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Quarterly Report

FOR QUARTER ENDING 30 September 2020

19 October 2020

September Quarter 2020 (3Q 2020)

- 17.9Mt ROM coal production, up 15% from 3Q 2019.
- 10.2Mt Attributable saleable coal production, up 21% from 3Q 2019.
- 10.1Mt Mine production sales, up 20% from 3Q 2019.
- A$70/t Average realised coal price, down 20% from 2Q 2020.
- 7.1 TRIFR (12mth rolling), down from 7.2 at the end of 2Q 2020.

Performance summary

The safety of our workforce is always our priority; the company continued its successful COVID-19 response and reduced the TRIFR further in 3Q 2020.

We have had no material production impacts due to COVID-19. The year-to-date attributable ROM coal and saleable coal output are 6% and 11% ahead of volumes achieved in 2019. Moolarben's increased output and the additional stake in the asset have contributed to this outcome. With one quarter of the year remaining Yancoal has produced 29.2Mt of attributable saleable coal, 77% of the targeted volume.

Operating costs also achieved a positive outcome; we recently reduced the 2020 forecast to ~A$60/t. Optimisation of capital expenditure is an ongoing priority; we are deferring non-essential expenditure to next year, but do not anticipate this to impact production.

Yancoal's average realised price for the period was A$70/t, compared to the A$87/t we achieved in the prior quarter. Coal prices started to recover late in the period; while encouraging, a continuation of price improvements over the balance of the year is uncertain.

Guidance consistent with the 1H 2020 Result update

- Saleable coal production, about 38Mt (attributable)
- Operating cash costs, about A$60/t (excluding royalties)
- Capital expenditure, less than $300 million (attributable)

Production and Sales Data

ROM COAL PRODUCTION, Mt	Mine type	Economic Interest	3Q 2020	2Q 2020	PP Change	3Q 2019	PCP Change	9 months year-to-date		
								2020	2019	Change
Moolarben	OC / UG	95%	5.6	5.3	6%	4.8	17%	16.7	15.7	6%
Mount Thorley Warkworth	OC	82.9%	5.0	4.6	9%	3.8	32%	13.2	12.9	2%
Hunter Valley Operations	OC	51%	4.1	4.4	(7%)	4.9	(16%)	12.5	13.7	(9%)
Yarrabee	OC	100%	1.0	0.9	11%	1.0	-%	2.4	2.1	14%
Stratford Duralie	OC	100%	0.2	0.2	-%	0.5	(60%)	0.6	0.8	(25%)
Middlemount	OC	49.9997%	1.0	1.0	-%	0.2	400%	2.7	2.4	13%
Watagan	UG	100%	1.0	0.5	100%	0.4	150%	2.7	2.4	13%
Total – 100% Basis			**17.9**	**16.9**	**6%**	**15.6**	**15%**	**50.8**	**50.0**	**2%**
Total – Attributable			**12.7**	**12.2**	**4%**	**11.3**	**12%**	**36.1**	**34.0**	**6%**

SALEABLE COAL PRODUCTION, Mt	Coal type	Attributable Contribution	3Q 2020	2Q 2020	PP Change	3Q 2019	PCP Change	9 months year-to-date		
								2020	2019	Change
Moolarben	Thermal	95%	5.1	4.8	6%	4.1	24%	15.3	13.6	13%
Mount Thorley Warkworth	Met. Thermal	82.9%	3.5	2.8	25%	2.7	30%	8.8	8.8	-%
Hunter Valley Operations	Met. Thermal	51%	2.9	2.8	4%	3.3	(12%)	9.2	9.9	(7%)
Yarrabee	Met. Thermal	100%	0.8	0.9	(11%)	0.7	14%	2.3	1.9	21%
Stratford Duralie	Met. Thermal	100%	0.1	0.1	-%	0.3	(67%)	0.3	0.5	(40%)
Middlemount	Met. Thermal	0% (equity accounted)	0.7	0.6	17%	0.2	250%	1.9	1.9	-%
Watagan	Met.	0% (equity accounted)	0.4	0.3	33%	0.3	33%	1.3	1.4	(7%)
Total – 100% Basis			**13.5**	**12.3**	**10%**	**11.6**	**16%**	**39.1**	**38.0**	**3%**
Total – Attributable			**10.2**	**9.3**	**10%**	**8.4**	**21%**	**29.2**	**26.2**	**11%**

SALES VOLUME by coal type, Mt	3Q 2020	2Q 2020	PP Change	3Q 2019	PCP Change	9 months year-to-date		
						2020	2019	Change
Metallurgical	**1.1**	0.9	22%	1.3	(15%)	3.0	4.1	(27%)
Thermal	**9.0**	8.4	7%	7.1	27%	25.5	20.8	23%
Total – Attributable	**10.1**	**9.3**	**9%**	**8.4**	**20%**	**28.5**	**24.9**	**14%**

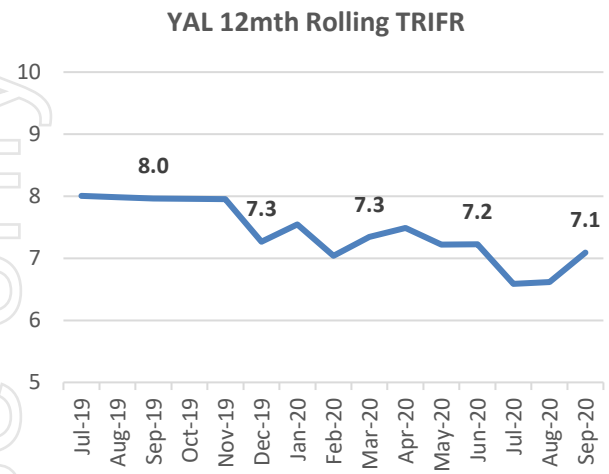
Notes:
1. Attributable figures do not include production from Middlemount (incorporated joint venture and accounted for as an equity-accounted investment) and Watagan (equity-accounted investment and deconsolidated from Yancoal in March 2016).
2. Attributable figures for Moolarben are 85% up to and including 31 December 2019 and 95% after that date, but note economic attribution is 85% up to and including 31 March 2020 and 95% after that date.
3. 'Sales volumes (by coal type)' excludes purchased coal.
4. ROM = Run of Mine; the volume extracted and available to be processed

1Q = March quarter Period
2Q = June quarter Period
3Q = September quarter period
4Q = December quarter period
PP = Prior period
PCP = Prior corresponding period
Mt = million tonnes
OC = Open-cut
UG = Underground
Met. = Metallurgical coal

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SAFETY STATISTIC



CEO COMMENT

The health and wellbeing of all Yancoal employees remain a key focus in response to the ongoing COVID-19 pandemic. Pleasingly, the work practices and measures we implemented to mitigate COVID-19 related risks continue to prove successful, with minimal disruption to our operations. The 12-month rolling Total Recordable Injury Frequency Rate[1] at the end of 3Q 2020 was 7.1; down from 7.2 at the end of 2Q 2020[2]. This figure compares favourably with the comparable weighted average TRIFR for the industry of 8.6 at the end of September.

Most operational targets were met or exceeded despite wet weather impacts at several mines during the quarter. All our mines are updating their wet weather plans in preparation for a potential 'La Nina' weather cycle developing this summer.

Saleable coal production for the first three quarters is 11% ahead of the 2019 volume. Increased output from Moolarben and the additional ownership stake we secured this year both contribute to the improvement.

The supply and demand dynamics resulting from COVID-19 continue to influence both thermal and metallurgical coal prices. The recent improvement in coal price indices is encouraging, given Yancoal's realised average price has been in a downward trend for several quarters. However, we remain uncertain if this small appreciation is sustainable in the last quarter of the year.

As mentioned previously, we are deferring non-essential capital expenditure until 2021. However, we do not expect this to have a detrimental impact on production.

Our focus is on the controllable elements of our business; particularly optimising production and reducing operating costs wherever possible. The reduction of the unit cost guidance to about A$60/t demonstrates ongoing progress in these efforts. The coal price remains a challenge in 2020, with coal indices relevant to our products down 25-30% compared to 12 months ago. Our realised price was also down, A$70/t in 3Q 2020 compared to A$107/t in 3Q 2019. Yancoal remains well placed to work through cyclical lows in the coal price.

COAL SALES and PRICING

During 3Q 2020, **attributable sales** (10.1Mt) were similar to the **attributable saleable production** (10.2Mt). We have added 0.7Mt so far in 2020 to our stockpiles, which are historically depleted in the fourth quarter as Asian customers restock ahead of winter. Yancoal purchased additional coal for blending, per its usual practice, to optimise the overall product mix and realised prices. Yancoal's

[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.

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

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average realised sale price was A$70/t[3] across the combined thermal and metallurgical coal volumes, compared to A$87/t in 2Q 2020 and A$107/t in 3Q 2019. The achieved price carries the benefit of contracts with trailing price references.

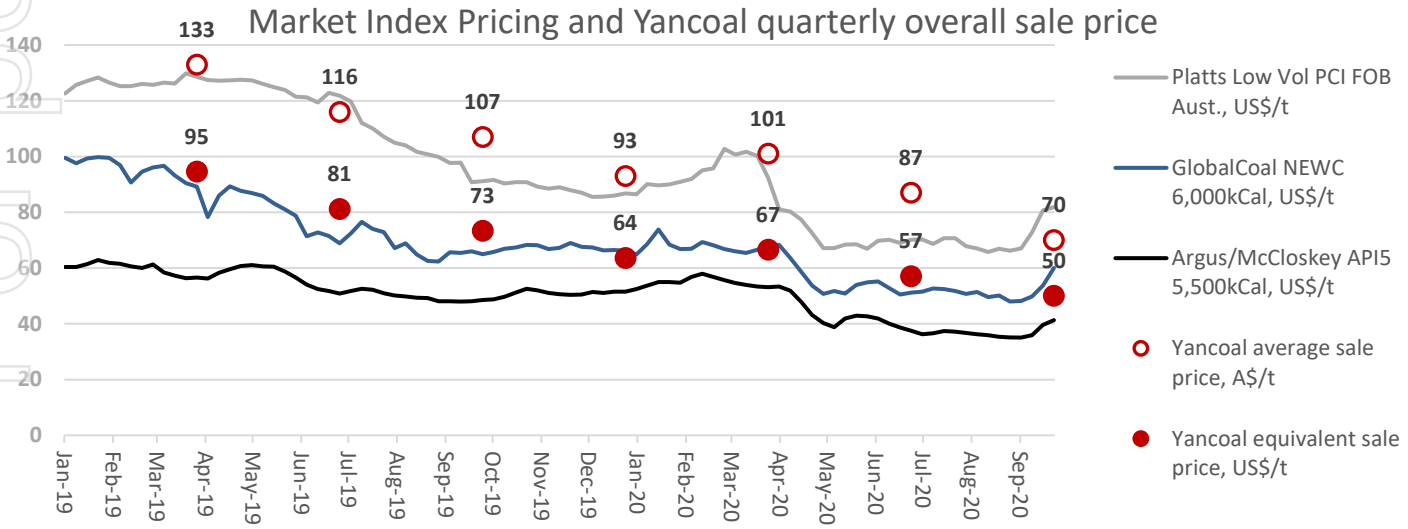
COAL MARKET OUTLOOK

Yancoal generally sells high-grade thermal coal priced using the *GlobalCOAL NEWC 6,000kCal NAR index* (GCNewc) and lower grade coal priced off lower energy level benchmarks such as the *All Published Index 5* (API5). During 3Q 2020, the GCNewc price averaged US$52/t but ended the last trading week in the quarter at around US$59/t. Similarly, the API5 price averaged US$37/t but subsequently ended around US$41/t.

During the quarter, constrained economic activity continued to affect demand for both thermal coal and low-grade metallurgical coal. In China, the arbitrage between domestic and import prices remain above US$25/t, supporting the demand for imported coal and it is unclear if China will relax its custom clearance times and allow for further imports to penetrate this market. As a result, this fluid situation makes it unclear whether current improvements in thermal coal price will be sustained over the balance of 2020. As market conditions evolve, Yancoal continually optimises its product to maximise sales and continues to diversify its customer base with recent sales being made into India, Pakistan and Sth America.

There were some incremental price improvements for low-grade metallurgical coal, late in the period on the back of increased demand for prime hard-coking coal. In Japan, it appears some idled blast furnaces will re-commence operation and demand from this market should improve, but it is too early to suggest a positive price trend is emerging. Hard-coking coal continues to displace low-grade metallurgical coal in most regional markets.

During the remainder of 2020, we expect to see a recovery of global economic conditions, but this will be offset by coal supply cuts not matching demand reduction and elevated gas supply. Uncertainty will remain regarding the direction of coal prices over the rest of the year.



[3] Realised price for Ex-Mine Sales excluding purchased coal

ASSET PERFORMANCE

Moolarben

The Moolarben complex continues to deliver, with ROM and saleable coal volumes from both the underground and open-cut operations tracking ahead of the prior quarter and 2019 volumes. During the quarter the underground production allowed better than expected volumes to by-pass the processing plant, boosting the saleable coal volume. There were above-average rain events and unplanned maintenance events at the open-cut operations but the processing plant performed above expectations. The processing throughput and yield combined with the underground by-pass volume delivered yet another strong quarter.

Mount Thorley Warkworth (MTW)

The third quarter saw MTW outperform the comparison periods as the mine continues to recover from the disruptions caused by prior bushfires and ongoing rain events. The coal processing delivered to expectations, and as a result, the year-to-date saleable coal production has now caught up to the 2019 levels.

Hunter Valley Operations (HVO)

At HVO, there was a planned reduction in production and the corresponding sales profile; this was undertaken in response to the coal market setting. This measured and considered approach contributes to the broader industry supply response and allows Yancoal to manage its inventory.

Yarrabee

Improved excavator availability and productivity saw Yarrabee track ahead of planned overburden movements during the period. The team revised the mine plan and achieved an increase in ROM coal output. This productivity increase should flow on to the saleable coal output over the remainder of 2020; bolstering the volume which is already ahead of last year's progress.

Middlemount

At Middlemount the equipment fleet has been rationalised, but waste removal and ROM output matched the prior quarter. Although low ROM stocks impacted on saleable coal output at the start of the quarter, and the team had to address lower yield as a result of coal seam faulting issues, there was an increase in saleable coal output compared to the prior quarter.

Stratford Duralie

At Stratford Duralie the overburden removal was affected by rain delays during the quarter, which impacted the ROM coal volume. The ROM coal impact extended to saleable coal volumes, with lower feed rates and yield from the processing plant linked to the high-ash coal feed. Despite these challenges the production matched the prior quarter, and the year-to-date output is tracking just behind the 2019 level.

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GROWTH PROJECTS

At Mount Thorley Warkworth, Yancoal has identified a coal resource that could support an underground operation. The initial concept study shows a potential annual production output of saleable coal of around 5Mt. Work is near complete on a Pre-Feasibility Study for submission to the Board.

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 address various licensing requirements and to assess the optimal production profile. Yancoal's ability to increase open-cut production to 16Mtpa is dependent on increased processing throughput and a decision to invest in increased capacity.

CORPORATE ACTIVITY

On 9 July 2020, Yancoal replaced a debt facility that had a US$1.275bn limit on 31 December 2019. Yancoal will repay the new facility over the next five years, with the majority of the repayment occurring in years four and five. In contrast, the facility replaced had repayments due during 2020 and 2021.

On 19 August 2020 Yancoal released its 2020 First Half Financial Result.

On 30 September 2020, 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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