

# Quarterly Report

For the Quarter ending 31 March 2023

Issued 19 April 2023



## March Quarter 2023 (1Q 2023)

- A\$347/t average realised coal price.
- \$0.6 billion increase in cash holding<sup>1</sup>.
- \$2.8 billion cash balance at 31 March 2023.
- 11.2Mt ROM coal production (100% basis).
- 7.7Mt Saleable coal production (100% basis).
- 5.9Mt Attributable saleable coal production.
- 5.9Mt Attributable coal sales.

## Performance Summary

At Yancoal, we always prioritise the safety of our workforce. We are proud our Total Recordable Injury Frequency Rate at 6.6 remains better than the industry average.

In 1Q 2023, we achieved an average realised price of A\$347/t, 35% higher than 1Q 2022. After the US\$333 million debt prepayment on 31 March, the closing cash balance was \$2.8 billion. Debt repayments of ~US\$3.1 billion since October 2021 will deliver over \$300 million of finance cost savings in 2023.

The La Niña weather pattern may have passed, but water storage volumes are still an issue at our NSW open cut mines, with equipment availability and labour shortages also having an impact on production at some mines. Through the first half of 2023, the emphasis is on pre-strip and overburden removal; rebuilding mining inventory should facilitate better productivity, increase output later in the year and optimise 2023 saleable coal production.

Looking at the next 9 months, we expect the ongoing mine recovery plans to deliver improved production in each subsequent quarter. 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 markets have remained favourable with prices for our semi-soft and low vol PCI metallurgical coals up from the prior quarter. Thermal coal prices have retreated from the record levels seen in 2022, however, our overall realised price remained robust.

We continue to generate strong cash flows that have allowed the repayment of the Group's remaining external interest-bearing loan and enabled Yancoal to finish the period with \$2.8 billion in cash. During the coming months we will make the A\$0.70/share 2022 final dividend payment and pay \$1.5 billion of tax payments for the 2022 financial year.

Yancoal made progress on multiple recovery initiatives across our operations. The concerted effort to restore mine plans and productivity drivers should increase production profiles across the remainder of the year.

Even though La Nina has passed we continue to address and overcome intermittent weather as well as other short term external factors such as workforce availability.

Seasonal effects will undoubtedly influence the thermal coal market – as was the case with the recent mild winter in Europe and East Asia – but we anticipate structural imbalances in the international market will support thermal coal prices during 2023.

## PRODUCTION AND SALES DATA

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	1Q 2023	4Q 2022	PP Change	1Q 2022	PCP Change	3 months year-to-date		
								2023	2022	Change
Moolarben	OC / UG	95%	3.1	3.6	(14%)	4.9	(37%)	3.1	4.9	(37%)
Mount Thorley Warkworth	OC	82.9%	3.3	3.2	3%	3.0	10%	3.3	3.0	10%
Hunter Valley Operations	OC	51%	2.7	2.1	29%	3.0	(10%)	2.7	3.0	(10%)
Yarrabee	OC	100%	0.6	0.9	(33%)	0.5	20%	0.6	0.5	20%
Middlemount	OC	49.9997%	0.7	0.8	(13%)	1.2	(42%)	0.7	1.2	(42%)
Ashton	UG	100%	0.5	0.5	-%	0.6	(17%)	0.5	0.6	(19%)
Stratford Duralie	OC	100%	0.3	0.4	(25%)	0.1	200%	0.3	0.1	200%
<b>Total – 100% Basis</b>			<b>11.2</b>	<b>11.5</b>	<b>(3%)</b>	<b>13.3</b>	<b>(16%)</b>	<b>11.2</b>	<b>13.3</b>	<b>(16%)</b>
<b>Total – Attributable</b>			<b>8.3</b>	<b>9.0</b>	<b>(8%)</b>	<b>10.0</b>	<b>(17%)</b>	<b>8.3</b>	<b>10.0</b>	<b>(17%)</b>

SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	1Q 2023	4Q 2022	PP Change	1Q 2022	PCP Change	3 months year-to-date		
								2023	2022	Change
Moolarben	Thermal	95%	2.6	3.1	(16%)	4.3	(40%)	2.6	4.3	(40%)
Mount Thorley Warkworth	Met. Thermal	82.9%	2.0	2.3	(13%)	2.0	-%	2.0	2.0	-%
Hunter Valley Operations	Met. Thermal	51%	1.8	1.6	13%	2.7	(33%)	1.8	2.7	(33%)
Yarrabee	Met. Thermal	100%	0.4	0.6	(33%)	0.5	(20%)	0.4	0.5	(20%)
Middlemount	Met. Thermal	0% (equity accounted)	0.5	0.5	-%	0.8	(38%)	0.5	0.8	(38%)
Ashton	Met.	100%	0.3	0.2	50%	0.2	50%	0.3	0.2	50%
Stratford Duralie	Met. Thermal	100%	0.1	0.2	(50%)	0.2	(50%)	0.1	0.2	(50%)
<b>Total – 100% Basis</b>			<b>7.7</b>	<b>8.5</b>	<b>(9%)</b>	<b>10.7</b>	<b>(28%)</b>	<b>7.7</b>	<b>10.7</b>	<b>(28%)</b>
<b>Total – Attributable</b>			<b>5.9</b>	<b>6.6</b>	<b>(11%)</b>	<b>8.1</b>	<b>(27%)</b>	<b>5.9</b>	<b>8.1</b>	<b>(27%)</b>

SALES VOLUME by coal type, Mt	1Q 2023	4Q 2022	PP Change	1Q 2022	PCP Change	3 months year-to-date		
						2023	2022	Change
Thermal coal	4.7	5.5	(15%)	6.7	(30%)	4.7	6.7	(30%)
Metallurgical coal	1.2	1.4	(14%)	1.1	9%	1.2	1.1	9%
<b>Total – Attributable</b>	<b>5.9</b>	<b>6.9</b>	<b>(14%)</b>	<b>7.8</b>	<b>(24%)</b>	<b>5.9</b>	<b>7.8</b>	<b>(24%)</b>
Thermal coal average realised price, A\$/tonne	338	430	(21%)	243	39%	338	243	39%
Metallurgical coal average realised price, A\$/tonne	383	389	(1%)	349	10%	383	349	10%
<b>Overall average realised price, A\$/tonne</b>	<b>347</b>	<b>422</b>	<b>(18%)</b>	<b>258</b>	<b>35%</b>	<b>347</b>	<b>258</b>	<b>35%</b>

### Notes:

- 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.
- 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

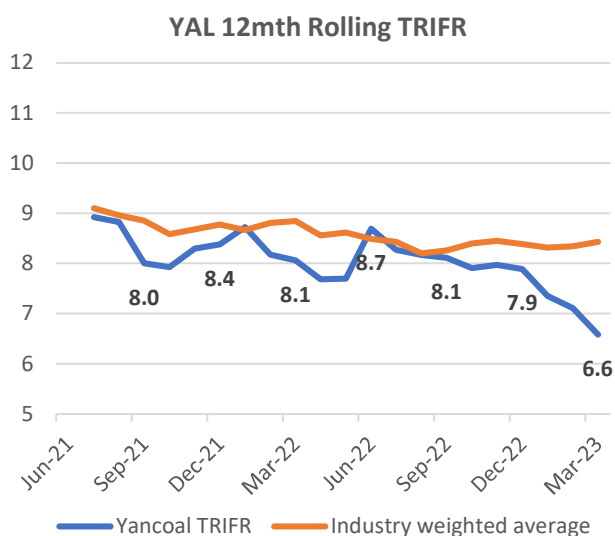
Mt = million tonnes

UG = Underground

Met. = Metallurgical coal

OC = Open-cut

## SAFETY



The health and well-being of all Yancoal employees remain a key focus. The 12-month rolling Total Recordable Injury Frequency Rate<sup>2</sup> at the end of 1Q 2023 was 6.6, an improvement on 7.9 at the end of 4Q 2022<sup>3</sup> and below the comparable industry weighted average of 8.4.

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 support the integration of a safety culture across the business. The initiatives and training provided over the next five years will 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 1Q 2023, attributable sales of 5.9Mt were the same as attributable saleable production, keeping inventory levels comparable to past periods. 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 1Q 2023, the API5 price declined 11% and the GCNewc price declined 36%; by contrast, the PCI and Semi-Soft prices both increased 14%. The API5 price averaged US\$125/t and ended the quarter at US\$121/t. The GCNewc index averaged US\$242/t and ended the quarter at US\$179/t.

<sup>2</sup> 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.

<sup>3</sup> Prior periods may be revised for reclassification of past events.

Yancoal's realised price in any given period tends to lag relevant coal price indices due to various sales contract structures. 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\$338/t and a realised metallurgical coal price of A\$383/t in 1Q 2023. Yancoal's overall average realised sales price in 1Q 2023 was A\$347/t, compared to A\$422/t in the prior quarter and A\$258/t achieved in 1Q 2022.

	Units	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
API5, 5,500kCal	US\$/t	62	96	117	172	194	195	141	125
GCNewc, 6,000kCal	US\$/t	108	166	186	264	372	421	381	242
Low Vol PCI, FOB Aust.	US\$/t	116	182	248	389	426	246	273	311
Semi-Soft, FOB Aust.	US\$/t	109	176	235	354	367	200	234	266
AUD:USD		0.77	2.24	0.73	0.72	0.72	0.68	0.66	0.68
API5, 5,500kCal	A\$/t	81	131	160	237	270	286	215	183
GCNewc, 6,000kCal	A\$/t	140	123	255	364	518	616	579	354
Low Vol PCI, FOB Aust.	A\$/t	151	248	340	534	592	360	415	456
Semi-Soft, FOB Aust.	A\$/t	142	239	322	487	510	294	356	389
Realised Thermal price	A\$/t	96	150	195	243	353	489	430	338
Realised Metallurgical price	A\$/t	127	178	285	349	446	434	389	383
<b>Overall realised price</b>	<b>A\$/t</b>	<b>101</b>	<b>155</b>	<b>209</b>	<b>258</b>	<b>368</b>	<b>481</b>	<b>422</b>	<b>347</b>

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

Note: A\$/t prices are a simple conversion using the US\$/t price and the AUD:USD exchange rate for price point.

International thermal coal indices, particularly the GCNewc price, moved lower during 1Q 2023. Winter temperatures in Europe proved milder than power generators anticipated, allowing them to deplete the stockpiles of coal and other energy commodities that were accumulated ahead of winter. Elevated LNG supplies into Europe also contributed to the energy surplus. It was a similar situation in East Asia, which also experienced a relatively mild winter.

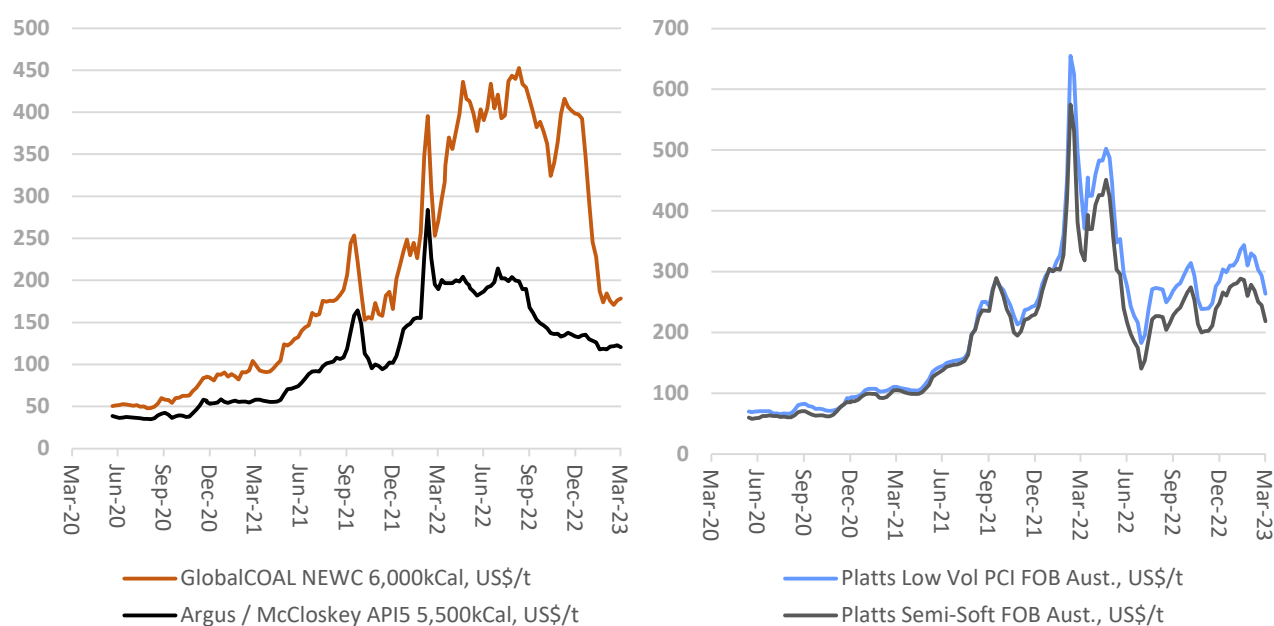
Imports of Australian coal by China were modest in 1Q 2023. This trend could improve over time as deliveries gradually increase and Chinese customers grow more confident to enter the Australian market.

The passing of the La Niña weather pattern in Australia is allowing supply recovery, or the expectation of supply recovery, for high-energy thermal coal, which is adding downward pressure to the GCNewc index. South African and Colombian coal exports improved and given the market conditions in Europe, some volume ended up

<sup>4</sup> 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.

competing for customers in the Asian market. Russian exports were also better than might have been expected given the sanctions in place.

The metallurgical coal markets were supported by an extension of the good steel market conditions that were evident in 4Q 2022. The Lunar new year period in late January likely created elevated activity ahead of the holiday and the subsequent lull after the holiday.



Source: GlobalCOAL, Platts, Argus/McCloskey. <sup>5</sup>

## ASSET PERFORMANCE

Although the peak of the La Niña weather pattern has passed, the open cut mines started the year with water storage capacity fully utilised and periodic rainfall still had an impact on production. Across the industry there remains a labour shortage, which has become more apparent at our mines through production shortfalls, despite periods of good weather.

Most of Yancoal's open cut mines are prioritising pre-strip and overburden removal activities to facilitate more efficient ROM coal and saleable coal production later in the year. After two years of compromised mining activities due to the unseasonal wet weather, the mine plans must prioritise recovery activities in order to return saleable coal output to the levels of prior years. The 2023 production profile remains skewed to the second half of the year, and at the larger mines the recovery works will likely persist into 2024.

## Moolarben

A temporary emergency discharge application allowed us to discharge 817ML of water in January, bringing the total amount discharged under this arrangement to 3,376ML between 16 November 2022 and 19 January 2023.

<sup>5</sup> 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.

However, the mine continued to face production constraints resulting from wet and boggy conditions which began to abate toward the end of March. Further impacts will be heavily dependent on favourable weather conditions.

The final upgrade to the Coal Handling and Preparation Plant (CHPP) was successfully commissioned in March. The CHPP's increased capacity, will support higher saleable coal output levels later in the year.

Minor delays were encountered during a longwall move (completed during the period) that contributed to the lower output.

Being a large underground and open cut complex, Moolarben has one of the higher workforce shortages in the group, both in absolute and relative terms. The response to the shortage is multi-faceted and includes housing solutions, new to industry recruiting, skill development programs and economic incentives.

### **Mount Thorley Warkworth (MTW)**

Outside of localised rain events the mine performed well during the period and water volumes from recent rain events have not significantly impacted the site's overall water balance.

The recovery works are gradually rebuilding inventory levels, including blasted overburden. However, it will take several months of effective drill and blast activity to build inventory back to optimal levels.

MTW is currently operating with longer than usual truck haulage cycles due to short dumping options being utilised during the two years of wet weather, this circumstance has impacted truck availability. The mine is focussed on increasing truck operational efficiency to address this impact..

### **Hunter Valley Operations (HVO)**

ROM coal production increased compared to the prior quarter after equipment reliability and availability improved from levels that were occasionally below target during 2022.

The scale of the HVO mine provides more water handling options and mine schedule flexibility compared with Yancoal's other operations. To maximise this additional footprint HVO, like the other open cut mines, will focus on rebuilding its inventory of blasted overburden.

HVO is also working to resolve labour shortages, which are affecting production now that weather constraints are passing.

### **Yarrabee**

The mine was impacted by heavy rainfall during the period, restricting access or mining locations, and continues to operate within a constrained mining footprint due to geotechnical issues. During the period, an igneous intrusion affected the output from a high yield seam. Potential plans to open a new mining location are unlikely to materially improve output during 2023.

### **Ashton**

The mine operated to plan during the period and commenced a longwall move during March. Being an underground mine, it is typically unaffected by rain.

Federal environmental approval for the planned access of Ravensworth's underground coal resource is still pending. Provided all the required approvals are secured, longwall production is expected to start from this location in December 2024.

### **Stratford Duralie**

The mine operated largely to plan during the period, but as a “nil discharge site” Stratford still hosts elevated water levels. The installation of additional pumping capacity is ongoing to help manage water relocation.

### **Middlemount**

Equipment availability and wet weather impacts, including difficult mining conditions, hampered output in the period, as did a lack of locations for the dozers to strip overburden. The restricted production volume resulted in the need to mine coal with lower yield, resulting in output similar to the prior period.

---

## **EXPLORATION ACTIVITIES**

Yancoal incurred \$355,000 in exploration capital expenditure during the period at Moolarben. The exploration work comprised six core boreholes for a total of 742m drilled. The capital expenditure was low due to the prioritisation of operating activities.

---

## **GROWTH INITIATIVES**

At Moolarben, the CHPP upgrade project is complete. The modifications increase the facility’s production capacity to 16Mtpa. During the early stages post commissioning, the CHPP is operating 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.

---

## **CORPORATE ACTIVITY**

On 13 March 2023, Yancoal was included in the Hang Seng Composite Index as a Mid-Cap company. The Company was also included in the Hong Kong Stock Connect program. Stock Connect utilises the Mutual Market Access model to give certain investors in Mainland China and Hong Kong access to each other’s markets.

On 31 March 2023, Yancoal completed an early debt repayment of US\$333 million. The prepayment was made from available cash and will deliver an approximate US\$43 million reduction in total finance costs over the loan period. For the first time, Yancoal has no external interest-bearing loans. Combined with other debt repayments over the past 18 months, Yancoal has repaid ~US\$3.1 billion. In 2023 this will result in over \$300 million of finance cost savings.

## NSW COAL RESERVATION DIRECTIONS

On 16 February 2023, the New South Wales Government introduced a price cap and coal reservation directions, which will be effective for 15 months (1 April 2023 until 30 June 2024). Under the directions, the Company is compelled to make available up to 310,000 tonnes of coal per quarter from attributable saleable production to domestic power generators. Coal sold under this Policy is subject to a price cap of A\$125/tonne delivered for 5,500 kcal/kg products, energy-adjusted.

Given the reservation commenced on 1 April, activities during the 1Q 2023 period were notionally unaffected by the reservation directions. However, one delivery for the 2Q 2023 period was delivered in March by mutual consent. Yancoal continues to engage with NSW power generation industry counterparties regarding requests for coal supply.

There are several aspects of the directions which the Company considers to be inequitable. Engagement is ongoing with counterparties and the Government regarding these matters.

---

## CONFERENCE CALL FOR ANALYSTS AND INVESTORS

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

**Date:** Thursday 20 April 2023

**Time:** 11:00am Sydney

**Webcast:** <https://edge.media-server.com/mmc/p/wafv8rtt>

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.

---

<b>CEO -</b> David Moulton	<b>Registered Office</b> Yancoal Australia Ltd Level 18, Tower 2, 201 Sussex Street, Sydney NSW 2000 Phone: (02) 8583 5300 <a href="http://www.yancoal.com.au">www.yancoal.com.au</a>	<b>Shareholder Enquiries</b> Computershare Investor Services Level 3, 60 Carrington Street, Sydney, NSW, 2000 Phone: 1300 850 505 <a href="http://www.computershare.com.au">www.computershare.com.au</a>
<b>CFO -</b> Kevin Su		
<b>Company Secretary</b> Laura Zhang		
<b>Investor Relations Contact:</b>	Brendan Fitzpatrick	<a href="mailto:Brendan.Fitzpatrick@yancoal.com.au">Brendan.Fitzpatrick@yancoal.com.au</a>
<b>Media Relations Contact:</b>	Matthew Gerber	<a href="mailto:Matthew.Gerber@yancoal.com.au">Matthew.Gerber@yancoal.com.au</a>

---