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(Incorporated in Victoria, Australia with limited liability)

(Hong Kong stock code: 3668)

(Australian stock code: YAL)

Quarterly Report FOR QUARTER ENDING 30th SEPTEMBER 2019

2019 GUIDANCE – UNCHANGED

- 35Mt (approx.) of attributable saleable coal production.
- A\$62.50/t FOB operating costs (excl. royalties).
- A\$285 million of capital expenditure.

PRODUCTION – SEPTEMBER QUARTER 2019 (Q3 2019)

- 15.6Mt ROM coal production, down 4% from Q3 2018
- 11.6Mt Saleable coal production, down 5% from Q3 2018.
- 8.4Mt Attributable saleable coal production, up 2% from Q3 2018.

HIGHLIGHTS

- Year-to-date attributable saleable coal production, 26.2Mt, is 4% ahead of 2018; annualised this would be 34.9Mt.
- Year-to-date attributable sales volume was 2% ahead of 2018. Yancoal continues to identify buyers for its high-quality coal products.
- Average realised coal price was A\$107/t, compared to A\$116/t in Q2 2019. Uninterrupted supply and lower demand impacted global prices.
- Moolarben open cut received approval to increase output from 13Mtpa to 16Mtpa. Rail capacity constraints and market issues need to be addressed before additional production is implemented.
- Total Recordable Injury Frequency Rate (TRIFR) was 7.33; it was 7.28 at the end of the prior quarter.

* For identification purposes only

Production and Sales Data

ROM COAL PRODUCTION	Ownership	3Q	2Q	PP	3Q	PCP	September YTD		
		2019	2019	Change	2018	Change	2019	2018	Change
Moolarben	85%	4.8	5.4	(11%)	5.1	(6%)	15.7	14.9	5%
Mount Thorley Warkworth	82.9%	3.8	4.5	(16%)	4.1	(7%)	12.9	12.6	2%
Hunter Valley Operations	51%	4.9	4.4	11%	4.1	20%	13.7	13.2	4%
Yarrabee	100%	1.0	0.5	100%	0.7	43%	2.1	2.1	-%
Stratford Duralie	100%	0.5	0.2	150%	0.2	150%	0.8	0.5	60%
Middlemount	49.9997%	0.2	1.1	(82%)	1.3	(85%)	2.4	3.8	(37%)
Watagan	100%	0.4	1.0	(60%)	0.7	(43%)	2.4	2.0	20%
Total – 100% Basis		<u>15.6</u>	<u>17.1</u>	<u>(9%)</u>	<u>16.2</u>	<u>(4%)</u>	<u>50.0</u>	<u>49.1</u>	<u>2%</u>
Total – Attributable		<u>11.3</u>	<u>11.2</u>	<u>1%</u>	<u>10.6</u>	<u>7%</u>	<u>34.0</u>	<u>31.3</u>	<u>9%</u>
SALEABLE COAL PRODUCTION	Ownership	3Q	2Q	PP	3Q	PCP	September YTD		
		2019	2019	Change	2018	Change	2019	2018	Change
Moolarben	85%	4.1	4.8	(15%)	4.5	(9%)	13.6	13.3	2%
Mount Thorley Warkworth	82.9%	2.7	3.0	(10%)	2.6	4%	8.8	8.6	2%
Hunter Valley Operations	51%	3.3	3.6	(8%)	3.1	6%	9.9	9.5	4%
Yarrabee	100%	0.7	0.5	40%	0.6	17%	1.9	1.8	6%
Stratford Duralie	100%	0.3	0.1	200%	0.1	200%	0.5	0.3	67%
Middlemount	49.9997%	0.2	0.9	(78%)	1.0	(80%)	1.9	3.1	(39%)
Watagan	100%	0.3	0.5	(40%)	0.3	-%	1.4	1.0	40%
Total – 100% Basis		<u>11.6</u>	<u>13.4</u>	<u>(13%)</u>	<u>12.2</u>	<u>(5%)</u>	<u>38.0</u>	<u>37.6</u>	<u>1%</u>
Total – Attributable		<u>8.4</u>	<u>9.0</u>	<u>(7%)</u>	<u>8.2</u>	<u>2%</u>	<u>26.2</u>	<u>25.1</u>	<u>4%</u>

SALES VOLUMES (BY COAL TYPE), Mt	3Q 2019	2Q 2019	PP Change	3Q 2018	PCP Change	September YTD		
						2019	2018	Change
Metallurgical	1.3	1.5	(13%)	1.1	18%	4.1	3.6	14%
Thermal	7.1	6.7	6%	7.5	(5%)	20.8	20.7	0%
Total Attributable mine production sold	8.4	8.2	2%	8.6	(2%)	24.9	24.3	2%

Notes:

1. Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016)
2. 2018 attributable figures include 81% attributable production for Moolarben up to and including 30 November 2018, and 85% thereafter.
3. 2018 attributable figures include 64.1% attributable production for Mount Thorley Warkworth up to and including 28 February 2018, and 82.9% thereafter.
4. Sales volumes exclude purchased coal

3Q = September Quarter period PP = Prior Period

2Q = June Quarter period

PCP = Prior Corresponding Period

ROM = Run of Mine; the volume extracted and available to be processed

CEO COMMENT

Yancoal's focus on safe work practices and employee engagement continued through the September Quarter. The 12-month rolling Total Recordable Injury Frequency Rate¹ at the end of the Quarter was 7.33, which was a slight change from 7.28 at the end of the June Quarter².

Yancoal's operational performance remains on track to achieve the targets for 2019, including attributable saleable coal production of approximately 35 million tonnes and flat operating costs.

Yancoal's strategy is to pursue production optimisation opportunities across the business. In September 2019, Yancoal received Federal Government approval to increase open cut ROM production at the Moorlaben mine by 3Mtpa, although rail capacity constraints will not currently allow production of this additional output. Given present market conditions Yancoal would not add significant new supply to the seaborne market without first considering the impact this could have on the supply-demand balance and market spot price.

¹ Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Middlemount (operated by Peabody Energy), Hunter Valley Operations (operated by Glencore Coal) and Watagan. Most recently available industry benchmarks are 6.27 for surface mines in NSW, 11.00 for surface mines in Queensland, and 31.94 for underground mines in NSW.

² Prior period revised for reclassification of past events

The lower realised average price Yancoal achieved in the Quarter reflected current global market conditions of supply outpacing demand. We continued to optimise our product split of coal sales, to meet market demand and maximise price with thermal coal representing 85% and metallurgical coal 15% of attributable sales volume during the Quarter. We anticipate that a combination of demand recovery, specifically from the Japanese power sector, and pressure on coal suppliers with a US dollar cost base, resulting from exchange rate movements, could bolster market conditions over the next six months.

2019 GUIDANCE

Targets unchanged and remain achievable.

Increased production from 2018:

- Approximately 35Mt of saleable coal production (attributable³).

Flat costs despite industry cost pressure:

- Approximately A\$62.50/t FOB for attributable cash costs.

Controlled capital expenditure:

- Approximately A\$285 million attributable capital expenditure.

COAL SALES AND PRICING

Yancoal continued to optimise its product split of thermal coal and metallurgical coal sales to meet market demand and maximise price. In Q3 2019, thermal coal represented 85% and metallurgical coal 15% of attributable sales volume.

During Q3 2019, attributable sales volumes matched attributable production, so stockpile inventory was unchanged. Yancoal purchased additional coal for blending, as is usually the case, to optimise the overall product mix and realised prices. The average price realised across total attributable sales volume was A\$107/t⁴, compared to A\$116/t in Q2 2019 and A\$136/t in Q3 2018.

³ Attributable figures do not include output from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).

⁴ Realised price for Attributable Ex-Mine Sales (excluding purchased coal sales)

COAL MARKET OUTLOOK

Excess supply and demand disruptions define the current thermal coal market.

Yancoal sells high-grade thermal coal priced off the GlobalCOAL 6,000kCal NAR index price and lower grade volumes at lower energy level benchmarks. Yancoal sells to a variety of industrial customers, predominantly within Asia. The majority of Yancoal sales are to Japan, Korea and China with no single country representing more than 25% of total sales volume.

During Q3 2019, international thermal coal market conditions continued to be defined by supply strength. Good weather in key global coal-producing regions continued, and the absence of other outage events extended a period of uninterrupted global supply.

Demand weakness was also experienced in certain markets. Japanese demand was softer due to several power facilities requiring maintenance or experiencing disruption due to typhoon activity. India had elevated stockpiles and prolonged monsoon conditions that constrained demand. China's custom clearance delays continued throughout the Quarter.

Demand recovery from the Japanese power sector could bolster market conditions in Q4 2019. A switch from coal to LNG in Taiwan for baseload power, while not immediately reducing coal consumption, could also create more trades into the spot market.

Yancoal anticipates potential recovery of thermal coal prices in 2020

On the supply side, foreign exchange movements may lead thermal coal producers with a US dollar cost base, such as Indonesia and Colombia, to curb supply; which could have a positive effect on spot coal prices. However, we would not anticipate potential supply reductions to have an impact on spot prices until 2020.

Metallurgical coal market and spot pricing were also weaker during Q3 2019 due to poor steel price settings and lower demand for hard coking coal. Lower spot trades were more apparent in the semi-soft and PCI coal markets. In the semi-soft and PCI markets in which Yancoal participates, Russian supply is anticipated to remain healthy over the remainder of 2019.

ASSET PERFORMANCE

Asset	Ownership	Equity contribution ⁵	Attributable contribution	Operated asset?	Mine type	Coal type
Moolarben (MCO)	85.0%	85.0%	85.0%	Yes	OC/UG	Thermal
Mount Thorley Warkworth (MTW)	82.9%	82.9%	82.9%	Yes	OC	SSCC/Thermal
Hunter Valley Operations (HVO)	51.0%	51.0%	51.0%	JV	OC	SSCC/Thermal
Yarrabee	100.0%	100.0%	100.0%	Yes	OC	PCI/Thermal
Middlemount	49.9997%	49.9997%	0% (equity accounted)	JV	OC	PCI/Coking

⁵ 2018 equity share includes 81% for Moolarben up to and including 30 November 2018, and 85% after that, reflecting Yancoal's increased ownership in the Moolarben Joint Venture, as announced on 30 November 2018.

Moolarben

- 4.8Mt of ROM Coal, down 6% from the pcp.
- 4.1Mt of Saleable Coal, down 9% from the pcp.

Moolarben is performing well year-to-date

Moolarben's saleable production volumes have been robust throughout the year. Overburden removal remains ahead of plan with better than forecast equipment availability and productivity; this allowed ROM coal output from the open cut to remain ahead of plan. Despite this pleasing performance, maintenance work by the rail contractor impacted the site, causing it to become stock-bound and to lose five days of washing in the middle of the Quarter.

The underground mine is also performing well, with the longwall experiencing good working conditions. The second planned move of the year was carried out at the end of the Quarter. During longwall moves, the open cut mine can deliver additional ROM coal via the underground coal handling system. Open cut coal produced via this system, bypasses the wash plant resulting in additional mined ash but with a higher yield.

MTW remains on track to achieve 2019 targets

Mount Thorley Warkworth (MTW)

- 3.8Mt of ROM Coal, down 7% from the pcp.
- 2.7Mt of Saleable Coal, up 4% from the pcp.

While MTW operated at target levels for overburden removal during the period, ROM coal production slipped modestly as dragline coal releases were adjusted to suit mining conditions. Coal seams available to be mined and washed over the remainder of the year should allow MTW's processing volumes and yield performance to achieve 2019 target levels.

Hunter Valley Operations (HVO)

- 4.9Mt of ROM Coal, up 20% from the pcp.
- 3.3Mt of Saleable Coal, up 6% from the pcp.

Given that HVO production schedules were back-ended to the final quarter of the year, additional ROM coal production in Q4 should ensure full-year targets are achieved. During Q3 2019, additional bypass volumes offset lower wash plant yields.

Yarrabee

- 1.0Mt of ROM Coal, up 43% from the pcg.
- 0.7Mt of Saleable Coal, up 17% from the pcg.

Yarrabee recouped some volume shortfalls that were experienced earlier in the year as a result of hard-dig conditions and equipment availability challenges, which had impacted on overburden removal rates and cascaded to ROM and saleable coal production. The operation reduced the volume deficit during the period, mining at targeted rates from locations with higher bypass and lower strip ratio distribution.

Middlemount

- 0.2Mt of ROM Coal, down 85% from the pcg.
- 0.2Mt of Saleable Coal, down 80% from the pcg.

Geotechnical (coal seam thinning) and geological (model reconciliation) issues reported earlier in the year continue to impede coal production. These factors impact both mined volumes and washing yield. Production was also affected by downtime associated with ongoing investigations at the mine following the fatality in the previous quarter.

GROWTH PROJECTS

Moolarben approved to increase open cut ROM production by 3Mtpa

Mount Thorley Warkworth has identified coal that could support an underground operation. The initial concept has a potential production output of 6Mtpa of ROM coal. Studies are underway to underpin a Pre-Feasibility Study due to be submitted to the Board for review in the first quarter of 2020.

Yancoal continues to pursue production optimisation opportunities at the Moolarben mine. In September 2019, Yancoal received approval from the Federal Government to increase open cut ROM production at Moorlaben from 13Mtpa to 16Mtpa; and to operate a Water Treatment Facility that will improve the mine's operational flexibility and water management capability. Yancoal's ability to increase production to 16Mtpa will be limited in the near to medium term by rail capacity constraints, and we are working with external stakeholders to address these issues.

CORPORATE EVENTS

Yancoal declared an interim dividend of A\$0.1035 per share at the Half-Year Result in August.

At 30 September 2019, the number of ordinary shares was 1,320,439,437; unchanged during the period.

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By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 17 October 2019

As of the date of this announcement, the executive Director is Mr. Fucun Wang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby, Mr. David James Moulton and Ms. Helen Jane Gillies.