt issued by the Company during the quarter ended March 31, 2021, as further described below.

Foreign exchange gain. Foreign exchange gains primarily relate to the impact of exchange rate movements on foreign currency payables to and receivables from related parties. In connection with the Organizational Realignment, the balance of related party payables and receivables were forgiven during the year ended December 31, 2020, thereby reducing the impact of exchange rate movements during the quarter ended March 31, 2021.

Income tax provision. The income tax benefit recorded during the quarter ended March 31, 2020 was driven by foreign exchange impacts.

Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA is defined as (loss) income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expenses, depreciation, depletion and amortization and reorganization items, net. Adjusted EBITDA is also adjusted for the discrete items that management excluded in analyzing operating performance, as displayed in the reconciliation below (in thousands):

	Three Months Ended March 31,	
	2021	2020
	$’000	$’000
(Loss) income from continuing operations, net of income taxes	$ (3,622)	$ 85,591
Depreciation, depletion and amortization	18,629	16,153
Asset retirement obligation expenses	738	637
Interest expense	7,992	267
Foreign exchange gain	(507)	(50,615)
Management overhead charges	466	873
Income tax provision (benefit)	873	(21,279)
Adjusted EBITDA	$ 24,569	$ 31,627

Outlook

As part of its normal planning and forecasting process that it performs on behalf of Wilpinjong, Peabody utilizes a broad approach to develop macroeconomic assumptions for key variables, including country-level gross domestic product, industrial production, fixed asset investment and third-party inputs, driving detailed supply and demand projections for key demand centers for coal and electricity generation. Supply models and cost curves concentrate on major supply regions/ countries that impact the regions in which the Company operates. Estimates involve risks and uncertainties and are subject to change based on various factors.

The Company's near-term outlook is intended to coincide with the next 12 to 24 months, with subsequent periods addressed in its long-term outlook. The Company continues to monitor the rapidly evolving COVID-19 pandemic and any impacts related to both its near-term and long-term outlook.

Near-Term Outlook

The COVID-19 pandemic continues to impact the global economy, including demand and pricing for global coal markets. Ultimately, demand for seaborne coal will be dependent on the timing and scale of a COVID-19 recovery.

Within the seaborne thermal coal market, tight supplies and low inventory levels have kept Newcastle thermal coal pricing at healthy levels year-to-date. China's domestic supply remains hampered by heightened safety inspections. In addition, India's coal stockpiles have been falling gradually since mid-December as there has been a delay in typical restocking ahead of the monsoon season in June. As of the end of March 2021, India's plant inventory levels were estimated at approximately 15 days burn versus 28 days a year ago.

Long-Term Outlook

Current projections indicate a slow seaborne market recovery as the global economy continues to be impacted by COVID-19. Future supply and demand will be impacted by economic conditions and public policy related to the COVID-19 pandemic in key supply and demand centers. Further, the Company believes coal demand and use will be adversely impacted by the policy decisions of various governments, regulatory bodies, financial institutions and others with respect to concerns over the environmental and social impacts of coal generation.

For seaborne thermal, the Company expects ASEAN countries and India to be drivers for seaborne coal demand growth due to increased electrification and economic gains. This growth is anticipated to more than offset declines from developed economies, including the U.S. and Europe. Seaborne thermal coal will continue to be sourced primarily from seaborne exporters Indonesia and Australia, along with Russia, Colombia, South Africa and the U.S., among others.

Liquidity and Capital Resources

The Company's primary source of cash is proceeds from the sale of coal to its Peabody affiliates and unrelated customers. The primary uses of cash include cash costs of coal production, capital expenditures, royalty payments, lease payments, and other expenses.

Historically, excess cash produced by the Company was provided to its parent entities to fund its obligations and capital requirements.

Capital Requirements

For 2021, the Mine is targeting capital expenditures of approximately $32.0 million, which includes approximately $21.0 million for an ongoing extension project.

Off-Balance Sheet Arrangements

Australian laws require the Company to provide financial assurances related to requirements to reclaim lands used for mining and to satisfy other miscellaneous obligations. The primary methods used to meet those obligations are to provide a third-party surety bond or provide a letter of credit, which may be provided by Peabody. As of March 31, 2021, the Company indirectly had approximately $43.0 million of outstanding surety bonds to provide required financial assurances for post-mining reclamation, and approximately $61.0 million of surety for other obligations and performance guarantees.

Commodity Price Risk

The Company estimates 2021 thermal coal sales volumes of 13 million tons, comprised of thermal export volume of approximately 5-6 million tons and domestic volume of approximately 7-8 million tons. The domestic volume is sold to a single unrelated customer under a long-term coal supply agreement. The agreement mitigates a portion of the Company's commodity price risk.

Refinancing Transactions

During the fourth quarter of 2020 and the first quarter of 2021, Peabody entered into a series of interrelated agreements with its surety bond providers, the revolving lenders under its credit agreement and certain holders of its senior secured notes to extend a significant portion of its near-term debt maturities to December 2024 and to stabilize collateral requirements for its existing surety bond portfolio. Such agreements and related activities are described below.

Organizational Realignment

In connection with the Organizational Realignment, the Company, the Mine, and another Peabody subsidiary formed for purposes of the debt-for-debt exchange (the Co-Issuers) were designated as unrestricted subsidiaries under Peabody's then-existing debt agreements. Additionally, the Mine subdivided its ordinary shares into 1,202 ordinary shares and the Company ultimately acquired 100% of such shares. Peabody Energy Australia Pty Ltd paid to the Mine $100.0 million cash as partial repayment of intercompany receivables, and the balance of intercompany payables and receivables were forgiven. The net impact of the forgiveness of such intercompany balances was recorded as a loss on early debt extinguishment during the year ended December 31, 2020.

The transaction also included the release of the Mine from Peabody's accounts receivable securitization program.

Surety Agreement

In November 2020, Peabody entered into a surety transaction support agreement (Surety Agreement) with the providers of 99% of its surety bond portfolio (Participating Sureties) to resolve approximately $800.0 million in additional collateral demands made by the Participating Sureties. In accordance with the Surety Agreement, Peabody initially provided $75.0 million of collateral, in the form of letters of credit.

Upon completion of the Refinancing Transactions, as defined below, other provisions of the Surety Agreement became effective. In particular, Peabody granted second liens on $200.0 million of certain mining equipment, including mining equipment of the Mine, and will post an additional $25.0 million of collateral per year from 2021 through 2024 for the benefit of the Participating Sureties. The collateral postings may also further increase to the extent that Peabody generates more than $100.0 million of free cash flow (as defined in the Surety Agreement) in any twelve-month period or has asset sales in excess of $10.0 million. Further, the Participating Sureties have agreed to a standstill through December 31, 2024, during which time, the Participating Sureties will not demand any additional collateral, draw on letters of credit posted for the benefit of themselves, or cancel, or attempt to cancel, any existing surety bond. Peabody will not pay dividends or make share repurchases during the standstill period, unless otherwise agreed between the parties.

Refinancing Transactions

On January 29, 2021 (the Settlement Date), Peabody completed a series of transactions (collectively, the Refinancing Transactions) to, among other things, provide Peabody with maturity extensions and covenant relief, while allowing it to maintain sufficient operating liquidity and financial flexibility. The Refinancing Transactions included a senior notes exchange and related consent solicitation, a revolving credit facility exchange, and various amendments to Peabody's existing debt agreements, as summarized below. The Refinancing Transaction resulted in the incurrence of approximately $400 million of long-term debt by the Company and the designation of the Company's assets as collateral for the debt.

Exchange Offer

On the Settlement Date, Peabody settled an exchange offer (Exchange Offer) pursuant to which $398.7 million aggregate principal amount of Peabody's 6.000% Senior Secured Notes due March 2022 (the 2022 Notes) were validly tendered, accepted by Peabody and exchanged for aggregate consideration consisting of (a) $193.9 million aggregate principal amount of new 10.000% Senior Secured Notes due 2024 issued by the Co-Issuers (Co-Issuer Notes), (b) $195.1 million aggregate principal amount of new 8.500% Senior Secured Notes due 2024 issued by Peabody (Peabody Notes), and (c) a cash payment of approximately $9.4 million. In connection with the settlement of the Exchange Offer, Peabody also paid early tender premiums totaling $4.0 million in cash.

Following the settlement of the Exchange Offer, approximately $60.3 million aggregate principal amount of the 2022 Notes remain outstanding and are governed by their existing indenture (Existing Indenture), as amended by the supplemental indenture described below.

In connection with the Exchange Offer, Peabody purchased approximately $22.5 million Peabody Notes at 80% of their accreted value, plus accrued and unpaid interest, during the first quarter of 2021.

Consent Solicitation

Concurrently with the Exchange Offer, Peabody solicited consents from holders of the 2022 Notes to certain proposed amendments to the Existing Indenture to (i) eliminate substantially all of the restrictive covenants, certain events of default applicable to the 2022 Notes and certain other provisions contained in the Existing Indenture and (ii) release the collateral securing the 2022 Notes and eliminate certain other related provisions contained in the Existing Indenture. Peabody received the requisite consents from holders of the 2022 Notes and entered into a supplemental indenture to the Existing Indenture, which became operative on January 29, 2021.

Revolver Transactions

In connection with the Refinancing Transactions, Peabody restructured the revolving loans under its credit agreement by (i) making a pay down of revolving loans thereunder in the aggregate amount of $10.0 million, (ii) the Co-Issuers incurring $206.0 million of term loans under a credit agreement, dated as of the Settlement Date (Co-Issuer Term Loans, Co-Issuer Term Loan Agreement), (iii) Peabody entering into a letter of credit facility (the Peabody LC Agreement), and (iv) amending its credit agreement (collectively, the Revolver Transactions).

The Co-Issuer Term Loans mature on December 31, 2024 and bear interest at a rate of 10.00% per annum.

On the Settlement Date, Peabody entered into the Peabody LC Agreement with the revolving lenders party to the credit agreement, pursuant to which Peabody obtained a $324.0 million letter of credit facility under which Peabody's existing letters of credit under the credit agreement were deemed to be issued. The commitments under the Peabody LC Agreement mature on December 31, 2024. Undrawn letters of credit under the Peabody LC Agreement bear interest at 6.00% per annum and unused commitments are subject to a 0.50% per annum commitment fee.

In connection with the Revolver Transactions, Peabody amended its credit agreement to make certain changes in consideration of the Peabody LC Agreement. After giving effect to the Revolver Transactions, there remain no revolving commitments or revolving loans under the credit agreement and the first lien net leverage ratio covenant was eliminated. The Peabody LC Agreement requires that Peabody's restricted subsidiaries maintain minimum aggregate liquidity of $125.0 million at the end of each quarter through December 31, 2024. As such, liquidity attributable to the Co-Issuers and other unrestricted subsidiaries is excluded from the calculation. Liquidity calculated in this manner amounted to $498.1 million at March 31, 2021.

Proceeds from the Co-Issuer Notes and Co-Issuer Term Loans were received by the Company and concurrently distributed to Peabody, net of related debt issuance costs, in connection with the Refinancing Transactions.

The Company's and Peabody's debt agreements impose various restrictions and limits on certain categories of payments, such as those for dividends, investments, and stock repurchases. The Company and Peabody are also subject to customary affirmative and negative covenants. The Company and Peabody were compliant with all covenants under their respective debt agreements at March 31, 2021.

Considering the Refinancing Transactions, Peabody expects to incur approximately $200.0 million of interest expense, including approximately $50.0 million of non-cash interest expense, during the year ended December 31, 2021. Of these amounts, the Company expects to incur approximately $78.0 million of interest expense, including approximately $3.0 million of non-cash interest expense, during the year ended December 31, 2021.

PIC AU HOLDINGS LLC

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

	Three Months Ended March 31,	
	2021	2020
	$'000	$'000
Revenues	$ 91,756	$ 97,920
Costs and expenses		
Operating costs and expenses (exclusive of items shown separately below)	66,491	15,694
Depreciation, depletion and amortization	18,629	16,153
Asset retirement obligation expenses	738	637
Selling and administrative expenses	655	857
Operating profit	5,243	64,579
Interest expense	7,992	267
Loss on related parties debt extinguishment	—	—
(Loss) income from continuing operations before income taxes	(2,749)	64,312
Income tax provision (benefit)	873	(21,279)
Net (loss) income	(3,622)	85,591
Other comprehensive loss, net of income taxes	—	—
Comprehensive (loss) income	(3,622)	85,591
Comprehensive (loss) income attributable to common stockholders	(3,622)	85,591

PIC AU HOLDINGS LLC
UNAUDITED CONSOLIDATED BALANCE SHEETS

	March 31, 2021	December 31, 2020
	$'000	$'000
ASSETS		
Current assets		
Cash and cash equivalents	$ 103,620	$ 107,234
Accounts receivable, net of allowance for credit losses of $0.0 at March 31, 2021	22,724	15,700
Trade and other receivables - intercompany	52,397	32,453
Inventories	30,450	31,356
Other current assets	9,484	10,180
Total current assets	218,675	196,923
Property, plant, equipment and mine development, net	416,735	429,252
Operating lease right-of-use assets	2,403	2,720
Investments and other assets	6,257	900
Total assets	$ 644,070	$ 629,795
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	71	95
Accounts payable and accrued expenses	59,043	64,726
Trade and other payables - intercompany	60,713	34,430
Total current liabilities	119,827	99,251
Long-term debt, less current portion	384,506	—
Deferred income taxes	37,177	40,712
Asset retirement obligations	35,053	34,315
Operating lease liabilities, less current portion	1,022	1,175
Other non-current liabilities	1,132	1,060
Total liabilities	$ 578,717	$ 176,513
Stockholders' equity		
Additional paid-in capital	70,960	455,267
Accumulated deficit	(5,607)	(1,985)
PIC AU Holdings LLC stockholders' equity	65,353	453,282
Total stockholders' equity	65,353	453,282
Total liabilities and stockholders' equity	$ 644,070	$ 629,795

PIC AU HOLDINGS LLC
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2021 $'000	Three Months Ended March 31, 2020 $'000
Cash Flows From Operating Activities		
Net (loss) income	$ (3,622)	$ 85,591
Adjustments to reconcile (loss) income from continuing operations, net of income taxes to net cash provided by operating activities:		
Depreciation, depletion and amortization	18,629	16,153
Noncash interest expense	548	19
Net unrealized foreign exchange gain on related party balances	—	(51,279)
Asset retirement obligations accretion	738	637
Changes in current assets and liabilities:		
Accounts receivable	(1,981)	(9,411)
Inventories	906	58
Deferred tax liabilities	(3,535)	(8,818)
Other current assets	—	—
Accounts payable and accrued expenses	(4,807)	(8,940)
Cash collateral arrangements	(5,295)	—
Net cash provided by continuing operations	1,581	24,010
Cash Flows From Investing Activities		
Additions to property, plant, equipment and mine development	(6,113)	(2,674)
Net cash used in investing activities	(6,113)	(2,674)
Cash Flows From Financing Activities		
Proceeds from long-term debt	399,884	—
Distribution to related parties	(384,307)	—
Funds advanced to related parties	(13,995)	(19,281)
Payment of finance lease obligations	(664)	(2,055)
Net cash used in financing activities	918	(21,336)
Net change in cash and cash equivalents	(3,614)	—
Cash and cash equivalents at beginning of period	107,234	—
Cash and cash equivalents at end of period	$ 103,620	$ —

PIC AU HOLDINGS LLC
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE QUARTER ENDED MARCH 31, 2021

	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
		$'000	
January 1, 2021	$ 455,267	$ (1,985)	$ 453,282
Net loss	—	(3,622)	(3,622)
Distribution to related parties	(384,307)	—	(384,307)
March 31, 2021	$ 70,960	$ (5,607)	$ 65,353