Quarterly Report

For the quarter ending 30 June 2021

Issued 19 July 2021

June Quarter 2021 (2Q 2021)

- 15.0Mt ROM coal production, up 5% from 1Q 2021.
- 8.8Mt Attributable saleable coal production, up 2% from 1Q 2021.
- 8.6Mt Mine production sales, the same as 1Q 2021.
- A$101/t Average realised coal price, up 15% from 1Q 2021.
- 8.4 TRIFR (12mth rolling), compared to 7.7 at the end of 1Q 2021.

Performance summary

Our workforce's safety is always our priority; Yancoal continued its successful COVID-19 response and better than industry average TRIFR in 1Q 2021.

Rain continued to impact NSW production during the period; however, we retain the 2021 production guidance as most operations expect to recover some lost production over the second half of the year.

During the period, uncontrollable cost factors included elevated diesel prices, demurrage costs, and wet weather recovery works. Additionally, we are actively targeting higher quality, lower ash, thermal coal, which incurs an additional processing cost but delivers a higher realised price. As we noted previously, various factors had pushed unit costs to the top end of the range; this remains the case; current projections are for a A$2/tonne increase to the previous unit cost guidance range.

Elevated coal price indices for thermal coal are the positive result of ongoing sector-wide weather disruption to mining, railing and shipping activity out of Newcastle. Yancoal's realised price has increased for the third quarter in a row; the average realised sale price in 2Q 2021 was A$101/t, compared to A$88/t in 1Q 2021. While short-term supply disruptions may ease, we anticipate the current strong prices and market conditions will be reflected in our realised price over the coming months.

2021 Guidance

- Attributable saleable coal production of around 39Mt.
- Cash operating costs (exc. royalties) of A$62-64/tonne (was A$60-62/tonne).
- Attributable capital expenditure of A$360-380 million.

Production and Sales Data

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	2Q 2021	1Q 2021	PP Change	2Q 2020	PCP Change	6 months year-to-date 2021	6 months year-to-date 2020	6 months year-to-date Change
Moolarben	OC / UG	95%	5.5	4.6	20%	5.3	4%	10.1	11.1	(9%)
Mount Thorley Warkworth	OC	82.9%	3.5	3.9	(10%)	4.6	(24%)	7.4	8.2	(10%)
Hunter Valley Operations	OC	51%	3.5	2.9	23%	4.4	(20%)	6.4	8.4	(24%)
Yarrabee	OC	100%	0.5	0.6	(22%)	0.9	(44%)	1.1	1.4	(19%)
Stratford Duralie	OC	100%	0.3	0.2	96%	0.2	50%	0.5	0.4	18%
Middlemount	OC	49.9997%	1.3	1.2	13%	1.0	30%	2.5	1.7	44%
Ashton	UG	100%	0.4	0.9	(58%)	0.5	(20%)	1.3	1.7	(24%)
Total – 100% Basis			**15.0**	**14.2**	**5%**	**16.9**	**(11%)**	**29.3**	**32.9**	**(11%)**
Total – Attributable			**11.1**	**10.8**	**3%**	**12.2**	**(9%)**	**21.9**	**23.4**	**(6%)**

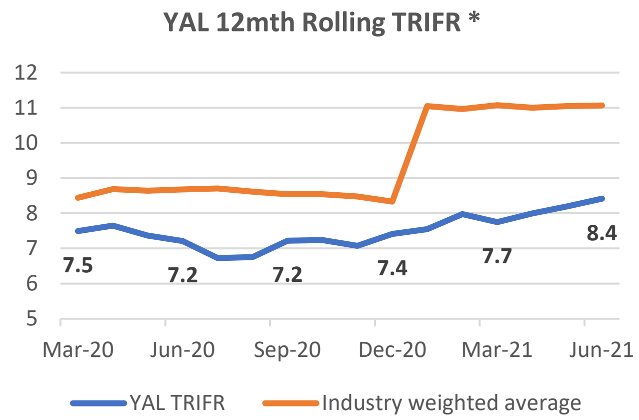
SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	2Q 2021	1Q 2021	PP Change	2Q 2020	PCP Change	6 months year-to-date 2021	6 months year-to-date 2020	6 months year-to-date Change
Moolarben	Thermal	95%	5.1	4.1	24%	4.8	6%	9.2	10.2	(10%)
Mount Thorley Warkworth	Met. Thermal	82.9%	2.3	2.7	(15%)	2.8	(18%)	5.0	5.3	(6%)
Hunter Valley Operations	Met. Thermal	51%	2.5	2.6	(3%)	2.8	(11%)	5.1	6.3	(19%)
Yarrabee	Met. Thermal	100%	0.4	0.8	(49%)	0.9	(56%)	1.2	1.5	(23%)
Stratford Duralie	Met. Thermal	100%	0.2	0.1	147%	0.1	100%	0.3	0.2	31%
Middlemount	Met. Thermal	0% (equity accounted)	0.9	0.9	(2%)	0.6	50%	1.8	1.2	52%
Ashton	Met.	100% (from 17-Dec-20)	0.2	0.4	(51%)	0.3	(33%)	0.6	0.9	(33%)
Total – 100% Basis			**11.6**	**11.6**	**0%**	**12.3**	**(6%)**	**23.2**	**25.6**	**(10%)**
Total – Attributable			**8.8**	**8.6**	**2%**	**9.3**	**(5%)**	**17.5**	**19.0**	**(8%)**

SALES VOLUME by coal type, Mt	2Q 2021	1Q 2021	PP Change	2Q 2020	PCP Change	6 months year-to-date 2021	6 months year-to-date 2020	6 months year-to-date Change
Metallurgical	**1.3**	1.4	(6%)	0.9	44%	2.7	1.9	40%
Thermal	**7.3**	7.2	1%	8.4	(13%)	14.5	16.5	(12%)
Total – Attributable	**8.6**	**8.6**	**0%**	**9.3**	**(8%)**	**17.2**	**18.4**	**(7%)**

- **Notes:**
- 1. 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).
- 2. Attributable figures for Moolarben 95% from 1-Jan-2020, but note economic attribution is 85% up to 31 March 2020 and 95% after that date.
- 3. Ashton volumes include the final tonnes produced at Austar before operations transferred to 'care and maintenance in 1Q 2020.
- 4. 'Sales volumes (by coal type)' excludes purchased coal.
- 5. 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. The 12-month rolling Total Recordable Injury Frequency Rate [1] at the end of 2Q 2021 was 8.4, compared to 7.7 at the end of 1Q 2021[2]. This figure compares favourably with the comparable weighted average TRIFR of 11.1 for the industry at the end of June. All our operations remain COVID-19 free, with additional protocols reintroduced in response to the recurrence of positive cases in the community.

Rainfall continued to disrupt mining, rail and port activity during the period, particularly at the Hunter Valley operations. The 8.8 million tonnes of attributable saleable coal produced during the period was similar to the first quarter. Our three largest, open-cut mines have been working to overcome the first quarter flood impacts and ensure production recovery plans are effectively implemented. We currently expect the revised mine plans to enable Yancoal to deliver the 2021 target of around 39 million tonnes of attributable saleable coal.

Yancoal's rail and port allocations remain sufficient to match its production guidance for 2021, so we do not anticipate logistic constraints will affect the production guidance.

The recovery work associated with the wet weather, extra demurrage costs due to ship queues, and higher diesel prices adversely impact the operating unit costs. By contrast, a "washing harder" strategy to improve coal quality incurs additional costs but aims to capture the current low-ash thermal coal price arbitrage opportunity for a net positive outcome on the operating margin. Consequently, the full-year cash operating costs have been revised up by A$2/tonne to A$62-64/tonne. The teams at each of the sites are working proactively to mitigate these cost pressure and optimise the operations to take advantage of the current market conditions. The emphasis is on the second half of the year, where we are targeting saleable coal of around 21.5 million tonnes, a significant uplift over the 17.5 million tonnes achieved in the first half.

One positive aspect of the disruption, coupled with logistics and weather issues internationally, is that export coal indices continued to improve. Although obligations to deliver delayed shipments at previously contracted prices reduced the index movement's immediate benefit on our received price during the quarter, the A$13/tonne realised price improvement over the prior quarter was very encouraging. Yancoal's contract profile means that as coal price indices remain elevated, the benefit will be reported in the realised prices in subsequent periods. The net effect on the margins remains positive despite the revised production cost profile for 2021.

As always, our focus is on the controllable elements of our business, particularly optimising production and reducing operating costs wherever possible. This is particularly the case after the production lost during the first quarter due to bad weather. Yancoal's low cost of production and ability to blend its output to meet customer requirements mean we are well placed to benefit from the improving market conditions.

[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.

* From January 2021 onwards the Yancoal TRIFR and Industry weighted average were revised to include the Watagan assets.

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

COAL SALES and PRICING

During 2Q 2021, attributable sales (8.6Mt) were only 0.2Mt below the attributable saleable production (8.8Mt) despite weather disruptions continuing to affect the timing of vessel loading. As with the prior quarter, the delayed contract deliveries contributed to a 'lag effect' on the realised prices we reported for the quarter; the delays result in an extended period between when the contract is agreed and when it is performed. During the second half of 2021, we intend to run down the stockpile accumulation and delayed contract deliveries that have resulted from the various disruptions incurred over the past nine months.

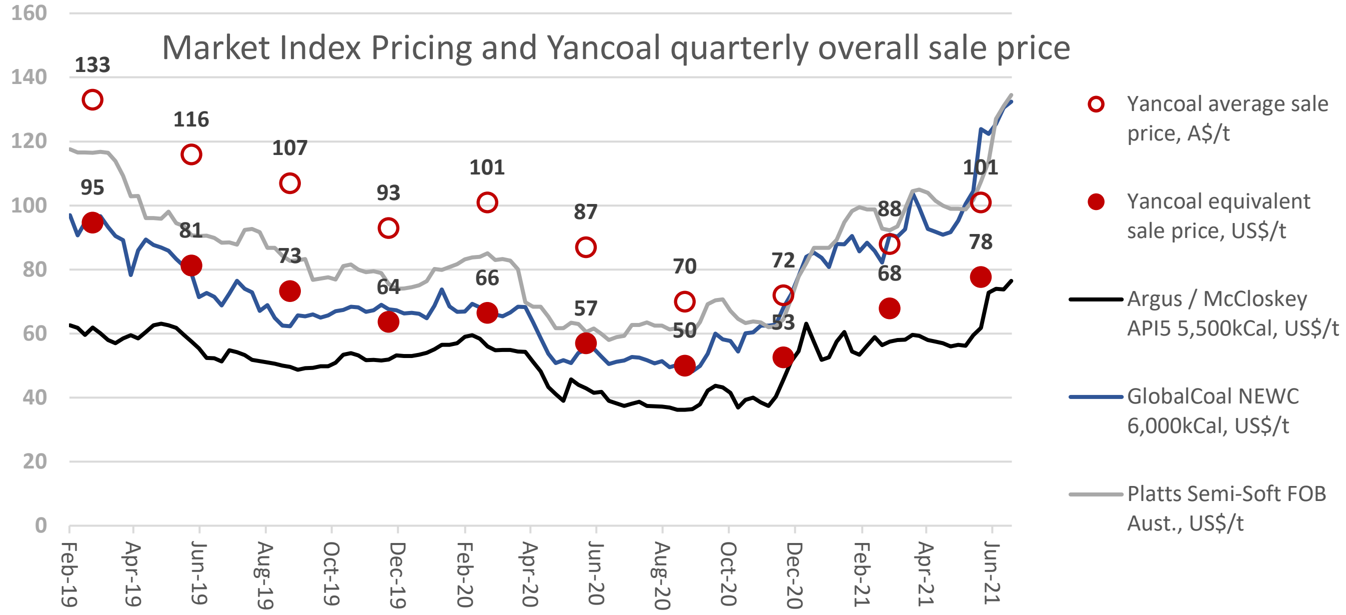
Yancoal purchased additional coal for blending, per its usual practice, to optimise the overall product mix and realised prices. Yancoal's average realised sale price in 2Q 2021 was A$101/t across the combined thermal and metallurgical coal volumes, compared to A$88/t in the prior quarter and A$87/t in the prior corresponding period.

COAL MARKET OUTLOOK

Yancoal typically sells the majority 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 2Q 2021, the API5 price averaged US$63/t but subsequently ended around US$76/t. This positive price trend was less pronounced than the rally in the GCNewc price, which averaged US$108/t and ended the quarter at around US$132/t. The price differential is more than it has been at any time in the past ten years. Reduced API5 imports by China is one factor contributing to the price differential. Yancoal has sought new customers and targeted the price differential through "washing harder" to reduce ash content as well as optimising its coal blending strategy.

Weather events continued to affect thermal coal exports out of Newcastle. At the end of the period, the vessel queue for coal carriers was 65 ships compared to about 15 when the exports are operating at normal capacity. Price indices appreciated on the back of supply issues caused by rains in Australia and Indonesia as well as logistic concerns in Russia and South Africa during the quarter, and demand remained strong entering the northern hemisphere summer season. Appreciating steel prices and conditions in the premium thermal coal market supported the increase of the semi-soft coking coal indices.

Yancoal optimises its product to maximise sales between the different markets and seek diversification of its customer base. Yancoal expects to have sufficient infrastructure capacity throughout 2021 to facilitate the year's planned production volume sale. During 2021, we expect a recovery of global economic conditions and the associated demand for electricity generation to support thermal coal indices.



ASSET PERFORMANCE

At the NSW operations, Moolarben, MTW, HVO and Stratford-Duralie, wet weather continued to impact operations after the 1-in-100 year flood event late in the prior quarter. During June, the three major assets, Moolarben, MTW and HVO, all experienced rainfall events. During winter, the production delays due to rain are longer as more time is required for roads and working locations to dry out. A secondary consequence of the heavy rain is the need to manage the excess water present in the mining pits and dams; this can constrain mining activities, but we ensure adherence to all relevant regulations when managing these conditions.

When setting its annual production targets, Yancoal factors in some wet weather disruptions; we have sufficient rail and port allocations to meet our 2021 targets and are working to deliver the target production volume for the year.

Moolarben

The Moolarben underground's longwall has cleared the hard rock intrusion within the coal seam it encountered earlier in the year. However, wear and tear on the equipment resulted in additional maintenance work during the period. The second set of longwall equipment has been installed underground ahead of a longwall move in July. Having two sets of longwall equipment will reduce the turnaround time for future longwall moves. The open-pit operations have focused on increasing volume to offset reduced activity at the longwall; however, ongoing wet weather has constrained activity on the surface. The priority has shifted to maximising wash hours in the process plant to lift saleable coal output.

Mount Thorley Warkworth (MTW)

Rain disrupted MTW operations once again during the quarter. The mine is working to recover production from previous rain events over the past six months; however, we expect it to deliver on its full-year ROM production forecast. The emphasis is on maximising throughput at the processing plant and optimising the product quality to best capture the current coal prices. The trade-off may result in sacrificing some saleable coal volume to achieve better contract prices and profitability.

Hunter Valley Operations (HVO)

At HVO, rainfall affected ROM coal mined during the period; however, the overburden volume moved should allow the operation to recoup ROM volume by year-end. During June, the ROM coal volume was sufficient to provide excess feed to the process plant and compensate for the lower yield from the plant during the period. The operation will need to lift the output during the second half of the year as the annual profile is weighted to the second half of the year.

Yarrabee

Although there were some rain delays in Queensland, these were less consequential than in NSW. The newly commissioned Hitachi 8000-7 excavator and trucks have facilitated an increase in output during the period.

Stratford Duralie

The Stratford Duralie mine is closer to the coast than the other NSW mines and was more impacted by rain delays during the first quarter. A recovery plan has been established, but subsequent rainfall in the second quarter means the mine will fall slightly short of targets set at the start of the year.

Middlemount

Middlemount continues to deliver the planned production volume despite some rainfall during the period.

Ashton

As an underground mine, direct impacts due to wet weather delays were less noticeable at Ashton. Production resumed ahead of plan following a longwall move in May, and output remains on plan despite lower yield from the processing plant.

GROWTH INITIATIVES

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 depends on increasing the capacity at the Coal Handling and Preparation Plant. This project has commenced. 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 30 June 2021, 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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