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(Incorporated in Victoria, Australia with limited liability)

(Hong Kong stock code: 3668)

(Australian stock code: YAL)

Quarterly Report FOR QUARTER ENDING 31st DECEMBER 2019

PRODUCTION – DECEMBER QUARTER 2019 (Q4 2019)

- 19.0Mt ROM coal production, up 10% from Q4 2018.
- 14.1Mt Saleable coal production, up 14% from Q4 2018.
- 9.4Mt Attributable saleable coal production, up 12% from Q4 2018.

HIGHLIGHTS

- Full-year attributable saleable coal production, 35.6Mt, met 2019 target of approximately 35Mt.
- Full-year attributable sales volume was 35.6Mt, 9% ahead of 2018. The attributable sales volume in the Quarter was 10.7Mt, up 27% from Q3 2019.
- Average realised coal price for the combined thermal and metallurgical coal attributable sales volume was A\$93/t, compared to A\$107/t in Q3 2019. Market conditions were the primary driver of the change; the proportion of thermal coal in the sales mix only increased from 85% in Q3 2019 to 87%. Uninterrupted supply and lower demand continue to impact global prices.
- Total Recordable Injury Frequency Rate (TRIFR) was 7.11; it was down from 8.13 at the end of the prior quarter.

* For identification purposes only

Production and Sales Data

ROM COAL PRODUCTION	Ownership	4Q	3Q	PP	4Q	PCP	December YTD		
		2019	2019	Change	2018	Change	2019	2018	Change
Moolarben	85%	4.8	4.8	–%	3.6	33%	20.5	18.6	10%
Mount Thorley Warkworth	82.9%	4.7	3.8	24%	5.0	(6%)	17.6	17.6	–%
Hunter Valley Operations	51%	5.5	4.9	12%	5.8	(5%)	19.2	19.0	1%
Yarrabee	100%	1.3	1.0	30%	1.4	(7%)	3.4	3.5	(3%)
Stratford Duralie	100%	0.4	0.5	(20%)	0.2	100%	1.2	0.7	71%
Middlemount	49.9997%	1.0	0.2	400%	1.0	–%	3.4	4.8	(29%)
Watagan	100%	1.3	0.4	225%	0.3	333%	3.7	2.4	54%
Total – 100% Basis		<u>19.0</u>	<u>15.6</u>	<u>22%</u>	<u>17.3</u>	<u>10%</u>	<u>69.0</u>	<u>66.6</u>	<u>4%</u>
Total – Attributable		<u>12.5</u>	<u>11.3</u>	<u>11%</u>	<u>11.8</u>	<u>6%</u>	<u>46.5</u>	<u>42.9</u>	<u>8%</u>
SALEABLE COAL PRODUCTION	Ownership	4Q	3Q	PP	4Q	PCP	December YTD		
		2019	2019	Change	2018	Change	2019	2018	Change
Moolarben	85%	4.2	4.1	2%	3.2	31%	17.8	16.5	8%
Mount Thorley Warkworth	82.9%	3.3	2.7	22%	3.5	(6%)	12.1	12.1	–%
Hunter Valley Operations	51%	3.8	3.3	15%	3.8	–%	13.7	13.3	3%
Yarrabee	100%	0.9	0.7	29%	0.9	–%	2.8	2.6	8%
Stratford Duralie	100%	0.3	0.3	–%	0.1	200%	0.8	0.5	60%
Middlemount	49.9997%	0.8	0.2	300%	0.8	–%	2.7	3.8	(29%)
Watagan	100%	0.8	0.3	167%	0.1	700%	2.2	1.2	83%
Total – 100% Basis		<u>14.1</u>	<u>11.6</u>	<u>22%</u>	<u>12.4</u>	<u>14%</u>	<u>52.1</u>	<u>50.0</u>	<u>4%</u>
Total – Attributable		<u>9.4</u>	<u>8.4</u>	<u>12%</u>	<u>8.4</u>	<u>12%</u>	<u>35.6</u>	<u>32.9</u>	<u>8%</u>

SALES VOLUMES (BY COAL TYPE), Mt	4Q 2019	3Q 2019	PP Change	4Q 2018	PCP Change	December YTD		
						2019	2018	Change
Metallurgical	1.4	1.3	8%	1.4	–%	5.5	5.0	10%
Thermal	9.3	7.1	31%	7.1	31%	30.1	27.8	8%
Total Attributable mine production sold	10.7	8.4	27%	8.5	26%	35.6	32.8	9%

Notes:

1. Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).
2. 2018 attributable figures include 81% attributable production for Moolarben up to and including 30 November 2018, and 85% thereafter.
3. 2018 attributable figures include 64.1% attributable production for Mount Thorley Warkworth up to and including 28 February 2018, and 82.9% thereafter.
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

3Q = September Quarter period

PP = Prior Period

2Q = June Quarter period

4Q = December Quarter period

PCP = Prior Corresponding Period

CEO COMMENT

Yancoal’s focus on safe work practices and employee engagement continued through the December Quarter. The 12-month rolling Total Recordable Injury Frequency Rate¹ at the end of the Quarter was 7.11, which was a down from 8.13 at the end of the September Quarter². Operations at some Hunter Valley mines were temporarily suspended on days in December with poor air quality resulting from bushfires presenting a health and safety risk to the workforce.

Yancoal produced 35.6Mt to meet its 2019 operational target for attributable saleable coal production. Attributable mine production sold during the year was also 35.6Mt.

¹ Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Middlemount (operated by Peabody Energy), Hunter Valley Operations (operated by Glencore Coal) and Watagan. Most recently available industry benchmarks are 6.27 for surface mines in NSW, 11.00 for surface mines in Queensland, and 31.94 for underground mines in NSW.

² Prior period revised for reclassification of past events.

The lower realised average price Yancoal achieved in the Quarter reflected the global thermal coal market trend observed through 2019. We continued to optimise our product split to meet market demand and maximise price, with thermal coal representing 87% and metallurgical coal 13% of attributable sales volume during the Quarter. The thermal coal price will be influenced by pending policy decision in several customer markets and exchange rate movements possibly impacting future supply from miners with a US dollar cost base. Despite the recent index price stability, there is the potential for price volatility to evolve during the first half of 2020.

COAL SALES AND PRICING

During Q4 2019, attributable sales volumes (10.7Mt) exceeded the attributable production (9.4Mt), reducing the stockpile inventory. Yancoal purchased additional coal for blending, as is usual, to optimise the overall product mix and realised prices. The average price realised across total attributable sales volume was A\$93/t³, compared to A\$107/t in Q3 2019 and A\$136/t in Q4 2018.

COAL MARKET OUTLOOK

Yancoal generally sells high-grade thermal coal priced off the global COAL NEWC 6,000kCal NAR index and lower grade volumes off lower energy level benchmarks. Yancoal sells to a variety of industrial customers, predominantly within Asia. The majority of Yancoal sales are to Japan, Korea and China with no single country representing more than 25% of total sales volume.

During Q4 2019, international thermal coal market conditions continued to be defined by supply strength. Good weather and the absence of other outage events in key global coal-producing regions continued a period of uninterrupted global supply.

During the Quarter, Japanese buyers made purchases of thermal coal in the spot market, but these appear motivated by low prices rather than an increasing demand profile. So far, Chinese demand for thermal coal has been stable and well supplied by domestic production during the winter period. Activity in the Korean coal market has been subdued pending a final Government decision on winter shut-downs; however, it has been announced some coal-fired power units will be closed for three months to combat fine dust emissions.

In Yancoal's view, the outlook for the seaborne traded thermal coal price in 2020 remains uncertain despite the recent stability in index prices. Demand is subject to pending policy decisions in several key markets. On the supply side, foreign exchange movements may lead thermal coal producers with a US dollar cost base, such as Indonesia and Colombia, to curb supply; we do not anticipate such reductions to have an impact on spot prices until later in 2020.

Metallurgical coal market and spot pricing were also weaker during Q4 2019 as excess steel supply and price competition in the international steel market reduced metallurgical coal demand. The trend toward lower steel output and metallurgical coal demand appears set to continue into 2020.

³ Realised price for Attributable Ex-Mine Sales (excluding purchased coal sales).

ASSET PERFORMANCE

Asset	Ownership	Equity contribution ⁴	Attributable contribution	Operated asset?	Mine type	Coal type
Moolarben (MCO)	85.0%	85.0%	85.0%	Yes	OC/UG	Thermal
Mount Thorley Warkworth (MTW)	82.9%	82.9%	82.9%	Yes	OC	SSCC/Thermal
Hunter Valley Operations (HVO)	51.0%	51.0%	51.0%	JV	OC	SSCC/Thermal
Yarrabee	100.0%	100.0%	100.0%	Yes	OC	PCI/Thermal
Middlemount	49.9997%	49.9997%	0% (equity accounted)	JV	OC	PCI/Coking

Moolarben

- 4.8Mt of ROM Coal, up 33% from the pcg.
- 4.2Mt of Saleable Coal, up 31% from the pcg.

Moolarben produced 20.5Mt of ROM coal and 17.8Mt of saleable coal during 2019, up 8-10% over 2018. During the Quarter, increased excavator productivity allowed overburden removal to exceed plan. The overburden performance allowed increased ROM coal output and increased feed rates at the coal handling and processing plant (CHPP); the operation capitalised on the good mining performance to carry the production momentum through to the end of 2019.

Mount Thorley Warkworth (MTW)

- 4.7Mt of ROM Coal, down 6% from the pcg.
- 3.3Mt of Saleable Coal, down 6% from the pcg.

The MTW ROM coal (17.6Mt) and saleable coal production volumes (12.1Mt) were consistent with 2018 volumes. During the Quarter, dust and bushfire smoke delays impacted overburden activities; despite this, ROM coal production was strong late in the Quarter once coal mining locations became available. Timing differences that affected access to the various coal seams impacted the saleable coal production volumes, but though this was overcome with coal mining locations becoming available late in the quarter.

⁴ 2018 equity share includes 81% for Moolarben up to and including 30 November 2018, and 85% after that, reflecting Yancoal's increased ownership in the Moolarben Joint Venture, as announced on 30 November 2018. 2018 attributable figures include 64.1% attributable production for Mount Thorley Warkworth up to and including 28 February 2018, and 82.9% thereafter.

Hunter Valley Operations (HVO)

- 5.5Mt of ROM Coal, down 5% from the pcg.
- 3.8Mt of Saleable Coal, equalling the pcg.

HVO ROM coal and saleable coal production volumes for 2019 exceeded 2018 volumes. Output increased in the fourth quarter due to the planned uplift in the production schedule. Low yield at the CHPP was largely off-set by additional bypass volumes.

Yarrabee

- 1.3Mt of ROM Coal, down 7% from the pcg.
- 0.9Mt of Saleable Coal, equalling the pcg.

The Yarrabee saleable coal production for 2019 was up 8% over 2018, despite ROM coal production being 3% lower. During the Quarter, better blast fragmentation and wider mining blocks allowed the operation to increase output. Increased feed tonnes to the CHPP contributed to the improved saleable coal production over the September quarter.

Middlemount

- 1.0Mt of ROM Coal, equalling the pcg.
- 0.8Mt of Saleable Coal, equalling the pcg.

Geotechnical (coal seam thinning) and geological (model reconciliation) issues, reported previously, impeded coal production throughout the year. These factors impact both mined volumes and washing yield. Production was also affected by downtime associated with ongoing investigations at the mine following the fatality on 26 June 2019. Fourth quarter production levels were consistent with the fourth quarter in 2018, but the total output for the year was down 29% year-on-year.

GROWTH PROJECTS

At Mount Thorley Warkworth, Yancoal in its capacity as operator, has identified a coal resource that could support an underground operation. The initial concept study shows a potential production output of 6Mtpa of ROM coal. Work is underway to inform a Pre-Feasibility Study due to be submitted to the Board for review by mid-2020.

Yancoal continues to achieve production optimisation at the Moolarben mine. The optimisation process continues after receiving Federal Government approval to increase open cut mine production in September 2019. The current focus is a modification application related to the underground operation, submitted in Q4 2019. Yancoal's ability to increase open-cut production contribution from 13Mtpa to 16Mtpa will be limited in the near to medium term by rail capacity constraints, and we are working with external stakeholders to address these issues.

CORPORATE ACTIVITY

At 31 December 2019, the number of ordinary shares was 1,320,439,437; unchanged during the period.

Authorised for lodgement by:
Laura Ling Zhang, Company Secretary

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.

CEO –
Reinhold Schmidt
CFO –
Lei Zhang
Company Secretary
Laura Ling Zhang

Registered Office
Yancoal Australia Ltd
Level 18, Tower 2,
201 Sussex Street,
Sydney NSW 2000
Phone: (02) 8583 5300
www.yancoal.com.au

Shareholder Enquiries
Computershare Investor Services
Level 3, 60 Carrington Street,
Sydney, NSW, 2000
Phone: 1300 850 505
www.computershare.com.au

Investor Relations Contact: Brendan Fitzpatrick
Media Relations Contact: Matthew Gerber

E: shareholder@yancoal.com.au

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 16 January 2020

As of the date of this announcement, the executive Director is Mr. Fucun Wang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby, Mr. David James Moulton and Ms. Helen Jane Gillies.