



# Quarterly Report

For the quarter ending 31 December 2021

Issued 20 January 2022

## December Quarter 2021 (4Q 2021)

- 16.9Mt 100% basis ROM coal production, down 1% from 3Q 2021.
- 9.3Mt Attributable saleable coal production, down 6% from 3Q 2021.
- 9.9Mt Attributable mine production sales, down 5% from 3Q 2021.
- A\$209/t Average realised coal price, up 32% from 3Q 2021.
- 8.4 TRIFR (12mth rolling), compared to 8.0 at the end of 3Q 2021.

## Performance summary

Our workforce's safety is always our priority; Yancoal retained a better than industry average TRIFR in 4Q 2021 and continued its proactive COVID-19 response.

Attributable ROM and saleable coal output declined 3% and 6% respectively, as continued wet weather and shifts lost to the COVID-19 response affected several operations. Despite the operational challenges late in the quarter, the attributable annual saleable production of 36.7 million tonnes was only 2% below our 2021 production target of around 37.5 million tonnes.

Through selling down coal stockpiles accumulated in prior periods, Yancoal achieved attributable mine production sales of 37.5Mt, capitalising on the current high coal price.

Coal prices peaked during the quarter and finished at elevated levels. Compared to the prior quarter, our overall realised price increased by A\$54/tonne to A\$209/tonne for the 9.9 million tonnes attributable sales volume in 4Q 2021. Elevated coal prices in the prior quarter enabled Yancoal to repay US\$500 million of debt from available cash during October 2021. The prepayments will save around US\$82 million in total finance costs over the loan period.

For 2021, our average realised price was A\$141/tonne, an increase of 72% on the average realised price achieved in 2020 (A\$82/tonne). The international coal market and broader energy markets remain somewhat supply-constrained, which is likely to support thermal coal indices in the coming months.

## 2021 Performance

- Attributable saleable coal production of 36.7 million tonnes compared to 38.3 million tonnes in 2020.
- Attributable coal sales mine production of 37.5 million tonnes compared to 37.9 million tonnes in 2020.
- Our operating cash costs target (A\$66-68/t excluding royalties) was retained through 4Q 2021; we will report the final figures in the Full Year 2021 Financial Results in February.

QUARTERLY REPORT

For the quarter ending 31 December 2021

Production and Sales Data

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	4Q 2021	3Q 2021	PP Change	4Q 2020	PCP Change	12 months year-to-date		
								2021	2020	Change
Moolarben	OC / UG	95%	5.0	5.3	(6%)	5.0	-%	20.4	21.7	(6%)
Mount Thorley Warkworth	OC	82.9%	4.4	4.7	(6%)	4.4	-%	16.5	17.6	(6%)
Hunter Valley Operations	OC	51%	4.2	3.8	11%	4.4	(5%)	14.4	16.9	(15%)
Yarrabee	OC	100%	0.9	1.0	(10%)	0.9	-%	3.0	3.3	(9%)
Stratford Duralie	OC	100%	0.7	0.3	133%	0.4	75%	1.5	1.0	50%
Middlemount	OC	49.9997%	1.2	1.2	-%	1.3	(8%)	4.8	4.0	20%
Ashton	UG	100%	0.5	0.8	(38%)	0.9	(44%)	2.6	3.6	(28%)
<b>Total – 100% Basis</b>			<b>16.9</b>	<b>17.1</b>	<b>(1%)</b>	<b>17.3</b>	<b>(2%)</b>	<b>63.2</b>	<b>68.1</b>	<b>(7%)</b>
<b>Total – Attributable</b>			<b>12.6</b>	<b>13.0</b>	<b>(3%)</b>	<b>11.9</b>	<b>6%</b>	<b>47.5</b>	<b>48.0</b>	<b>(1%)</b>

SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	4Q 2021	3Q 2021	PP Change	4Q 2020	PCP Change	12 months year-to-date		
								2021	2020	Change
Moolarben	Thermal	95%	4.6	4.6	-%	4.4	5%	18.4	19.7	(7%)
Mount Thorley Warkworth	Met. Thermal	82.9%	3.0	3.2	(6%)	3.1	(3%)	11.2	11.9	(6%)
Hunter Valley Operations	Met. Thermal	51%	2.6	2.9	(10%)	2.8	(7%)	10.6	12.0	(12%)
Yarrabee	Met. Thermal	100%	0.7	0.7	-%	0.7	-%	2.6	3.0	(13%)
Stratford Duralie	Met. Thermal	100%	0.3	0.2	50%	0.2	50%	0.8	0.5	60%
Middlemount	Met. Thermal	0% (equity accounted)	0.9	0.9	-%	1.0	(10%)	3.7	2.9	28%
Ashton	Met.	100% (from 17-Dec-20)	0.2	0.4	(50%)	0.5	(60%)	1.2	1.8	(33%)
<b>Total – 100% Basis</b>			<b>12.3</b>	<b>12.9</b>	<b>(5%)</b>	<b>12.7</b>	<b>(3%)</b>	<b>48.5</b>	<b>51.8</b>	<b>(6%)</b>
<b>Total – Attributable</b>			<b>9.3</b>	<b>9.9</b>	<b>(6%)</b>	<b>9.1</b>	<b>2%</b>	<b>36.7</b>	<b>38.3</b>	<b>(4%)</b>

SALES VOLUME by coal type, Mt	4Q 2021	3Q 2021	PP Change	4Q 2020	PCP Change	12 months year-to-date		
						2021	2020	Change
Metallurgical	1.6	1.6	-%	1.2	39%	5.8	4.2	40%
Thermal	8.3	8.8	(6%)	8.2	1%	31.7	33.7	(6%)
<b>Total – Attributable</b>	<b>9.9</b>	<b>10.4</b>	<b>(5%)</b>	<b>9.4</b>	<b>6%</b>	<b>37.5</b>	<b>37.9</b>	<b>(1%)</b>
<b>Average realised price, A\$/tonne</b>	<b>209</b>	<b>155</b>	<b>35%</b>	<b>72</b>	<b>190%</b>	<b>141</b>	<b>82</b>	<b>72%</b>

Notes:

- Attributable figures exclude production from Middlemount (incorporated joint venture and equity-accounted); and Watagan (equity-accounted investment and deconsolidated between 31 March 2016 and 16 December 2020).
- The 3Q 2021 production volume for Middlemount is restated to capture updated data for the quarter subsequent to the prior report.
- Attributable figures for Moolarben are 95% from 1 January 2020, but the attributable economic interest is 85% up to 31 March 2020 and 95% thereafter.
- Ashton volumes in Q1 2020 include the final tonnes produced at Austar before it transferred to 'care and maintenance'.
- 'Sales volumes by coal type' excludes the sale of purchased coal.
- ROM = Run of Mine; the volume extracted and available to be processed.
- FOB = Free on Board; costs included up to the point of loading coal on to a ship for export.

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

FY2021 = Full Year 2021

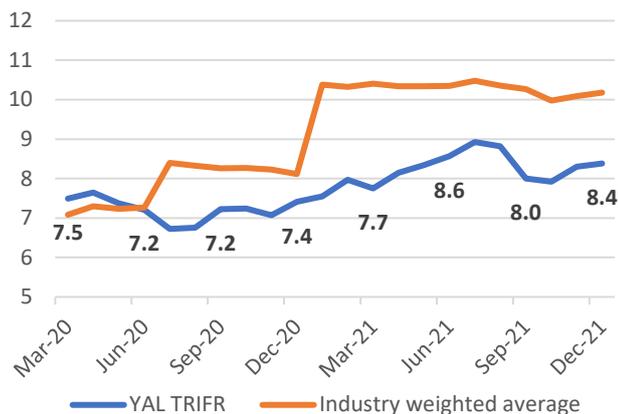
PP = Prior period

PCP = Prior corresponding period

UG = Underground

OC = Open-cut

**SAFETY STATISTIC - 12mth Rolling TRIFR \***



**CEO COMMENT**

The health and wellbeing of all Yancoal employees remain a key focus. The 12-month rolling Total Recordable Injury Frequency Rate<sup>1</sup> at the end of 4Q 2021 was 8.4, compared to 8.0 at the end of 3Q 2021<sup>2</sup>. This figure compares favourably with the comparable industry weighted average TRIFR of 10.2 at the end of December. Our operations have proactively addressed COVID-19 cases as they occurred in the workforce, and Yancoal has protocols in place to respond to positive cases.

Wet weather and reduced equipment operating hours due to COVID-19 response requirements affected production at most mines. The heavy rainfall in the fourth quarter further impacted production as most of the open-cut mines in NSW were already near their water storage capacity limits.

All the mines continue to operate with COVID-19 controls in place, such as: crew separation measures; staggered crew starting times; Rapid Antigen Testing; and additional time for employee briefings on mandatory COVID-19 protocols. This rigorous approach has minimised the COVID-19 impact, but as

community transmission increased, particularly in the Newcastle and Hunter regions, invariably, some of our workforce were required to follow isolation requirements, and this has reduced personnel availability. Transport delays affecting spare part deliveries are also a factor at most mines.

In the face of operational constraints, mining teams performed well to deliver 36.7Mt of attributable coal production for the year. The marketing team took advantage of international market conditions and sold down coal inventories accumulated in prior periods. Total sales for the year were 37.5Mt (first-half sales were limited to 17.2Mt). Full-year sales include an increased proportion of higher revenue-generating metallurgical coal.

International coal indices rallied through the year, peaking in October at previously unseen levels. Yancoal’s average realised coal price jumped each quarter and was A\$209/tonne in the fourth quarter (just 12 months earlier, it was A\$72/tonne).

Our average realised coal price for 2021 was A\$141/tonne, significantly higher than the A\$82/tonne achieved the previous year. Considering our realised price lags index prices due to contract structures, and given coal indices remain elevated, the outlook for Yancoal’s realised price at the start of 2022 is positive.

In October, Yancoal made an early debt repayment of US\$500 million from the excess cash flow generated in the third quarter. The early repayment improves cash flow by saving US\$82 million in finance costs over the loan period. Yancoal’s net gearing fell below 30% at 31 December 2021 (subject to external audit review), compared to 41% at 31 December 2020. As coal price

\* From January 2021 onwards the Yancoal TRIFR and Industry weighted average were revised to include the Watagan assets.  
<sup>1</sup> 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.  
<sup>2</sup> Prior periods may be revised for reclassification of past events.

strength persists, Yancoal will continue to evaluate how to balance the allocation of its financial resources, including through further early debt repayments.

Yancoal’s large-scale, low-cost production profile provides notable cash flow during periods of elevated coal prices, as was the case in 2017-2019 when distributions totalled A\$924 million and US\$1,400 million of early debt repayments were completed.

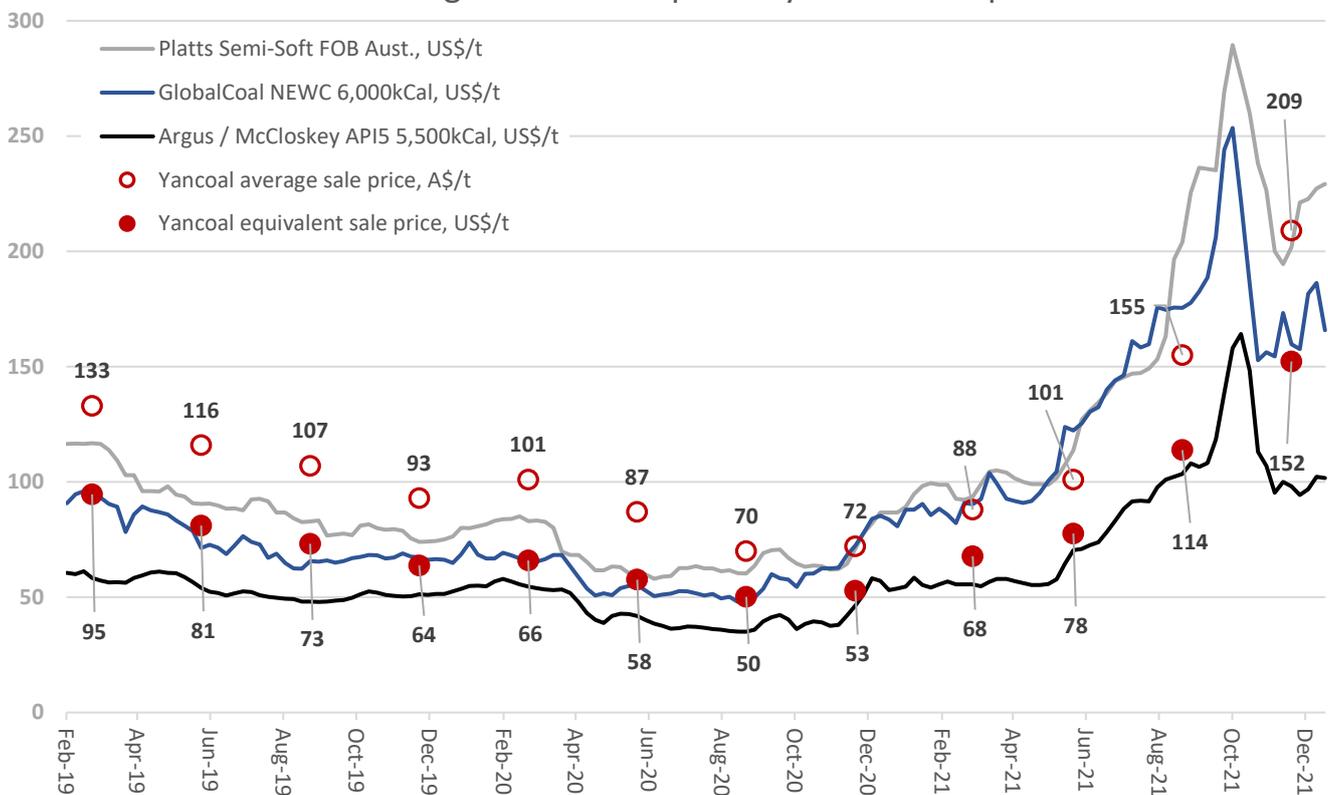
Through periods of high and low coal prices, our focus remains on the controllable elements of our business. A disciplined production and operating costs approach ensures the best outcome in all coal market conditions. Yancoal’s strategic advantage is its low cost of production and ability to blend its output to meet customer requirements. Our assets perform consistently throughout the coal price cycle and deliver revenue without compromising our mine plans or maintenance schedules to force a temporary production gain.

**COAL SALES and PRICING**

During 4Q 2021, attributable sales (9.9Mt) were 0.6Mt above the attributable saleable production (9.3Mt) as Yancoal maximised its effort to meet customer demand. At the end of the year, inventory levels were comparable to past periods.

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 2021 was A\$209/t across the combined thermal and metallurgical coal volumes, compared to A\$155/t in the prior quarter and A\$72/t in the prior corresponding period.

Market Index Pricing and Yancoal quarterly overall sale price



## COAL MARKET OUTLOOK

Yancoal sells most of its thermal coal on contracts linked to the All Published Index 5 (API5) 5,500kCal index, with the balance priced off the GlobalCOAL NEWC 6,000kCal NAR index (GCNewc). During 4Q 2021, the API5 price averaged US\$117/t and ended the quarter at US\$102/t. This price profile was not as strong as the GCNewc performance, which averaged US\$186/t and ended the quarter at around US\$166/t.

The price differential between the two indices has narrowed in recent months, but it remains more extensive than typically experienced over the past ten years. During 2021, the differential averaged ~US\$55/tonne, whereas from 2012 to 2021, it averaged ~US\$18/tonne. Reduced API5 imports by China is one factor contributing to the price differential. Yancoal has sought new customers and continually optimises its coal blending strategy to meet customer needs.

The low-ash GCNewc index peaked in October as Indonesian exports faced weather disruptions and customers in Asia looked to establish stockpiles ahead of a potentially colder than typical winter.

The index then fell in November following a recovery in Indonesian exports and an announcement by the NDRC that Chinese domestic production would be increased.

In December, prices rebounded somewhat as rain disrupted Australian export logistics. After the end of the quarter, prices rallied further after the Indonesian Government announced it would ban exports during January to rebuild domestic stockpiles.

Overall, the demand for low-ash coal has remained consistent with expectations. Swings in the supply output and sentiment have largely determined index movements.

The high-ash API5 index followed a similar profile to the low-ash index during the quarter. Chinese domestic supply, Indonesian exports and Indian imports demand are key factors in this market. Yancoal is a leading participant in the international high-ash thermal coal market; the reduced output from Yancoal in 4Q 2021 has the potential to affect this index in the near term.

Although having retreated from peak levels, international coal indices remain robust compared to prior years. Both metallurgical and thermal coal markets have sound demand fundamentals, and we see this as supportive of the price outlook during the first half of 2022.

## ASSET PERFORMANCE

Late in the quarter, our workforce availability was impacted by increasing COVID-19 case numbers in the Hunter Valley community, with positive cases and isolation requirements affecting Moolarben, MTW, HVO and Ashton underground operation. The occurrence of logistics and supply chain delays also increased toward the end of the quarter due to COVID-19 disruptions.

Heavy rainfall occurred in NSW during the quarter, particularly in November, and is forecast to continue through January 2022 as the La Nina weather pattern continues. The rainfall affected both mining operations and rail logistics. The sites continually review the current and projected weather conditions in order to assess all possible recovery options. Management of excess site water levels is a priority across all NSW operations and will continue into 2022.

### Moolarben

Open-cut mining was affected by rain throughout the period. Usually, output from the underground mine can be increased to partially offset open-cut disruptions, but longwall operations were impacted as crews worked to address poor roof strata conditions. Underground production was further impacted by unscheduled maintenance following a mechanical failure, and reduced workforce availability related to COVID-19 isolation and testing delays.

### Mount Thorley Warkworth (MTW)

At MTW, pre-existing high-water storage levels exacerbated the impact of rainfall on the operations. The constrained capacity to remove this additional water from mining locations meant the resumption of mining following heavy rainfall in November and December took longer than commonly experienced. The team at MTW are working on more permanent solutions to address the water storage issues and anticipate implementing additional water storage capacity commencing in 1Q 2022. The large workforce at MTW increases the potential for an occurrence of COVID-19 cases; as part of its risk mitigation, the use of the Rapid Antigen Testing facility has been extended with a view to retaining it through Q1 2022.

### Hunter Valley Operations (HVO)

At HVO, there were also production losses associated with rainfall, COVID-19 disruptions and extensions of scheduled maintenance work in the main wash plant. These losses impacted coal availability and feed types, impinging on the ability to optimise wash plant throughput and yield. The second wash plant restarted operations during December, enabling further optimisation of the mines' coal stockpiles during 2022.

### Yarrabee

Queensland also received heavy rain, and mining at Yarrabee was affected on several occasions, including two site evacuations when haul roads and access roads were subject to flooding. Late in the quarter, weather conditions improved and some of the mining downtime was recouped.

### Stratford Duralie

The mine was less impacted by rainfall than the mines in the Hunter Valley during the quarter and achieved a monthly ROM record in October. The wash plant also delivered a high yield during the quarter. Late in the quarter, the wash plant had to be shut down following the partial failure of a reinforced earth wall at the ROM coal bin. A temporary mobile crushing plant has been installed while the team implements the preferred rectification plan.

### Middlemount

The mine had modest disruptions during the quarter and primarily delivered to plan. An additional excavator commenced operations during the quarter, and additional haul trucks were delivered in December. We expect the extra equipment will support additional output in 2022.

### Ashton

Although rainfall does not affect underground operations, water accumulation at the longwall mining location reduced output in October. A longwall move was underway during much of December, with the resumption of mining scheduled in mid-January.

**GROWTH INITIATIVES**

At Moolarben, Yancoal has the required approvals to increase annual open-cut mine ROM production from 14Mt to 16Mt. 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 depends on increasing the capacity at the Coal Handling and Preparation Plant (CHPP). This CHPP project has commenced, and the expansion to 16Mtpa from the open-cut will occur over the next 18 months. The MTW underground mine concept remains subject to study and assessment.

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 29 October 2021, Yancoal made an early debt repayment of US\$500 million from available cash. The prepayments deliver an approximate US\$82 million reduction in total finance cost over the loan periods.

On 31 December 2021, the number of ordinary shares was 1,320,439,437, unchanged during the period.

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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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