



Quarterly Report

For the quarter ending 30 June 2022

Issued 20 July 2022

June Quarter 2022 (2Q 2022)

- A\$368/t Average realised coal price.
- \$1.8 billion of cash generation.
- \$3.4 billion cash balance at 30 June 2022.
- 12.5Mt 100% basis ROM coal production.
- 7.4Mt of Attributable saleable coal production.
- 7.9Mt of Attributable coal sales.

Performance summary

Our workforce's safety is always our priority; Yancoal retained a better than industry average TRIFR, 8.7 (12mth rolling).

Yancoal had a record cash generation of \$2.8 billion during 1H 2022.[^]

At 30 June 2022, cash increased to \$3.4 billion from \$1.5 billion at 31 December 2021, after the \$930 million dividend payment in April.

Demand for coal remains robust, and Yancoal's average realised price in 1H 2022 was \$314/t, more than three times the \$94/t realised in 1H 2021. Coal prices are the main financial performance driver.

The Company completed the announced repayment of a further ~US\$801 million (~A\$1,140 million) of debt during July.

The main factors impacting production and costs during the period were uncontrollable events: wet weather delays, COVID-19 disruptions, rising diesel prices and other inflationary cost pressures were challenges faced by many miners in the sector. The revised guidance also factors in the unscheduled down time on key equipment and the need to revise the Moolarben longwall mining sequence to preserve an aboriginal heritage site. Yancoal's 2022 operational guidance is revised to:

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

The updated guidance range considers the potential for further above-average rainfall and inflationary cost pressures in the coming months.

CEO Comment

High coal prices remain the primary driver of Yancoal's financial performance in 2022. The Company paid \$930 million in dividends in April, and still increased its cash holding by \$850 million during the quarter; cash generation of almost \$1.8 billion in three months. The Company is on track to achieve another record financial performance in 2022 and achieve a zero net debt position in July.

Like much of the industry, flooding rain and COVID-19 impacted Yancoal's output during the June quarter. The operations teams are doing an excellent job of revising and implementing recovery plans. However, we cannot recoup all the lost production. Our production and operating cost guidance is revised accordingly.

Yancoal's lost output is part of the sector-wide supply-side disruptions that, along with global energy uncertainty, continues to underpin prices in the international coal markets. While there may be price volatility, we anticipate coal prices to remain well supported through the end of the year.

PRODUCTION AND SALES DATA

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	2Q 2022	1Q 2022	PP Change	2Q 2021	PCP Change	6 months year-to-date		
								2022	2021	Change
Moolarben	OC / UG	95%	4.4	4.9	(10%)	5.5	(20%)	9.3	10.1	(8%)
Mount Thorley Warkworth	OC	82.9%	2.6	3.0	(13%)	3.5	(26%)	5.6	7.4	(24%)
Hunter Valley Operations	OC	51%	3.6	3.0	20%	3.5	3%	6.6	6.4	3%
Yarrabee	OC	100%	0.6	0.5	20%	0.5	20%	1.1	1.1	-%
Stratford Duralie	OC	100%	0.2	0.1	100%	0.3	(33%)	0.3	0.5	(40%)
Middlemount	OC	49.9997%	0.8	1.2	(33%)	1.3	(38%)	2.0	2.5	(20%)
Ashton	UG	100%	0.3	0.6	(50%)	0.4	(25%)	0.9	1.3	(31%)
Total – 100% Basis			12.5	13.3	(6%)	15.0	(17%)	25.8	29.3	(12%)
Total – Attributable			9.3	10.0	(7%)	11.1	(16%)	19.3	21.9	(12%)

SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	2Q 2022	1Q 2022	PP Change	2Q 2021	PCP Change	6 months year-to-date		
								2022	2021	Change
Moolarben	Thermal	95%	4.1	4.3	(5%)	5.1	(20%)	8.4	9.2	(9%)
Mount Thorley Warkworth	Met. Thermal	82.9%	1.7	2.0	(15%)	2.3	(26%)	3.7	5.0	(26%)
Hunter Valley Operations	Met. Thermal	51%	2.9	2.7	7%	2.5	16%	5.6	5.1	10%
Yarrabee	Met. Thermal	100%	0.5	0.5	-%	0.4	25%	1.0	1.2	(17%)
Stratford Duralie	Met. Thermal	100%	0.1	0.2	(50%)	0.2	(50%)	0.3	0.3	-%
Middlemount	Met. Thermal	0% (equity accounted)	0.6	0.8	(25%)	0.9	(33%)	1.4	1.8	(22%)
Ashton	Met.	100%	0.2	0.2	-%	0.2	-%	0.4	0.6	(33%)
Total – 100% Basis			10.1	10.7	(6%)	11.6	(13%)	20.8	23.2	(10%)
Total – Attributable			7.4	8.1	(9%)	8.8	(16%)	15.5	17.5	(11%)

SALES VOLUME by coal type, Mt	2Q 2022	1Q 2022	PP Change	2Q 2021	PCP Change	6 months year-to-date		
						2022	2021	Change
Metallurgical coal	1.3	1.1	18%	1.3	-%	2.4	2.7	(11%)
Thermal coal	6.6	6.7	(1%)	7.3	(10%)	13.3	14.5	(8%)
Total – Attributable	7.9	7.8	1%	8.6	(8%)	15.7	17.2	(9%)
Metallurgical coal average realised price, A\$/tonne	446	349	28%	127	251%	402	122	230%
Thermal coal average realised price, A\$/tonne	353	243	45%	96	268%	298	89	235%
Overall average realised price, A\$/tonne	368	258	43%	101	264%	314	94	234%

Notes:

- Attributable figures exclude production from Middlemount (incorporated joint venture and equity-accounted).
- ‘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

3Q = September quarter period

PP = Prior quarter period

2Q = June quarter period

4Q = December quarter period

PCP = Prior year corresponding period

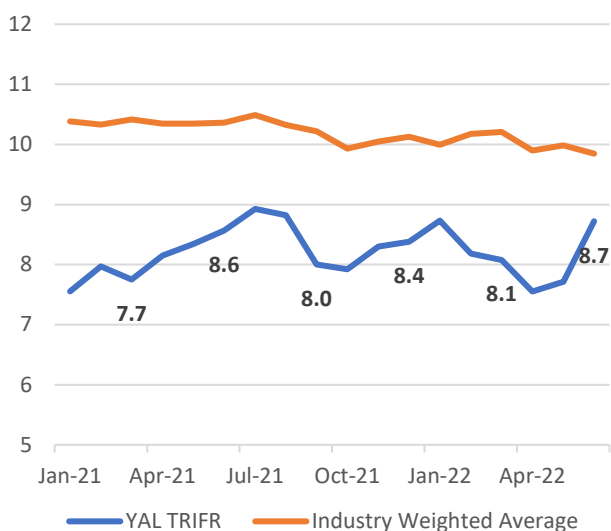
Mt = million tonnes

UG = Underground

Met. = Metallurgical coal

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 Rate¹ at the end of 2Q 2022 was 8.7, compared to 8.1 at the end of 1Q 2022². This figure compares favourably with the comparable industry weighted average TRIFR of 9.9 at the end of June. Management has identified the factors contributing to the increase in the rate in 2Q 2022 and is taking steps to address them.

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. Whilst Yancoal’s rigorous approach has minimised the COVID-19 impact, community transmission continues to contribute to absenteeism through isolation requirements, reducing personnel availability.

COAL SALES and MARKET OUTLOOK

During 2Q 2022, attributable sales of 7.9Mt were 0.5Mt above the attributable saleable production of 7.4Mt. Current inventory levels are comparable to past periods. Yancoal purchased additional coal for blending, per its usual practice, 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 2Q 2022, the API5 price averaged US\$194/t and ended the quarter at US\$185/t. The GCNewc index remained near record levels; it averaged US\$373/t and ended the quarter at US\$403/t.

Yancoal’s realised price in any given period tends to lag the relevant coal price indices due to its various sales contracts. After converting to A\$ terms, Yancoal recorded a realised thermal coal price of A\$353/t and a realised metallurgical coal price of A\$446/t in 2Q 2022.

Yancoal’s overall average realised sales price in 2Q 2022 was A\$368/t, compared to A\$258/t in the prior quarter and significantly higher than A\$101/t in the second quarter of last year.

¹ 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.

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

The six months year-to-date average realised price for thermal coal was A\$298/tonne, 235% higher than the first six months of 2021. Similarly, Yancoal’s average realised price for metallurgical coal was A\$402/tonne, 230% higher than the first six months of 2021.

The combined thermal and metallurgical coal sales delivered a 234% increase in the overall realised price for the first six months of 2022 compared to the first six months of 2021. This jump in the realised price is a more notable driver of financial performance than the 9% decrease in the sales volume for the same period.

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

Source: GlobalCOAL, Platts, Argus/McCloskey, Reserve Bank of Australia.³

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

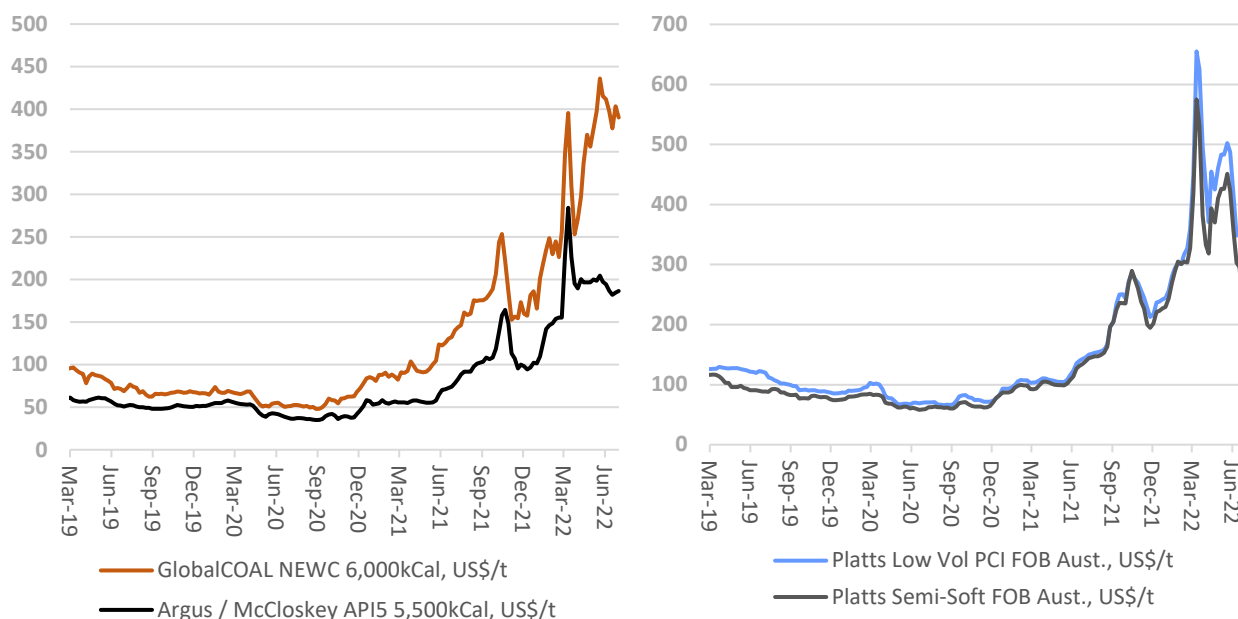
The GCNewc price remains near record levels; the heavy rain associated with the La Niña weather pattern continues to impact exports from Australia, exacerbating supply-side constraints. In Europe, the impending ban on Russian coal trade will come into effect in August 2022, resulting in a re-adjustment of seaborne coal trade flows and trade balance uncertainty.

On the other side of the supply-demand balance, there appears to be less demand from China for coal imports due to the current economic activity levels and good levels of hydro-power generation currently. In contrast to lower demand from China, there is likely to be increased demand from Europe as countries look to restart coal-fired power stations to counter restricted gas availability and a warm summer driving increased electricity consumption.

³ 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.

All these factors affect sentiment and contribute to further price volatility in the thinly traded thermal coal spot markets. More time is required before the international coal trade adjusts to the factors disrupting the global energy markets. Thermal coal prices, and particularly high-energy thermal coal prices, seem likely to be well supported for the remainder of 2022 and perhaps into 2023.

Metallurgical coal indices are falling in line with global steel demand. In the face of weaker demand for steel, some steel blast furnaces are undertaking extended maintenance schedules allowing buyers to postpone the coal re-stocking cycle. This situation has resulted in the unusual circumstance of the GCNewc thermal coal index currently trading higher than the Low Vol PCI and Semi-Soft indices.



Source: GlobalCOAL, Platts, Argus/McCloskey. ⁴

ASSET PERFORMANCE

The second quarter continued to be impacted by persistent and heavy rainfall, which significantly affected the open-cut mines in NSW and Queensland. Water storage levels at the mines in NSW were already at capacity, so the rain is impacting the mines 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.

The teams at each mine are adapting and implementing the recovery plans they have established.

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The Bureau of Meteorology's climate driver update confirms the 2021-2022 La Niña cycle has concluded, but the Bureau continues to forecast above-average rainfall for the coming months in eastern Australia. Yancoal is likely to carry high water storage levels into 2023 and remain at risk of further wet weather delays.

The heavy rains also impact rail, coal stockpiling and port activities. Increased ship queues and demurrage costs will also result from the July heavy rain event.

Beyond the weather disruptions, Yancoal continues to face ongoing workforce shortages resulting from COVID-19-related absenteeism and the tight labour conditions in the mining sector.

The lower production volumes directly contribute to higher operating cash costs on a per tonne basis, but there are also external factors, such as higher prices for diesel, original equipment manufacturer parts and explosives, that are impacting the operating costs.

Moolarben

In the prior quarter, the open-cut mine implemented plans to bring additional contractor mining capacity to the site and add further water storage dams as part of the recovery process. Despite these efforts, the open-cut mining activity remains constrained, particularly due to the record levels of water stored on-site.

The underground mine commenced a longwall move in June, with production recommenced in mid-July. The underground mine has moved into a location with shorter longwall panels, which will result in longwall moves occurring more frequently for the next two to three years. The increased frequency of the longwall moves brings additional challenges given the skilled worker availability shortage.

Mount Thorley Warkworth (MTW)

MTW started the year with a low inventory of blasted overburden and the need to construct additional water storage dams. Some progress was made in these initiatives during June when good weather prevailed, but a mechanical failure on one of the draglines and below-target truck availability hampered mining activities. Later in the month, the adverse weather conditions returned. Restricted mining activities have a flow-on effect in the coal washing facility; when, out of necessity, mining occurs from unplanned locations or seams with lower coal quality, this can negatively affect the throughput and yield from the wash facility.

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 too is facing challenges like the neighbouring MTW mine. Excess water on-site and reduced truck availability are the main issues. Initiatives to improve equipment reliability were starting to show some positive trends by the end of the quarter.

Yarrabee

The central Queensland mine received heavy rainfall in May but has since resumed works and finished the quarter with good overburden and ROM coal volumes. The wash facility yield was lower than the prior

quarter as a result of the increased washing to produce a lower ash requirement on the product specification.

Ashton

The longwall mine started the quarter working through the soft floor conditions and roof strata and geotechnical issues in the prior quarter. By the end of the second quarter, the longwall was clear of these conditions, and the mining rates increased.

Stratford Duralie

The repair of the reinforced earthwall at the ROM coal bin is near complete. Normal crushing and processing activities are due to resume in July. 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. Installation of additional piping and pumping capacity is underway to provide more operational flexibility.

Middlemount

Like other operations, the mine experienced heavy rainfall and COVID-19 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 (previously 35 to 38 million tonnes).
- \$84 to 89/tonne cash operating costs (excluding royalties) (previously \$71-76/tonne).
- \$550 to \$600 million of attributable capital expenditure (previously \$600 to \$650 million).

The exceptional rainfall experienced in the first six months of the year, along with COVID-19-linked absenteeism, a tight labour market, supply chain disruptions, higher diesel prices and other inflationary cost pressures, all contribute to the change to the 2022 guidance. The revised guidance also factors in the unscheduled down time on key equipment and the need to revise the Moolarben longwall mining sequence, increasing the longwall development and delaying the commencement of the next longwall, to preserve an aboriginal heritage site.

The revised production and operating cost guidance include an allowance for the Bureau of Meteorology's forecast for further rainfall in the coming months; however, there remains a risk to the revised guidance if wet weather disruptions exceed the allowances made. If the rain falls as predicted, Yancoal will face water storage capacity constraints well into 2023.

The same factors that delayed production have delayed approximately \$50 million of capital expenditure from the current year to 2023.

GROWTH INITIATIVES

At Moolarben, Yancoal has the required approvals to increase annual open-cut mine ROM production from 14Mtpa to 16Mtpa. 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 is underway, and the expansion to 16Mtpa will occur over the next 12 months. The MTW underground mine concept remains subject to study and assessment, but we do not expect to reach a conclusion within the next eighteen 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 30 June 2022, Yancoal announced its intention to make early debt repayments of about US\$801 million (about A\$1,140 million) during July 2022. The repayments were completed in mid-July. The prepayments will deliver an approximate US\$133 million reduction in total finance cost over the loan periods. Combined with the US\$500 million repaid in October 2021 and US\$50 million of mandatory debt repayments in July 2021 and July 2022, the US\$801 million debt prepayment resulted in Yancoal repaying over 45% of the A\$3,975 million in interest-bearing liabilities it reported twelve months ago at 30 June 2021.

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. To date, Yancoal has not received any formal offer or proposal from Yankuang Energy in relation to the potential transaction. There is no certainty that the potential transaction will proceed, materialise or be consummated. Yancoal shareholders and potential investors are therefore advised to exercise caution when dealing in the shares and/or other securities of Yancoal.

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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