



Quarterly Report

For the quarter ending 30 September 2022

Issued 20 October 2022

September Quarter 2022 (3Q 2022)

- A\$481/t average realised coal price.
- \$1.9 billion increase in cash holding.
- \$3.4 billion cash balance on 30 September 2022.
- 13.2Mt ROM coal production (100% basis).
- 7.3Mt of attributable saleable coal production.
- 6.7Mt of attributable coal sales.

Performance Summary

Workforce safety is always our priority, and Yancoal maintained a better than industry average TRIFR of 8.1 (12mth rolling).

A record quarterly average realised price of A\$481/t, a 31% increase over 2Q 2022 and a 210% increase over 3Q 2021.

Record quarterly increase in the cash position of \$1.9 billion¹, after paying the \$696 million Interim dividend and repaying \$1.2 billion of debt, giving a \$3.4 billion cash balance on 30 September.

Yancoal completed a further US\$1.0 billion debt repayment on 4 October, reducing the Group's debt to below US\$800 million.

The national labour shortage, along with wet weather delays, continued to impact production during the period. The Company has invested in additional mining equipment to assist with the recovery from these interruptions should weather, and labour market conditions improve. The impact of rain is proving erratic, with some rain events hitting the Yancoal mines and others passing them. Yancoal's 2022 operational guidance is as follows:

- Attributable saleable coal production of 31 to 33 million tonnes.
- Cash operating costs (excluding royalties) of \$84-89/tonne.

The recent Bureau of Meteorology forecast for a third consecutive La Nina event in 2022 and inflationary cost pressures in the coming months remain risks that could lead to underperformance.

CEO Comment

Record high coal prices continue to drive Yancoal's financial performance with the average realised price of A\$364/t, for the first nine months of 2022, 211% higher than the same period last year.

The Company will achieve a record financial performance in 2022 and this performance to date has enabled the payment of over A\$1.6 billion in dividends in 2022 and debt repayments of US\$2.3 billion over the past 12 months.

Yancoal, like most peers in the coal sector, continues to face rain disruptions and labour shortages during the period. Despite the ongoing operational challenges Yancoal has never been in such a strong position. The Company has transformed its financial position, has the capacity to pursue new endeavours, and will ultimately deliver a production recovery once the heavy rains cease.

Continuing supply side constraints, combined with global energy uncertainty, has sustained elevated international thermal coal prices. While there may be volatility, we anticipate prices to remain well supported into 2023.

PRODUCTION AND SALES DATA

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	3Q 2022	2Q 2022	PP Change	3Q 2021	PCP Change	9 months year-to-date		
								2022	2021	Change
Moolarben	OC / UG	95%	4.0	4.4	(9%)	5.3	(25%)	13.3	15.4	(14%)
Mount Thorley Warkworth	OC	82.9%	3.6	2.6	38%	4.7	(23%)	9.2	12.1	(24%)
Hunter Valley Operations	OC	51%	3.2	3.6	(11%)	3.8	(16%)	9.8	10.2	(4%)
Yarrabee	OC	100%	0.6	0.6	-%	1.0	(40%)	1.7	2.1	(19%)
Stratford Duralie	OC	100%	0.3	0.2	50%	0.3	-%	0.6	0.8	(25%)
Middlemount	OC	49.9997%	0.8	0.8	-%	1.2	(33%)	2.8	3.7	(24%)
Ashton	UG	100%	0.7	0.3	133%	0.8	(13%)	1.6	2.1	(24%)
Total – 100% Basis			13.2	12.5	6%	17.1	(23%)	39.0	46.4	(16%)
Total – Attributable			9.8	9.3	5%	13.0	(25%)	29.1	34.9	(17%)

SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	3Q 2022	2Q 2022	PP Change	3Q 2021	PCP Change	9 months year-to-date		
								2022	2021	Change
Moolarben	Thermal	95%	3.4	4.1	(17%)	4.6	(26%)	11.8	13.8	(14%)
Mount Thorley Warkworth	Met. Thermal	82.9%	2.1	1.7	24%	3.2	(34%)	5.8	8.2	(29%)
Hunter Valley Operations	Met. Thermal	51%	2.4	2.9	(17%)	2.9	(17%)	8.0	8.0	-%
Yarrabee	Met. Thermal	100%	0.5	0.5	-%	0.7	(29%)	1.5	1.9	(21%)
Stratford Duralie	Met. Thermal	100%	0.2	0.1	100%	0.2	-%	0.5	0.5	-%
Middlemount	Met. Thermal	0% (equity accounted)	0.7	0.6	17%	0.9	(22%)	2.1	2.7	(22%)
Ashton	Met.	100%	0.3	0.2	50%	0.4	(25%)	0.7	1.0	(30%)
Total – 100% Basis			9.6	10.1	(5%)	12.9	(26%)	30.4	36.1	(16%)
Total – Attributable			7.3	7.4	(1%)	9.9	(26%)	22.8	27.4	(17%)

SALES VOLUME by coal type, Mt	3Q 2022	2Q 2022	PP Change	3Q 2021	PCP Change	9 months year-to-date		
						2022	2021	Change
Thermal coal	5.8	6.6	(12%)	8.9	(35%)	19.1	23.4	(18%)
Metallurgical coal	0.9	1.3	(31%)	1.5	(40%)	3.3	4.2	(21%)
Total – Attributable	6.7	7.9	(15%)	10.4	(36%)	22.4	27.6	(19%)
Thermal coal average realised price, A\$/tonne	489	353	39%	150	226%	356	112	218%
Metallurgical coal average realised price, A\$/tonne	434	446	-3%	178	144%	411	142	189%
Overall average realised price, A\$/tonne	481	368	31%	155	210%	364	117	211%

Notes:

- Attributable figures exclude production from Middlemount (incorporated joint venture and equity-accounted). The 3Q 2021 production volume for Middlemount is restated to capture updated data.
- 'Sales volumes by coal type' excludes the sale of purchased coal.
- 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

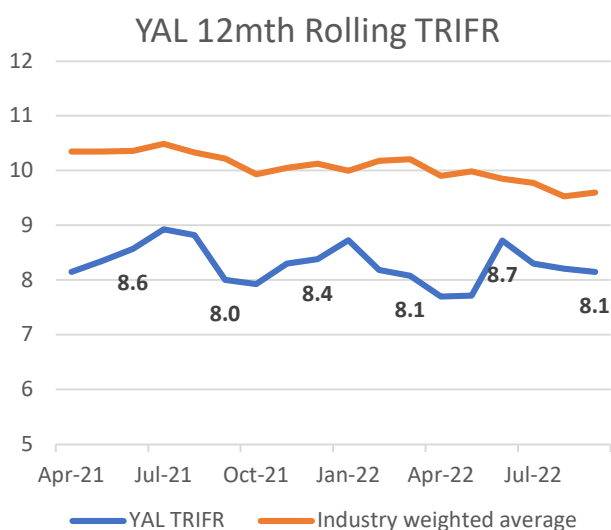
PP = Prior quarter period

PCP = Prior year corresponding period

UG = Underground

OC = Open-cut

SAFETY STATISTIC - 12mth Rolling TRIFR



The health and well-being of all Yancoal employees remain a key focus. The 12-month rolling Total Recordable Injury Frequency Rate² at the end of 3Q 2022 was 8.1, compared to 8.7 at the end of 2Q 2022³. This figure is below the comparable industry weighted average TRIFR of 9.6 at the end of September.

All the mines continue to operate with COVID-19 controls in place, such as pre-screening apps/forms, access restrictions for people with symptoms, crew separation measures and additional time for employee briefings on mandatory COVID-19 protocols.

COAL SALES AND MARKET OUTLOOK

During 3Q 2022, attributable sales of 6.7Mt were 0.6Mt below the attributable saleable production of 7.3Mt due to the timing of shipments. Current inventory levels are comparable to past periods. Yancoal purchased additional coal for blending to optimise the overall product mix and realised prices, as well as some extra volumes to meet obligations after the rain disruptions.

Yancoal sells most of its thermal coal at prices associated with the All Published Index 5 (API5) 5,500kCal index, with the balance priced off the GlobalCOAL NEWC 6,000kCal NAR index (GCNewc). During 3Q 2022, the API5 price averaged US\$195/t and ended the quarter at US\$168/t. The GCNewc index remained near record levels; it averaged US\$421/t and ended the quarter at US\$415/t.

Yancoal's realised price in any given period tends to lag behind the relevant coal price indices due to various sales contract structures. After converting to A\$, Yancoal recorded a realised thermal coal price of A\$489/t and a realised metallurgical coal price of A\$434/t in 3Q 2022.

Yancoal's overall average realised sales price in 3Q 2022 was A\$481/t, compared to A\$368/t in the prior quarter and significantly higher than A\$155/t in the third quarter of last year.

Stronger realised price experienced during 2022 has had more of an impact on Yancoal's financial performance than the 19% decrease in the attributable sales volume for the same period.

² Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Joint venture operated Middlemount and Hunter Valley Operations. The Industry Weighted Average combines proportional components from the relevant New South Wales and Queensland Industry references.

³ Prior periods may be revised for reclassification of past events.

	Units	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
API5, 5,500kCal	US\$/t	55	62	96	118	172	194	195
GC Newc, 6,000kCal	US\$/t	88	108	166	187	264	373	421
Low Vol PCI, FOB Aust.	US\$/t	103	116	182	248	389	424	246
Semi-Soft, FOB Aust.	US\$/t	95	109	176	236	354	365	200
AUD:USD		0.77	0.77	0.74	0.73	0.72	0.72	0.68
API5, 5,500kCal	A\$/t	72	81	131	162	238	271	286
GC Newc, 6,000kCal	A\$/t	115	140	226	257	364	519	616
Low Vol PCI, FOB Aust.	A\$/t	133	151	248	340	536	591	360
Semi-Soft, FOB Aust.	A\$/t	123	142	239	323	489	509	293
Realised Thermal price	A\$/t	82	96	150	195	243	353	489
Realised Metallurgical price	A\$/t	117	127	178	285	349	446	434
Overall realised price	A\$/t	88	101	155	209	258	368	481

Source: GlobalCOAL, Platts, Argus/McCloskey, Reserve Bank of Australia.⁴

Note: A\$/t prices are a simple conversion using the US\$/t price and the average AUDUSD exchange rate for the period.

The GCNewc price remains near record levels; the heavy rain associated with the La Niña weather pattern continues to impact exports from Australia, extending supply-side constraints. The Australian Bureau of Meteorology recently reported that a peak in above-average rainfall conditions for northern and eastern Australia could come during Spring (September-November), followed by a return to neutral conditions early in 2023.

Indonesia has recorded several monthly production records this year and recently produced over 60 Mt per month of coal. Although market shortages are more pronounced in the high calorific value coal markets this year, the lower energy coal from Indonesia is finding customers and appears to be competing with the coal sold against the API5 index (on a value-adjusted basis).

South Africa's thermal coal exports fell 11% month-on-month in July. Exports were down primarily due to scheduled maintenance on the rail system at the Richards Bay Coal Terminal.

Russian thermal coal output recovered in August; it grew 11% or 1.2 Mt compared to July. However, it remained 14% below the August 2021 output. The introduction of an export duty on coal which the Russian Government is reportedly considering, could result in downward pressure on Russian coal exports for the remainder of the year.

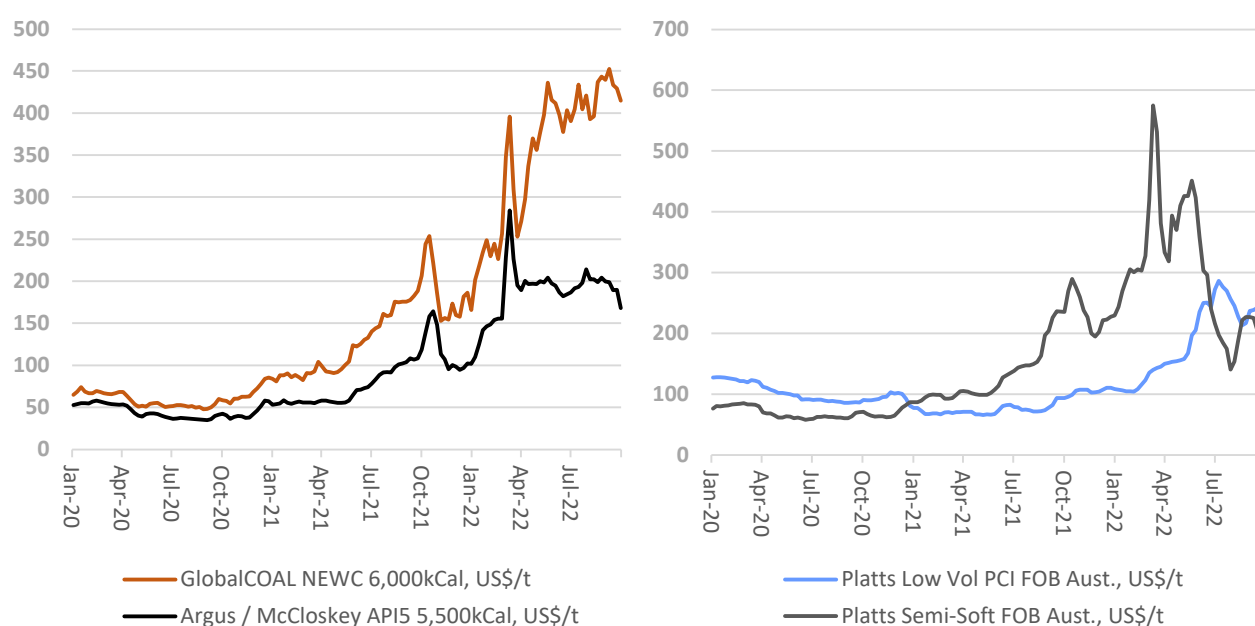
⁴ The data and information provided by GlobalCOAL, Platts and Argus/McCloskey may not be copied or used except as expressly permitted in writing by the data provider.

Supply-side constraints only partly explain the international thermal prices. According to the International Energy Agency, the worldwide demand for coal is increasing, and it expects the final figures for 2022 will meet the record demand set in 2013, approximately 8 billion tonnes.

In Europe, favourable economics for coal plants amid extremely high gas and power prices has resulted in increased coal-fired power generation, and fuel security mandates continue to drive coal imports. Conversely, Chinese industrial activity has slowed, with several major cities addressing COVID-19 cases, impacting power generation demand and obscuring the mid-to-long-term demand profile.

All these factors affect sentiment and contribute to thermal coal price volatility in the thinly traded thermal coal spot markets. Thermal coal prices, and particularly high-energy thermal coal prices, seem likely to be well supported for the remainder of 2022 and into 2023.

Metallurgical coal indices have fallen in line with declining global steel demand. However, some automobile production has recently resumed in Japan following the increased availability of spare parts, and this may prove constructive for the metallurgical coal price outlook.



Source: GlobalCOAL, Platts, Argus/McCloskey.⁵

ASSET PERFORMANCE

Labour availability, particularly a shortage of skilled labour, is an issue across most mine sites. The shortfall extends to specialist contract labour previously called upon to meet short-term requirements. Low manning levels are more noticeable in periods of good weather conditions, as equipment may go unutilised due to operator shortages.

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The third quarter continued to be impacted by the cumulative impact of the past and ongoing exceptional rainfall at the open-cut mines in NSW and Queensland. Water storage levels at the mines in NSW were already at capacity, so the rain continues to impact mining activities in several ways:

- There is an immediate loss of production during the rain event,
- Followed by a loss in productivity due to operating in wet and boggy conditions,
- Additional time is lost pumping water out of the pits and off benches, and
- Where the water storage dams are at capacity, water must then be stored in operating locations (sacrificial pits), inhibiting mining operations.

Most open-cut operations have strategically increased fleet capacity to maximise the recovery of mining activity, but where there are workforce shortages, recovery plan implementation is compromised. Yancoal has invested in additional equipment or structures at most mines to increase its ability to handle rain events; the investments include:

- additional water storage pits and water treatment capacity at Moolarben,
- installing pumping and pit dewatering equipment ahead of schedule at MTW, and
- additional water piping infrastructure at Stratford-Duralie.

As we start the final quarter of 2022, the Bureau of Meteorology has issued multiple warnings for widespread rain across most of Australia, with significant volumes in NSW, parts of Victoria and southern Queensland. However, Yancoal has already observed that the rain does not fall consistently across all areas in NSW, and on occasion, individual mines may experience less rain than others in the state.

Beyond the weather impacts, Yancoal continues to face ongoing workforce disruption resulting from COVID-19-related absenteeism. The arrival of warmer weather in the fourth quarter may bring some relief from the COVID-19 and Flu effects on workforce attendance.

Moolarben

The Moolarben site is not permitted to discharge water unless the water is first treated to a certain specification. On-site water storage has reached critical levels, even after constructing additional water storage capacity ahead of schedule. Out of necessity, water is now stored in some operating pits.

Higher volumes of water from the underground mine have increased the frequency and duration of filter cleaning at the Water Treatment Plant (WTP). Plans are in place to double the WTP throughput capacity, which will assist in reducing stored water volume.

The underground mine had a good quarter following the completion of the longwall move in July. Both development activities and the production volume met targets during the period despite some shifts lost to reduced workforce levels.

Mount Thorley Warkworth (MTW)

The rain, labour shortage and workforce absenteeism factors are all impacting MTW. The operation also encountered reduced truck availability as the replacement of its aging truck fleet is ongoing. Supply chain issues affecting equipment and spare part availability have compromised the truck replacement cycle and maintenance work.

MTW has fast-tracked additional pit dewatering infrastructure. Risk to the schedule remains high based on forecast wet weather impacts and a tight labour market. If favourable weather conditions prevail, the primary risk driver will become labour availability as the increased fleet and additional resources are brought online to maximise recovery efforts.

Hunter Valley Operations (HVO)

The HVO mine has the largest footprint of all the open-cut mines, which affords it some additional water management ability; however, it also faces challenges. Dragline operations were suspended at one mining location due to excess water, resulting in the need to use the location as a sacrificial water storage pit, and some excavators and shovels required unplanned maintenance. New Komatsu 930 trucks have started arriving on site; these trucks were selected as they are a perfect match for the Liebherr 9800 excavators. Another example of investment in equipment to maximise productivity and recovery in future periods.

Yarrabee

Wet weather returned during the period, compounding the production challenges faced as the mining progressed into two locations with more complex geotechnical conditions. The complexity of the mining conditions necessitated a re-deployment of the mining equipment, which delayed some coal mining activity.

Ashton

The longwall operated in good mining conditions through most of the period and had good productivity. A scheduled longwall move will occur during the fourth quarter, with production scheduled to resume mid-November.

Stratford Duralie

The repair of the reinforced earth-wall at the ROM coal bin is now complete. Standard crushing and processing activities resumed in July. COVID-19 and Flu continued to impact manning levels through absenteeism, with the impacts fluctuating through the period. The mine is not permitted to discharge water from the site, so it continues to deal with water on-site to the best of its ability. An ongoing project is the installation of additional piping and pumping capacity to provide more operational flexibility.

Middlemount

The mine experienced heavy rainfall, labour shortages and COVID-19/Flu absenteeism during the quarter. Overburden and ROM mining activities were impacted, and there was a flow-on effect on the wash facility throughput and coal product output.

2022 GUIDANCE

- 31 to 33 million tonnes of attributable saleable coal production.
- \$84 to 89/tonne cash operating costs (excluding royalties).
- \$550 to \$600 million of attributable capital expenditure.

The exceptional rainfall experienced to date in 2022, along with COVID-19-linked absenteeism, a tight labour market, revised mine plans, supply chain disruptions, higher diesel prices and other inflationary cost pressures, all impact the 2022 guidance.

Although the production and operating cost guidance include an allowance for further rainfall in the coming months, there remains a risk to the guidance if wet weather disruptions exceed the allowances made. The fourth quarter started with wetter-than-average conditions in NSW and heavy rainfall across the East Coast. Even if rains ease by the end of the year, given the water on-site across the mines, Yancoal will face water storage capacity constraints well into 2023.

GROWTH INITIATIVES

At Moolarben, Yancoal has the required approvals to increase annual open-cut mine ROM production from 14Mtpa to 16Mtpa. Yancoal's ability to increase open-cut production depends on increasing the capacity at the Coal Handling and Preparation Plant (CHPP). This CHPP project is underway, and the expansion to 16Mtpa will occur over the next six months. The MTW underground mine concept remains subject to study and assessment, but we do not expect to reach a conclusion within the next fifteen months.

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.

CORPORATE ACTIVITY

On 4 October 2022, Yancoal completed early debt repayments of US\$1.0 billion. The prepayments will deliver an approximate US\$207 million reduction in total finance cost over the loan periods. Combined with debt prepayments in October 2021 and July 2022, resulted in Yancoal repaying over US\$2.3 billion of debt in the last 12 months. After completing the prepayment, Yancoal has less than US\$800 million of total debt⁶. Yancoal has maintained a net cash position since July 2022.

On 25 May 2022, Yancoal's majority shareholder, Yankuang Energy Group Company Limited, announced it was considering a transaction to acquire further shares in Yancoal by means of an acquisition structure to be determined by Yankuang Energy. On 8 September 2022, Yankuang Energy Group announced it had terminated the potential transaction.

Authorised for lodgement by the Yancoal Disclosure Committee. This report was compiled from verified material. The Yancoal Disclosure Committee evaluates and reviews the process and content to confirm the integrity of the report.

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⁶ Total debt excludes lease liabilities