



Quarterly Report

For the quarter ending 31 December 2020

19 January 2021

December Quarter 2020 (4Q 2020)

- 17.3Mt ROM coal production, down 3% from 3Q 2020.
- 9.1Mt Attributable saleable coal production, up 11% from 3Q 2020.
- 9.4Mt Mine production sales, down 7% from 3Q 2020.
- A\$72/t Average realised coal price, up 3% from 3Q 2020.
- 7.4 TRIFR (12mth rolling), up from 7.2 at the end of 3Q 2020.

Performance summary

Our workforce's safety is always our priority; Yancoal continued its successful COVID-19 response and better than industry average TRIFR in 4Q 2020.

During the quarter, there were no material production impacts due to COVID-19. The full-year attributable ROM coal and saleable coal output were 3% and 8% (respectively) ahead of 2019 volumes. Moolarben's increased output and Yancoal's increased stake in the joint venture contributed to this outcome.

The full year's sales volume lagged production volume, mainly due to disruptions at the NCIG coal terminal in Newcastle in December. Still, we expect our excess rail and port allocations will enable Yancoal to catch up on the scheduled exports in early 2021.

Yancoal's average realised price for 2020 was A\$82/t, compared to A\$111/t in 2019. Coal prices continued to recover through 4Q 2020, supported by winter demand in the northern hemisphere. During 2021, we expect to see a recovery of global economic conditions, especially those caused by the slow down due to COVID-19 disruptions, and the associated demand for electricity generation.

2020 Guidance

- Saleable coal production achieved the target of about 38Mt (attributable).
- Our operating cash costs target (about A\$60/t excluding royalties) and capital expenditure target (less than \$300 million attributable) were retained through 4Q 2020; we will report the final figures in the Full Year 2020 (FY2020) financial result in February.

Production and Sales Data

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	4Q 2020	3Q 2020	PP Change	4Q 2019	PCP Change	12 months year-to-date		
								2020	2019	Change
Moolarben	OC / UG	95%	5.0	5.6	(11%)	4.8	4%	21.7	20.5	6%
Mount Thorley Warkworth	OC	82.9%	4.4	5.0	(12%)	4.7	(6%)	17.6	17.6	-%
Hunter Valley Operations	OC	51%	4.4	4.1	7%	5.5	(20%)	16.9	19.2	(12%)
Yarrabee	OC	100%	0.9	1.0	(10%)	1.3	(31%)	3.3	3.4	(3%)
Stratford Duralie	OC	100%	0.4	0.2	100%	0.4	-%	1.0	1.2	(17%)
Middlemount	OC	49.9997%	1.3	1.0	30%	1.0	30%	4.0	3.4	18%
Watagan	UG	100%	0.9	1.0	(10%)	1.3	(31%)	3.6	3.7	(3%)
Total – 100% Basis			17.3	17.9	(3%)	19.0	(9%)	68.1	69.0	(1%)
Total – Attributable			11.8	12.7	(7%)	12.5	(6%)	47.9	46.5	3%

SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	4Q 2020	3Q 2020	PP Change	4Q 2019	PCP Change	12 months year-to-date		
								2020	2019	Change
Moolarben	Thermal	95%	4.4	5.1	(14%)	4.2	5%	19.7	17.8	11%
Mount Thorley Warkworth	Met. Thermal	82.9%	3.1	3.5	(11%)	3.3	(6%)	11.9	12.1	(2%)
Hunter Valley Operations	Met. Thermal	51%	2.8	2.9	(3%)	3.8	(26%)	12.0	13.7	(12%)
Yarrabee	Met. Thermal	100%	0.7	0.8	(13%)	0.9	(22%)	3.0	2.8	7%
Stratford Duralie	Met. Thermal	100%	0.2	0.1	100%	0.3	(33%)	0.5	0.8	(38%)
Middlemount	Met. Thermal	0% (equity accounted)	1.0	0.7	43%	0.8	25%	2.9	2.7	7%
Watagan	Met.	100% (from 17-Dec-20)	0.5	0.4	25%	0.8	(38%)	1.8	2.2	(18%)
Total – 100% Basis			12.7	13.5	(6%)	14.1	(10%)	51.8	52.1	(1%)
Total – Attributable			9.1	10.2	(11%)	9.4	(3%)	38.3	35.6	8%

SALES VOLUME by coal type, Mt	4Q 2020	3Q 2020	PP Change	4Q 2019	PCP Change	12 months year-to-date		
						2020	2019	Change
Metallurgical	1.2	1.1	5%	1.4	(18%)	4.2	5.5	(24%)
Thermal	8.2	9.0	(9%)	9.3	(12%)	33.7	30.1	12%
Total – Attributable	9.4	10.1	(7%)	10.7	(13%)	37.9	35.6	6%

• **Notes:**

- 1. Attributable figures exclude production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated between 31 March 2016 and 16 December 2020).
- 2. Attributable figures for Moolarben are 85% up to and including 31 December 2019 and 95% after that date, but note economic attribution is 85% up to 31 March 2020 and 95% after that date.
- 3. 'Sales volumes (by coal type)' excludes purchased coal.
- 4. ROM = Run of Mine; the volume extracted and available to be processed

1Q = March quarter Period

2Q = June quarter Period

Mt = million tonnes

Met. = Metallurgical coal

3Q = September quarter period

4Q = December quarter period

FY2020 = Full Year 2020

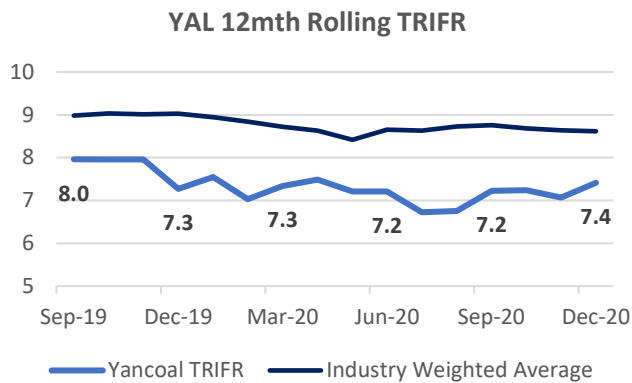
PP = Prior period

PCP = Prior corresponding period

UG = Underground

OC = Open-cut

SAFETY STATISTIC



CEO COMMENT

The health and wellbeing of all Yancoal employees remain a key focus in response to the ongoing COVID-19 pandemic. Pleasingly, the work practices and measures implemented to mitigate COVID-19 related risks continue to prove successful, with minimal disruption to our operations. The 12-month rolling Total Recordable Injury Frequency Rate¹ at the end of 4Q 2020 was 7.4; up slightly from 7.2 at the end of 3Q 2020². This figure compares favourably with the comparable weighted average TRIFR of 8.4 for the industry at the end of December.

The Company delivered on the 2020 production target of about 38Mt of attributable saleable coal production. The 38.3Mt produced was an 8% increase over the prior year. Mine sites met the challenges of bushfires early in the year, the COVID-19 pandemic through the year and wet weather events late in the year. The pandemic and potential for wet weather are circumstances that we expect to carry over into 2021.

Attributable sales of 37.9Mt fell just short of production. Exports were impacted following damage to a ship loader due to adverse weather at one of the

two coal terminals in Newcastle. Yancoal is maintaining its contract obligations following this incident through working closely with logistics providers and utilising its excess rail and port allocations. Yancoal has sufficient 2021 port allocation for our export volumes this year.

Supply and demand dynamics resulting from COVID-19 continue to influence both thermal and metallurgical coal prices. The recent improvement in coal price indices is encouraging, with an increase in demand, associated with the northern hemisphere winter, one of the factors leading to higher prices.

As always, our focus is on the controllable elements of our business; particularly optimising production and operating costs wherever possible. We will report the annualised operating cash costs in our FY 2020 financial results in February. While coal price uncertainty remains, the outlook is improving with coal indices recently recovering to the levels of 12-18 months ago.

COAL SALES and PRICING

During 4Q 2020, attributable sales (9.4Mt) were 0.3Mt above the attributable saleable production (9.1Mt). We added 0.6Mt to our stockpiles in 2020. Historically our stockpiles are depleted in the fourth quarter as Asian customers restock ahead of winter; however, restricted throughput at the Newcastle Coal Infrastructure Group (NCIG) port impacted sales volumes late in the year for most coal miners operating in the Hunter Valley. Yancoal purchased additional coal for blending, per its usual practice, to optimise the overall product mix and realised prices. Yancoal's average realised sale price in 4Q 2020 was

¹ 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). The

Industry Weighted Average combines proportional components from the relevant New South Wales and Queensland Industry references.

² Prior periods may be revised for reclassification of past events.

A\$72/t across the combined thermal and metallurgical coal volumes, compared to A\$70/t in 3Q 2020 and A\$93/t in 4Q 2019.

COAL MARKET OUTLOOK

Yancoal generally sells high-grade thermal coal priced using the *GlobalCOAL NEWC 6,000kCal NAR index* (GCNewc) and lower grade coal priced off lower energy level indices such as the *All Published Index 5* (API5). During 4Q 2020, the GCNewc price averaged US\$67/t, but ended the quarter at around US\$85/t. Similarly, the API5 price averaged US\$45/t, but subsequently ended around US\$57/t.

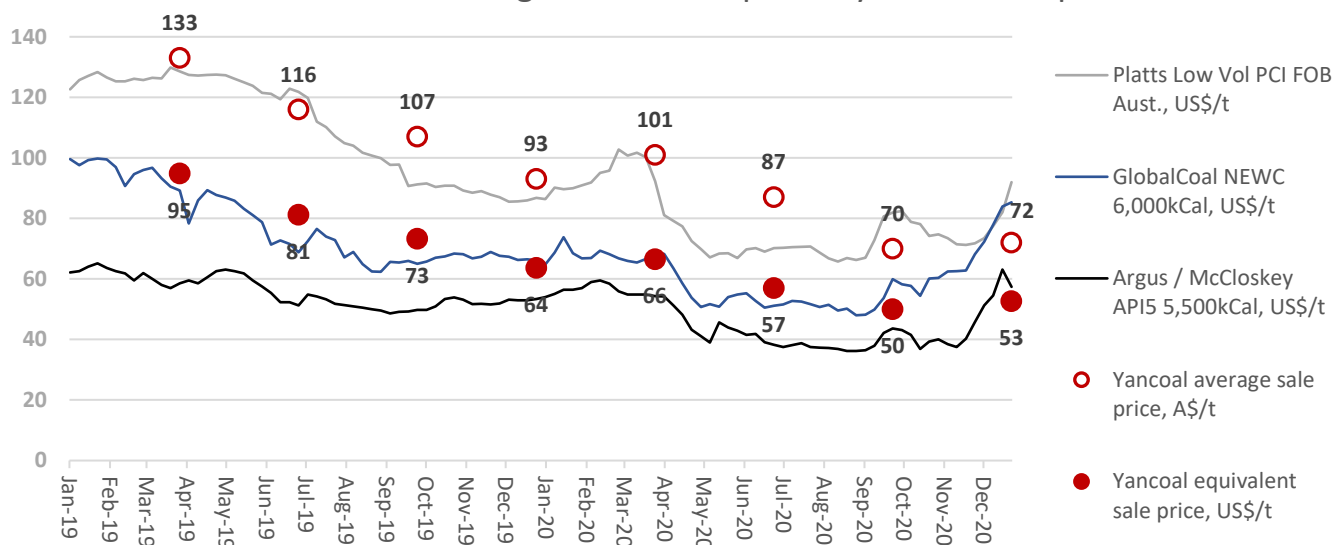
During the quarter, several factors influenced the thermal coal price indices, including disruptions to thermal coal exports from Newcastle and a colder than usual winter in Asia, creating increased demand. Despite the ongoing constraints to economic activity, coal price indices improved during 4Q 2020. In China, the arbitrage between domestic and import prices remain above US\$20/t, notionally supporting the demand for imported coal, and import protocols of

China continue to influence regional coal markets. In response to market conditions Yancoal continually optimised its product to maximise sales and has further diversified its customer base with sales made into India, Pakistan and South America during the second half of 2020. Yancoal intends to continue this diversification of its customer base and sales mix in the most optimal market available.

There were price improvements for the lower-grade metallurgical coals late in the period. This was underpinned by the appreciation in the high-grade thermal coal indices.

During 2021, we expect to see a recovery of global economic conditions, especially those caused by the economic slow-down due to COVID-19 disruptions, and the associated demand for electricity generation. However, the influence of weather on both supply and demand, along with regional trade settings, will likely contribute to uncertainty regarding the direction of coal prices during the first half of 2021.

Market Index Pricing and Yancoal quarterly overall sale price



ASSET PERFORMANCE**Moolarben**

The Moolarben complex delivered an increase in ROM coal (up 6%) and Saleable coal (up 11%) during FY2020, despite above budget environmental delays and unplanned maintenance in the open cut operation during 4Q2020. Good mining conditions and strong production rates from the underground, coupled with above forecast open cut yield, provided a positive offset. The additional 10% stake in Moorlarben that Yancoal secured at the start of 2020 was the primary driver of the increase in overall attributable saleable coal production achieved by the Company; up 8% to 38.3Mt for FY2020.

Mount Thorley Warkworth (MTW)

MTW delivered the same ROM coal volume and marginally less Saleable coal volume in FY2020 compared to 2019. Similar to other Yancoal sites, 4Q 2020 was affected by wet weather and unplanned maintenance; this disrupted the momentum established in 3Q 2020.

Hunter Valley Operations (HVO)

At HVO, the planned reduction in sales profile and corresponding production profile that commenced in 3Q 2020 carried into 4Q 2020. The reduction was undertaken in response to coal market conditions. Consequently, output for FY2020 was below the 2019 level. This measured and considered approach contributed to the broader industry supply response and allowed Yancoal to manage inventory levels.

Yarrabee

Mine productivity was expected to be strong at the end of the year due to a low strip ratio compared to the first three quarters of the year. Despite unfavourable conditions in the PCI coal market, the annual ROM and saleable coal volumes were not materially different from the prior year.

Middlemount

Performance steadily improved through the period despite wet weather, geotechnical issues and the reduced operating fleet. Production rates at the end of the year increased Middlemount's annual output compared to 2019. The mine continues to focus on managing costs and improving mine operating efficiencies.

Stratford Duralie

Similar to other mines in the Hunter Valley, rain delays affected production at Stratford-Duralie during 4Q 2020. The delays were compounded by unexpected geotechnical issues encountered and equipment unavailability. Lower feed rates and yield from the processing plant were linked to the high-ash coal feed, however, overall, there was an improvement in output from 3Q 2020.

Ashton

Following the reconsolidation of Watagan, the contribution from the Ashton underground mine changed from being equity-accounted to directly contributing to Yancoal's attributable volumes from 17 December 2020. The attributable volume for the final two weeks of the year was 0.08 Mt of ROM and 0.04Mt of Saleable coal.

GROWTH INITIATIVES

At MTW, Yancoal has identified a coal resource that could support an underground operation. The initial concept study shows a potential annual production output of saleable coal of around 5Mt. Work is progressing on a Pre-Feasibility Study for submission to the Board.

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 is dependent upon a decision to invest in increasing the capacity at the Coal Handling and Preparation Plant.

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 MTW and Moolarben; acquiring additional assets, such as it did with the Coal&Allied transaction; or diversifying into other minerals, energy or renewable energy projects. Any new initiative would be subject to careful evaluation and would require Yancoal Board consideration and approval before commencement.

CORPORATE ACTIVITY

On 16 December 2020, Yancoal announced the reconsolidation of Watagan Mining as a result of a new commercial arrangement between Yankuang and the Watagan bondholders.

The reconsolidation of Watagan will simplify the operational and financial reporting of Yancoal by removing the equity-accounted structure currently in place. The operational and financial performance of Watagan, including saleable production, operating costs and capital expenditure, will be reported as part of Yancoal's overall operational and financial performance from 17 December 2020.

On 31 December 2020, the number of ordinary shares was 1,320,439,437; unchanged during the period.

Authorised for lodgement by the Yancoal Disclosure Committee.

This report was compiled from verified material. The Yancoal Audit and Risk Management Committee (ARMC) evaluates and reviews the process and content to confirm the integrity of the report.

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