# Quarterly Report

## For the Quarter ending 30 June 2023

**Issued 19 July 2023**

YANCOAL
兖煤澳大利亚有限公司

### June Quarter 2023 (2Q 2023)

- A$226/t average realised coal price.
- $0.7 billion increase in cash holding[1].
- $1.1 billion cash balance at 30 June 2023.
- 14.8Mt ROM coal production (100% basis).
- 10.9Mt Saleable coal production (100% basis).
- 8.5Mt Attributable saleable coal production.
- 8.5Mt Attributable coal sales.

### Performance Summary

At Yancoal, we always prioritise the safety of our workforce. We are proud our Total Recordable Injury Frequency Rate of 4.4 remains better than the industry average.

In 2Q 2023, attributable coal production increased 41% and attributable coal sales increased 44% on the previous quarter, while our average realised price was 35% lower at A$226/t.

After paying $924 million for the 2022 final dividend and $1.5 billion of tax payments during the period, the closing cash balance was $1.1 billion. Yancoal also retired the last of its external interest bearing debt on 31 March 2023.

The emphasis on pre-strip and overburden removal to rebuild mining inventory continued through the period. Production rates have improved, and we are looking to continue the trend throughout the second half.

Looking at the next six months, we expect ongoing mine recovery plans to deliver improved production. The operational guidance for 2023 remains:

- 31-36 million tonnes of attributable saleable production, and
- $92-$102/tonne cash operating costs.

### CEO Comment

During the quarter, coal market conditions deteriorated as seasonal factors tipped the supply-demand balance in favour of coal buyers.

The improved output from our mines, along with the lagged pricing profile, provided another period of healthy cashflow despite the declining coal indices. The $2.4 billion in dividends and tax payments made in the period completed the notable cash allocations identified in the 2022 Result.

The Company is debt free and continues to accumulate cash; the 30 June cash balance was $1.1 billion.

We continue to make progress on the many recovery initiatives across our operations. The step up in output reflects the tireless effort of our people across all our sites. This positive trend is expected to continue as recovery initiatives progress towards completion.

Thermal coal markets appear balanced. During the period, a mild spring in northern Asia and surplus gas supply into Europe enabled the run-down of energy stockpiles post winter, which proved pivotal.

Yancoal remains focused on recovering its production profile and reducing its cash operating costs to drive continued cash generation in all coal market conditions – as we always have.



[1] Cash position change from 31-Mar-22 to 30-Jun-23, with the final dividend payment and tax payment added back.
All financial figures are in Australian dollars, unless specified otherwise.

## PRODUCTION AND SALES DATA

| ROM COAL PRODUCTION, Mt | Mine type | Economic Interest | 2Q 2023 | 1Q 2023 | PP Change | 2Q 2022 | PCP Change | 6 months year-to-date | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2023 | 2022 | Change |
| Moolarben | OC / UG | 95% | 6.0 | 3.1 | 94% | 4.4 | 36% | 9.1 | 9.3 | (2%) |
| Mount Thorley Warkworth | OC | 82.9% | 4.3 | 3.3 | 30% | 2.6 | 65% | 7.6 | 5.6 | 36% |
| Hunter Valley Operations | OC | 51% | 3.1 | 2.7 | 15% | 3.6 | (14%) | 5.8 | 6.6 | (12%) |
| Yarrabee | OC | 100% | 0.5 | 0.6 | (17%) | 0.6 | (17%) | 1.1 | 1.1 | -% |
| Middlemount | OC | 49.9997% | 0.7 | 0.7 | -% | 0.8 | (13%) | 1.4 | 2.0 | (30%) |
| Ashton | UG | 100% | 0.1 | 0.5 | (80%) | 0.3 | (67%) | 0.6 | 0.9 | (33%) |
| Stratford Duralie | OC | 100% | 0.1 | 0.3 | (67%) | 0.2 | (50%) | 0.4 | 0.3 | 33% |
| **Total – 100% Basis** | | | **14.8** | **11.2** | **32%** | **12.5** | **18%** | **26.0** | **25.8** | **1%** |
| **Total – Attributable** | | | **11.7** | **8.3** | **41%** | **9.3** | **26%** | **20.0** | **19.3** | **4%** |

| SALEABLE COAL PRODUCTION, Mt | Coal type | Attributable Contribution | 2Q 2023 | 1Q 2023 | PP Change | 2Q 2022 | PCP Change | 6 months year-to-date | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 2023 | 2022 | Change |
| Moolarben | Thermal | 95% | 4.8 | 2.6 | 85% | 4.1 | 17% | 7.4 | 8.4 | (12%) |
| Mount Thorley Warkworth | Met. Thermal | 82.9% | 2.6 | 2.0 | 30% | 1.7 | 53% | 4.6 | 3.7 | 24% |
| Hunter Valley Operations | Met. Thermal | 51% | 2.4 | 1.8 | 33% | 2.9 | (17%) | 4.2 | 5.6 | (25%) |
| Yarrabee | Met. Thermal | 100% | 0.5 | 0.4 | 25% | 0.5 | -% | 0.9 | 1.0 | (10%) |
| Middlemount | Met. Thermal | 0% (equity accounted) | 0.5 | 0.5 | -% | 0.6 | (17%) | 1.0 | 1.4 | (29%) |
| Ashton | Met. | 100% | - | 0.3 | (100%) | 0.2 | (100%) | 0.3 | 0.4 | (25%) |
| Stratford Duralie | Met. Thermal | 100% | 0.1 | 0.1 | -% | 0.1 | -% | 0.2 | 0.3 | (33%) |
| **Total – 100% Basis** | | | **10.9** | **7.7** | **42%** | **10.1** | **8%** | **18.6** | **20.8** | **(11%)** |
| **Total – Attributable** | | | **8.5** | **5.9** | **44%** | **7.4** | **15%** | **14.4** | **15.5** | **(7%)** |

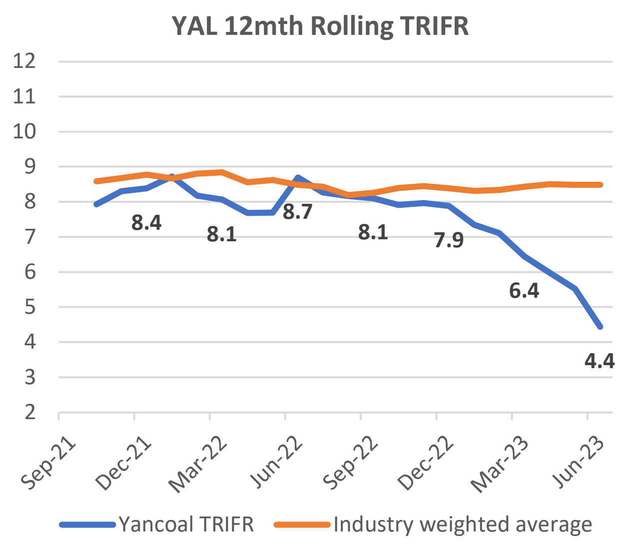
| SALES VOLUME by coal type, Mt | 2Q 2023 | 1Q 2023 | PP Change | 2Q 2022 | PCP Change | 6 months year-to-date | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | | 2023 | 2022 | Change |
| Thermal coal | **7.3** | 4.7 | 55% | 6.6 | 11% | 12.0 | 13.3 | (10%) |
| Metallurgical coal | **1.2** | 1.2 | -% | 1.3 | (8%) | 2.4 | 2.4 | -% |
| **Total – Attributable** | **8.5** | **5.9** | **44%** | **7.9** | **8%** | **14.4** | **15.7** | **(8%)** |
| Thermal coal average realised price, A$/tonne | 197 | 338 | (42%) | 353 | (44%) | 256 | 298 | (14%) |
| Metallurgical coal average realised price, A$/tonne | 403 | 383 | 5% | 446 | (10%) | 389 | 402 | (3%) |
| **Overall average realised price, A$/tonne** | **226** | **347** | **(35%)** | **368** | **(38%)** | **278** | **314** | **(11%)** |

**Notes:**

- ROM = Run of Mine; the volume extracted and available to be processed.
- Attributable figures exclude production from Middlemount (incorporated joint venture and equity-accounted).
- 'Sales volumes by coal type' excludes the sale of purchased coal.
- Realised prices are provided on an ex-mine basis, excluding purchased coal and corporate contract volumes.

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




The health and well-being of all Yancoal employees remain a key focus. The 12-month rolling Total Recordable Injury Frequency Rate[2] at the end of 2Q 2023 was 4.4, a sharp improvement on 6.4 at the end of 1Q 2023[3], and significantly below the comparable industry weighted average of 8.5.

In 2022, Yancoal launched the "Safe Way Every Day" programme. This five-year programme is designed to provide a consistent approach to health, safety and training management across all Yancoal operations, and to support the integration of a safety culture across the business. The initiatives and training provided involve simple concepts and tools that our whole workforce can use to enhance personal safety, happiness, health and wellbeing, both on the job and in their personal lives. We have also implemented a four-year, four-stage Mental Health Programme. Both programmes are contributing towards positive workforce outcomes.

## COAL SALES AND MARKET OUTLOOK

During 2Q 2023, attributable mine production sales of 8.5Mt were the same as attributable saleable coal production, keeping inventory levels comparable to past periods. The sales volume includes 0.17Mt supplied to domestic power generators under the NSW Government domestic coal reservation directions. Yancoal purchased additional coal for blending to optimise the overall product mix and realised prices.

Yancoal sells most of its thermal coal at prices associated with the GlobalCOAL NEWC 6,000kCal NAR index (GCNewc) and the All-Published Index 5 (API5) 5,500kCal index. Each contract has price adjustments for energy content and other coal characteristics. Typically, thermal coal produced in the Hunter Valley tends to have GCNewc index characteristics. In contrast, coal produced west of the Hunter Valley tends to have API5 Index characteristics or sits between the indices. That said, there are multiple coal seams mined in each region, so the coal quality varies depending on where it was sourced in any given period. Yancoal's metallurgical coal is typically sold at prices associated with the Platts Low Vol PCI FOB Australia and Platts Semi-Soft FOB Australia Indices.

During 2Q 2023, the API5 index and the GCNewc index declined by 26%-29%. The PCI and Semi-Soft indices also declined by 24%-30%. The API5 price averaged US$102/t and ended the quarter at US$86/t. The GCNewc index averaged US$158/t and ended the quarter at US$138/t.

[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. The sources for the industry statistics are published periodically, as revised data is released the industry weighted average calculation is updated.
[3] Prior periods may be revised for reclassification of past events.

Yancoal's realised prices in any given period tends to lag relevant coal price indices due to various sales contract structures, and this was the case in 2Q 2023. The realised price can also be influenced by several factors, including: premiums (or discounts) to reflect market conditions; the capacity to wash coal and improve the product specifications; and the availability of coal for purchase and blending.

After converting to Australian dollars, Yancoal recorded a realised thermal coal price of A$197/t and a realised metallurgical coal price of A$403/t in 2Q 2023. Yancoal's overall average realised sales price in 2Q 2023 was A$226/t, compared to A$347/t in the prior quarter and A$368/t achieved in 2Q 2022.

| | Units | 3Q21 | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 |
|---|---|---|---|---|---|---|---|---|---|
| API5, 5,500kCal | US$/t | 96 | 117 | 172 | 194 | 195 | 141 | 125 | 102 |
| GCNewc, 6,000kCal | US$/t | 166 | 186 | 264 | 372 | 421 | 381 | 242 | 158 |
| Low Vol PCI, FOB Aust. | US$/t | 182 | 248 | 389 | 426 | 246 | 273 | 311 | 207 |
| Semi-Soft, FOB Aust. | US$/t | 176 | 235 | 354 | 367 | 200 | 234 | 266 | 181 |
| AUD:USD | | 0.74 | 0.73 | 0.72 | 0.72 | 0.68 | 0.66 | 0.68 | 0.67 |
| API5, 5,500kCal | A$/t | 131 | 160 | 237 | 270 | 286 | 215 | 183 | 153 |
| GCNewc, 6,000kCal | A$/t | 123 | 255 | 364 | 518 | 616 | 579 | 354 | 237 |
| Low Vol PCI, FOB Aust. | A$/t | 248 | 340 | 534 | 592 | 360 | 415 | 456 | 271 |
| Semi-Soft, FOB Aust. | A$/t | 239 | 322 | 487 | 510 | 294 | 356 | 389 | 310 |
| Realised Thermal price | A$/t | 150 | 195 | 243 | 353 | 489 | 430 | 338 | 197 |
| Realised Metallurgical price | A$/t | 178 | 285 | 349 | 446 | 434 | 389 | 383 | 403 |
| **Overall realised price** | **A$/t** | **155** | **209** | **258** | **368** | **481** | **422** | **347** | **226** |

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 AUDUSD exchange rate for price point.

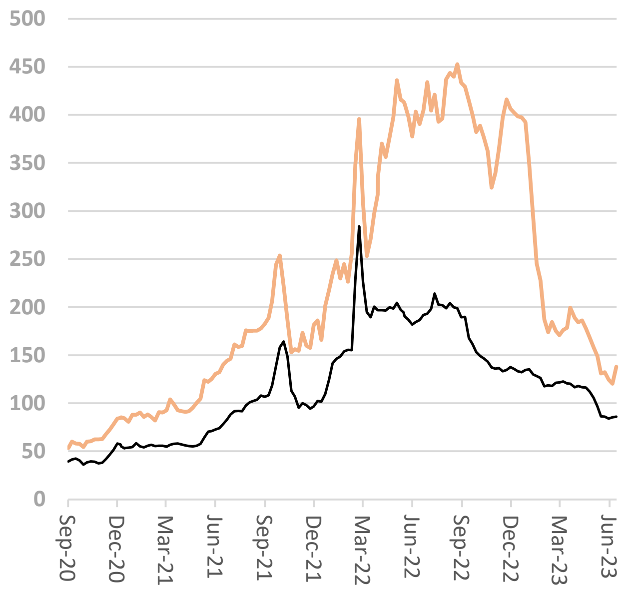
International thermal coal indices moved lower during 2Q 2023. Mild Spring temperatures in North Asia and the remainder of the energy stockpile overhang in Europe both contributed to the price trend. Elsewhere, China is gradually resuming the import of Australian thermal coal. Rain disruptions in Indonesia early in the quarter did not prove sufficient to tighten the market, and South Africa increased its exports relative to the March quarter. Thermal coal exports from Russia are still finding customers, despite traditional markets in Europe and North Asia remaining predominantly closed.

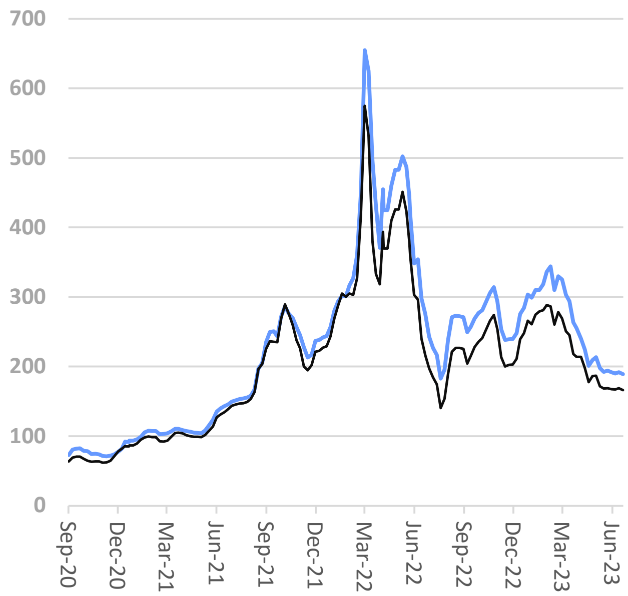
Excess gas supply in the global energy market displaced some coal demand and contributed to the downward trend in coal prices, and higher cost coal supply has yet to contract in response to the lower indices. Overall, supply and demand in the thermal coal markets appear relatively balanced; the recent plateauing of indices support this view.

[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.

The metallurgical coal markets were also subdued. The good steel market conditions that were evident at the start of the year have subsided, along with global industrial activity.

The relative price ratios between the thermal coal and metallurgical coal indices that Yancoal utilises are now consistent with prior years.




Source: GlobalCOAL, Platts, Argus/McCloskey. [5]

## ASSET PERFORMANCE

The effort directed to the mine recovery plans started to deliver positive outcomes during the period. Saleable coal production increased, matched, or exceeded the prior quarter at all mines, except Ashton, where a longwall move took place.

Water storage capacity is gradually improving across the open-cut mines, and pre-strip and overburden removal activities are being prioritised to facilitate more efficient ROM coal and saleable coal production later in the year.

The 2023 production profile remains skewed to the second half of the year, and we expect recovery works will progress into 2024 at the larger mines . We continue to use additional hire equipment to maximise the mine recovery works, balancing the additional costs against the increased productivity. The availability of people for skilled and specialist roles, particularly in maintenance, remains a challenge across the sector.

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**Moolarben**

At the underground mine, the longwall was performing at target levels leading up to a longwall move starting in July. Development activities to access future longwall panels achieved additional advancement metres compared to the previous quarter, with higher manning levels and improved productivities.

Mining activity in the open-cut improved, as lower rainfall alleviated the wet and boggy conditions from 1Q. There were some minor production losses associated with maintenance work to repair the boom on one of the excavators.

The wash plant occasionally faced lower feed rates due to variability of the open-cut output coal quality, but increased output from the longwall was able to partially offset the impact.

**Mount Thorley Warkworth (MTW)**

MTW continues to operate longer than usual truck haulage cycles after short dumping options were utilised during the two years of wet weather. Continued improvement in haul truck reliability partially countered this situation and contributed to the increased output at MTW. Equipment utilisation remains a focus area for operations, including MTW, with the redeployment of some hired units to Moolarben during the period to optimise production across the portfolio.

**Hunter Valley Operations (HVO)**

Generally favourable weather conditions and improved truck productivity all contributed to increased output. The wash plant also performed well, delivering increased yield to counter the lower level of by-pass tonnes.

There were positive trends in equipment reliability, although some hired equipment encountered issues late in the quarter.

**Yarrabee**

The mine delivered less ROM coal, but similar saleable coal to the prior period. Improved yields from the wash plant were possible, with a higher portion of low ash coal in the feed.

A short term accommodation issue necessitated sourcing alternate accommodation, resulting in some disruption. Impacts on travel times and rosters may affect productivity through the remainder of the year.

**Middlemount**

Improved cast blast and excavator volumes were countered by reduced dozer push volumes, resulting from longer push distances and lower availability. Some coal scheduled for mining in June was deferred to July, due to geotechnical considerations.

**Ashton**

The mine completed a longwall move in mid-June after being delayed by water ingress from the adjacent longwall block in the seam above, consequently there was limited output from the mine and wash plant during the period.

In early July, operations were suspended after elevated water inflow emanating from water ponding in a previously mined longwall block and unmined seams that both sit directly above the current longwall location.

Personnel were withdrawn from the workface in a timely manner. Additional water pumping capacity was immediately put in place, and related equipment to support ongoing dewatering capability was secured.

The water level is now falling which will allow the proper inspection and assessment of the longwall equipment. Until this milestone is achieved no estimate has been made with respect to a return to production. The potential production volume loss is likely modest in the context of Yancoal's attributable production, but as a source of semi-soft coking coal, could influence the product mix.

**Stratford Duralie**

The mine operated largely to plan during the period, but was impacted by workforce availability, including seasonal flu impacts. Coal volumes were deferred to later periods due to priorities on waste volumes and other activities, including sediment dam management during future favourable weather conditions.

## NSW COAL RESERVATION DIRECTIONS

On 16 February 2023, the New South Wales Government introduced domestic coal reservation directions (Directions), for the 15-month period from 1 April 2023 until 30 June 2024. Under the Directions, the Company is compelled to make available up to 0.31Mt of coal per quarter from attributable saleable production to domestic power generators. Coal sold under the Directions is subject to a price cap of A$125/tonne delivered for 5,500 kcal/kg products, energy adjusted.

Yancoal is meeting its obligations under the Directions, and in 2Q 2023 supplied its contracted volume of 0.17Mt to domestic power generators.

Where the production cost of the delivered coal (plus royalties and a reasonable margin) exceeds the price cap, an application can be made to increase the price cap. Yancoal has made such an application for coal supplied from one its mines, with the application currently with the Minster for Energy and Resources.

## SAFEGUARD MECHANISM

Reforms to the Safeguard Mechanism scheme came into effect on 1 July 2023. The reforms reset the methodology for determining annual emissions caps (baselines) on Safeguard Mechanism facilities. They also introduce an annual decline rate for baselines at Safeguard Mechanism facilities, with an effective cost per tonne of emissions over the baseline.

Yancoal's mines, other than Stratford-Duralie, are covered by the Safeguard Mechanism. Yancoal's assessment of the reforms' financial impact is ongoing; the outcome will depend on several factors including the cost of carbon offsets and the existence of viable abatement opportunities. Yancoal will provide further commentary on the potential financial impact once there is a reliable basis for the projection.

## DEVELOPMENT PROJECTS

At Moolarben, modifications to increase the coal wash plant production capacity to 16Mtpa were completed earlier in the year. The facility continues to operate at the anticipated levels as throughput increases.

The MTW underground mine concept remains subject to study and assessment, and we do not expect to reach a conclusion during 2023.

Yancoal incurred $1.05 million in exploration capital expenditure during the period at Moolarben and Stratford. The exploration work comprised 27 core and non-core boreholes for a total of 1,350m drilled. The capital expenditure was low due to the prioritisation of operating activities.

## CORPORATE ACTIVITY

Yancoal conducted its Annual General Meeting on 31 May. All the proposed resolutions, as set out in the notice of meeting, were duly passed by the Shareholders by way of poll.

## CONFERENCE CALL FOR ANALYSTS AND INVESTORS

The Company will host an audio conference call for analysts and investors. CEO, David Moult, will provide comments on the June Quarter performance and conduct a 'Question and Answer' session.

**Date:** Thursday 20 July 2023

**Time:** 11:00am Sydney

**Webcast:** https://edge.media-server.com/mmc/p/b6ttzqjs

Participants are encouraged to use the webcast link to pre-register for the conference call. There is an option to have the Company hosting the call participants directly at the scheduled start time.

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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