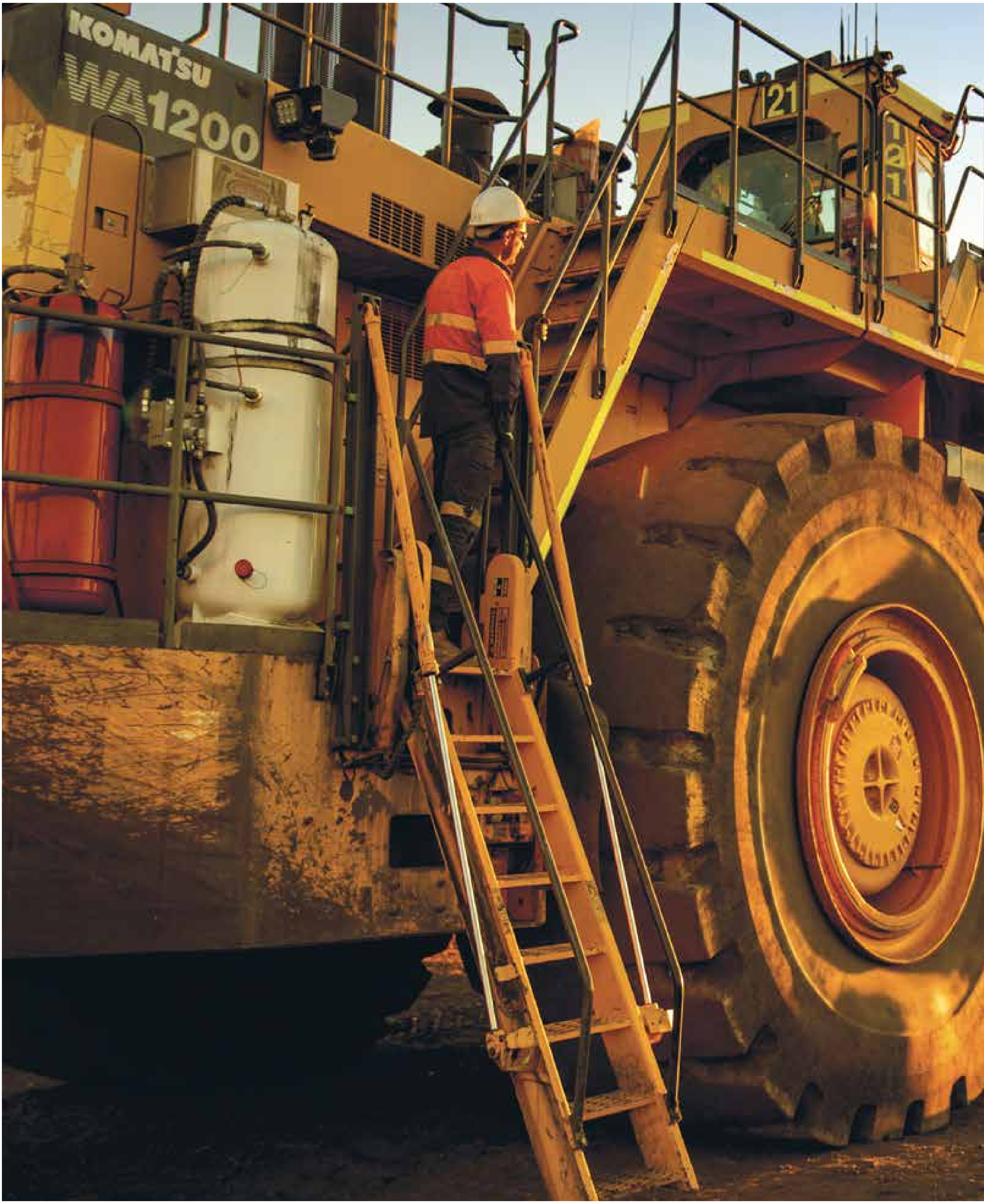

# FOCUSED ON AUSTRALIAN FUTURES

ANNUAL REPORT 2021

**YANCOAL AUSTRALIA LTD**

(INCORPORATED IN VICTORIA, AUSTRALIA WITH LIMITED LIABILITY)
ASX STOCK CODE: YAL HKEX STOCK CODE: 3668 ACN 111 859 119




Yancoal is a leading low-cost Australian coal producer and exporter to the global seaborne market, producing a mix of premium thermal, semi-soft coking and PCI coals. Since 2004, Yancoal has generated over $10 billion in Foreign Direct Investment (FDI) for Australia and now owns, operates or participates in nine producing coal mines across NSW, Queensland and Western Australia. Yancoal has a diverse range of customers: in 2021 we sold our Australian coal to 19 countries, with our major markets located across the Asian region. Every year, Yancoal's thermal coal exports power millions of households in Asia, and

our metallurgical coal exports assist in the production of millions of tonnes of steel. We believe our coal will continue to play a key role in delivering economic growth and improved quality of life, especially in Asia. But while coal mining remains our core focus, we also have a strategy to sustain the business through diversifying into renewable energy projects and into other minerals and commodities. Yancoal is a public company, listed on both the Australian Securities Exchange (ASX: YAL) and the Stock Exchange of Hong Kong (HKEx: 3668), and is majority owned by Yankuang Energy Group Company Limited, which is itself listed on the HKEx.

# CHAIRMAN'S LETTER

*"One of the reasons for Yancoal's positive performance is the ongoing commitment to our existing business plan and strategy. The future is full of exciting and new horizons for the company."*

In 2021, Yancoal has again overcome significant challenges. Uniting as "one Yancoal" across all our operations in Australia, we achieved outstanding business results despite the impact on our operations of the ongoing COVID-19 pandemic and significant rain events caused by the prevailing La Nina weather system. These results included maintaining a safety performance that continues to trend in the right direction and remains better than the relevant industry average. Offsetting these operational headwinds was the stronger coal price, which drove Yancoal to post record revenue and operating EBITDA results, facilitated an early debt repayment and the resumption of dividends.

One of the reasons for this positive performance in the face of adversity is Yancoal's ongoing commitment to our existing business plan and strategy.

We maintained a disciplined focus on operational optimisation and made further progress in implementing the "Four Initiatives" project that was launched in 2020.

These "Four Initiatives" were introduced to support the continuous improvement of the business through: optimising our marketing plan; adjusting our product offering to better meet our customers' needs; tightening expenditure controls across the whole organisation to reduce costs; and actively measuring and quantifying the effectiveness of our actions. As an example, in 2021 Yancoal sold coal to 19 different countries whilst also focusing on the premium markets of Japan and South Korea. We continued our 'wash harder' strategy to upgrade the quality of our coal product, capturing the price arbitrage for higher energy thermal coal that persisted throughout the year.

Yancoal's 2021 performance indicated the success that we had achieved in these endeavours. Additional factors that underpinned our success included promoting intelligent and innovative mining methods and ensuring strong leadership and effective management. Yancoal's efforts in 2021 demonstrated a spirit of courage and resilience, as well as persistence and hard work. Yancoal's workforce should be proud of the operational and financial performance that was achieved in such difficult circumstances.

In 2022, Yancoal will continue to strive for excellence: the future is full of exciting and new horizons for the company. While Yancoal will remain committed to our core business and to ensure our coal mining operations are world-class, there will also be opportunities to expand Yancoal's asset portfolio beyond a pure focus on traditional energy.

As the world moves towards a lower carbon economy, Yancoal has identified the development of renewable energy projects and the pursuit of diversification into minerals and commodities beyond coal as important elements of a strategy to underpin the ongoing sustainability of the business into the future. The need to explore opportunities in the new energy sector and other commodities is critical, especially given that investors are increasingly focused on decarbonisation and carbon-neutral themes.

This bold strategy aligns with the ambitions of Yankuang Energy, Yancoal's major shareholder. Yankuang Energy is pursuing a path of evolution from being a pure-play coal mining business to diversification into an international energy and commodities group with a global presence. Having commenced this journey and with the support of its major shareholder, the coming years will be a transitional period for Yancoal.

I thank my fellow Directors for their efforts and support in 2021, and I look forward with confidence to another record year for Yancoal in 2022 and with excitement about what the future holds for Yancoal, as it continues to be an industry leading coal producer and as the busines grows and matures into a diversified global mining company.

**Baocai Zhang**
Chairman of the Board

# MESSAGE FROM CEO

*"Our outstanding operating and financial results demonstrated the unwavering determination and ability of our workforce"*

Yancoal delivered record revenue of over $5.4 billion and record Operating EBITDA of over $2.5 billion in 2021, which demonstrated the ability of our world class assets to generate outstanding returns during periods of robust coal pricing.

Although there were several issues throughout the year that presented considerable challenges, our outstanding operating and financial results demonstrated the unwavering determination and ability of our workforce to extract the maximum value from our operations. Similar to 2020, achieving optimal performance throughout 2021 was not an easy achievement, however there were many highlights for Yancoal during 2021.

It took a concerted effort on behalf of all our workforce to keep the production and health impacts of COVID-19 to a minimum. The wellbeing of all our employees is of vital importance to Yancoal, and the whole workforce worked closely together throughout the year on the continued implementation of an effective response to the COVID-19 pandemic. Although we remained vigilant to the risks posed by the pandemic, there were some unavoidable production losses due to logistics constraints and staff absences as a result of Government mandated isolation requirements. Critically, we also delivered pleasing operational performance whilst continuing to see an overall downward trend in the Total Recordable Injury Frequency Rate, which was 8.4 in 2021.

Regular rain events generated by the prevailing La Niña weather pattern was the other recurring challenge in 2021. The effects included halting or restricting mining activities due to excess water in the open-cut operations, particularly later in the year when on-site water storage limits were reached. Protecting and repairing unsealed roads along with rail and port interruptions contributed to the disruption of the operations.

Nevertheless, Run of Mine (ROM) performance remained impressive at 47.5 million tonnes (attributable), which was only 1% below 2020 despite the challenges. Sales of attributable production was 37.5 million and stockpiles accumulated in prior periods were sold down in the second half of the year to meet customer demand and to maximise the benefit of the higher coal prices. Pleasingly, the proportion of metallurgical coal sales increased from 11% to 15%. Achieving operating costs of $67/per production tonne was also a solid outcome in the context of a challenging 2021. Increased diesel price and demurrage rates combined throughout the year to add over $2.20/tonne to costs, and production losses due to COVID-19, wet weather and disruptive underground mining conditions at Moolarben due to an unanticipated widening of a hard rock intrusion in the coal seam, escalated cash costs by around $3.50/tonne.

While some factors beyond our control worked against us in the operational space, others, such as a rallying coal price throughout 2021, provided Yancoal with much welcome relief. On the back of an average realised coal price of $141/tonne (compared to $82/tonne in 2020), Yancoal recorded its strongest ever revenue of $5.4 billion and operating EBITDA of $2.53 billion. In addition, certain "key task" initiatives to improve productivity and yield are estimated to have delivered over $80 million in pretax profit.

Yancoal's robust financial position following our performance in 2021 has also facilitated our rapid deleveraging to a 24% gearing level and the resumption of dividend payments to our long-supportive shareholders. As the current period of elevated coal prices continues into 2022, Yancoal could consider making further debt repayments and paying further dividends to our shareholders.

Our community contributions during 2021 totalled $1.4 million, which was split between site-based community support program initiatives and corporate level sponsorships of organisations such as the Clontarf Foundation and Westpac Helicopter Rescue Service. A detailed overview of our Environmental, Social and Governance (ESG) performance will be available in the 2021 ESG Report.

As we move on from two difficult years, I am optimistic and excited about Yancoal's future. We have demonstrated we can withstand significant headwinds and that we have a workforce dedicated to making Yancoal an industry leading coal producer. Mining coal at our existing assets will remain our core focus in the foreseeable future, but we also have a strategy to sustain the business into the future. We are actively assessing renewable energy projects in Australia, whether to supply electricity to our existing operations or as a beneficial land-use after mining has ended. We are also assessing opportunities to expand into other minerals and commodities, whether in Australia or internationally.

The process to transition Yancoal into a diversified energy and mining company over the coming years will not detract us from our continued focus to operate our existing assets efficiently, safely and profitably, as well as to contribute to the well-being of our workforce and the prosperity of our communities.

Finally, I would like to thank all Yancoal employees for their hard work and support over the last year.

**David Moult**
CEO

**47.5**
**MILLION TONNES**
**ATTRIBUTABLE ROM**

**$5.4B**
**RECORD REVENUE**

**$791M**
**NPAT**

# EXECUTIVE LEADERSHIP TEAM

CHAIR OF THE EXECUTIVE COMMITTEE (CEC)

## MR NING ZHANG

Mr Zhang was appointed Executive Director, Co-Vice Chairman and CEC of Yancoal in March 2020. Mr Zhang has served Yankuang Group for nearly 30 years and has rich experience in accounting, financial management, project management, auditing and risk control. Before taking positions at Yancoal, he served as Vice-Director of the Finance Department and Director of the Audit and Risk Department at Yankuang Group. Mr Zhang holds a Master's degree from Tianjin University of Finance and Economics, and is a Professorate Senior Accountant and International Finance Manager.

CHIEF EXECUTIVE OFFICER (CEO)

## MR DAVID MOULT

Mr Moult was appointed CEO in March 2020, having been an Independent Non-Executive Director of Yancoal since January 2018. He has over 40 years of global coal mining experience. At Centennial Coal, he was Managing Director and CEO from 2011 to 2017, Non-Executive Director from May 2017 until January 2018, and COO from 1998 to 2011. He is a Director of the Minerals Council of Australia (MCA), a Director and former Chairman of the New South Wales Minerals Council (NSWMC), a Director of Coal Services Pty Ltd, and a Director of Port Waratah Coal Services (PWCS).

CHIEF FINANCIAL OFFICER (CFO)

## MR NING (KEVIN) SU

Mr Ning (Kevin) Su was appointed CFO in May 2020, having been Yancoal's General Manager Treasury since June 2014. He has over 20 years of accounting, financial and treasury experience across manufacturing and mining industries in China and Australia. Mr Su was previously the financial controller of Acer's Oceanic Region, acting in various accounting and finance positions in the Company from 2003 to 2014. He holds a Master of Commerce Degree from the University of Sydney, a Bachelor of Commerce Degree from University of International Business and Economics in China and is a Fellow of CPA Australia.

EXECUTIVE GENERAL MANAGER – OPERATIONS

## MR BILL MCKINSTREY

Mr McKinstrey was appointed EGM – Operations in March 2021. Mr McKinstrey has over 43 years of experience in the mining industry, with 25 years of these in senior management and executive roles. Since 2013 and before his appointment as EGM – Operations, he held several roles in Yancoal including Acting COO, General Manager – QLD/WA and Project Director for the Moolarben Open-Cut 4 Expansion Project. Between 2003-2013 Mr McKinstrey held senior roles at Xstrata / Glencore, and prior to this was responsible for the operational and financial performance of a portfolio of eight coal assets for Thiess Contractors.

CHIEF COMMERCIAL OFFICER (CCO)

## MR MICHAEL NGO

Mr Ngo joined Yancoal in 2020 and has responsibility for the company's various commercial functions, including strategy, mergers and acquisitions, infrastructure and procurement. He has over 25 years of experience most of which has been in the resources and energy sector. Previous roles include Senior Vice President – Strategic Planning & Analysis for Banpu pcl, Executive General Manager - Strategy & Development for Centennial Coal and Principal – Transaction Advisory Services for EY.

EXECUTIVE GENERAL MANAGER – MARKETING

## MR MARK SALEM

Mr Salem was appointed EGM – Marketing in March 2018, following four years as General Manager of Marketing. Mark has over 30 years of experience in coal marketing, logistic and commercial functions. Mark worked at Xstrata Coal for 14 years, where he held marketing and commercial positions in Australia, the Asia/Pacific and Switzerland. Mark has also worked in various roles at BP Coal Development Australia, Rio Tinto and Savage Resources.

COMPANY SECRETARY, CHIEF LEGAL, COMPLIANCE, AND CORPORATE AFFAIRS OFFICER

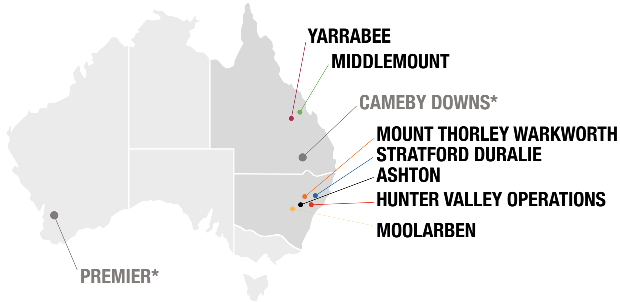
## MS LAURA LING ZHANG

Ms Zhang is one of the founding executives of the Company and has been the Company Secretary since September 2005. She has over 20 years of experience in the mining industry and has been instrumental in the Company's growth. Ms Zhang has BA, MA and EMBA (Australia Graduate School of Management) degrees, is a Fellow of Institute of Chartered Secretaries and Administrators (ICSA) and the Hong Kong Institute of Chartered Secretaries (HKICS), is a member and graduate of AICD, and a graduate of GIA.

# REVIEW OF OPERATIONS

| | MOOLARBEN NSW | MOUNT THORLEY WARKWORTH NSW | HUNTER VALLEY OPERATIONS NSW |
|---|---|---|---|
| ECONOMIC INTEREST | 95% | 83% | 51% |
| DESCRIPTION | Truck and excavator open-cut and longwall underground mining complex producing thermal coal; operated by Yancoal. | Dragline, truck and shovel /excavator open-cut mine producing semi-soft coking coal and thermal coal; operated by Yancoal. | A multi-pit mine using dragline, truck and shovel /excavator operations to produce semi-soft coking coal and thermal coal; operated by Hunter Valley Joint Venture. |
| HEAD COUNT | ~780 EMPLOYEES & CONTRACTORS | ~1,275 EMPLOYEES & CONTRACTORS | ~1,370 EMPLOYEES & CONTRACTORS |
| 2021 SALEABLE COAL OUTPUT (100%) | 18.4 MILLION TONNES | 11.2 MILLION TONNES | 10.6 MILLION TONNES |
| MARKETABLE RESERVES (AS AT 31 DEC 2021) | 182 MILLION TONNES | 178 MILLION TONNES | 620 MILLION TONNES |
| IMPLIED MINE LIFE** | 10 YEARS | 16 YEARS | 58 YEARS |

*Managed by Yancoal
**Implied mine life is the Marketable reserve at 31-Dec-2021 divided by the 2021 Output, rounded to the nearest whole number.



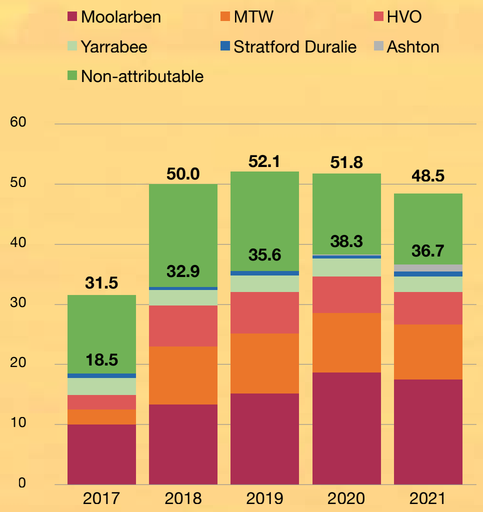

POWER

TECHNOLOGY

CONSTRUCTION

| **YARRABEE** QLD | **MIDDLEMOUNT** QLD | **ASHTON** NSW | **STRATFORD-DURALIE** NSW |
|---|---|---|---|
| 100% | ~50% | 100% | 100% |
| Truck and excavator open-cut mine producing ultra low volatile pulverised coal injection (PCI) coal; operated by Yancoal. | Truck and excavator open-cut mine producing low volatility pulverised coal injection (PCI) coal and hard coking coal; operated by Middlemount Joint Venture. | The Ashton longwall mine produces a semi-soft coking coal; operated by Yancoal. | Truck and excavator open-cut mine producing thermal coal and semi-soft coking coal; operated by Yancoal. |
| ~380 EMPLOYEES & CONTRACTORS | ~510 EMPLOYEES & CONTRACTORS | ~205 EMPLOYEES & CONTRACTORS | ~100 EMPLOYEES & CONTRACTORS |
| 2.6 MILLION TONNES | 3.7 MILLION TONNES | 1.2 MILLION TONNES | 0.8 MILLION TONNES |
| 61 MILLION TONNES | 69 MILLION TONNES | 22 MILLION TONNES | 1.4 MILLION TONNES |
| 23 YEARS | 19 YEARS | 18 YEARS | 2 YEARS |

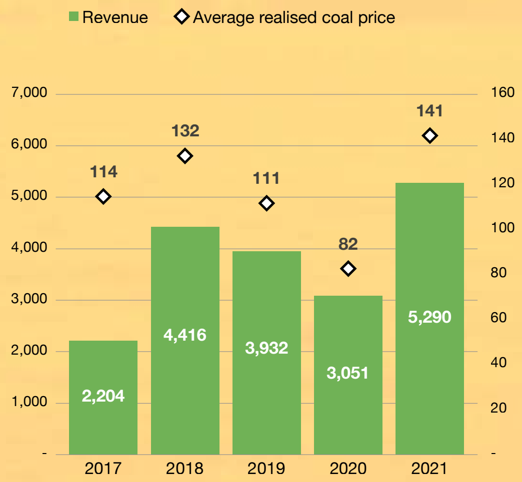
# FINANCIAL SUMMARY




## COAL PRODUCTION

Attributable saleable coal production, Million tonnes

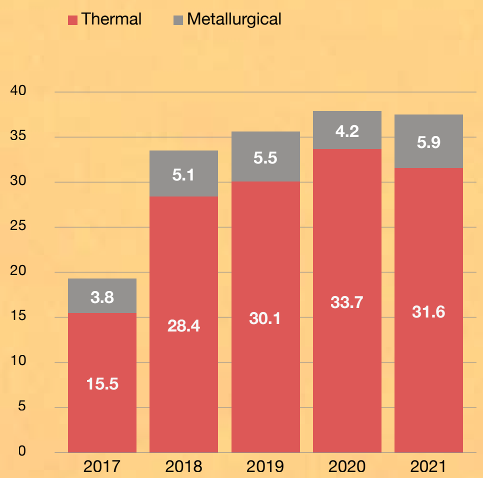
Three large-scale, low-cost mines are the foundation of Yancoal's business.




## SALES REVENUE AND AVERAGE PRICE

A$ Millions / A$ per tonne

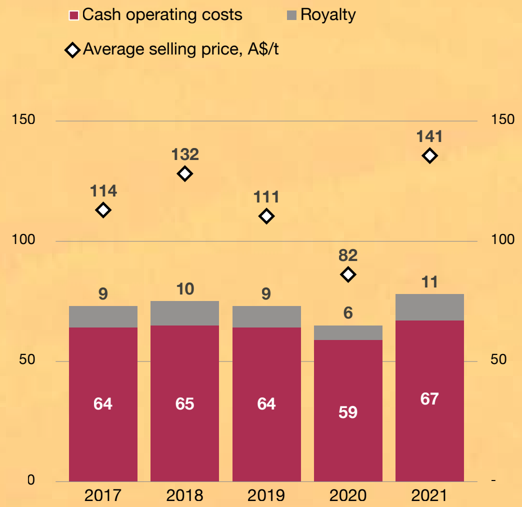
Realised price and revenue exceed the prior highs of 2018.




## PRODUCT MIX

Attributable sales volume, Million tonnes

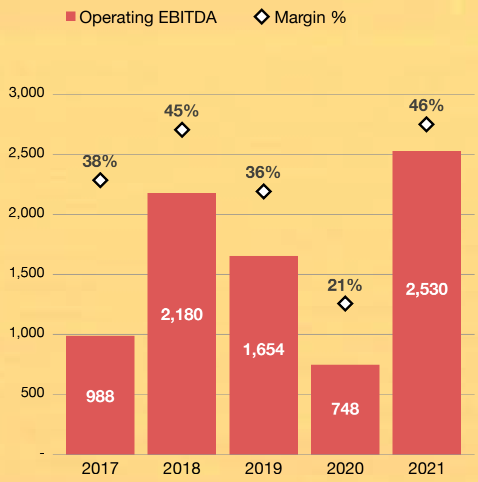
Metalurgical coal sales proportion returned prior level.




## CASH OPERATING COSTS

Operating costs, Royalties, and Selling price, A$/tonne

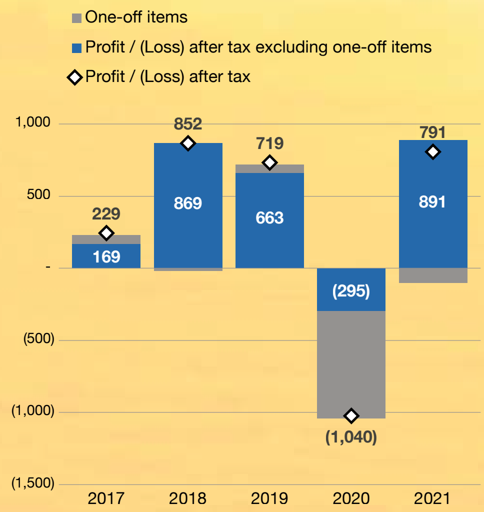
The realised price increase far outpaced operating cost escalation.




## OPERATING EBITDA

A$ Millions / Margin %

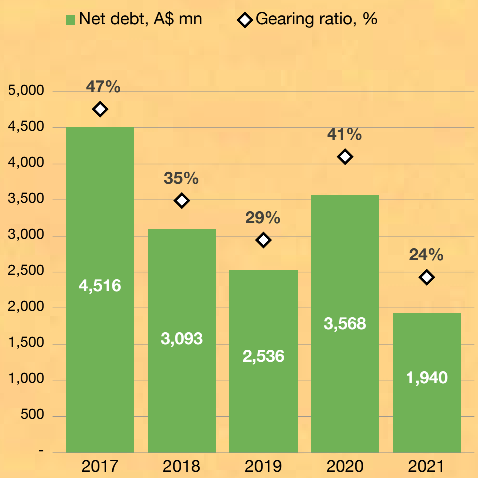
Record Operating EBITDA and EBITDA Margin.




## NET PROFIT/(LOSS) AFTER TAX

A$ Millions

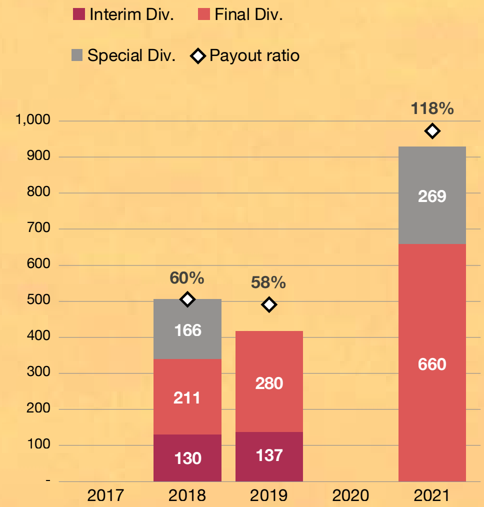
Record profit after tax after excluding one-off items.




## NET DEBT AND GEARING

A$ Millions / %

Net debt position returned to a manageable level.




## TOTAL DIVIDEND AND PAYOUT RATIO

A$ Millions / %

Yancoal has returned $1.85 billion to its shareholders.

# ANNUAL REPORT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CALTEX
YANCOAL
Westpac
NSW Ambulance

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The Directors present their report on the consolidated entity ("Yancoal" or the "Group") consisting of Yancoal Australia Ltd (the "Company") and the entities it controlled at the end of, or during, the year ended 31 December 2021 (the "period").

## DIRECTORS

The following persons were Directors of Yancoal Australia Ltd during the period and until the date of this report:

Chairman

- Baocai Zhang (became a director on 26 June 2012)

Co-Vice Chairmen

- Ning Zhang (became a director on 20 March 2020)
- Gregory James Fletcher (became a director on 26 June 2012)

Directors

- Xing Feng (became a director on 15 December 2017)
- Helen Jane Gillies (became a director on 30 January 2018)
- Cunliang Lai (became a director on 18 November 2004)
- Geoffrey William Raby (became a director on 26 June 2012)
- Xiangqian Wu (became a director on 28 April 2017)
- Qingchun Zhao (became a director on 28 April 2017)

### Company Secretary

The Company Secretary in office during the period, and up to the date of this report is Laura Ling Zhang.

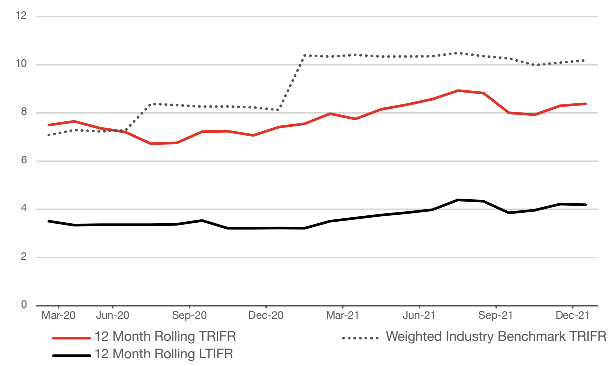
## REVIEW OF ACTIVITIES

### Safety and Environment

Yancoal remains committed to operating safely and transparently to achieve its objective of zero harm. Yancoal operates its mines to meet legislative and safety standards and be an industry leader in this aspect of its business.

Under the direction of the board of Directors ("Board") and the Health, Safety, Environment and Community Committee, Yancoal utilises Core Hazard and Critical Controls across all operations, identifying critical hazards within the workplace and instituting adequate controls. These controls are regularly verified to ensure that they are operating as intended for our people's safety.

### 12 month Rolling TRIFR




During the period, Yancoal reintroduced the COVID-19 response measures that had proved effective during 2020 and implemented additional measures including pre-screening, periodical testing, differentiated check- in codes for work areas and deliveries with minimal contact. The work practices and measures implemented have proved successful on-site; however, the spread of COVID-19 to areas in which it operates led to increased instances of workers being unable to attend site as they follow Government protocols.

Yancoal's Total Recordable Injury Frequency Rate ("TRIFR") at the end of the period was 8.4; the TRIFR recorded at the end of 2020 was 7.4[1]. The increase in the Group's TRIFR during the year was due wholly to the reincorporation of Watagan underground assets into the Group performance. The reported TRIFR at the end of the period is below the comparable industry weighted average TRIFR of 10.2[2].

Yancoal's operations are subject to stringent environmental approvals and licences. To honour these regulatory obligations and to meet the requirements of Yancoal's management directives, Yancoal has developed and implemented systems, processes and practices to manage compliance with the conditions of these approvals and licences. These systems, processes and practices are subject to continuous improvement initiatives and are audited by a third party to provide "third line" assurance.

The following environmental initiatives were undertaken in 2021 to improve environmental performance or comply with environmental approvals and licences:

- Yancoal Corporate's Environment & Community Department implemented a new process to maintain corporate oversight of potential mining activities that could impact Aboriginal cultural heritage sites with moderate to high archaeological significance, and
- Yancoal continued to roll out its third party Independent Environmental Assurance Audit program, with audits undertaken at Cameby Downs, Yarrabee and Stratford and Duralie during the period.

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). From January 2021 onwards the Yancoal TRIFR and Industry weighted average were revised to include the Watagan assets. Prior periods may be revised for reclassification of past events.

2 The Industry weighted average combines proportional components from the relevant New South Wales and Queensland industry averages.

# DIRECTORS' REPORT

In addition to these actions, Yancoal is planning for Australia's progressive transition to a lower carbon economy. Investigation into opportunities such as replacing diesel-powered mining fleet with electric-powered equipment or introducing renewable power generation to the mine sites are examples of potential future endeavours.

In 2021, Yancoal contributed $1.4 million via its Community Support Program into local and regional health, environmental, education, arts, culture and community initiatives capable of making a positive difference in the regions in which it operates.

Yancoal works with its community stakeholders, utilising community consultative committees, local newsletters, local media, community days and site-specific websites to help ensure the communities are engaged and informed of relevant matters related to nearby operations.

## Greenhouse gas and energy data reporting requirements

As a thermal coal producer, we acknowledge we have a role in mitigating the emissions generated by our operations and supporting investment into low emission technology to reduce downstream emissions from the consumption of coal products.

We also understand the elevated interest from stakeholders regarding the potential risks and opportunities posed to our business and the broader sector due to the ongoing global shift towards a lower-carbon economy. Yancoal's 2021 ESG Report is due to be published in May 2022; it will provide a detailed review of the Company's progress in these matters.

## Governance

Oversight of climate-related matters, including risks and opportunities, sits within Yancoal's governance framework. The Health, Safety, Environment and Community Committee consider climate-related risks and relevant risk management strategies.

The Board has ultimate responsibility for the oversight and approval of risk management and financial investment decisions, including those relating to climate change. The Board regularly considers how climate change may affect physical, regulatory, commercial, and operating environments. These considerations inform the development of medium-to-long-term goals and strategies.

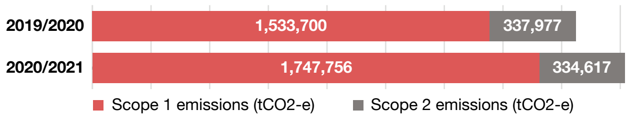
## Reporting on our emissions

Yancoal reports its operational direct (scope 1) and indirect (scope 2) emissions annually in line with the National Greenhouse and Energy Reporting Act 2007.

The Group has implemented systems and processes to collect and calculate the data required and submitted its 2020/2021 Section 19 Energy and Emissions Report to the Federal Clean Energy Regulator on 21 October 2021.

The majority of scope 1 emissions relate to fugitive emissions associated with the underground and open-cut mines, and diesel consumption. Scope 2 emissions stem from the consumption of electricity purchased from the grid. Overall, on an operational control basis, our total scope 1 and scope 2 emissions for the period ended 30 June 2021 were 2.08 million tCO2-e, a 10% increase from the year prior[3]. Scope 1 emissions increased by 12% due to a combination of increased production at Ashton (9% increase in ROM coal production for the 12 months ending 30-June), reduced flaring at Ashton and an increased emissions factor for methane. Scope 2 emissions decreased by 1% which is a positive year on year trend continued from 2020.

### Summary of Greenhouse Emissions




While we do not track our scope 3 emissions associated with our product's consumption, we support the development of technologies to reduce the emissions intensity of these downstream activities. These technologies include developing and installing high-efficiency, low-emissions technologies in coal-fired power stations and investment in carbon capture and storage technology.

## Operations

Yancoal owns, operates or has a joint-venture stake in coal mines in New South Wales ("NSW") and Queensland. The thermal, semi-soft coking and pulverised coal injection ("PCI") coal products are exported through ports in Newcastle, Gladstone and Dalrymple Bay to customers throughout the Asia-Pacific region.

During March, a one-in-100-year-rain event occurred in NSW, with parts of the state subject to severe flooding. Throughout the period, above-average rainfall and high winds further disrupted activity at mines, rail and ports. These conditions resulted in decreased production from the Group's open-cut mines located in NSW and led to increased vessel queues off the port at Newcastle. During the first half of the year the longwall in the Moolarben underground mine encountered a hard rock intrusion. The longwall successfully traversed this area, but output was affected lowering the production contribution from Yancoal's lowest cost mine for several months.

Heavy rainfall events occurred again in November and December as conditions associated with the La Nina weather pattern continued. The operational impacts in the fourth quarter were exacerbated by reduced workforce availability as mine site personnel followed mandatory COVID-19 protocols. The rain at the beginning, during and at the end of the year resulted in excess site water at the NSW operations, and management of the excess water is a priority that will continue well into 2022.

3 Emissions data is reported on 100% basis, but Yancoal does not own 100% of all assets. The assets included are: Moolarben, Mount Thorley Warkworth, Yarrabee, Stratford Duralie, and Ashton. Reporting on a 100% basis is consistent with the National Greenhouse and Energy Reporting (NGER) data submitted to the Clean Energy Regulator (CER).

# DIRECTORS' REPORT

Despite the external challenges facing the operations in 2021, ROM coal production was only down 7% from 68.1 million tonnes to 63.2 million tonnes (100%), and saleable coal production was only down 6% from 51.8 million tonnes to 48.5 million tonnes (100%).

On an attributable basis, the impacts were slightly lower; saleable coal volume was down 4% to 36.7 million tonnes in 2021. The teams at each mine site worked proactively to recover production and take advantage of the coal market conditions in the latter half of the year. The attributable annual saleable production of 36.7 million tonnes was only 2% below our 2021 adjusted production target of around 37.5 million tonnes from 19th October 2021.

The Group's overall average cash operating costs, excluding government royalties, increased from A$59 per tonne in 2020 to A$67 per tonne in 2021. Uncontrollable factors affecting the unit costs included: higher diesel prices and demurrage costs, reduced output due to wet weather, COVID-19 impacts and a hard rock intrusion in the Moolarben Underground mine. The cost increase also incorporated the "wash harder" strategy, which incurred an additional cost to produce higher-quality coal and delivered a net increase to the operating margin. The unit cost of production increased from A$66 per tonne in the first half of 2021 to A$68 per tonne in the second half of 2021 primarily due to a lower relative production contribution from the low-cost Moolarben mine.

The 'Management Discussion and Analysis' provides a detailed review of the period's operational performance.

### Coal Markets

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"). In 2021, the API5 price averaged US$83/t and ended at around US$102/t, while the GCNewc price averaged US$138/t and ended the period at around US$166/t. The US$55/t price differential through the year was more pronounced than the prior decade, of which the average differential was US$18/t.

During 2021 supply constraints resulting from wet weather in Australia and Indonesia combined with logistic disruptions to coal exports from Russia and South Africa contributed directly to thermal coal indices rising. Supply shortfalls in the gas and oil markets also in part contributed to the elevated prices for energy commodities; particularly in the third quarter as demand in the international coal markets picked up ahead of winter in the northern hemisphere.

Yancoal actively responds to prevailing market conditions and customer requirements to the best of its ability while also expanding its customer base.

The marketing team took advantage of international market conditions and sold down coal inventories accumulated in prior periods. During the year, the attributable sales volume was 37.5 million tonnes, 1% less than the prior year, but the ratio of metallurgical coal to thermal coal increased, and the sales volumes were skewed to the second half of the year, capturing the higher prices.

The Group's overall average ex-mine selling price was A$141/tonne, 72% higher than 2020 due to the coal price strength and increased proportion of metallurgical coal. Compared to 2020 a higher AUD:USD exchange rate offset some of the benefit of the stronger USD denominated coal price indices. Price realisation during 1H 2022 will continue to benefit from the higher coal price indices due to the 'lag effect' from prior sales contracts rolling over.

### Financial Performance

Revenue increased by 56% from $3,473 million in 2020 to $5,404 million in 2021, primarily due to the 72% increase in the realised coal price.

Operating EBITDA increased by $1,783 million to $2,531 million in 2021. The Operating EBITDA margin was 46% in 2021, compared to 21% in 2020.

The depreciation and amortisation expenses were stable at $831 million in 2021. After including the depreciation and amortisation, the $286 million of net finance costs and $311 million of non-operating items and an income tax expense of $312 million, the profit after tax was $791 million — a notable improvement from the $1,040 million loss after tax recorded in 2020.

The net operating cash inflow was $1,900 million. Yancoal spent $269 million on capital expenditure – mostly on items required to sustain the operations. The net financing cash outflow was $761 million as Yancoal made mandatory debt repayments and early debt repayment of US$500 million in October. The gearing ratio improved from 41% at 31 December 2020 to 24% at 31 December 2021.

As of 31 December 2021, the Group had $1,495 million in cash and cash equivalents. It also had over $921 million of undrawn debt across its various facilities.

The 'Management Discussion and Analysis' provides a detailed review of the period's financial performance.

### Potential growth projects

At Moolarben, Yancoal has the required approvals to increase annual ROM production from 14 million tonnes to 16 million tonnes from the open-cut mine. 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 16 million tonnes per annum depends on a decision by the Company to invest in increasing the capacity at the Coal Handling and Preparation Plant.

Beyond the Company's organic growth opportunities, it is open to acquiring additional coal assets or diversifying into other minerals, energy, or renewable energy projects. Any new initiative would be subject to careful evaluation and require Yancoal Board consideration and approval before commencement.

# DIRECTORS' REPORT

## DIVIDENDS AND DIVIDEND POLICY

According to Yancoal policy and subject in each case to applicable laws, the ongoing cash needs of the business, the statutory and common law duties of the Directors and shareholders' approval, the Directors may pay interim or final dividends, and per the Company's Constitution must:

- subject to the point below, pay as interim and/or final dividends not less than (A) 50% of net profit after tax (pre- abnormal items); or (B) 50% of the free cash flow (pre-abnormal items), in each financial year; and
- if the Directors determine that it is necessary in order to prudently manage the Company's financial position, pay as interim and/or final dividends not less than 25% of net profit after tax (pre-abnormal items) in any given financial year.

The Yancoal Board has determined the payment of dividends can resume given the improvement in the company's fiscal position and outlook for coal prices. The dividend allocation for FY21 is $930 million, with A$0.5000/share unfranked as a final dividend and A$0.2040/share unfranked as a special dividend.

## CORPORATE ACTIVITIES

On 29 October 2021, Yancoal made a US$500 million debt prepayment from available cash. The prepayment consists of payment toward Yancoal's Syndicated Facility and its unsecured related-party loans. The prepayments deliver an approximate US$82 million reduction in total finance cost over the loan periods.

During the year ended 31 December 2021, neither Yancoal nor any of its subsidiaries purchased, sold or redeemed Yancoal's listed securities.

Matters subsequent to the end of the financial year are detailed in the 'Management Discussion and Analysis' section of this report.

## MAJORITY SHAREHOLDER – CHANGE OF NAME

In 2021 Yanzhou Coal Mining Company Limited ("Yanzhou") completed a change of name to Yankuang Energy Group Company Limited ("Yankuang Energy"). The change of name did not affect the ownership stake in the Company.

In 2020, Yankuang Group Co. Ltd. merged with Shandong Energy Group Co. Ltd. and Yankuang Group was renamed as Shandong Energy Group Co. Ltd ("Shandong Energy"). The merger did not result in any change in the controlling shareholder or the actual controller of Yankuang Energy (the immediate controlling shareholder of the Group), which remained as Yankuang Group (now renamed as Shandong Energy Group Co. Ltd.).

## COMMUNICATION WITH SHAREHOLDERS

The Company believes in high standards of transparent corporate disclosure and is committed to disclosing to its shareholders information in a timely and fair manner via ASX and HKExnews. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is mainly made through:

- Annual reports that are prepared and made available to all shareholders. The Board ensures that the annual report includes all relevant material information about the Company and the Group, including future developments and other disclosures required by the *Corporations Act 2001* (Cth), the ASX listing rules, the Companies Ordinance of the Laws of Hong Kong and the Hong Kong listing rules;
- Interim reports containing a summary of the financial information and affairs of the Group for that period;
- Quarterly production reports containing a summary of the Group's production output and coal sales for the reporting period;
- Notices of explanatory memoranda for AGMs and extraordinary general meetings (if any) that are sent to all shareholders.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through ASX and HKExnews. All Company shareholders are eligible to receive the Annual Report and the notice of AGM by post.

Shareholders can access all of the Company's announcements published on the ASX and HKExnews on the Company's website at www.yancoal.com.au.

## PRE-EMPTIVE RIGHTS ON NEW ISSUES OF SHARES

Under the *Corporations Act 2001* (Cth) and the Company's Constitution, shareholders do not have the right to be offered any shares that are newly issued for cash before those Shares can be offered to non-Shareholders.

## PUBLIC FLOAT

Based on the information available to the Company as at 31 December 2021, approximately 15.41% of the issued ordinary shares of the Company are held by the public. Accordingly, the Company has complied with the waiver granted by The Stock Exchange of Hong Kong Limited under Rule 8.08(1) of The Rules Governing the Listing of Securities as part of the Company's listing in Hong Kong. Rule 8.08(1)(a) of the HK Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public.

Based on the publicly available information to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the minimum public float of approximately 15.37% under the HK Listing Rules.

## FULFILMENT OF CONDITIONS AND UNDERTAKINGS

The Company confirms that it has complied with the conditions and undertakings imposed by The Stock Exchange of Hong Kong Limited during the period from 1 January 2021 to 31 December 2021.

# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year ended 31 December 2021.

## TAX RELIEF

The Company is not aware of any taxation relief available to the shareholders because they hold the fully paid shares. If shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising any rights concerning the fully paid shares, they are advised to consult an expert.

## MAJOR CUSTOMERS AND SUPPLIERS

Information regarding the Group's sales to the major customers and purchases from the major suppliers can be found in Notes B2 and B5 to the consolidated financial statements. The details of the customer and sales agreements are provided in the 'Continuing Connected Transactions' section of this report.

None of the Directors, or their associates, had any beneficial interest in the five largest customers or suppliers to the knowledge of the Directors. To the Directors' knowledge, no substantial shareholders of Yancoal have a beneficial interest in the five largest customers or suppliers.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Group's business to which any of the Company's subsidiaries and fellow subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

## INSURANCE OF OFFICERS

Rule 10.2 of Yancoal's Constitution requires Yancoal to indemnify, to the full extent permitted by law, each Officer of the Company against liability incurred by the Officer as a Director or an Officer of the Company. The Directors named in this report, along with the Company Secretary, Chief Executive Officer and Chief Financial Officer, have the benefit of this requirement, as do individuals who formerly held one of those positions.

During the financial year, the Company paid a premium for Directors' and Officers' Liability insurance and Defence Costs cover. The policies cover the Directors and other officers of the Group. The Directors have not included details of the nature of the liabilities covered, and the amount of premium paid in respect of the Directors' and Officers' Liability insurance policy as such disclosure is prohibited under the terms of insurance contracts.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001* (Cth).

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Group are essential.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors have considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor, and
- none of the services undermines the general principles relating to auditor independence as set out in APES110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the Group:

| SHINEWING AUSTRALIA | 2021 $ | 2020 $ |
|---|---|---|
| Audit and review of financial statements | **1,233** | 1,585 |
| Audit related services | **35** | 27 |
| Non-audit services | **–** | – |
| Other assurance services | **50** | 45 |
| Taxation compliance | **–** | – |
| Total services remuneration of ShineWing Australia | **1,318** | 1,657 |

For fees paid to related practices and non-related audit firms, refer to Note F2.

# DIRECTORS' REPORT

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 39.

## ROUNDING OF AMOUNTS

The Group is of a kind referred to in Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in this Directors' Report and financial statements. Amounts in the Directors' Report and financial statements have been rounded off to the nearest million dollars in accordance with that legislative instrument.

## INFORMATION ON DIRECTORS

### Baocai Zhang EMBA
**Non- Executive Director (26 Jun 2012 – 19 Jan 2014, and 8 Jun 2018 – current),**
**Co-Vice Chairman (20 Dec 2013 – 8 Jun 2018)**
**Executive Director (20 Jan 2014 – 8 Jun 2018)**
**Chairman of the Board (8 Jun 2018 – current)**

Mr Zhang, aged 54, joined Yankuang Energy Group Co Ltd's ("Yankuang Energy") predecessor in 1989 and was appointed as the Head of the Planning and Finance department of Yankuang Energy in 2002. He was appointed as a Director and Company Secretary of Yankuang Energy in 2006 and Deputy General Manager in 2011. Mr Zhang was appointed as Non-Executive Director of Yancoal on 26 June 2012, and subsequently appointed a Co-Vice Chairman of Yancoal on 20 December 2013. He became the Chair of the Executive Committee of Yancoal on 20 January 2014. In October 2015, he became a director of Yankuang Group Co. Ltd[4] and a standing member of the CPC Yankuang Group Co. Ltd[4] Committee. In February 2018, he was appointed as the General Counsel of Yankuang Group Co. Ltd[4]. Mr Zhang was appointed as the Chair of the Board of Yancoal on 8 June 2018. In July 2020, Mr Zhang was appointed as the Deputy General Manager of Shandong Energy Group and a standing member of the CPC Shandong Energy Group Committee. In June 2021, Mr. Zhang was appointed as the General Manager, Deputy Secretary of the CPC Shandong Energy Group Committee and a Director of Shandong Energy Group.

Mr Zhang planned and played a key role in the acquisition of Felix Resources Limited and the merger with Gloucester Coal Ltd in Australia. He also led Yankuang Energy's acquisition of potash exploration permits in Canada in 2011. He has considerable experience in capital management and business development in the coal industry, in particular, in financial control, corporate governance and compliance for listed companies in Australia and overseas.

Mr Zhang graduated from Nankai University. He is a senior accountant with an EMBA degree.

### Ning Zhang
**Executive Director (20 Mar 2021 – current)**
**Chair of the Executive Committee (20 Mar 2021 – current)**
**Co-Vice Chairman (20 Mar 2021 – current)**

Mr Zhang, aged 53, holds a master's degree from Tianjin University of Finance and Economics. He is professionally accredited as Professorate Senior Accountant and International Finance Manager.

During his near 30-year career with the Yankuang Group Co. Ltd, Mr Zhang has held several senior roles, including Vice Director of the Finance Department and the Director of the Audit and Risk Department.

### Gregory James Fletcher BCom, CA
**Independent Non-Executive Director (26 Jun 2012 – Current)**
**Co-Vice Chairman (1 Mar 2018 – Current)**

Mr Fletcher, aged 65, was a Director of Gloucester Coal Ltd from June 2009. He was appointed a Director of Yancoal after the merger of Yancoal and Gloucester Coal Ltd in June 2012. Mr Fletcher was elected a Co-Vice Chairman of Yancoal in 2018.

Prior to 2009, Mr Fletcher was a senior partner of Deloitte for 16 years during which he held many senior roles as well as working with major Australian listed companies with operations internationally including the Asia Pacific region. He also worked closely with organisations in China, Indonesia and Mongolia in enhancing governance practices.

Since 2009 Mr Fletcher has taken on Board and Audit Committee roles. He has been a member of the NSW Auditor General's Audit and Risk Committee, on the Board of Railcorp, TAFE NSW and WDS Limited and Chairman of the Roads and Maritime Services Audit and Risk Committee and City of Sydney Audit and Risk Committee.

Mr Fletcher holds a Bachelor of Commerce, and he is a Chartered Accountant.

### Cunliang Lai DE EMBA
**Executive Director (18 Nov 2004 – 19 Jan 2014)**
**Co-Vice Chairman (26 Jun 2012 – 6 Jun 2018)**
**Non-Executive Director (20 January 2014 – Current)**

Mr Lai, aged 61, joined Yankuang Energy's predecessor in 1980. He was appointed as the Head of Xinglongzhuang Coal Mine of Yanzhou in 2000. In 2005, he was appointed as the Deputy General Manager of Yankuang Energy. Before the merger with Gloucester Coal Ltd, Mr Lai was an Executive Director of Yancoal and was appointed the Co-Vice Chairman and Chair of the Executive Committee in 2012. Mr Lai successfully completed the acquisition of the Austar Coal Mine and the establishment of an appropriate corporate governance structure for Yancoal. Mr Lai has also successfully applied the Longwall Top Coal Caving technology in Australia and has gained considerable experience in Australian coal business management.

Mr Lai graduated from Nankai University and the Coal Science Research Institute. He is a researcher in engineering technology application with a Doctorate degree in Engineering and an EMBA degree.

4 As the company was known in 2015.

# DIRECTORS' REPORT

**Xiangqian Wu DE**
**Non-Executive Director (28 Apr 2017 – Current)**

Mr Wu, aged 56, joined Yankuang Energy's predecessor in 1988. In 2003, he was appointed as the Deputy Head and Deputy Chief Engineer of Jining No.3 Coal Mine.

In 2004, he was appointed as the Deputy Head and Chief Engineer of Jining No.3 Coal Mine. In 2006, he was appointed as the Head of Jining No.3 Coal Mine. From April 2014 to January 2016, he was the Chairman and General Manager of Yanzhou Coal Ordos Neng Hua Co., Ltd. and Chairman of Inner Mongolia Haosheng Coal Mining Co., Ltd.

In May 2014, he was appointed as a Director of Yankuang Energy. In January 2016, he was appointed as the General Manager and Deputy Chief Engineer of Yankuang Energy. In April 2020, he was appointed as the Production Director of Yankuang Group Co. Ltd. In August 2020, he was appointed as the Chief Safety Officer of Shandong Energy Group Co. Ltd. Mr Wu graduated from Shandong University of Science and Technology and China University of Mining and Technology.

Mr Wu is a Research Fellow in Applied Engineering Technology and a Doctor of Engineering.

**Qingchun Zhao EMBA**
**Non-Executive Director (28 Apr 2017 – Current)**

Mr Zhao, aged 53, is a senior accountant with an EMBA degree and is a Director and the Chief Financial Officer of Yankuang Energy.

Mr Zhao joined Yankuang Energy's predecessor in 1989 and was appointed as the Accountant in charge of the Finance Department in 2002 and Director of the Planning and Finance Department of Yankuang Energy in 2006. In March 2011, he was appointed as the Vice Chief Financial Officer and the Director of the Finance Department of Yankuang Energy. In March 2014, Mr Zhao was appointed Assistant General Manager and the Director of the Finance Management Department of Yankuang Energy.

In January 2016, he was appointed as the Chief Financial Officer of Yankuang Energy, and in June 2016, he was appointed as a director of Yankuang Energy. Mr Zhao graduated from Nankai University.

**Xing Feng EMBA**
**Non-Executive Director (15 Dec 2017 – Current)**

Mr Feng, aged 48, started his career with China Cinda Asset Management Co., Limited (Cinda) in 1999, and has served in various capacities in the Department of General Management, Department of General Business and Department of Investment and Financing. He has abundant experience in corporate governance, investment and financing.

He was appointed Deputy General Manager of Cinda's Fourth Strategic Client Department in 2020, where he is responsible for implementing the Department's development strategy plan, involvement in the business review and leading the implementation of the investment plan. He has successfully completed a number of overseas M&A investments and mixed-ownership reform of SOE projects.

Mr Feng holds a Bachelor of Engineering (Electrical Engineering and Automation) from Tsinghua University and an EMBA degree from Peking University.

**Dr Geoffrey William Raby BEc (Hons), MEc and PhD (Economics)**
**Independent Non-Executive Director (26 Jun 2012 – Current)**

Dr Geoffrey Raby, aged 68, was appointed a Director of Yancoal in 2012.

Dr Raby was formerly Australia's Ambassador to the People's Republic of China from 2007 to 2011. Prior to that, he was a Deputy Secretary in the Department of Foreign Affairs and Trade (DFAT). Dr Raby has extensive experience in international affairs and trade, having been Australia's Ambassador to the World Trade Organisation (1998 to 2001), Australia's APEC Ambassador (2003 to 2005), Head of DFAT's Office of Trade Negotiations and Head of the Trade Policy Issues Division at the OECD, Paris. Between 1986 and 1991 he was Head of the Economic Section at the Australian Embassy, Beijing. He has been the Chair of DFAT's Audit Committee and served as an ex-officio member of the Boards of Austrade and Export Finance and Insurance Corporation.

Dr Geoffrey Raby holds a Bachelor of Economics, a Master of Economics and a Doctor of Philosophy in Economics.

**Helen Jane Gillies MBA, MConstrLaw, LLB(Hons), BCom, FAICD**
**Independent Non-Executive Director (30 Jan 2018 – Current)**

Helen Gillies is an experienced Director and legal, risk and compliance professional.

Ms Gillies, aged 57, was appointed as a Non-Executive Director of Bankstown and Camden Airports in September 2017 and a Non-Executive Director of ASX-listed company Monadelphous Group Limited and of ASX listed company Aurelia Metals Limited. She is the Chair of the Audit Committee of the Monadelphous Group Limited, and a member of the Nomination Committee and a member of the Remuneration Committee of the Monadelphous Group Limited. She is a member of the Nomination and Remuneration Committee of Aurelia Metals Limited and a member of the Sustainability and Risk Committee of Aurelia Metals Limited. She, is a Non-Executive Director with Lexon Insurance Pte Ltd. Previously, she served as a director of Red Flag Group Limited from 2016 to 2020, a director of Sinclair Knight Merz Management Pty Limited from October 2002 to September 2008 and Sinclair Knight Merz Management Pty Limited from September 2010 to December 2013 . She was also a non-executive director of Civil Aviation Safety Authority from 2009 to 2014.

Ms Helen Gillies holds a Master of Business Administration and a Master of Construction Law, as well as undergraduate degrees in Commerce and Law. Ms Gillies is a Fellow of the Australian Institute of Company Directors.

# DIRECTORS' REPORT

## INFORMATION ON MANAGEMENT

### David James Moult
### C. Eng (Mining), MBA, FAusIMM, FIMMM, MAICD
### Chief Executive Officer (9 Mar 2021 – Current)
### Independent Non-Executive Director (30 Jan 2018 – 9 Mar 2021)

David Moult, aged 65, was an Independent Director of Yancoal from January 2018 to March 2020 when he was then appointed to the role of Chief Executive Officer ("CEO"). He has over 40 years of global coal mining experience. He was Managing Director and CEO of Centennial Coal Company Limited from 2011 to 2017, then a non-executive director of Centennial Coal from May 2017 until January 2018. He previously held the position of Chief Operating Officer of Centennial Coal from 1998 to 2011.

Mr Moult has worked with Joy Mining Machinery in the USA and Australia, RJB Mining PLC and British Coal in the UK.

Mr Moult is Director of the Minerals Council of Australia ("MCA"), a Director and former Chairman of the New South Wales Minerals Council ("NSWMC"), a Director of Coal Service Pty Lld, and a Director of Port Waratah Coal Services ("PWCS"). Mr Moult is a Member of the University of NSW Education Trust Advisory Committee.

Mr Moult holds a Master of Business Administration and a Higher National Diploma in Mining. Mr Moult is a Chartered Mining Engineer in the United Kingdom, a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Institute of Materials, Minerals and Mining, a European Engineer of European Federation of National Engineering Associations and a member of the Australia Institute of Company Directors.

### Ning (Kevin) Su FCPA
### Chief Financial Officer (1 June 2021 – Current)

Ning (Kevin) Su, aged 45, a Fellow of CPA Australia (FCPA), joined Yancoal as General Manager Treasury in June 2014. He has over 20 years of accounting, financial, and treasury experience across manufacturing and mining industries in China and Australia. Mr Su was previously the financial controller of Acer's Oceanic Region, acting in various accounting and finance positions in the Company from 2003 to 2014. Mr Su holds a Master of Commerce Degree from the University of Sydney and a Bachelor of Commerce Degree from the University of International Business and Economics in China.

### Laura Ling Zhang BA, MA, EMBA, AGIA, FCIS, GAICD
### Company Secretary, Chief Legal, Compliance, Corporate Affairs Officer (6 Sep 2005 – Current)

Laura Ling Zhang, aged 44, was appointed as the Company Secretary on 6 September 2005.

Ms Zhang is one of the founding executives of the Company and has been the Company Secretary since September 2005. She has over 20 years of experience in the mining industry and has been instrumental in the Company's growth. She currently also holds the office of Chief Legal, Compliance and Corporate Affairs Officer. She oversees the Company's corporate governance, group legal issues, corporate compliance, projects/corporate initiatives, investor relations, corporate affairs and media communications functions.

Ms Zhang graduated with a Bachelor of Arts degree and a Master of Arts degree in language literature and cross- cultural communication. Ms Zhang also holds a graduate diploma of applied corporate governance from Governance Institute of Australia (formerly known as Chartered Secretaries Australia) in 2008 and foundations of directorship certificate of Australian Institute of Company Directors in 2012. Ms Zhang completed her EMBA degree at the Australian Graduate School of Management at the University of New South Wales in 2019. Ms Zhang was previously a Fellow of the Hong Kong Institute of Chartered Secretaries between May 2016 and July 2021, and is currently a Fellow member of the Governance Institute of Australia. Ms Zhang has been a member of the Australian Institute of Company Directors since 2011.

# DIRECTORS' REPORT

| DIRECTOR/CEO | OTHER CURRENT KEY DIRECTORSHIPS |
|---|---|
| **Baocai Zhang (Director)** | Director of Shandong Energy Group Company Limited |
| **Ning Zhang (Director)** | Director of various subsidiaries of Yancoal Australia Ltd |
| **Gregory James Fletcher (Director)** | Chairman of SMEG Australia Pty Ltd<br>[5]Director of Saunders International Limited, Chairman Audit and Risk Committee and Member of the Remuneration and Nomination Committee (ASX:SND) (1 Jul 2015 – current)<br>Member of the Audit and Risk Committee of TAFE NSW<br>Chairman of NSW Electoral Commission Audit and Risk Committee<br>Chairman of NSW HealthShare/eHealth Audit and Risk Committee<br>Member of Audit and Risk Committee NSW Health Infrastructure<br>Member of Audit and Risk Committee NSW State Transit Authority |
| **Cunliang Lai (Director)** | Independent Director of Shandong Gold Group Co., Ltd |
| **Qingchun Zhao (Director)** | [5]Director of Yankuang Energy Group Company Limited (1171 HK) (Jun 2016 – current)<br>Director of Duanxin Investment Holding (Shenzhen) Co., Ltd Chairman of Duanxin Investment Holding (Beijing) Co., Ltd Director of Yancoal International (Holding) Co.Ltd<br>Director of Yancoal International Resources Co., Ltd<br>Director of Yancoal International Technology Development Co., Ltd Chairman of Shanghai Jujiang Asset Management Co., Ltd<br>Director of Yanzhou Coal Yulin Neng Hua Co., Ltd<br>Director of Inner Mongolia Haosheng Coal Mining Limited Director of Yankuang Group Finance Co., Ltd<br>Director of Qilu Bank Co., Ltd<br>Director of Shanghai Mid-Term Futures Co., Ltd |
| **Xiangqian Wu (Director)** | Director of Yancoal International (Holding) Co. Ltd<br>Director of Yancoal International Trading Co. Ltd<br>Director of Yancoal International Resources Development Co., Ltd<br>Director of Yancoal International Technology Development Co., Ltd |
| **Xing Feng (Director)** | Director of China Broadcasting and Telecommunications Corporation<br>Director of China Cinda (Hong Kong) Holdings Company Limited |
| **Dr Geoffrey William (Director)** | [5]Director of Netlinkz Limited (ASX:NET) |
| **Helen Jane Gillies (Director)** | [5]Director of Monadelphous Group Limited (ASX:MND) (5 Sept 2016 – current)<br>Director of BAC Holdings Pty Ltd<br>[5]Director of Aurelia Metals Limited (ASX:AMI) (21 Jan 2021 – current)<br>Director with Lexon Insurance Pte Ltd<br>Director of the Minerals Council of Australia |
| **David James Moult (CEO)** | Director of Coal Services Pty Ltd<br>Director of Coal Mines Insurance Pty Ltd<br>Director of Mines Rescue Pty Ltd<br>Director of Middlemount Coal Pty Ltd<br>Director of Middlemount Mine Management Pty Ltd<br>Director of Ribfield Pty Ltd<br>Director of Port Waratah Coal Services Ltd |

| DIRECTOR/CEO | FORMER DIRECTORSHIPS IN LAST THREE YEARS |
|---|---|
| **Baocai Zhang (Director)** | Chairman and Director of Yankuang Group Finance Co., Ltd<br>Director of Yanzhou Coal Yulin Neng Hua Co., Ltd<br>Director of Inner Mongolia Haosheng Coal Mining Limited<br>Director of Yancoal International (Holding) Co., Ltd<br>Chairman of Shandong Yunding Technology Co.Ltd |
| **Ning Zhang (Director)** | Director of Shanghai Yankuang Energy Sources Technology Research & Development Co., Ltd<br>Director of Yankuang Group (Hongkong) Co., Ltd |
| **Gregory James Fletcher (Director)** | [6]Director of Yancoal SCN Limited (ASX:YCN) (21 Nov 2014 – 30 Aug 2018) |
| **Cunliang Lai (Director)** | None |
| **Qingchun Zhao (Director)** | Director of Qingdao Zhongyin International Trade Co., Ltd<br>Director of Zhongyin Financial Leasing Co., Ltd |
| **Xiangqian Wu (Director)** | [6]Director of Yanzhou Coal Mining Company Limited (1171 HK) (14 May 2014 – 20 Aug 2021) |
| **Xing Feng (Director)** | None |
| **Dr Geoffrey William Raby (Director)** | [6]Director of iSentia Group Ltd (ASX:ISD) (9 May 2014 – 20 Jul 2018)<br>[6]Chairman of Wiseway Group (ASX:WWG) (18 Jul 2018 – 30 Apr 2019)<br>[6]Director of OceanaGold Corporation Limited (ASX:OGC) (5 Aug 2011 – 29 Jun 2021) |
| **Helen Jane Gillies (Director)** | Director of Red Flag Group (Holdings) Limited |
| **David James Moult (CEO)** | Independent Non-Executive Director of Yancoal Australia Ltd (30 Jan 2018 – 9 Mar 2020)<br>Non-Executive Director of Centennial Coal Company Limited<br>Chairman and Director of the Australian Coal Association Low Emissions Technology Ltd<br>Director of the New South Wales Minerals Council |

5 Listed company.
6 Listed company.

# DIRECTORS' REPORT

## Special responsibilities as at 31 December 2021:

| DIRECTOR | AUDIT AND RISK MANAGEMENT COMMITTEE | NOMINATION AND REMUNERATION COMMITTEE | HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE | STRATEGY AND DEVELOPMENT COMMITTEE |
|---|---|---|---|---|
| **Baocai Zhang** | – | Member | – | Chair |
| **Ning Zhang** | – | – | Member | – |
| **Cunliang Lai** | – | – | – | – |
| **Qingchun Zhao** | Member | – | – | Member |
| **Xiangqian Wu** | – | Member | Member | – |
| **Xing Feng** | – | – | – | Member |
| **Gregory James Fletcher** | Chair | Member | – | – |
| **Dr Geoffrey William Raby** | – | Member | Chair | Member |
| **Helen Jane Gillies** | Member | Chair | – | – |

## Current Directorships and Company Secretary positions within the Group held by CEO and CFO:

| | COMPANY | CEO | CFO |
|---|---|---|---|
| 1. | ABAKK Pty Limited | Dir. | C.S. |
| 2. | Ashton Coal Mines Pty Ltd | Dir. | C.S. |
| 3. | Ashton Coal Operations Pty Limited | Dir. | C.S. |
| 4. | Athena Coal Operations Pty Ltd | Dir. | Dir. |
| 5. | Athena Coal Sales Pty Ltd | Dir. | Dir. |
| 6. | Austar Coal Mine Pty Limited | Dir. | C.S. |
| 7. | Australian Coal Resources Pty Ltd | Dir. | Dir. |
| 8. | Black Hill Land Pty Ltd | Dir. | Dir. |
| 9. | Catherine Hill Bay Land Pty Ltd | Dir. | Dir. |
| 10. | CIM Duralie Pty Ltd | Dir. | Dir. |
| 11. | CIM Mining Pty Ltd | Dir. | Dir. |
| 12. | CIM Services Pty Ltd | Dir. | Dir. |
| 13. | CIM Stratford Pty Ltd | Dir. | Dir. |
| 14. | CNA Bengalla Investments Pty Limited | Dir. | Dir. |
| 15. | CNA Resources Pty Ltd | Dir. | Dir. |
| 16. | CNA Warkworth Australasia Pty Limited | Dir. | Dir. |
| 17. | CNA Warkworth Pty Ltd | Dir. | Dir. |
| 18. | Coal & Allied (NSW) Pty Limited | Dir. | Dir. |
| 19. | Coal & Allied Industries Pty Ltd | Dir. | Dir. |
| 20. | Coal & Allied Mining Services Pty Limited | Dir. | Dir. |
| 21. | Coal & Allied Operations Pty Ltd | Dir. | Dir. |
| 22. | Donaldson Coal Finance Pty Limited | Dir. | C.S. |
| 23. | Donaldson Coal Holdings Limited | Dir. | C.S. |
| 24. | Donaldson Coal Pty Ltd | Dir. | C.S. |
| 25. | Duralie Coal Marketing Pty Ltd | Dir. | Dir. |
| 26. | Duralie Coal Pty Ltd | Dir. | Dir. |
| 27. | Eucla Mining Pty Ltd | Dir. | Dir. |
| 28. | Felix NSW Pty Ltd | Dir. | Dir. |
| 29. | Gloucester (SPV) Pty Ltd | Dir. | Dir. |
| 30. | Gloucester (Sub-Holdings 1) Pty Ltd | Dir. | C.S. |
| 31. | Gloucester (Sub-Holdings 2) Pty Ltd | Dir. | Dir. |
| 32. | Gloucester Coal Pty Ltd | Dir. | Dir. |
| 33. | Gwandalan Land Pty Ltd | Dir. | Dir. |
| 34. | Kalamah Pty Ltd | Dir. | Dir. |
| 35. | Lower Hunter Land Holdings Pty Ltd | Dir. | Dir. |

| | COMPANY | CEO | CFO |
|---|---|---|---|
| 36. | Miller Pohang Coal Co Pty Ltd | – | Dir. |
| 37. | Minmi Land Pty Ltd | Dir. | Dir. |
| 38. | Monash Coal Holdings Pty Ltd | Dir. | Dir. |
| 39. | Monash Coal Pty Ltd | Dir. | Dir. |
| 40. | Moolarben Coal Mines Pty Ltd | Dir. | Dir. |
| 41. | Moolarben Coal Operations Pty Ltd | Dir. | Dir. |
| 42. | Moolarben Coal Sales Pty Ltd | Dir. | Dir. |
| 43. | Mount Thorley Coal Loading Ltd | Dir. | Dir. |
| 44. | Mount Thorley Operations Pty Limted | Dir. | Dir. |
| 45. | Namoi Valley Coal Pty Limited | Dir. | Dir. |
| 46. | Newcastle Coal Company Pty Ltd | Dir. | C.S. |
| 47. | Nords Wharf Land Pty Ltd | Dir. | Dir. |
| 48. | Northern (Rhondda) Collieries Pty Ltd | Dir. | Dir. |
| 49. | Novacoal Australia Pty Limited | Dir. | Dir. |
| 50. | Oaklands Coal Pty Limited | Dir. | Dir. |
| 51. | Primecoal International Pty Ltd | Dir. | C.S. |
| 52. | Proserpina Coal Pty Ltd | Dir. | Dir. |
| 53. | R.W.Miller (Holdings) Pty Ltd | Dir. | Dir. |
| 54. | Stratford Coal Marketing Pty Ltd | Dir. | Dir. |
| 55. | Stratford Coal Pty. Ltd. | Dir. | Dir. |
| 56. | Warkworth Coal Sales Limited | – | Dir. |
| 57. | Warkworth Mining Limited | – | Dir. |
| 58. | Warkworth Pastoral Coal Pty Ltd | – | Dir. |
| 59. | Warkworth Tailings Treatment Pty Ltd | – | Dir. |
| 60. | Watagan Mining Company Pty Ltd | Dir. | C.S. |
| 61. | Westralian Prospectors Pty Ltd | Dir. | Dir. |
| 62. | White Mining (NSW) Pty Limited | Dir. | C.S. |
| 63. | White Mining Pty Ltd | Dir. | C.S. |
| 64. | White Mining Services Pty Limited | Dir. | C.S. |
| 65. | Yancoal Australia Sales Pty Ltd | Dir. | Dir. |
| 66. | Yancoal CSR Pty Ltd | Dir. | Dir. |
| 67. | Yancoal Mining Services Pty Ltd | Dir. | Dir. |
| 68. | Yancoal Moolarben Pty Ltd | Dir. | Dir. |
| 69. | Yancoal Resources Pty Ltd | Dir. | Dir. |
| 70. | Yarrabee Coal Company Pty Ltd | Dir. | Dir. |

## MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 31 December 2021, and the numbers of meetings attended by each Director were:

| | GENERAL MEETINGS | | MEETINGS OF THE BOARD OF DIRECTORS | | MEETINGS OF COMMITTEES | | | | | | | | TRAINING |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ANNUAL GENERAL MEETING | | FULL MEETINGS OF DIRECTORS | | AUDIT AND RISK MANAGEMENT | | HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY | | NOMINATION AND REMUNERATION | | STRATEGY AND DEVELOPMENT | | CONTINUOUS PROFESSIONAL DEVELOPMENT |
| | A[7] | B[8] | A | B | A | B | A | B | A | B | A | B | |
| Baocai Zhang | 1 | 1 | 9 | 11 | – | – | – | – | 5 | 6 | 1 | 1 | Note |
| Ning Zhang | 1 | 1 | 11 | 11 | – | – | 4 | 4 | – | – | – | – | Note |
| Cunliang Lai | 0 | 1 | 11 | 11 | – | – | – | – | – | – | – | – | Note |
| Xiangqian Wu | 0 | 1 | 10 | 11 | – | – | 4 | 4 | 6 | 6 | – | – | Note |
| Qingchun Zhao | 0 | 1 | 8 | 11 | 2 | 4 | – | – | – | – | 0 | 1 | Note |
| Gregory James Fletcher | 1 | 1 | 11 | 11 | 4 | 4 | – | – | 6 | 6 | – | – | Note |
| Geoffrey William Raby | 1 | 1 | 10 | 11 | – | – | 4 | 4 | 5 | 6 | 1 | 1 | Note |
| Helen Jane Gillies | 1 | 1 | 11 | 11 | 4 | 4 | – | – | 6 | 6 | – | – | Note |
| Xing Feng | 0 | 1 | 11 | 11 | – | – | – | – | – | – | 1 | 1 | Note |

Note:

Each Director received continuous professional development training during the year ended 31 December 2021, which included training on Company's Code of Conduct, cybersecurity, chain of responsibility, cross cultural and sexual harassment laws and other relevant topics. The Directors are also continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

## CHANGES IN DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE HK LISTING RULES

The changes in Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited ("HK Listing Rules") are set out below:

- **Xiangqian Wu. Director**

Resigned as a director of Yanzhou Coal Mining Company Limited (1171 HK) (now known as Yankuang Energy) with effect from 20 August 2021.

- **Dr Geoffrey William Raby. Independent Non-Executive Director**

Resigned as a director of OceanaGold Corporation Limited (ASX:OGC) with effect from 29 Jun 2021.

## DIRECTORS' CONFIRMATIONS

### Director's Interest in Competing Business

Baocai Zhang, who is a non-executive Director, serves as a director of Shandong Energy. Qingchun Zhao, who is a non-executive Director, serves as a director of Yankuang Energy. Shandong Energy and Yankuang Energy are the controlling shareholders of the Company. As at 31 December 2021, Shandong Energy is, directly and indirectly, interested in approximately 55.76% of the shares in Yankuang Energy and Yankuang Energy is interested in approximately 62.26% of the shares in the Company.

Shandong Energy is a capital investment company with exposure to coal, coal chemicals and aluminium, power generation, machinery manufacturing and financial investments. Yankuang Energy is principally engaged in the production of coal and coal chemicals, manufacturing of mechanical and electrical equipment and power and heat generation. The mining assets of Yankuang Energy located in Australia, other than through its interest in the Group, are managed and operated by the Company. Shandong Energy does not have any interests in mines in Australia other than through its interests in Yankuang Energy and the Group.

Except as disclosed above, none of the Directors are interested in any business apart from the Group's business which competes with or is likely to compete directly or indirectly, with the Group's business during the year ended 31 December 2021.

### Letters of appointment and service contracts

Each Director has entered into a letter of appointment in relation to his/her role as a director of the Company, which is subject to termination by the Director or the Company in accordance with the terms of the letter of appointment, the requirements of the Listing Rules and the provisions relating to the retirement and rotation of the Directors under the Constitution.

7 A = Number of meetings attended.

8 B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

# DIRECTORS' REPORT

Pursuant to the terms of the letter of appointment entered into between each Director (on the one part) and the Company (on the other part), (a) the Executive Director and the Non-executive Directors are not entitled to receive any director's fees; (b) the annual director's fees payable by the Company to each Independent Non-executive Director are $169,500 (save for Gregory Fletcher who receives fees as set out in (e) below); (c) an Independent Non-executive Director (save for Gregory Fletcher) will receive from the Company an additional fee of $41,200 for being the chairman of the Audit and Risk Management Committee, the nomination and remuneration committee or the Health, Safety, Environment and Community Committee, (d) an Independent Non- Executive Director (save for Gregory Fletcher) will receive from the Company an additional fee of $20,600 for being a member of the Audit and Risk Management Committee, the Health, Safety, Environment and Community Committee, the Nomination and Remuneration Committee or the Strategy and Development Committee, and certain additional fees on a per day basis as approved by the Board for the role on an independent board committee for any major related party transactions, and (e) Gregory Fletcher will receive $370,800 including superannuation in aggregate for his role as a Co-Vice Chair of the Board, chairman of the Audit and Risk Management Committee, member of the Nomination and Remuneration Committee and chair of the Independent Board Committee.

Each Director is entitled to be indemnified by the Company (to the extent permitted under the Constitution and applicable laws) and to be reimbursed by the Company for all necessary and reasonable out-of-pocket expenses properly incurred in connection with the performance and discharge of his/her duties under his/her letter of appointment.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## INTERESTS AND POSITIONS IN SHARES

### Interests of the Directors and Chief Executive of the Company

As at 31 December 2021 the interests or short positions (as applicable) of the Directors and the Chief Executive of the Company in the Shares and debentures of the Company and any interests or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (1) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, are as follows:

### The Company

| NAME OF EXECUTIVE OR DIRECTOR | NUMBER OF SHARES | INTEREST IN UNDERLYING SHARES[9] | COMBINED TOTAL | NATURE OF INTEREST | APPROXIMATE PERCENTAGE |
|---|---|---|---|---|---|
| Baocai Zhang | 274,404 | – | 274,404 | Beneficial owner | 0.02078% |
| Gregory James Fletcher | 2,100 | – | 2,100 | Beneficial owner | 0.00016% |
| Geoffrey William Raby | 22,858 | – | 22,858 | Beneficial owner | 0.00173% |
| David James Moult | – | – | – | – | – |

### Associated corporations of the Company

| NAME OF DIRECTOR | NAME OF THE ASSOCIATED CORPORATION | NUMBER OF SHARES | INTEREST IN UNDERLYING SHARES | COMBINED TOTAL | NATURE OF INTEREST | APPROXIMATE PERCENTAGE |
|---|---|---|---|---|---|---|
| Qingchun Zhao | Yankuang Energy Group Company Limited | 85,800 | 174,200 | 260,000 | Beneficial owner | 0.00533% |
| Xiangqian Wu | Yankuang Energy Group Company Limited | 162,600 | 214,400 | 377,000 | Beneficial owner | 0.00773% |

Save as disclosed above, as at 31 December 2021, none of the Directors or the Chief Executive of the Company have an interest and/or short position (as applicable) in the Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

9 These represent the number of shares underlying the performance share rights which were granted pursuant to the Company's Equity Incentive Plan approved by shareholders The terms of the Equity Incentive Plan governing the grant of performance share rights are not subject to the provisions of Chapter 17 of the HK Listing Rules as it does not involve the grant of options by the Company to subscribe for new shares of the Company.

### Interests of persons other than Directors and Chief Executive of the Company

As at 31 December 2021 the following persons (other than a Director or Chief Executive of the Company) had an interest or short position (as applicable) in the Shares or underlying Shares which were recorded in the register required to be kept under section 336 of the SFO:

| NAME OF SHAREHOLDER | CAPACITY | NUMBER OF SHARES HELD OR INTERESTED | APPROXIMATE PERCENTAGE (%) |
|---|---|---|---|
| Yankuang Energy | Beneficial interest | 822,157,715 | 62.26 |
| Shandong Energy[10] | Interest in controlled entity | 822,157,715 | 62.26 |
| Cinda International HGB Investment (UK) Limited | Beneficial interest | 209,800,010 | 15.89 |
| China Agriculture Investment Limited | Interest in controlled entity | 209,800,010 | 15.89 |
| International High Grade Fund B, L.P. | Interest in controlled entity | 209,800,010 | 15.89 |
| Cinda International GP Management Limited | Interest in controlled entity | 209,800,010 | 15.89 |
| China Cinda (HK) Asset Management Co., Ltd[11] | Interest in controlled entity | 209,800,010 | 15.89 |
| Cinda Strategic (BVI) Limited | Interest in controlled entity | 209,800,010 | 15.89 |
| Cinda International Holdings Limited | Interest in controlled entity | 209,800,010 | 15.89 |
| Cinda Securities Co., Ltd | Interest in controlled entity | 209,800,010 | 15.89 |
| China Cinda (HK) Holdings Company Limited | Interest in controlled entity | 209,800,010 | 15.89 |
| China Cinda Asset Management Co., Ltd | Interest in controlled entity | 209,800,010 | 15.89 |
| Glencore Coal Pty Ltd | Beneficial interest | 84,497,858 | 6.40 |
| Glencore Holdings Pty Limited | Interest in controlled entity | 84,497,858 | 6.40 |
| Glencore plc[12] | Interest in controlled entity | 84,497,858 | 6.40 |
| CSIL[13] | Beneficial interest | 71,428,571 | 5.41 |
| Shandong Lucion Investment Holdings Group Co., Ltd | Interest in controlled entity | 71,428,571 | 5.41 |

Save as disclosed above, as at 31 December 2021, none of the substantial shareholders or other persons, (other than the Directors and Chief Executive of the Company) had any interest or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

10 Shandong Energy is deemed to be interested in the 822,157,715 Shares which Yankuang Energy is interested in as beneficial owner as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Yankuang Energy.

11 Cinda International HGB Investment (UK) limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd, is interested in 209,800,010 Shares which are held by J P Morgan Nominees Australia Limited as nominee. China Cinda Asset Management Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Securities Co., Ltd, Cinda Strategic (BVI) Limited, China Cinda (HK) Asset Management Co., Ltd, Cinda International GP Management Limited, International High Grade Fund B, L.P. and China Agriculture Investment Limited are each deemed to be interested in the 209,800,010 Shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

12 Glencore plc and Glencore Holdings Pty Ltd are deemed to be interested in the 84,497,858 Shares which Glencore Coal Pty Ltd is interested in as beneficial owner. Glencore plc wholly owns Glencore Holdings Pty Ltd which in turn wholly owns Glencore Coal Pty Ltd.

13 CSIL, a wholly owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd, is interested in 71,428,571 Shares which are held by HSBC Custody Nominees (Australia) Limited – A/C 2 as nominee.

# REMUNERATION REPORT

Dear Shareholder

I am pleased to introduce the Group's 2021 Remuneration Report.

## 2021 REFLECTIONS AND PERFORMANCE

2021 continued to be a challenging year for Yancoal as COVID-19 spread into regional areas, the Moolarben longwall encountered a hard rock intrusion, and significant inclement weather experienced in NSW and QLD during both early and late 2021 disrupted operational activities. While the significant rainfall in Yancoal's three largest open-cut mines have impacted our production, the combined asset portfolio delivered a total of 36.7 million tonnes of attributable saleable coal. Whilst the output is below the 2020 production level, higher coal prices and a focus on improving the quality of our product has delivered a net positive outcome on our operating margin despite an increase in operating cash costs.

Key operational highlights include:

**Strong Safety Culture:**
12-month rolling TRIFR of **8.4**, below the comparable industry average

**Saleable Production:**
Achieved attributable saleable coal production of **36.7Mt** despite the operational challenges

**Realised Coal Price:**
Average realised coal price of **A$141/t** up from A$82/t in 2020

The executive leadership team prioritised the health and wellbeing of all Yancoal employees, introducing additional protocols in response to the increased number of positive COVID-19 cases in the community. This focus on safety has resulted in Yancoal continuing to deliver safety performance below the comparable industry average.

An ongoing recovery of global economic conditions has supported energy demand, combined with global supply disruptions, leading to a 72% increase in Yancoal's average realised coal price in 2021 compared to 2020. Yancoal optimises its products to maximise sales between the different markets and seeks diversification of its customer base.

## 2021 EXECUTIVE REMUNERATION OUTCOMES

The 2021 Executive Short-Term Incentive Plan ("STIP") Outcomes section of this report summarises this year's scorecard performance.

Improvements have been realised across the various underlying quantitative measures, for instance a reduction in environmental incidents and disciplined capital expenditure. Performance against production and cash costs was constrained as a result of operational challenges and uncontrollable factors (diesel prices, demurrage, wet weather recovery and workforce availability) experienced during the year. Our balanced scorecard approach reinforces the need for our Executive team to deliver across a range of both financial and non-financial priorities.

## 2022 REMUNERATION FRAMEWORK

No changes are proposed to the Executive Remuneration Framework for 2022.

Following the last holistic review of the framework completed in 2018, the Nomination and Remuneration Committee will review the Group's remuneration framework in 2022 to ensure remuneration arrangements continue to align management with shareholder interests.

2021 has seen our Executive team remain focussed on a "One Yancoal" approach across all our sites, reinforcing our core beliefs and values to deliver excellence and innovation in an environment that supports individual experience and engagement. An aligned Yancoal which takes advantage of cross-collaboration across the business and with the involvement from all our employees, will position the Group to continue its performance into 2022.

This report sets out remuneration information for the Group's Key Management Personnel ("KMP") for the 12 months ended 31 December 2021.

Yours sincerely,

**Helen Jane Gillies**
Chair of the Nomination and Remuneration Committee

# REMUNERATION REPORT

## KEY MANAGEMENT PERSONNEL

The Board delegates responsibility for the day to day management of the Company's affairs and implementation of the strategy and policy initiatives set by the Board to the Chairman of the Executive Committee and the Chief Executive Officer. The Executive Committee is a management committee comprising the Chairman of the Executive Committee, the Chief Executive Officer, the Chief Financial Officer and any other officers that the Board resolves will be members of the Executive Committee.

Consistent with the Constitution, the Company's majority shareholder Yankuang Energy can nominate a director to the position of the Chairman of the Executive Committee and the Chairman of the Board can recommend a person to the position of Chief Financial Officer.

No Board, Committee or Executive changes took place during 2021.

The KMP comprise the Directors of the Company and nominated members of the Executive Committee ("Executive KMPs"). Together, the Executive Director and Executive KMPs are referred to as "Executives" in this report. Details of the KMP are set out in the table below.

| NAME | POSITION | TIME IN ROLE |
|---|---|---|
| **NON-EXECUTIVE DIRECTORS** | | |
| **Baocai Zhang** | Director<br>Chairman of the Board<br>Chair of the Strategy and Development Committee<br>Member of the Nomination and Remuneration Committee | Full year |
| **Cunliang Lai** | Director | Full year |
| **Qingchun Zhao** | Director<br>Member of the Audit and Risk Management Committee<br>Member of the Strategy and Development Committee | Full year |
| **Xiangqian Wu** | Director<br>Member of the Nomination and Remuneration Committee<br>Member of the Health, Safety, Environment and Community Committee | Full year |
| **Xing Feng** | Director<br>Member of the Strategy and Development Committee | Full year |
| **Gregory James Fletcher** | Independent Director<br>Co-Vice Chairman of the Board<br>Chair of the Audit and Risk Management Committee Member of the Nomination and Remuneration Committee | Full year |
| **Geoffrey William Raby** | Independent Director<br>Member of the Strategy and Development Committee<br>Chair of the Health, Safety, Environment and Community Committee Member of the Nomination and Remuneration Committee | Full year |
| **Helen Jane Gillies** | Independent Director<br>Chair of the Nomination and Remuneration Committee Member of the Audit and Risk Management Committee | Full year |
| **EXECUTIVE DIRECTORS** | | |
| **Ning Zhang** | Director, Co-Vice Chairman of the Board<br>Chair of the Executive Committee<br>Member of the Health, Safety, Environment and Community Committee | Full year |
| **EXECUTIVE KMP** | | |
| **David James Moult** | Chief Executive Officer | Full Year |
| **Ning (Kevin) Su** | Chief Financial Officer | Full Year |

# REMUNERATION REPORT

## REMUNERATION FRAMEWORK OBJECTIVES

The executive remuneration framework is structured to be market competitive and to reflect the reward strategy of the Group. Through this framework the Group seeks to align executive remuneration with:

- Shareholder interests by:
  - making economic performance a core component of the overall remuneration plan design;
  - focusing on the key value drivers of the business including employee safety, operational performance and cost control; and
  - attracting and retaining high calibre executives
- Executive interests by:
  - rewarding capability and experience;
  - reflecting competitive reward for contribution to growth in Group performance; and
  - providing a clear structure for earning rewards

Details of remuneration for all Executives are set out in the 'Executive Statutory Remuneration' section of this Remuneration Report.

## REMUNERATION STRUCTURE

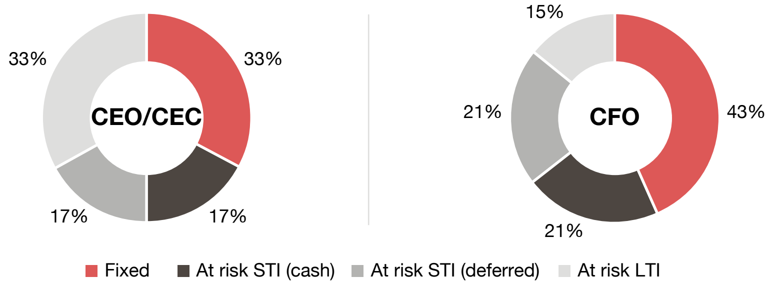
The executive remuneration framework is structured as a combination of fixed and variable remuneration, as follows:

| | VARIABLE REMUNERATION (AT RISK) | |
|---|---|---|
| **FIXED ANNUAL REMUNERATION ("FAR")** | **SHORT-TERM INCENTIVE PLAN ("STIP")** | **LONG-TERM INCENTIVE PLAN ("LTIP")** |
| The FAR package provides market competitive remuneration to attract and retain high quality talent while reflecting role scope and accountabilities.<br>The FAR package incorporates cash salary, superannuation benefits and may include a provision for a car benefit, together with various other benefits.<br>Executive FAR is reviewed annually against equivalent roles among companies of similar size in the mining/ resources industry. No Executives are guaranteed an annual increase in FAR. | The STIP rewards and Executives for the achievement of Group and individual goals that are aligned to the Group's financial, operational and strategic priorities.<br>• 50% is paid as cash<br>• 25% is deferred into rights (Deferred Share Rights) for one year<br>• 25% is deferred into rights for two years<br>Performance is assessed annually against profitability, health & safety, strategic objectives and environment key performance indicators ("KPIs").<br>For further information see the 'Short Term Incentive Plan' section in this Remuneration report. | The LTIP rewards and supports retention of participants who are in positions to influence the Group's long-term performance.<br>Performance rights to shares with no dividend equivalent payments vest after a three-year period subject to performance assessed against a comparator group:<br>• 60% Earnings Per Share Vesting Condition ("EPS Awards")<br>• 40% Costs Target Vesting Condition ("Costs Target Awards").<br>For further information see the 'Long Term Incentive Plan' section in this Remuneration report. |

The executive remuneration framework has been structured to align participants to the long-term interests of the Company and its shareholders through the use of equity components in the annual remuneration package: deferred share rights in the STIP and performance share rights in the LTIP. Restrictions are in place regarding to whom equity can be issued and/or transferred under the HKEx Listing Rules, as the Company is required to maintain a minimum free float of shares. As a result, the Company's ability to issue and/or transfer shares to employees or personnel who are directors of the Company and/or its subsidiaries is restricted by the HKEx Listing Rules. For more information, please see the 'Public Float' section of the Directors' Report. In accordance with the terms of the STIP and LTIP grant conditions, the Board has discretion to settle the STIP deferred share rights or qualifying LTIP performance share rights in cash. If settled in cash, the cash equivalent value is determined with reference to the market value of shares on vesting. Since the introduction of the current executive remuneration framework in 2018, deferred STIP has been settled in cash.

### Target Remuneration Mix

The chart below illustrates the relative proportion of 2021 remuneration for Executive KMPs which is fixed and that which is linked to individual and/or Group performance (STIP and LTIP) in the event that target performance for at- risk components is met.

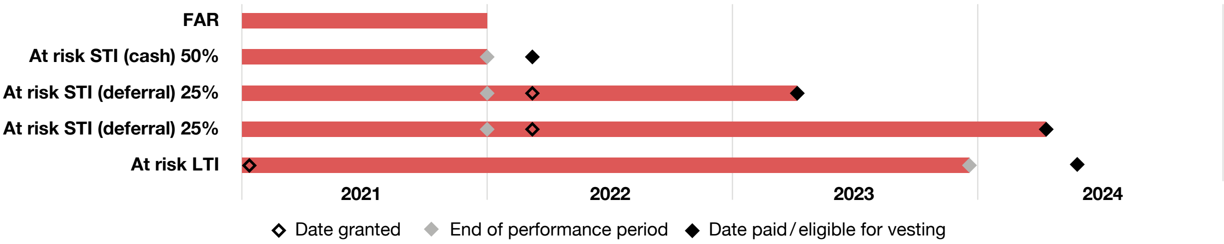



As the graphics above illustrate, STIP and LTIP form a significant part of Executive remuneration, which have been structured to award the majority of at-risk remuneration as share rights.

# REMUNERATION REPORT

## REMUNERATION TIMING

The chart below provides an indicative timing illustration of how the 2021 financial year remuneration will be delivered to Executive KMPs.




### Short Term Incentive Plan

The STIP aims to strengthen stakeholder alignment and encapsulates various Company and Group performance measures. The Board maintains discretion to alter the formula outcomes outlined below if the results generate any unintended outcomes from a reward perspective considering the perspectives of various stakeholders including but not limited to shareholders, employees and communities.

In 2021, an individual performance weighting was introduced in the determination of STIP outcomes with the objective of driving increased individual accountability. The STIP structure for 2021 is outlined in the table below.

| FEATURE | DESCRIPTION |
|---|---|
| **Eligibility** | Executives as well as other management and employees of the Group are eligible to participate in the STIP. |
| **Opportunity** | This is expressed as a percentage of each Executive's FAR. The STIP opportunity is reviewed annually. The Chief Executive Officer, Chair of the Executive Committee and Chief Financial Officer have a Target STIP Opportunity of 100% of FAR, with a maximum opportunity of 200% of FAR. The Board believes this level of STIP opportunity is reasonable and competitive for the current environment. |
| **Scorecard Performance Conditions** | The STIP Scorecard consists of several KPIs.<br>At the start of each year, the Board reviews and selects KPIs considered to be the most appropriate to the business to drive performance for the financial year in question.<br>Assessment against these measures is determined following the end of each year.<br>For Executives, all KPIs are measured at Group level. The STIP scorecard measures the Group's performance in respect of the following categories: |

| KPI | Measure | Weighting |
|---|---|---|
| **Profitability** | Profit Before Tax ("PBT") | 30% |
| | Free On Board[14] ("FOB") Cash Costs (excluding royalties) | 20% |
| | Run Of Mine tonnes ("ROM") | 10% |
| **Health & Safety** | Total Recordable Injuries and Disease Injuries ("TRI & DI") | 10% |
| | Critical Controls Compliance | 5% |
| **Strategic Objectives** | Strategic measures may include special projects, capital management, growth and culture development. | 15% |
| **Environment** | Environmental incidents and complaints | 10% |

| FEATURE | DESCRIPTION |
|---|---|
| **Individual Performance Condition** | Individual Performance will be assessed against objectives set at the beginning of the financial year as part of Yancoal's Performance Review and Development ("PRD") framework, with further consideration of behaviours against Yancoal's values and Leadership competencies. The Board will oversee the objectives and assessment of the Chief Executive Officer and Chair of the Executive Committee, while objectives for other executives including the Chief Financial Officer will be set and assessed in collaboration with the Chief Executive Officer and Chair of the Executive Committee. |
| **Outcome Formula** | The STIP Scorecard outcome and individual PRD outcome are weighted (Chief Executive Officer and Chair of the Executive Committee 90% and 10%; Chief Financial Officer 80% and 20% respectively) to determine the overall STIP Performance Outcome.<br>Performance against the STIP scorecard is converted to a payout multiplier, calculated referencing the relevant maximum level of opportunity and minimum acceptable or threshold level of performance. Likewise, the PRD outcome is converted to a payout multiplier.<br>These payout multipliers (0% to 200%) are weighted as described above and applied to the Target STIP opportunity to determine the actual STIP award. Accordingly, each Executive's STIP award is heavily influenced by the achievement of Group KPIs.<br>The Board can exercise discretion should the formula outcome generate an unintended reward. |
| **Timing** | Executive STIP awards are paid as follows:<br>• 50% of the award is delivered as a cash payment around March each year.<br>• 50% of the award will be deferred in share rights and vest in equal parts over a two- year period (25% deferred for one year, 25% deferred for two years) subject to continued employment at the respective vesting dates. The value of the deferred portion of STIP is converted to Deferred Share Rights (to Yancoal shares) at the time of award using a volume average weighted price ("VWAP").<br>Deferred share rights will be granted following audited 2021 financial statements being released. |
| **Settlement** | Vested rights will be equity settled unless the Board exercises discretion to settle in cash, with consideration to the Company being required to maintain a minimum free float. The cash equivalent value is determined with reference to the number of rights and the market value of shares on vesting, less applicable taxes and other amounts such as any applicable statutory superannuation contributions. |

14 FOB cash costs are calculated on a management reporting basis.

# REMUNERATION REPORT

## Long Term Incentive Plan

LTIP grants are delivered in performance share rights with vesting subject to performance conditions measured over a 3-year period. The Board maintains discretion to reduce or waive the conditions outlined below if the results generate any unintended outcomes. No structural changes were proposed for 2021, however the EPS Awards comparator group was revised to include comparable coal mining-focused companies. The LTIP structure for 2021 is outlined in the table below.

| FEATURE | DESCRIPTION |
|---|---|
| **Eligibility** | Executives and certain senior management are eligible to participate in the LTIP. |
| **Frequency** | Each year, eligible Executives and certain senior management are considered for an annual LTIP grant. |
| **LTIP opportunity** | The Chair of the Executive Committee and the Chief Executive Officer have an annual LTIP opportunity of up to 200% of FAR.<br>The Chief Financial Officer has an annual LTIP opportunity of up to 50% of FAR. |
| **Allocation Methodology** | The number of performance rights granted is calculated by dividing the dollar value of the annual LTIP opportunity by the VWAP of the Company's ordinary shares traded on the ASX across a 20-day trading period spread 10 days prior to, and 10 days after, 31 December 2020. |
| **LTIP instrument** | The LTIP is issued via a grant of performance share rights for nil consideration. |
| **LTIP performance conditions** | The LTIP will vest subject to both service and performance measures:<br>• EPS Awards: 60% of the award will vest subject to EPS growth performance of the Group relative to performance of a comparator group of international companies of a comparable size with a coal mining focus over the relevant performance period; and<br>• Costs Target Awards: 40% of the award will vest subject to cost per tonne performance of the Group relative to performance of a comparator group of Australian export mines at the end of the performance period. |
| **LTIP performance conditions – why were they chosen?** | An EPS vesting condition was chosen because it allows for an objective, well understood, external assessment of the shareholder value created by the Group relative to a group of peers over a sustained period in view of the low liquidity and limited float of Yancoal shares.<br>The Costs Target condition was chosen because it provides a structural incentive to LTIP participants to ensure that the Group remains positioned in the best cost quartile of Australian coal producers. The best quartile costs protect and preserve shareholder value in difficult times and supports enhanced returns when the commodity cycle recovers. |
| **How will the performance condition be calculated for the EPS Awards?** | For the EPS Awards, the EPS growth of the Group (based on the Group's Annual Report, adjusted for any share consolidations or splits) is measured as a percentile ranking compared to the EPS growth for the same period of the comparator group of companies.<br>Vesting is based on the ranking in accordance with the following schedule:<br>Below the 50th percentile: no EPS Awards vest<br>At 50th percentile: 50% of the EPS Awards vest<br>Between the 50th and 75th percentiles: vesting will occur on a pro rata straight line basis<br>At the 75th percentile or above: 100% of the EPS Awards vest<br>The 2021 comparator group consists of the following companies: Adaro Energy; Alliance Resources; Arch Resources; CONSOL Energy; Coronado Global Resources; New Hope Corp; Peabody; PT Bum Resources TBK; South32; Teck Resources; and Whitehaven Coal. |
| **How will the performance condition be calculated for the Costs Target Awards?** | For the Costs Target Awards, the Group's weighted average FOB cost per tonne is measured as a percentile ranking compared to the coal industry cost curve, as provided by an independent expert, for Australian export mines at the end of the performance period.<br>Vesting is based on the ranking in accordance with the following schedule. Yancoal must rank ahead of 70% of the comparator companies before vesting commences.<br>Above the 30th percentile: no Costs Target Awards vest<br>At the 30th percentile: 50% of the Costs Target Awards vest<br>Between the 30th and 20th percentiles: vesting will occur on a pro rata straight line basis<br>At the 20th percentile or below: 100% of the Costs Target Awards vest |
| **Performance Period** | Subject to achieving vesting conditions, EPS awards can become exercisable after a three-year performance period with the performance period commencing on 1 January 2021.<br>The Costs Target Awards is based on the FOB cost per saleable tonne achieved by the Group and the assets managed on behalf of Yancoal International Holdings for the year ending 31 December 2023 with Costs Target Awards being tested at, or shortly after, the time of publication of Wood Mackenzie's independent expert report.<br>All awards that do not vest following testing will lapse immediately. There is no re-testing. All vested awards are automatically exercised. |
| **Settlement** | Exercisable rights will be equity settled unless the Board exercises discretion to settle in cash, with consideration to the Company being required to maintain a minimum free float. The cash equivalent value is determined with reference to the number of rights and the market value of shares on vesting, less applicable taxes and other amounts such as any applicable statutory superannuation contributions. |

### LTIP awards granted to Executives in 2021

A summary of the LTIP awards granted in 2021 is set out in the table below.

| NAME | FAIR VALUE AT DATE OF GRANT $ | NUMBER OF PERFORMANCE RIGHTS GRANTED[15] |
|---|---|---|
| Ning Zhang | – | – |
| David James Moult | 2,554,449 | 1,386,759 |
| Ning (Kevin) Su | 185,938 | 100,942 |
| Total | 2,740,387 | 1,487,701 |

The maximum total value of the performance rights is the grant price multiplied by the maximum number of performance rights which can be granted. The grant price is determined at grant date and will not change during the vesting period. The maximum possible value, under the accounting standards, will not change from the determined value at the grant date. The minimum possible value of performance rights is zero, if they do not meet the relevant performance conditions.

Chair of the Executive Committee Mr Ning Zhang is entitled to participate in the LTIP. On 26 February 2021, Mr Ning Zhang elected to forfeit the rights granted associated with the 2020 LTIP and not to participate in the 2021 plan.

## REMUNERATION GOVERNANCE FRAMEWORK

### Board

Consistent with its Board Charter, the Board oversees the appointment, remuneration and performance of senior management; including but not limited to:

- Approving the remuneration arrangements for all members of the Executive Committee (except for any Director) and senior executive officers; and
- Ensuring that the Group's remuneration policies are aligned with its purpose, values, strategic objectives and risk appetite.

On these and other issues as outlined in the Board Charter, the Board receives recommendations from the NRC.

### Nomination and Renumeration Commitee

The Board has established an NRC to make recommendations to the Board on matters such as:

- Board composition and succession planning for the Board and the Chief Executive Officer and oversight of succession planning for the Executive Committee;
- Director remuneration (subject to shareholder approval that is required in accordance with the ASX and HKEx Listing Rules, and the Constitution) and remuneration arrangements for the Company's Executive Committee and any other person nominated as such by the Committee from time to time;
- the public reporting of remuneration for Directors and key management personnel and other members of the Executive Committee;
- oversight of the performance assessment of the Executive Committee;
- designing Group remuneration policy and regulations with regard to corporate governance; and
- oversight of the progress of the diversity and inclusion strategy, as well as diversity metrics at the organisation and operation level.

### External advice

From time to time, the NRC seeks and considers advice from external advisors who are engaged by and report directly to the NRC. Such advice will typically cover remuneration levels, independent benchmarking data and information regarding best practice, trends and regulatory developments. Following a substantial revamp of the remuneration framework in 2018, no remuneration recommendations were obtained during 2021 as defined under the *Corporations Act 2001* (Cth).

15 The performance share rights noted above have been allocated and were issued on 28 May 2021 for David James Moult and Ning (Kevin) Su. The number of performance rights granted is calculated as the maximum LTIP award opportunity divided by the VWAP across a 20-day trading period spread 10 days prior to, and 10 days after, 31 December 2020.

# REMUNERATION REPORT

## EXECUTIVE REMUNERATION

### Principles and Framework

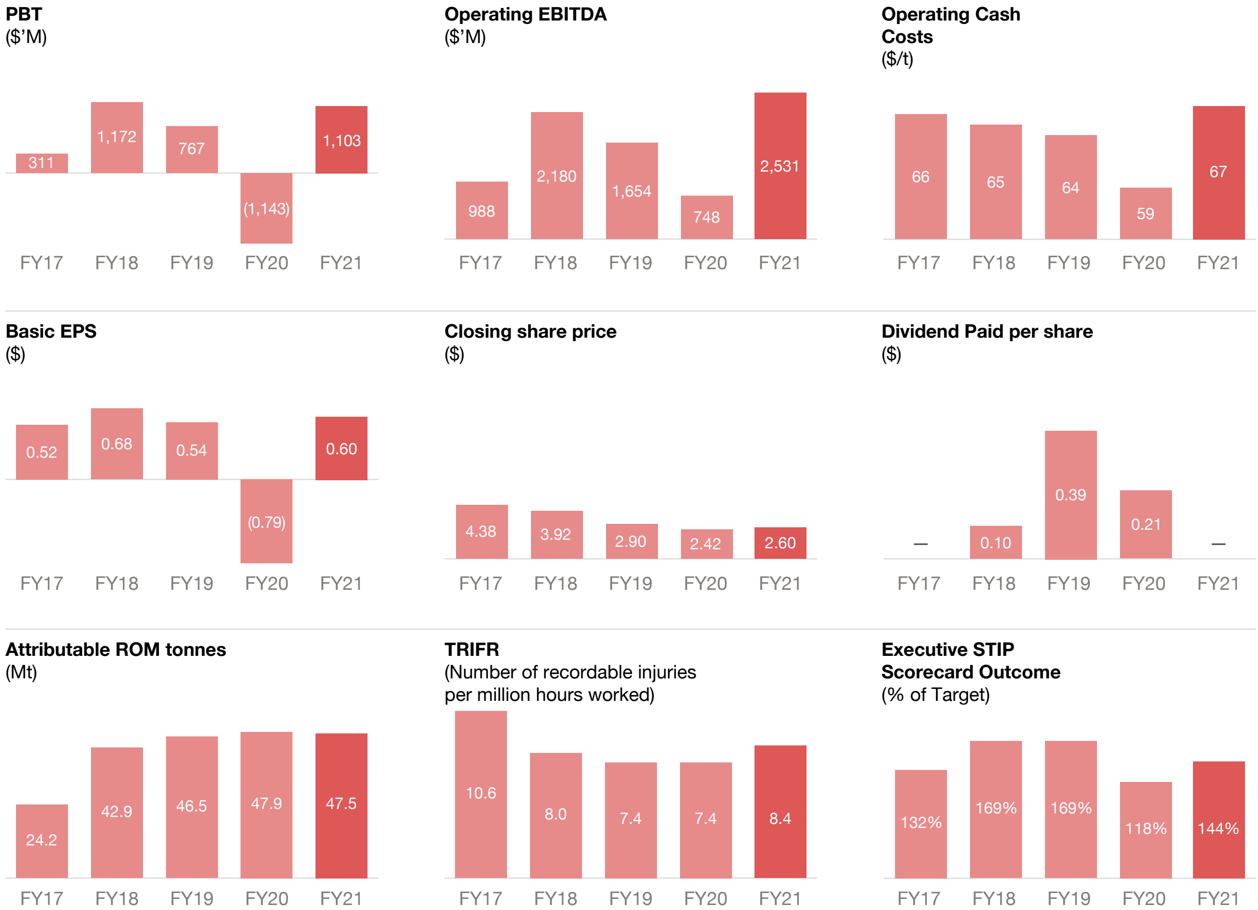
### REMUNERATION PRINCIPLES

- Equitable and aligned with the long- term interests of the Company and its shareholders
- Compliant with relevant Company policies, including the Diversity Policy
- Market competitive remuneration to attract and retain skilled and motivated employees
- Linked with achievement of Company strategy and challenging business objectives, and the delivery of sustainable returns over the long-term
- Rewards the contribution of outstanding performers and recognises conduct aligned to Yancoal's values

## LINKING EXECUTIVE REMUNERATION TO GROUP PERFORMANCE

The Group's remuneration principles include rewarding based on performance and this is primarily achieved through the Group's STIP and LTIP. Cash and equity awards under these plans are impacted by the overall performance of the Group in order to maintain a link between performance and shareholder value. The Group's earnings and delivery of shareholder wealth for the past five years is outlined in charts below. These charts also highlight the fact Yancoal's Executive remuneration reflects the outcomes across a number of financial and operational outcomes at Group and Company level.

### Overview of Yancoal's historical performance and Executive STIP Outcomes[16]




16 Yancoal's share capital was consolidated on a 35-1 basis on 28 September 2018. Restated figures are shown for Closing share price and Ordinary dividend per share.

# REMUNERATION REPORT

## 2021 Executive STIP Outcomes

The table below outlines STIP scorecard achievement for Yancoal Australia Limited and Yancoal International Holdings Limited in 2021.

| KPI | MEASURE | ACTUAL KPI RESULT | STIP OUTCOME THRESHOLD | STIP OUTCOME TARGET | STIP OUTCOME STRETCH | COMMENTS |
|---|---|---|---|---|---|---|
| **Profitability**[17] | PBT<br>A$mn | 1,157 | | | ● | Stretch PBT reflects higher than expected coal prices combined with net margin management |
| | Adjusted FOB Cash Costs[18]<br>(excluding royalties)<br>$ per tonne | 61.83 | | ● | | Uncontrollable factors elevated cash costs including diesel prices, demurrage costs, and wet weather recovery works.<br>ROM tonnes were constrained as significant rainfall and COVID safe work protocols impacted production |
| | Adjusted ROM Mt | 57.97 | | ● | | |
| **Health & Safety** | TRI & DI | 68 | | ● | | Target TFR & DI performance reflects achievement similar to prior year. |
| | Critical Controls Compliance | 100% | | | ● | Stretch Critical Controls Compliance performance reflects an increase from 96% achieved in the prior year. |
| **Strategic Objectives** | Strategic measures such as diversification and optimisation initiatives | 75% | | ● | | Target reflects the progress made across key strategic objectives which position Yancoal to improve both financial and operational outcomes in the future. |
| **Environment** | Environmental incidents and complaints (excluding serial complainants) | Various | | | ● | Reflects incidents and complaints remaining below stretch-level occurrences |
| **OVERALL** | | | | **143.8%** | | |

The table below outlines 2021 Individual Objectives achievement:

| EXECUTIVE | OUTCOME | COMMENTS |
|---|---|---|
| CEC | The majority of goals have been achieved in full in FY21 | • Set up and held the leadership team accountable for completion of FY21 economic Key Tasks<br>• Implemented Corporate and Mine Site Optimization projects |
| CEO | The majority of goals have been achieved in full in FY21 | • Enhanced Executive performance management process<br>• Execution of a multi-faceted business development strategy |
| CFO | The majority of goals have been achieved in full in FY21 | • Assisted the CEC and CEO to implement strategic projects<br>• Lead company's capital management strategy<br>• Effective stakeholder management cross Australia and China<br>• Improved collaboration between functions to drive productivity |

The STI outcomes are a reflection of the balanced scorecard approach that considers not only the business results but also progress across a series of strategic priorities that are crucial to Yancoal's long term shareholder returns and individual objectives for each Executive KMP. The 2021 STI Outcome for the Executive KMP is equivalent to 75% (for the CEC and CEO) and 77% (for the CFO) of the maximum STIP opportunity.

17 The NRC has approved the use of adjusted outcomes for FOB Cash Costs and ROM in the FY21 STIP scorecard to ensure STIP outcomes provide a fair reflection of performance.
18 FOB cash costs are calculated on a management accounts basis.

# REMUNERATION REPORT

Details of the resulting STIP outcomes for Executives are outlined in the table below. Executive STIP outcomes are subject to discussion and approval by the Board.

| NAME | STIP CASH[19] $ | STIP DEFERRED[20] $ | STIP TOTAL $ | % OF STIP OPPORTUNITY AWARDED | % OF STIP OPPORTUNITY NOT AWARDED |
|---|---|---|---|---|---|
| **Ning Zhang** | 373,850 | 373,850 | 747,700 | *75%* | *25%* |
| **David James Moult** | 1,269,700 | 1,269,700 | 2,539,400 | *75%* | *25%* |
| **Ning (Kevin) Su** | 383,600 | 383,600 | 767,200 | *77%* | *23%* |
| **Total** | **2,027,150** | **2,027,150** | **4,054,300** | *75%* | *25%* |

The STIP Deferred value shown in the table above is converted to Deferred Rights at the time of award, using the VWAP established by the Board. The STIP Deferred Rights will vest in equal parts over a two-year period (25% of total STIP award deferred for one year, 25% of total STIP award deferred for two years). Given the low float of the Company's shares, it is anticipated that, at the time of vesting, the Board may exercise discretion to settle the 2021 STIP Deferred Rights with a cash equivalent payment. See section 'Short Term Incentive Plan' for Settlement details.

Details of the remuneration of Executives prepared in accordance with statutory obligations and accounting standards are contained in the Executive Statutory Remuneration Section of this Remuneration Report. The deferred STIP expense has been accounted for as being expected to be settled in cash in accordance with Australian Accounting Standards.

### 2021 Executive LTIP Outcomes

### 2018 LTIP and 2019 LTIP

None of the Executive KMP participated in either the 2018 LTIP or 2019 LTIP.

### Looking forward to 2022

Following the last holistic review of the remuneration framework being completed in 2018, the Nomination and Remuneration Committee will review the Group's remuneration framework in 2022 to ensure remuneration arrangements continue to align management with shareholder interests.

## SERVICE AGREEMENTS

For Non-Executive Directors, the terms and conditions of their appointment are outlined in a letter of appointment. For Executives, the terms and conditions of their employment are outlined in their Executive Service Agreement ("ESA") with the Company.

The following table outlines key ESA terms for each of the Executives.

<table>
<tr><th>EXECUTIVE</th><th>POSITION</th><th>TERM OF ESA</th><th>NOTICE PERIOD</th><th>TERMINATION BENEFIT</th></tr>
<tr><td>Ning Zhang</td><td>Executive Director,<br>Co-Vice Chairman,<br>Chair of the Executive Committee</td><td>Unlimited</td><td>6 months[21]<br>12 months[22]</td><td rowspan="3">• Nil for cause or resignation.<br>• If ceasing employment for any other reason i.e. as a 'Good Leaver', a pro- rata payment in accordance with STIP or LTIP rules is at the Board discretion.</td></tr>
<tr><td>David James Moult</td><td>Chief Executive Officer</td><td>Unlimited</td><td>6 months[21]<br>12 months[22]</td></tr>
<tr><td>Ning (Kevin) Su</td><td>Chief Financial Officer</td><td>Unlimited</td><td>3 months[21]<br>6 months[22]</td></tr>
</table>

19 The 2021 STIP cash figures are to be paid around March 2022.
20 The "STIP Deferred" is the value of the deferred portion of the STIP awarded for the year.
21 Notice period applicable if the Executive resigns.
22 Notice period applicable if the Company terminates the Executive.

## EXECUTIVE STATUTORY REMUNERATION

### Executive Remuneration

The following table sets out the details of remuneration earned by Executives in 2021 and 2020, calculated in accordance with Australian Accounting Standards.

| | | SHORT-TERM BENEFITS $ | | | POST-EMPLOYMENT BENEFITS $ | LONG-TERM BENEFITS $ | | SHARE-BASED PAYMENTS $ | | |
|---|---|---|---|---|---|---|---|---|---|---|
| NAME | YEAR | CASH SALARY | STI | NON-MONETARY BENEFITS | SUPERANNUATION BENEFITS | LONG SERVICE LEAVE | STI DEFERRED | LTI | TOTAL $ | % PERFORMANCE RELATED |
| Ning Zhang[23] | **2021** | **476,676** | **373,850** | **14,220** | **22,631** | **1,127** | **373,850** | **(111,081)** | **1,151,273** | **55%** |
| | 2020 | 371,485 | 221,100 | 16,459 | 16,098 | 147 | 221,100 | 111,081 | 957,470 | 58% |
| David James Moult | **2021** | **1,677,355** | **1,269,700** | **17,504** | **22,631** | **16,296** | **1,269,700** | **1,073,000** | **5,346,186** | **68%** |
| | 2020 | 1,367,008 | 834,400 | 20,594 | 17,450 | 6,831 | 834,400 | 388,103 | 3,468,786 | 59% |
| Ning (Kevin) Su | **2021** | **472,340** | **383,600** | **7,592** | **22,631** | **13,456** | **383,600** | **78,494** | **1,361,713** | **62%** |
| | 2020 | 333,371 | 239,178 | 9,753 | 16,740 | 21,568 | 239,178 | 35,204 | 894,992 | 57% |
| **Total** | **2021** | **2,626,371** | **2,027,150** | **39,316** | **67,893** | **30,879** | **2,027,150** | **1,040,413** | **7,859,172** | **65%** |
| | 2020 | 2,071,864 | 1,294,678 | 46,806 | 50,288 | 28,546 | 1,294,678 | 534,388 | 5,321,248 | 59% |

Particulars regarding the Directors', senior management's and Executive KMPs' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the HK Listing Rules are set out in note B4 to the financial statements.

During the financial year ended 31 December 2021, no emoluments were paid by the Group to any of the Directors or the five highest paid employees as an inducement to join or upon joining the Group, or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

## NON-EXECUTIVE DIRECTOR FEES

### Objective

The Board seeks to set remuneration for Non-Executive Directors at a level which:

- provides the Company with the ability to attract and retain directors of the highest calibre;
- reflects the responsibilities and demands made on Non-Executive Directors; and
- is reasonable and acceptable to the Company's shareholders.

### Structure

In line with sound corporate governance, the remuneration structure for the Non-Executive Directors is distinct from the remuneration structure for Executives.

The Company set an aggregate remuneration cap of $3,500,000 per annum for all Non-Executive Directors, consistent with the constitution. Remuneration payable to each Non-Executive Director has been approved by the Company's majority shareholder, Yankuang Energy. The total Board and Committee fees paid by the Company to Non-Executive Directors in 2021 was $854,901.

During 2021, Non-Executive Directors were remunerated by way of fixed fees in the form of cash and superannuation (to the maximum superannuation guarantee cap). No element of the Non-Executive Director fees is linked to performance.

No Board or Board Committee fees were paid to:

- Executive Director Ning Zhang as the responsibilities of Board Committee membership are considered in determining the remuneration provided as part of their normal employment conditions.
- Nominee Directors of Yankuang Energy and Cinda, as the responsibilities of Board or Board Committee membership were considered part of their role and remuneration arrangements with Yankuang Energy and Cinda. The nominee Directors of Yankuang Energy and Cinda were as follows:
  - Cunliang Lai
  - Xiangqian Wu
  - Baocai Zhang
  - Qingchun Zhao
  - Xing Feng

23 As Chair of the Executive Committee Mr Ning Zhang is entitled to participate in the LTIP. On 26 February 2021, Mr Ning Zhang elected to forfeit the rights granted associated with the 2020 LTIP and not to participate in the 2021 plan.

# REMUNERATION REPORT

The table below outlines Board and Board Committee fees for 2021 and 2020.

| BOARD FEES PER ANNUM (INCLUDING ANY SUPERANNUATION) | 2021 $ | 2020 $ |
|---|---|---|
| Chairman of the Board | **Not applicable** | Not applicable |
| Independent Co-Vice Chairman of the Board (inclusive of Committee fees) | **370,800** | 370,800 |
| Director | **169,950** | 169,950 |

| COMMITTEE FEES PER ANNUM (INCLUDING ANY SUPERANNUATION) | CHAIR | MEMBER |
|---|---|---|
| Audit and Risk Management Committee | **Not applicable** | 20,600 |
| Health, Safety, Environment and Community Committee | **41,200** | 20,600 |
| Nomination and Remuneration Committee | **41,200** | 20,600 |
| Strategy and Development Committee | **Not applicable** | 20,600 |

The following table sets out the details of remuneration (in the form of Board and Committee fees and other benefits) earned by eligible Non-Executive Directors in 2021 and 2020 calculated in accordance with Australian Accounting Standards.

| | | SHORT TERM BENEFITS $ | | | POST-EMPLOYMENT BENEFITS $ | | |
|---|---|---|---|---|---|---|---|
| NAME | YEAR | FEES | STI OR BONUS | NON- MONETARY BENEFITS | SUPERANNUATION | LONG SERVICE LEAVE | TOTAL $ |
| Gregory James Fletcher | **2021** | **348,169** | – | – | **22,631** | – | **370,800** |
| | 2020 | 349,452 | – | – | 21,348 | – | 370,800 |
| Helen Jane Gillies | **2021** | **211,163** | – | – | **20,587** | – | **231,750** |
| | 2020 | 211,644 | – | – | 20,106 | – | 231,750 |
| David James Moult[24] | **2021** | – | – | – | – | – | – |
| | 2020 | 42,939 | – | – | 3,898 | – | 46,837 |
| Geoffrey William Raby | **2021** | **230,033** | – | – | **22,318** | – | **252,351** |
| | 2020 | 223,853 | – | – | 20,969 | – | 244,822 |
| **Total** | **2021** | **789,365** | – | – | **65,356** | – | **854,901** |
| | 2020 | 827,888 | – | – | 66,321 | – | 894,209 |

## SHARE TRADING POLICY

The Company's Share Trading Policy prohibits dealing in Company securities or Yankuang Energy securities by Directors of the Group, all officers of the Company and other relevant employees and contractors of the Group, as well as their closely related persons, during specified blackout periods each year and when they are in possession of 'inside information'. Directors of the Group, all officers of the Company, and their closely related persons are also prohibited from dealing in securities of the listed Company where he or she is in possession of inside information in relation to those securities. Subject to compliance with the Company's Share Trading Policy, employees are permitted to deal in Company securities or Yankuang Energy securities outside these blackout periods where they are not in possession of inside information, however additional approval requirements apply.

The Share Trading Policy precludes relevant employees from entering into any hedge or derivative transactions relating to unvested options or share rights granted to them under incentive plans and securities that are subject to holding locks or restrictions from dealing under such plans. There are also restrictions regarding margin lending arrangements, hedging and short-term trading of the Company's securities. Each Director of the Company is required to provide a declaration at the end of each financial year certifying that they (and their closely related persons) have complied with the Share Trading Policy for the duration of that financial year.

24 Fees for David James Moult reflect the period to 9 March 2020 when he ceased as a non-executive director and commenced as Chief Executive Officer.

## EQUITY INSTRUMENT DISCLOSURES

The numbers of shares in the Company held during the financial year by each director of the Company and other Executive KMPs of the Group, including their personally related parties, are set out in the table below. No other KMP held any shares in respect of Yancoal or its related entities at or during the year ended 31 December 2021.

| NAME | HELD AT 1 JANUARY 2021 | GRANTED AS COMPENSATION | PURCHASED / (DISPOSED) | HELD AT 31 DECEMBER 2021 |
|---|---|---|---|---|
| Gregory James Fletcher | 2,100 | – | – | 2,100 |
| Geoffrey William Raby | 22,858 | – | – | 22,858 |
| Baocai Zhang | 274,404 | – | – | 274,404 |
| Ning (Kevin) Su[25] | 45,573 | – | – | 45,573 |

The number of performance rights held by Executives under long term incentive plans in 2021 is outlined in the table below.

| NAME | HELD AT 1 JANUARY 2021 | GRANTED AS COMPENSATION[26] | VESTED DURING THE YEAR | EXERCISED DURING YEAR | (LAPSED/ CANCELLED DURING YEAR)[27] | HELD AT 31 DECEMBER 2021 | OF WHICH EXERCISABLE | OF WHICH NOT VESTED & NOT EXERCISABLE |
|---|---|---|---|---|---|---|---|---|
| Ning Zhang | **344,390** | – | – | – | **(344,390)** | **–** | – | **–** |
| David James Moult | **1,171,240** | 1,386,759 | – | – | – | **2,557,999** | – | **2,557,999** |
| Ning (Kevin) Su | **65,351** | 100,942 | – | – | – | **166,293** | – | **166,293** |

As at 31 December 2021 there are 5,578,066 LTIP performance rights in aggregate over unissued Group shares. Refer to Note D3 for further details.

## OTHER TRANSACTIONS WITH AND LOANS TO DIRECTORS AND EXECUTIVES

A number of Directors and executives hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Some of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of any transactions with management, Directors or parties related to Executives or Directors were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-management or Director related persons or entities on an arm's length basis. There were no loans provided to Directors and Executives during the year.

This report is made in accordance with a resolution of the Directors.

**Gregory James Fletcher**
Director

Sydney
28 February 2022

25 These shares were purchased on 31 August 2017 and 3 September 2018 and held by a related party of Ning (Kevin) Su. The shareholding was identified during the current period and, if identified in the previous period, would have been disclosed in the 2020 Remuneration Report. Ning (Kevin) Su was considered an Executive KMP from 20 March 2020. From 20 March 2020, Ning (Kevin) Su took on additional responsibilities within the finance function and was appointed Chief Financial Officer from 1 June 2020.

26 2021 LTIP: The number of performance rights granted is calculated as the value of the maximum LTIP award divided by the VWAP across a 20-day trading period spread 10 days prior to, and 10 days after, 31 December 2020.

27 As CEC Mr Ning Zhang is entitled to participate in the LTIP. On 26 February 2021, Mr Ning Zhang elected to forfeit the rights granted associated with the 2020 LTIP and not to participate in the 2021 plan.

# AUDITOR'S INDEPENDENCE DECLARATION

Accountants & Advisors

Take the lead

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF YANCOAL AUSTRALIA LIMITED

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

**ShineWing Australia**
Chartered Accountants

R Blayney Morgan

R Blayney Morgan
Partner

Melbourne, 28 February 2022

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# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

Yancoal operates a diversified portfolio of world class assets consisting of both large-scale open cut and underground mines comprising six coal mine complexes in Australia.[1]

As a leading low-cost coal producer in the global seaborne market, Yancoal's coal mining operations produce a mix of premium thermal, semi-soft coking, and pulverised coal injection ("PCI") coals, together with mid-to-high ash thermal coals. The Group's financial results are influenced by the interaction between the demand and supply for thermal and for metallurgical coal. This in turn depends on macroeconomic trends, including regional and global economic activity, the price and availability of alternative forms of energy production as well as supply fluctuations from competitors.

Our customers are located throughout the Asia-Pacific region with Japan, Taiwan, South Korea and Singapore accounting for approximately 73% of our revenue from coal sales in the year ended 31 December 2021.

Thermal coal is primarily used in electricity generation and its end users are typically power and utilities companies. Metallurgical coal is primarily used to produce coke for blast furnace steel production and its end users are typically steel plants. We also sell coal to customers in the commodities trading business, who purchase the Group's coal for trading purposes or to on-sell to their end user customers. Commodity traders are similarly exposed to regional and global demand trends in the coal market.

The Group's export thermal coal is generally priced on either an index price, an annual fixed price or on a spot price basis. Generally, lower ash products are priced relative to the GlobalCOAL Newcastle index and higher ash products are priced relative to the Argus/McCloskey API5 index. Annual fixed price contracts are mostly priced against the Japanese Power Utility Reference Price, which is the contract price agreed between major Australian suppliers and Japanese power utilities. The balance of our sales are spot sales priced relative to the market at their transaction date and mostly at fixed prices. At times during the period, delayed contract deliveries contributed to a 'lag effect' in the realised price achieved compared to benchmark spot prices. These delayed deliveries primarily resulted from the production and supply chain interruptions noted below, and led to extended periods between when the contract was priced and when it was performed.

The Group's export metallurgical coal is either priced on a benchmark or spot price basis. Most term contracts are priced against a benchmark pricing mechanism which is negotiated on a quarterly price basis between major Australian suppliers and Japanese steel mills. Spot sales are priced relative to the market at their transaction date and mostly at fixed prices. The large majority of the Group's semi-soft coking coal out of Newcastle and low volatile PCI coal out of Queensland is priced relative to the quarterly benchmark.

In January 2021, the Moolarben underground encountered an unknown hard rock intrusion in the centre of a known dyke which could not have been identified by normal investigative methods that effectively suspended longwall operations for eleven weeks, while drill and blasting activities were undertaken to allow the longwall to mine through the dyke. The impact of the dyke resulted in an estimated loss of 1.2Mt of ROM (equity), with the underground coal being 100% bypass.

In March 2021, New South Wales ("NSW") experienced a one-in-100-year-rain event with parts of the state subject to severe flooding, disrupting mining, rail and port activity. Throughout the Period, NSW experienced above average rainfall and high winds associated with the La Niña weather cycle that disrupted mining and port activity and hampered the recovery from the March floods with most of the NSW open cut mines nearing their water storage capacity. Then in November 2021, many parts of NSW and Queensland experienced the wettest November on record, again leading to site, rail and port disruptions. Most significantly, this resulted in decreased production from the Group's open cut mines located in NSW, Moolarben, MTW, HVO and Stratford Duralie and led to increased vessel queues off the port at Newcastle. The overall impact of the extreme wet weather resulted in an estimated loss of 1.6Mt of ROM coal (equity) during the period.

During the period, COVID-19 became more prevalent in regional areas resulting in the introduction of additional protocols in response to the increased number of positive cases in the community. Adherence with Government COVID-19 regulations resulted in an increased number of workers unable to attend site as lockdowns and precautionary isolations become more common. MTW and HVO reported positive cases in the third quarter resulting in temporary shutdowns whilst late in the year Moolarben's longwall ceased operating due to a lack of available operators. The combination of these factors forced shutdowns and COVID-19 protocols resulted in a significant decrease in workforce availability which together resulted in an estimated loss of 1.1Mt of ROM coal (equity) during the period.

During the period, coal price indices appreciated to record levels on the back of pandemic driven government stimulus packages increasing coal demand along with supply issues caused by the wet weather in Australia and Indonesia. Logistic disruptions to coal exports from Russia and South Africa also impacted supply.

China ceasing to purchase Australian coals kept the high-ash thermal index relatively flat during the first half of the period with prices appreciating towards the end of the first half of 2021. Demand from China for coal imported from other countries remained and strengthened during the period on the back of a hot summer and lower than expected hydro energy production. This in turn increased demand for Australian coal from other countries. There was some softening of imported coal demand from China during the latter part of the period as China moved to increase domestic supply. In the metallurgical market, China ceased exporting steel, providing the opportunity

1 Includes Moolarben, MTW, HVO (jointly owned), Yarrabee, Stratford Duralie and from 17 December 2020, following the reconsolidation of Watagan, Ashton, with Donaldson currently on care and maintenance and Austar transitioning to mine closure.

## MANAGEMENT DISCUSSION AND ANALYSIS

for other countries to increase steel production resulting in greater demand for Australian coking and PCI coals. With ongoing economic stimulus packages instigated around the world in 2020 continuing, demand for all coals remained robust.

Yancoal actively considers the effect that its supply level can have on specific coal markets and responds appropriately to prevailing market conditions. To counter the anticipated short-term volatility in thermal coal price indices, we continue to optimise the product quality and volume we place into the market and actively seek to expand our customer base and sales to new markets.

It is currently expected that Australia's share of the world seaborne thermal coal supply market, of 21% in 2021, will increase to approximately 30% by 2050[2], and it will continue to play a critical role as a primary source of premium grade coals. Ongoing challenges associated with obtaining development approvals for greenfield projects has the potential to support premium coal prices. Accordingly, domestic exporters with brownfield expansion opportunities, such as Yancoal, should benefit from such conditions.

The Group's coal sales revenue is typically recognised on a Free on Board ("FOB") basis when coal is loaded at the load port in Australia.

The Group's overall average ex-mine selling price of coal increased by 72% from A$82 per tonne in 2020 to A$141 per tonne in 2021 mainly as a result of (i) an increase in global USD coal prices with the weekly average GlobalCOAL Newcastle thermal coal index price increasing by US$79 per tonne (132%) during the same period; the weekly Argus/McCloskey API5 coal index price increasing by US$39 per tonne (88%) during the same period; and the average semi-soft coking coal benchmark price increasing by US$46 per tonne (50%) during the same period; and (ii) a decrease in the proportion of thermal coal sales to 81% in 2021 down from 85% in 2020; partially offset by the Australian dollar strengthening against the US dollar by 9% from an average of 0.6906 in 2020 to 0.7514 in 2021.

Internally, management actions were directed by the Group's "Key Tasks" initiative that focused on 48 workstreams across the Group, overseen by the Board of Directors ("Board"). Operationally, the work streams focused on productivity improvement and cost reduction initiatives. Productivity and yield improvements, resulting in additional product tonnes, is estimated to have delivered more than $80 million in profit before tax improvements during the period with these structural improvements embedded in the site processes.

Further profit enhancements were achieved through the Group's "washing harder" strategy where at some mines, where coal seams have the appropriate qualities, higher wash costs and lower yields are intentionally incurred to increase the overall sales margin. This has been particularly effective during the period with large arbitrage opportunities existing between low and higher-ash thermal coal.

The Group's overall average cash operating costs per product tonne, excluding government royalties, increased from A$59 per tonne in 2020 to A$67 per tonne in 2021 with the increase primarily due to decreased production volumes resulting from the wet weather in NSW, COVID-19 and the hard rock intrusion encountered in the Moolarben underground together with escalating diesel prices and demurrage costs.

The table below sets out the ROM and saleable production for each Yancoal owned mine on a 100% basis during the Group's period of ownership.

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 MT | 2020 MT | CHANGE % |
| **ROM production** | | | |
| Moolarben | **20.4** | 21.7 | (6%) |
| MTW | **16.5** | 17.6 | (6%) |
| HVO | **14.4** | 16.9 | (15%) |
| Yarrabee | **3.0** | 3.3 | (9%) |
| Stratford Duralie | **1.5** | 1.0 | 50% |
| Middlemount | **4.8** | 4.0 | 20% |
| Ashton[3] | **2.6** | 3.6 | (28%) |
| **Total – 100% basis** | **63.2** | **68.1** | **(7%)** |
| **Saleable production** | | | |
| Moolarben | **18.4** | 19.7 | (7%) |
| MTW | **11.2** | 11.9 | (6%) |
| HVO | **10.6** | 12.0 | (12%) |
| Yarrabee | **2.6** | 3.0 | (13%) |
| Stratford Duralie | **0.8** | 0.5 | 60% |
| Middlemount | **3.7** | 2.9 | 28% |
| Ashton[3] | **1.2** | 1.8 | (33%) |
| **Total – 100% basis** | **48.5** | **51.8** | **(6%)** |

On a 100% basis, ROM coal production was down 7% from 68.1Mt in 2020 to 63.2Mt in 2021. This included a decrease in the three tier-one assets (being Moolarben, MTW and HVO) of 9% from 56.2Mt in 2020 to 51.3Mt in 2021.

Saleable coal production was down 6% from 51.8Mt in 2020 to 48.5Mt in 2021. This included a decrease in the three tier- one assets of 8% from 43.6Mt in 2020 to 40.2Mt in 2021.

Moolarben's ROM production decreased by 1.3Mt (6%) and its saleable production decreased by 1.3Mt (7%). The decrease in ROM production was primarily due to a hard rock intrusion encountered in the underground that interrupted production and wet weather impacting the open cut. The decrease in saleable production was primarily attributable to the decrease in ROM with the underground being 100% bypass coal.

MTW's ROM production decreased by 1.1Mt (6%) and its saleable production decreased by 0.7Mt (6%). The decrease in ROM production was primarily due to the mine scheduling impacts of wet weather and lower bypass coal.

2 Wood Mackenzie Coal Market Service Global Thermal Coal December 2021 outlook to 2050.
3 Ashton volumes in Q1 2020 include the final tonnes produced at Austar before it transferred to 'care and maintenance'.

## MANAGEMENT DISCUSSION AND ANALYSIS

HVO's ROM production decreased by 2.5Mt (15%) and its saleable production decreased by 1.4Mt (12%). The decrease in ROM and saleable production was primarily due to the planned reduction in production and sales as a response to the coal market in 2020 further impacted by the wet weather.

The below table sets out the Group's ongoing equity interest in the saleable production for each Yancoal owned mine that contributes to the financial results of the Group.

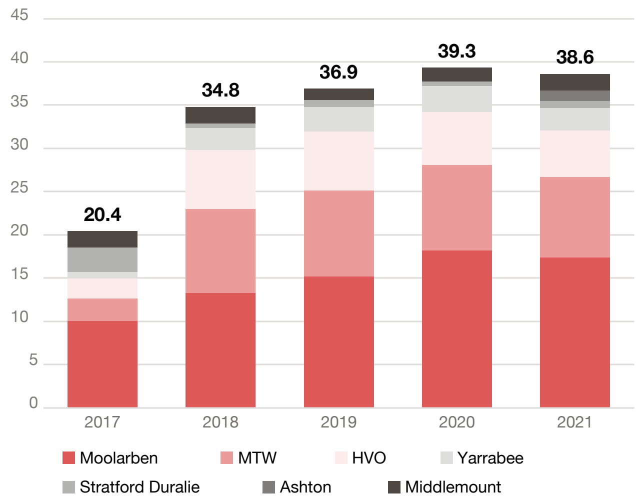
| | OWNERSHIP %[4] | YEAR ENDED 31 DECEMBER 2021 MT | 2020 MT | CHANGE % |
|---|---|---|---|---|
| **Saleable production[5]** | | | | |
| Moolarben | 95 | **17.4** | 18.2 | (4%) |
| MTW | 82.9 | **9.3** | 9.9 | (6%) |
| HVO | 51 | **5.4** | 6.1 | (13%) |
| Yarrabee | 100 | **2.6** | 3.0 | 7% |
| Stratford Duralie | 100 | **0.8** | 0.5 | 60% |
| Ashton[3] | 100 | **1.2** | 0.1 | 1,100% |
| | | **36.7** | **37.8[6]** | **(3%)** |
| Middlemount (equity-accounted) | ~50 | **1.9** | 1.5 | 28% |
| **Total – equity basis** | | **38.6** | **39.3** | **(2%)** |
| Thermal | | **31.1** | 33.6 | (7%) |
| Metallurgical | | **7.5** | 5.7 | 32% |
| | | **38.6** | **39.3** | **(2%)** |

The Group's saleable coal production, excluding Middlemount, was down 3% from 37.8Mt in 2020 to 36.7Mt in 2021 and including Middlemount was down 2% from 39.3Mt in 2020 to 38.6Mt in 2021. This included a decrease in the three tier-one assets of Moolarben, MTW and HVO of 6% from 34.2Mt in 2020 to 32.1Mt in 2021.

The saleable production contribution of the Group's tier-one assets decreased from 87% in 2020 to 83% in 2021.

Thermal coal saleable production decreased by 7% from 33.6Mt in 2020 to 31.6Mt in 2021 and metallurgical coal saleable production increased by 32% from 5.7Mt in 2020 to 7.5Mt in 2021. Thermal coal represented 81% of total saleable coal production in 2021 a decrease from 85% in 2020.

### Equity Saleable Production (Mt)




The Group's equity saleable production increased from 20.4Mt in 2017 to 39.3Mt in 2020, before decreasing to 38.6Mt in 2021. 2017 represented a transformative year with the acquisition of Coal & Allied on 1 September 2017, including interests in MTW and HVO from that date. Further growth in equity saleable production tonnes had been driven by the continued expansion of Moolarben, including increasing the Group's interest from 81% on 1 January 2017 to 85% on 30 November 2018 and to 95% on 31 March 2020. The decrease in saleable production in 2021 was primarily due to the hard rock intrusion encountered in the Moolarben underground, severe and persistent wet weather and the impact of COVID-19 on site shutdowns and labour availability.

The key risks affecting the Group's operations, and where applicable, the strategies and measures taken to manage these risks are detailed in the Corporate Governance Statement included in this report.

3 Ashton volumes in Q1 2020 include the final tonnes produced at Austar before it transferred to 'care and maintenance'.
4 Ownership percentage stated as at 31 December 2021.
5 Includes saleable production of (i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter and (ii) 0% of Watagan's mines up to and including 16 December 2020 and 100% thereafter.
6 The Group's quarterly report issued on 19 January 2021 included Attributable Saleable Coal Production of 38.3Mt with this amount including an additional 0.5Mt attributable to the additional 10% interest acquired in Moolarben in the first quarter of 2020. The difference arises as the economic effective date of the acquisition was 1 January 2020 but for accounting purposes the transaction completion date was 31 March 2020.

# MANAGEMENT DISCUSSION AND ANALYSIS

## SAFETY

Yancoal remains committed to operating safely and transparently to achieve its objective of zero harm and operates its mines to meet legislative and safety standards and be an industry leader in this aspect of its business.

Under the direction of the Board and the Health, Safety, Environment and Community ("HSEC") Committee, management utilises Core Hazard and Critical Controls across all operations, identifying critical hazards within the workplace and instituting adequate controls. These controls are regularly verified to ensure that they are operating as intended for our people's safety.

The Group's 12-month rolling TRIFR[7] at 31 December 2021 was 8.4, an increase from 7.4 at 31 December 2020 but below the comparable weighted average industry TRIFR[8] of 10.2 at 31 December 2021. The increase in TRIFR during the period was attributable to the inclusion of the Watagan underground mines in the 2021 calculation, with the TRIFR, excluding Watagan, at 31 December 2021 of 6.9 showing a decrease from the 7.4 at 31 December 2020.

## ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG")

Yancoal's HSEC Committee has oversight of Yancoal's ESG performance. The Group compiles an annual "Environment, Social & Governance" report, published on the ASX and HKEx platforms and available on the Company's website. Yancoal's ESG disclosures have been guided by the Taskforce for Climate-Related Financial Disclosures, the Global Reporting Initiative and the United Nations Sustainable Development Goals.

*Environment*: Yancoal's operations are subject to stringent environmental approvals and licences. To honour these regulatory obligations, and to meet the requirements of Yancoal's management directives, Yancoal has developed and implemented comprehensive and robust environmental compliance systems, processes and practices. These systems, processes and practices are subject to continuous improvement initiatives and are periodically audited by third parties to provide "third line" assurance to the Board and the HSEC Committee regarding both systems and performance.

*Social*: Yancoal is committed to making a genuine positive difference in the communities in which it operates. Yancoal operates a Community Support Program which proactively engages with stakeholders at each site to support local and regional initiatives, both financially and physically. Yancoal's Code of Conduct sets out the company's requirements and expectations for all employees and suppliers, including the requirement to act ethically at all times. Yancoal has also developed procedures to ensure its suppliers are not engaging in modern slavery.

*Governance*: Yancoal has developed rigorous governance processes to drive its ESG performance across the business. The Enterprise Risk Management framework is a key platform, and includes the assessment and mitigation of business risks, including environmental risks and the risks associated with the progressive transition to a lower carbon economy.

*Climate Change Risk*: The transition to a lower carbon economy gathered pace in 2021, with the 2021 United Nations Climate Change Conference of Parties ("COP26") in Glasgow. COP26 resulted in announcements of renewed efforts by 151 countries to reduce emissions, Yancoal acknowledges that it has a role to play in mitigating the emissions generated by its operations and supporting research into low-emission technology to assist the reduction of downstream emissions from the consumption of coal products. In terms of its operations, there is a particular focus on targeting the reduction of Scope 1 emissions (from diesel consumption) and Scope 2 emissions (from electricity consumption). Investigation into opportunities such as replacing diesel-powered mining fleets or introducing renewable power generation to the mine sites are examples of potential future endeavours.

## COVID-19 IMPACT

The health and wellbeing of all Yancoal employees remains a key focus in response to the ongoing COVID-19 pandemic. Sites continue to rigorously adopt and enhance the Group's strict COVID-19 protocols aimed at minimising the transmission and disruption at site, including:

- Corporate Crisis Management teams
- Site Incident Management teams
- Access ban for those with symptoms
- Use of Pre-Screening apps / forms
- RAT testing (Moolarben, MTW, HVO and Ashton)
- Mandatory mask wearing
- Staggered crew starting times – at some sites
- Differentiated check-in codes for work areas
- Social distancing
- Use of thermal cameras
- Working from home where possible
- Travel restrictions
- Carpooling for fully vaccinated only
- Deliveries with no / minimal contact
- COVID-19 awareness signage

7 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). From 1 January 2021 onwards the Yancoal TRIFR and Industry weighted averages were revised to include the Watagan assets. Prior periods may be revised for reclassification of past events.

8 The Industry weighted average combines proportional components from the relevant New South Wales and Queensland Industry references.

# MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of the period, the Delta variant became more prevalent in regional areas resulting in an increased number of positive cases in our communities. Adherence with Government COVID-19 regulations resulted in an increased number of workers unable to attend site as lockdowns and precautionary isolations became more common.

Late in the third quarter, mining was suspended for 36 hours at MTW as the mine followed government protocols following the notification of a positive COVID-19 case and a temporary shutdown of the HVO wash plant was unavoidable late in the quarter following two confirmed COVID-19 cases for contractors who had visited site as government protocols were again followed.

In December 2021, a combination of the NSW government eliminating essential COVID-19 controls such as social distancing and mask wearing, the temporary discontinuation of QR codes, reduced government led contact tracing and less stringent PCR testing requirements, together with the spread of the more transmissive Omicron variant led to the number of positive COVID-19 cases in NSW rapidly escalating. Whilst sites continued to rigorously adopt Yancoal's strict COVID-19 protocols, our employees, as part of the broader community, were not immune and we again saw an escalation in the number of workers unable to attend site including at Moolarben where, late in the month, the longwall was temporarily shut down due to the lack of suitably qualified workers.

The escalation in positive COVID-19 cases appears to have peaked in mid-January 2022 in both NSW and Queensland, with the number of daily positive cases on the decline, but still at relatively high levels.

In 2020, the most significant impact of COVID-19 on the Group was the decline in both the thermal and metallurgical seaborne USD coal price from April 2020 before reaching a low in Q3 2020 due to reduced global economic activity. Coal prices then recovered from Q4 2020 onwards as workforce disruptions contributed to constrain supply in international coal markets.

In 2021, the most significant COVID-19 impacts have been (i) the increased number of positive cases in regional Australia, particularly NSW, impacting our workforce where the combination of forced shutdowns and COVID-19 protocols adopted decreased workforce availability resulting in an estimated loss of 1.1Mt of ROM coal (equity); and (ii) coal price indices appreciated to record levels on the back of COVID-19 driven government stimulus packages increasing coal demand.

A further impact of COVID-19 together with the wet weather during Q4 2021, was that the Group's NSW mines ended the period with low, in-pit and ROM stockpiles that will require a period of pit re-establishment.

So far in 2022, ongoing COVID-19 and wet weather impacts have hampered this recovery and could potentially continue to impact the Group's operating performance throughout the year.

Overall, other than the aforementioned impacts there were no other material adverse impacts or changes to the Group's funding or business plan as a result of COVID-19 during the period.

## WATER MANAGEMENT

Diligent management of wet weather impacts and site wide water controls are an essential element in the performance of open cut coal mines. While large quantities of clean water is required for the processing of ROM coal in the wash plant, too much water, through sudden rainfall events, can result in flooding, suspension of operations and unlicensed discharges into local rivers, potentially causing environmental harm. Sites construct water management infrastructure including sedimentation and storage dams for holding and segregating clean and dirty water.

As noted above, NSW has experienced heavy and persistent rainfall throughout the period that has disrupted mining, rail and port activity with most of the NSW open cut mines nearing their water storage capacity limits. With recent shifts in weather patterns management had proactively prioritised site wet weather planning and as a result the impacts of the aforementioned wet weather, whilst still significant, were well managed. Planning activities included:

- Ongoing review of water management strategies and investment in infrastructure
- Planning and building more storage dam capacity
- Ensuring pumping infrastructure is prioritised and in place
- Hiring additional pumps as a contingency
- Pit drainage works completed in advance
- Daily wet weather planning meetings
- Using environmental windows to discharge excess water
- Crushing gravel and building stockpiles to use to improve road conditions during wet weather
- Building emergency ROM stockpiles
- Building blasted inventory volumes
- Contingent wet weather waste dumps
- Mine schedules revised to optimise equipment use and coal recovery
- Utilising down time to conduct training

## FINANCIAL RESULTS REVIEW

### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

For the management discussion and analysis, the Group's operating results for the year ended 31 December 2021 are compared with the operating results for the year ended 31 December 2020.

All financial numbers included below, and in the commentary to follow, are stated in Australian dollars (A$ or $) unless otherwise stated.

# MANAGEMENT DISCUSSION AND ANALYSIS

| | YEAR ENDED 31 DECEMBER | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | | |
| | IFRS REPORTED $M | NON-OPERATING $M | OPERATING $M | IFRS REPORTED $M | NON-OPERATING $M | OPERATING $M | CHANGE % |
| **Revenue** | **5,404** | **132** | **5,535** | **3,473** | **110** | **3,583** | **54%** |
| Other income | 64 | (4) | **60** | 680 | (676) | **4** | 1,400% |
| Changes in inventories of finished goods and work in progress | (60) | – | **(60)** | 12 | – | **12** | (600%) |
| Raw materials and consumables | (757) | – | **(757)** | (666) | – | **(666)** | 14% |
| Employee benefits | (578) | – | **(578)** | (568) | – | **(568)** | 2% |
| Transportation | (642) | – | **(642)** | (556) | – | **(556)** | 15% |
| Contractual services and plant hire | (410) | – | **(410)** | (364) | – | **(364)** | 13% |
| Government royalties | (421) | – | **(421)** | (232) | – | **(232)** | 81% |
| Coal purchases | (162) | – | **(162)** | (302) | – | **(302)** | (46%) |
| Impairment charge | (100) | 100 | **–** | – | – | **–** | – |
| Loss on reconsolidation | – | – | **–** | (1,383) | 1,383 | **–** | – |
| Other operating expenses | (202) | 110 | **(92)** | (183) | 79 | **(104)** | (12%) |
| Share of profit/(loss) of equity-accounted investees, net of tax | 57 | – | **57** | (59) | – | **(59)** | 197% |
| ***EBITDA*** | ***2,193*** | ***337*** | ***2,530*** | ***(148)*** | ***896*** | ***748*** | ***238%*** |
| ***EBITDA %*** | ***41%*** | | ***46%*** | ***(104%)*** | | ***21%*** | |
| **Depreciation and amortisation** | **(831)** | **–** | **(831)** | **(804)** | **–** | **(804)** | **3%** |
| ***EBIT*** | ***1,362*** | ***337*** | ***1,699*** | ***(952)*** | ***896*** | ***(56)*** | ***3,134%*** |
| ***EBIT %*** | ***25%*** | ***–*** | ***31%*** | ***(127%)*** | - | ***(102%)*** | |
| Net finance costs | (259) | (27)[9] | **(286)** | (191) | 29 | **(162)** | 77% |
| **Non-operating items** | **–** | **(310)** | **(310)** | **–** | **(925)** | **(925)** | **–** |
| ***Profit / (loss) before income tax*** | ***1,103*** | ***–*** | ***1,103*** | ***(1,143)*** | ***–*** | ***(1,143)*** | ***197%*** |
| Profit / (loss) before income tax % | 20% | – | **20%** | (132%) | – | **(132%)** | |
| Income tax (expense) / benefit | (312) | – | **(312)** | 103 | – | **103** | 403% |
| **Profit / (loss) after income tax** | **791** | **–** | **791** | **(1,040)** | **–** | **(1,040)** | **176%** |
| ***Profit / (loss) after income tax %*** | ***15%*** | ***–*** | ***14%*** | ***(132%)*** | ***–*** | ***(132%)*** | |
| Attributable to: | | | | | | | |
| - Owners of Yancoal | **791** | – | **791** | **(1,040)** | – | **(1,040)** | **176%** |
| - Non-controlling interests | – | – | **–** | – | – | **–** | – |
| **Profit / (loss) per share attributable to the ordinary equity holders of the Company** | | | | | | | |
| Basic profit / (loss) per share (cents) | 59.9 | – | **59.9** | (78.8) | – | **(78.8)** | 176% |
| Diluted profit / (loss) per share (cents) | 59.7 | – | **59.7** | (78.8) | – | **(78.8)** | 174% |

To supplement the Group's consolidated financial statements, which are presented in accordance with International Financial Reporting Standards ("IFRSs") the Group also uses adjusted Operating EBITDA and Operating EBIT as additional financial measures, as set out in the table above, which are unaudited and not required by or presented in accordance with, IFRSs.

These financial measures are presented because they are used by management to evaluate the Group's financial performance. These non-IFRSs measures provide additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as they help management compare the financial results across accounting periods with those of our peer companies, by removing one-off or non-operating items.

As presented by the management, Operating EBITDA represents profit or loss before income tax for the year as adjusted for net finance costs, depreciation and amortisation and any significant non-operating items, while Operating EBIT represents profit or loss before income tax as adjusted for net finance costs and any significant non-operating items.

9 Includes the reclassification of interest income of $21 million (2020: $84 million) from other income to net finance costs and bank fees and other charges of $48 million (2020: $55 million) from other operating expenses to net finance costs as these amounts are excluded from operating EBITDA.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit after income tax increased by 197% from a loss after income tax of $1,040 million in 2020 to a profit after income tax of $791 million in 2021 and was fully attributable to the owners of Yancoal with no non-controlling interests.

Profit attributable to the owners of Yancoal of $791 million was impacted by a number of non-operating items during 2021. These totalled a net loss before tax impact of $310 million comprising a $153 million fair value loss recycled from the hedge reserve, a $100 million exploration asset impairment, $28 million contingent royalty expense, a $33 million contingent royalty revaluation expense and a $4 million royalty revaluation gain. These are discussed in more detail separately below, refer "Overview of non-operating items", and have been excluded from the operating commentary.

## OVERVIEW OF OPERATING RESULTS

The below comparison of the financial results for the years ended 31 December 2021 and 2020 is impacted by changes in the Group's portfolio of assets, most significantly the reconsolidation of Watagan from 16 December 2020.

The analysis in this section includes ex-mine sales tonnes, saleable production and ex-mine revenue comprising (i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter (ii) 51% of the unincorporated HVO joint venture (HVO) (iii) 82.9% of the combined unincorporated Mount Thorley and Warkworth joint ventures (MTW) (iv) 100% of Yarrabee and Stratford Duralie and (v) 100% of the Watagan group from 16 December 2020.

The results of Middlemount and Watagan (prior to 17 December 2020) are excluded from the line by line commentary below as their results, as incorporated equity-accounted investments, are included in share of profits of equity-accounted investees, net of tax in the statement of profit and loss and is discussed separately below.

## REVENUE

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 $M | 2020 $M | CHANGE % |
| Ex-mine coal sales[10] | **5,290** | 3,051 | 73% |
| Sale of purchased coal | **98** | 366 | (72%) |
| Other | **21** | 12 | 75% |
| **Sale of coal** | **5,409** | **3,429** | **58%** |
| Mining service fees | **–** | 45 | (100%) |
| Sea freight | **79** | 64 | 23% |
| Royalty revenue | **28** | 15 | 87% |
| Other | **19** | 30 | (37%) |
| **Revenue** | **5,535** | **3,583** | **54%** |

Total revenue increased by 54% from $3,583 million in 2020 to $5,535 million in 2021, primarily due to a 58% increase in coal sales revenue from $3,429 million in 2020 to $5,409 million in 2021 and a 100% decrease in mining service fees due to the consolidation of Watagan on 16 December 2020 resulting in their elimination on consolidation from that date. With respect to coal sales revenue, the key factors were:

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 | 2020 | CHANGE % |
| **Thermal coal** | | | |
| Average selling price (A$ per tonne) | **134** | 76 | 76% |
| Sales volume (Mt) | **31.7** | 33.2[11] | (5%) |
| % of total ex-mine sales volume | **85** | 89 | (4%) |
| Total ex-mine thermal coal revenue (A$ million) | **4,246** | 2,535 | 67% |
| **Metallurgical coal** | | | |
| Average selling price (A$ per tonne) | **180** | 124 | 45% |
| Sales volume (Mt) | **5.8** | 4.2 | 38% |
| % of total ex-mine sales volume | **15** | 11 | 36% |
| Total ex-mine metallurgical coal revenue (A$ million) | **1,044** | 516 | 102% |
| **Total coal** | | | |
| Average selling price (A$ per tonne) | **141** | 82 | 72% |
| Total ex-mine sales volume (Mt) | **37.5** | 37.4 | -% |
| **Total ex-mine coal revenue (A$ million)** | **5,290** | **3,051** | **73%** |

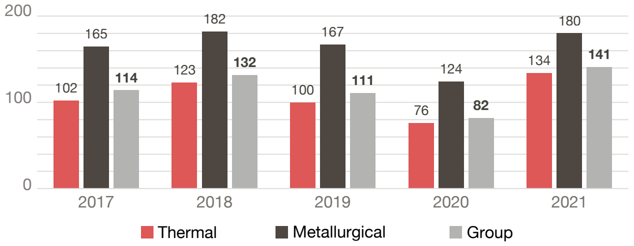
- The Group's overall average ex-mine selling price of coal increased by 72% from A$82 per tonne in 2020 to A$141 per tonne in 2021 mainly as a result of (i) an increase in global USD coal prices with the weekly average GlobalCOAL Newcastle thermal coal index price increasing by US$79 per tonne (132%) during the same period; the weekly Argus/McCloskey API5 coal index price increasing by US$39 per tonne (88%) during the same period; and the average semi-soft coking coal benchmark price increasing by US$46 per tonne (50%) during the same period; and (ii) a decrease in the proportion of thermal coal sales to 81% in 2021 down from 85% in 2020; partially offset by the Australian dollar strengthening against the US dollar by 9% from an average of 0.6906 in 2020 to 0.7514 in 2021.
- The Group's average selling price of thermal coal increased from A$76 per tonne to A$134 per tonne. The Group's average selling price of metallurgical coal increased from A$124 per tonne to A$180 per tonne.

10 Ex-mine coal sales include only coal that has been produced at one of the Group's mines. They exclude the sale of coal that has been purchased from third parties.

11 The Group's quarterly report issued on 19 January 2021 included Attributable Thermal Sales of 33.7Mt with this amount including an additional 0.5 Mt attributable to the additional 10% interest acquired in Moolarben in the first quarter of 2020. The difference arises as the economic effective date of the acquisition was 1 January 2020 but for accounting purposes the transaction completion date was 31 March 2020.

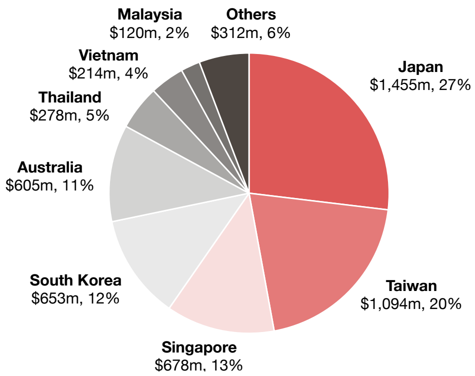
# MANAGEMENT DISCUSSION AND ANALYSIS

### Average A$ Selling Price

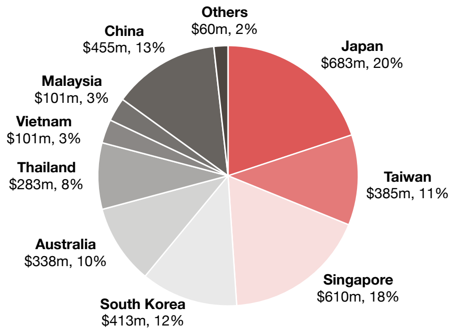



- The Group's ex-mine sales volume increased by 0.3% from 37.4Mt in 2020 to 37.5Mt in 2021, primarily due to the 2% decrease in saleable production offset by a decrease in product coal stockpiles.
- A 73% decrease in the sale of purchased coal from $366 million in 2020 to $98 million in 2021, resulting from a 46% decrease in purchases of coal from third parties primarily due to the weather impacted reduction in supply across many other Australian producers creating limited opportunities to make coal purchases.

**2021**




**2020**




Others includes Switzerland, India, Chile, China, Hong Kong, Columbia, Pakistan and UAE (2020 also included USA and Germany)

Sales by customer location, not final destination, as a percentage of total coal sales revenue changed significantly between 2020 and 2021 primarily due to the import control policies placed on Australian coal, with the 13% of sales made to China in 2020 being sold into existing and alternate markets.

Most noticeably this resulted in a 17% increase in sales to the primary Asian seaborne markets of Japan and Taiwan with increases of 7% and 10%, respectively, to those markets.

The decrease in sales to Singapore was primarily due to Yancoal's continued move away from sales to traders, who are primarily domiciled in Singapore, in favour of developing direct end user sales, many of which are included in the 4% increase in sales to other countries.

### Other income

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 $M | 2020 $M | CHANGE % |
| Net gain on foreign exchange | 52 | – | – |
| Sundry income | 8 | 4 | 100% |
| **Other income** | **60** | **4** | **1,400%** |

Other income increased from $4 million in 2020 to $60 million in 2021. This included a net gain on foreign exchange of $52 million primarily recognised on holding USD cash balances as the Australian dollar weakened during 2021.

### Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress decreased from an increase of $12 million in 2020 to a decrease of $60 million in 2021 primarily due to selling down coal inventories with ex-mine sales of 37.5Mt compared to production of 36.7Mt for the period.

## PRODUCTION COSTS

All-in total production costs include cash and non-cash operating costs, representing costs directly attributable to the production, transportation and selling of coal but excludes care and maintenance costs. It also includes indirect corporate costs, in particular, corporate employee costs, but excluding transaction costs. Cash operating costs comprise the cost of raw materials and consumables used, employee benefits, contractual services and plant hire, transportation and other operating expenses. Non-cash operating costs include depreciation and amortisation.

## MANAGEMENT DISCUSSION AND ANALYSIS

| PER EX-MINE SALES TONNE[12] | YEAR ENDED 31 DECEMBER 2021 $/T | 2020 $/T |
|---|---|---|
| **Cash operating costs** | | |
| Raw materials and consumables used | **20** | 18 |
| Employee benefits | **15** | 15 |
| Transportation[13] | **17** | 15 |
| Contractual services and plant hire | **11** | 10 |
| Other operating expenses | **2** | 2 |
| **Cash operating costs (excluding royalties)** | **66** | **60** |
| Royalties | **11** | 6 |
| **Cash operating costs** | **77** | **66** |
| **Non-cash operating costs** | | |
| Depreciation and amortisation | **22** | 22 |
| Total production costs | **99** | **88** |
| Total production costs (excluding royalties) | **88** | 82 |

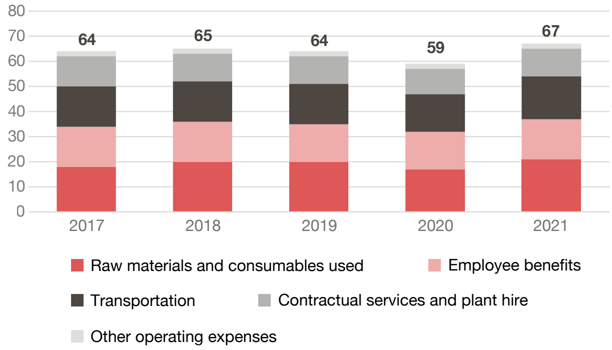
The table above is prepared on a cost per sales tonne basis. Over a financial year ex-mine sales tonnes and saleable production are not necessarily aligned due to changes in coal inventories. The table below has been restated on a per saleable production tonne basis to remove the impact of inventory movements and more accurately represent the cost of production. Royalties have been removed as these are based on sales revenue and are driven by ex-mine sale tonnes.

| PER SALEABLE PRODUCTION TONNE | YEAR ENDED 31 DECEMBER 2021 $/T | 2020 $/T |
|---|---|---|
| **Cash operating costs** | | |
| Raw materials and consumables used | **21** | 17 |
| Employee benefits | **16** | 15 |
| Transportation[13] | **17** | 15 |
| Contractual services and plant hire | **11** | 10 |
| Other operating expenses | **2** | 2 |
| **Cash operating costs (excluding royalties)** | **67** | **59** |
| *Cash operating costs (excluding royalty and sea freight)* | *65* | *58* |
| **Non-cash operating costs** | | |
| Depreciation and amortisation | **23** | 21 |
| **Total production costs (excluding royalties)** | **90** | **81** |

The Group's cash operating costs, after capitalised development, per saleable tonne increased by $8/t from $59/t in 2020 to $67/t in 2021 primarily due to (i) a 2.1Mt (6%) decrease in production from the Group's lowest cost tier-1 mines impacted by the severe wet weather, COVID-19 and the hard rock intrusion encountered in the Moolarben underground that as well as reducing production also incurred additional prevention and remediation costs; (ii) a 1.0Mt (28%) increase in production from the Group's other, higher cost mines, including the full year consolidation of Ashton; (iii) increases in diesel costs due to the strengthening oil price; (iv) increases in demurrage costs due to multiple adverse weather and Newcastle Port facility interruptions; and (v) cost deferral activities undertaken to preserve cash in 2020 as a response to the depressed coal price resulting from the initial wave of COVID-19. These largely uncontrollable impacts have been compounded by the additional costs incurred by the Group's "washing harder" strategy to improve coal quality to capture more of the current low-ash thermal coal price arbitrage opportunity for a net positive outcome on the Group's operating margin.

The increases in operating costs due to the aforementioned uncontrollable factors and the Group's "washing harder" strategy have been partially offset by management's non-negotiable focus on operational productivity and cost reductions. In 2021 this was led by the Group's "Key Tasks" initiative that focused on 48 key workstreams across the Group, overseen directly by the Board, where the operational focus was on site optimisation projects delivering productivity improvement and cost reduction initiatives.

### Cash operating costs per product tonne (A$)




The Group's cash operating costs, after capitalised development, increased to $65/t in 2018 primarily due to the first full year inclusion of MTW and HVO and then decreased to $59/t in 2020, before increasing to $67/t in 2021. Despite inflationary pressures, particularly on labour costs, management was able to deliver year-on-year cost reductions through a strong focus on operational productivities, assisted by increased tonnes from the low-cost Moolarben mine from 2018 to 2020. The Group's cash operating costs increased to $67/t in 2021 for the reasons noted above.

### Raw materials and consumables used

Raw materials and consumables used increased by 14% from $666 million in 2020 to $757 million in 2021, primarily due to (i) higher diesel prices; (ii) the consolidation of Ashton from 16 December 2020; and (iii) an expected increase in maintenance costs after the deferral of non-essential maintenance in 2020 as part of the response to COVID-19 and lower coal prices as well as unrelated unscheduled maintenance resulting from equipment breakdowns.

12 Ex-mine sales tonnes includes (i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter (ii) 51.0% of the unincorporated HVO joint venture (iii) 82.9% of the unincorporated MTW joint venture (iv) 100% of Yarrabee and Stratford Duralie and (v) 100% of Watagan from 16 December 2020.

13 Transportation costs in 2021 included $79 million, $2.14 per product tonne (2020: $64 million, $1.68 per product tonne) of sea freight incurred on a single Cost and Freight ("CFR") contract the Group acquired as part of the Coal & Allied acquisition. The sea freight incurred is largely recovered from the customer through an increased coal price. The Group's FOB contracts do not incur sea freight.

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This contributed to an increase in per saleable production tonne raw materials and consumables used from $17 to $21 over the same period.

### Employee benefits

Employee benefits expenses increased by 2% from $568 million in 2020 to $578 million in 2021, primarily due to wage and salary inflation and the consolidation of Ashton from 16 December 2020 partially offset by the impacts of wet weather and COVID-19. This contributed to an increase in per saleable production tonne employee benefits expense from $15 to $16 over the same period.

### Transportation

Transportation costs increased by 15% from $556 million in 2020 to $642 million in 2021, primarily due to (i) the consolidation of Ashton from 16 December 2020; (ii) a $38 million increase in demurrage costs due to wet weather impacting vessel queues; (iii) a $15 million increase in sea freight costs on a Cost and Freight contract due to escalating global freight rates and; (iv) a $12 million (2020: $3 million income) Australian Rail Track Corporation ("ARTC") below rail charge relating to 2018 - 2020 costs as assessed by the Australian Competition & Consumer Commission ("ACCC"). This contributed to an increase in per saleable production tonne transportation costs from $15 to $17 over the same period.

### Contractual services and plant hire

Contractual services and plant hire expenses increased by 13% from $364 million in 2020 to $410 million in 2021 primarily due to (i) $28 million from the consolidation of Ashton from 16 December 2020; (ii) $5 million from additional equipment hire costs at MTW due to equipment commissioning delays; and (iii) a $6 million increase in legal costs. This contributed to an increase in per saleable production tonne contractual services and plant hire costs from $10 to $11 over the same period.

### Government royalties

Government royalty expenses increased by 81% from $232 million in 2020 to $421 million in 2021, primarily due to a 73% increase in ex-mine coal sales revenue. Royalties are determined on an ad valorem basis by reference to the value of coal sold, the type of mine and the State the mine is in and are payable to the appropriate State government. This contributed to an increase in per ex-mines sales tonne government royalties from $6 to $11 over the same period.

### Coal purchases

Coal purchases decreased by 46% from $302 million in 2020 to $162 million in 2021, primarily due to the wet weather impacted reduction in supply across many other Australian producers creating limited opportunities to make coal purchases.

### Other operating expenses

Other operating expenses decreased by 12% from $104 million in 2020 to $92 million in 2021 including (i) a $9 million decrease in net losses on the disposal of property, plant and equipment from a loss of $9 million in 2020 to a gain of $1 million in 2021 (recognised in other income); (ii) a decrease in net loss on foreign exchange of $8 million from a loss of $8 million in 2020 to a gain of $52 million in 2021(recognised in other income), partially offset by a $6 million increase in software license costs. The per saleable tonne amount remained flat at $2 over the same period and excludes the net loss on disposal of property, plant and equipment of nil (2020: $9 million) and net loss on foreign exchange of nil (2020: $8 million) as these are considered non-operating.

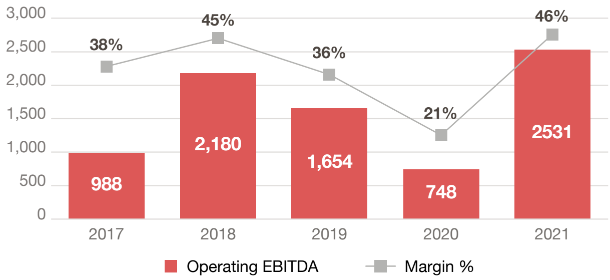
### Share of profit / (loss) of equity-accounted investees, net of tax

Share of profit of equity-accounted investees, net of tax increased from a loss of $59 million in 2020 to a profit of $57 million in 2021 primarily due to the increasing profit after tax performance of the incorporated Middlemount joint venture positively impacted by a 48% increase in realised A$ coal price and a 30% increase in sales tonnes.

### Operating EBITDA and operating EBITDA margin

Operating EBITDA increased by 238% from $748 million in 2020 to $2,531 million in 2021. The $1,783 million increase was due to (i) a $2,009 million (56%) increase in revenue and other income primarily due to higher coal prices; (ii) a $342 million 12% increase in costs, including government royalties; and (iii) a $116 million increase in equity-accounted losses. Operating EBITDA margin as a percentage of operating revenue increased from 21% in 2020 to 46% in 2021.

### Operating EBITDA




### Depreciation and amortisation

Depreciation and amortisation expenses increased by 3% from $804 million in 2020 to $831 million in 2021 primarily due to (i) the consolidation of Ashton from 16 December 2020; and (ii) the impact of some accelerated depreciation recognised at Stratford Duralie partially offset by lower production tonnes. Per saleable production tonne depreciation and amortisation costs increased from $21 to $23 over the same period.

### Operating EBIT and operating EBIT margin

Operating EBIT increased by 3,134% from a loss of $56 million in 2020 to a profit of $1,699 million in 2021 primarily due to a 238% increase in Operating EBITDA and a 3% increase in depreciation and amortisation as noted above. Operating EBIT margin as a percentage of operating revenue increased from (102%) in 2020 to 31% in 2021.

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### Net finance costs

Net finance costs increased by 77% from $162 million in 2020 to $286 million in 2021 due to a $60 million (24%) increase in interest expense and bank fees and charges and a $63 million (75%) decrease in interest income.

The $60 million increase in interest expense and bank fees and charges was primarily due to the consolidation of Watagan on 16 December 2020 that resulted in (i) the consolidation of Watagan debt of US$775 million; and (ii) the recognition of a mine closure provision for the Austar mine resulting in a $12 million unwind of the discount during the period; partially offset by (i) a decrease in the Group's LIBOR based debt facilities from an average of 4.99% in 2020 to an average of 4.51% in 2021; (ii) mandatory debt repayments of US$25 million in both January 2021 and July 2021 and US$531 million of voluntary debt repayments; and (iii) an increase in the AUD:USD exchange rate during the period from an average of 0.6906 in 2020 to an average of 0.7514 in 2021 resulting in a decrease in the Australian dollar value finance charge, where the Group's loans are denominated in US dollars.

The $63 million decrease in interest income was primarily due to the consolidation of Watagan from 16 December 2020 resulting in the elimination on consolidation of interest income on the loan provided to Watagan from that date (2020: $65 million).

### Operating profit before income tax and profit before income tax margin

As a result of the aforementioned reasons, operating profit before income tax increased by 746% from a loss of $218 million in 2020 to a profit of $1,413 million in 2021. Operating profit before income tax margin as a percentage of operating revenue increased from (106%) to 26% over the same period.

### Profit before income tax and profit before income tax margin

As a result of the aforementioned reasons, and the non-operating items discussed below, profit before income tax increased by 197% from a loss of $1,143 million in 2020 to a profit of $1,103 million in 2021. Profit before income tax margin as a percentage of operating revenue increased from (132%) to 20% over the same period.

### Income tax (expense) / benefit

Income tax expense increased from a net benefit of $103 million in 2020 to a net expense of $312 million in 2021. The effective tax rate was 9.0% and 28.3% in the same periods, respectively, compared to the Australian corporate income tax rate of 30%. In 2021 the lower effective rate primarily resulted from the non-assessable equity-accounted profit of $57 million. In 2020 the lower effective tax rate primarily resulted from the non-taxable gain on bargain purchase of $653 million, the non-taxable loss on the Watagan reconsolidation of $1,383 million and on the non-deductible equity-accounted loss of $59 million.

### Profit after income tax and profit after income tax margin

As a result of the aforementioned reasons profit after income tax increased by 176% from a loss of $1,040 million in 2020 to a profit of $791 million in 2021. Profit after income tax margin as a percentage of operating revenue increased from (132%) to 14% over the same period.

### Profit per share attributable to the ordinary equity holders of the Company

Basic earnings per share increased by 176% from (78.8) cents per share in 2020 to 59.9 cents per share in 2021 and diluted earnings per share increased by 174% from (78.8) cents per share in 2020 to 59.8 cents per share in 2021 primarily due to the aforementioned profit after income tax with no change in the number of ordinary shares on issue. In 2021 the diluted earnings per share was impacted by 3.7 million rights on issue to senior management, whilst in 2020 the 1.9 million rights on issue were considered non-dilutive given the loss per share.

## OVERVIEW OF NON-OPERATING ITEMS

Non-operating items in the year ended 31 December 2021 and 2020 included the following:

| | YEAR ENDED 31 DECEMBER | |
|---|---|---|
| | 2021 $M | 2020 $M |
| **Non-operating items** | | |
| Fair value losses recycled from hedge reserve | **(153)** | (194) |
| Impairment of exploration asset | **(100)** | – |
| Contingent royalty expense | **(28)** | – |
| Re-measurement of contingent royalty | **(33)** | 23 |
| Re-measurement of royalty receivable | **4** | (9) |
| Loss on reconsolidation of Watagan | **–** | (1,383) |
| Gain on bargain purchase | **–** | 653 |
| Stamp duty expensed | **–** | (15) |
| Loss before tax impact | **(310)** | **(925)** |

Fair value losses recycled from the hedge reserve of $153 million (2020: $194 million) represent retranslation losses on the Group's US dollar-denominated loans which are attributable to changes in USD:AUD foreign exchange rates. Under the Group's natural hedge policy, such losses are recycled to the statement of profit and loss based on the scheduled loan maturity dates. The amount of any fair value loss or gain recycled from the hedge reserve in a period is a function of the amount of the hedged US dollar loan scheduled to mature in that period and the respective USD:AUD exchange rates at the time the hedge was put in place and at the time the loan matured.

Impairment of exploration asset of $100 million (2020: nil) relates to the impairment, to nil book value, of the Group's Donaldson exploration asset. Management is undertaking a strategic review of its underperforming assets and with Donaldson currently on care and maintenance it was considered unlikely that the any value attributable to the prospective thermal coal exploration asset, that would only be recovered at the end of any potential mine plan, would be realised, particularly given uncertainty in demand or pricing that far in the future.

Contingent royalty expense of $28 million (2020: nil) relates to the contingent coal price-linked royalty payable to Rio Tinto for the year ended 31 December 2021, as part of the contingent consideration on the Coal & Allied acquisition, due

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to the GlobalCOAL quarterly index price being above the 2021 threshold price for all four quarters.

Similarly, the re-measurement of contingent royalty up by $33 million (2020: down by $23 million) represents an increase in the provision recognised on the Coal & Allied acquisition with respect to the contingent coal price-linked royalty potentially payable to Rio Tinto for the remaining period from 1 January 2022 to 31 August 2030 due to a strengthening of the thermal coal price forecasts.

Re-measurement of the royalty receivable up by $4 million (2020: down by $9 million) relates to the change in the estimated fair value of the Group's Middlemount royalty receivable recognised on its right to receive a royalty of 4% of Free on Board Trimmed Sales on 100% of the Middlemount mine coal sales.

In 2020 non-operating items also included (i) a one-off, non-cash loss on the reconsolidation of Watagan of $1,383 million resulting from the shortfall in value between the fair value of the deemed consideration compared against the fair value of the net liabilities being reconsolidated; (ii) a gain on bargain purchase of $653 million representing the accounting gain recognised on the acquisition of the additional 10% interest in the unincorporated Moolarben joint venture; and (iii) stamp duty expensed of $15 million representing the stamp duty incurred on the acquisition of the additional 10% interest in Moolarben on 31 March 2020.

### CASH FLOW ANALYSIS

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 $M | 2020 $M | CHANGE $M |
| Net operating cash flows | **1,900** | 605 | 1,295 |
| Net investing cash flows | **(306)** | (591) | 285 |
| Net financing cash flows | **(761)** | (314) | (447) |
| **Net increase / (decrease) in cash** | **833** | **(300)** | **1,133** |

#### Net operating cash flows

Net operating cash inflows increased by $1,295 million (214%) to $1,900 million reflecting an increase in net receipts from customers over payments to suppliers primarily due to a 54% increase in revenue over the same period.

#### Net investing cash flows

Net investing cash outflows decreased by $285 million (48%) to $306 million. In 2021 investing cash outflows included (i) $269 million of capital expenditure; and (ii) the final $100 million installment payment for a further 10% interest in the Moolarben joint venture partially offset by the $60 million repayment, in full, of the revolver loans provided to Middlemount. In 2020 investing cash outflows included (i) $204 million of instalment payments for a further 10% interest in the Moolarben joint venture; (ii) $279 million of capital expenditure, including exploration; (iii) a net $120 million provided to Watagan under the Watagan loan facility; and (iv) $35 million of revolver loans provided to Middlemount.

#### Net financing cash flows

Net financing cash outflows increased by $447 million (142%) to an outflow of $761 million. In 2021 the net financing cash outflow included (i) A$66 million (US$50 million) of mandatory debt repayments under the syndicated facility; (ii) A$705 million (US$531 million) of voluntary debt repayments on both the syndicated and related party facilities; and (iii) a A$419 million (US$300 million) debt repayment on maturity of the US$300 million syndicated term loan facility refinanced by A$464 million (US$333 million) drawn under the replacement syndicated term loan facility. In 2020 the net financing cash outflow included (i) $432 million (US$300 million) of mandatory debt repayments offset by $433 million (US$300 million) drawn under the US$1,275 million facility refinance; and (ii) $280 million of dividends.

### FINANCIAL RESOURCES AND LIQUIDITY

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 $M | 2020 $M | CHANGE $M |
| Current assets | **2,531** | 1,343 | 1,188 |
| Current liabilities | **(826)** | (1,199) | 373 |
| **Net current assets** | **1,705** | **144** | **1,561** |
| Total assets | **11,800** | 11,055 | 745 |
| Total liabilities | **(5,654)** | (5,862) | 208 |
| **Total equity** | **6,146** | **5,193** | **953** |

Current assets increased by $1,188 million to $2,531 million at 31 December 2021 mainly reflecting an increase in cash on hand of $858 million and trade and other receivables of $363 million.

Current liabilities decreased by $373 million to $826 million at 31 December 2021 mainly reflecting the current debt repayments of US$350 million, partially offset by an increase in trade and other payables of $78 million.

Total assets increased by $745 million to $11,800 million at 31 December 2021 mainly reflecting (i) a $275 million decrease in mining tenements primarily resulting from $344 million of amortisation partially offset by a $69 million transfer in from exploration assets; (ii) a $168 million decrease in exploration and evaluation assets primarily resulting from the $100 million Donaldson impairment and the $69 million transfer to mining tenements; and (iii) the increase in current assets of $1,188 million noted above.

Total liabilities decreased by $208 million to $5,654 million at 31 December 2021 mainly reflecting a $770 million decrease in interest-bearing liabilities including (i) a $683 million net decrease in loans due to the repayments made during the period; (ii) a $222 million foreign exchange loss on the Group's US dollar denominated loans due to an decrease in the AUD:USD exchange rate from an opening rate of 0.7702 at 31 December 2020 to a closing rate of 0.7256 at 31 December 2021; and (iii) a $309 million initial recognition fair value gain on the below market interest rate received

## MANAGEMENT DISCUSSION AND ANALYSIS

on the US$775 million loan provided by Shandong Energy (formerly Yankuang) recognised in equity partially offset by (i) a $381 million increase in deferred tax liabilities primarily due to the $312 million tax expense; (ii) a $114 million increase in provisions including the $33 million increase in the contingent royalty provision and a $96 million increase in rehabilitation provisions; and (iii) a $78 million increase in trade and other payables.

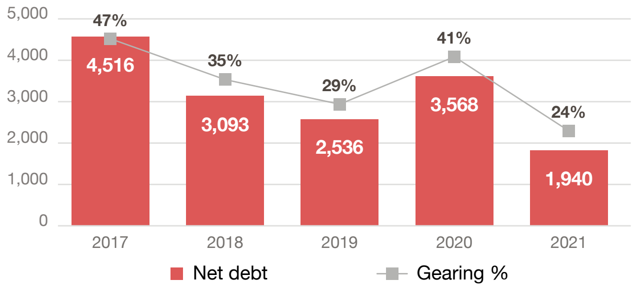
Total equity increased by $953 million to $6,146 million at 31 December 2021 reflecting the $791million profit after tax and an increase in contributed equity of $216 million, representing the after-tax amount of the $309 million loan fair value, noted above partially offset by the $54 million reserve movement (including the $55 million net, after-tax, hedge reserve loss).

The Group's primary source of liquidity was operating cash flows that contributed $1,900 million in the year ended 31 December 2021. Together with the opening cash position this enabled the payment for investing activities of $306 million and financing activities of $761 million.

For the year ending 31 December 2022, the primary source of liquidity is expected to continue to be operating cash flows for ongoing business and potentially additional interest-bearing liabilities for any possible transactions. Historically, the Group's primary sources of liquidity have consisted of operating cash flows, interest-bearing liabilities, including shareholder loans, and new equity.

| | YEAR ENDED 31 DECEMBER | | |
|---|---|---|---|
| | 2021 $M | 2020 $M | CHANGE $M |
| Interest-bearing liabilities | **3,435** | 4,205 | (770) |
| Less: cash and cash equivalents | **(1,495)** | (637) | (858) |
| **Net debt** | **1,940** | **3,568** | **(1,628)** |
| Total equity | **6,146** | 5,193 | 936 |
| **Net debt + total equity** | **8,086** | **8,761** | **(692)** |
| Gearing ratio[14] | **0.24** | 0.41 | |

### Net debt and Gearing




The gearing ratio decreased from 41% to 24% during the period mainly due to (i) a decrease in net debt due to the high operating cash inflows that enabled the voluntary early repayment of debt and a significant increase in cash and cash equivalents on hand; and (ii) an increase in total equity primarily due to the $791million profit after tax and the increase in contributed equity of $216 million noted above.

The Group's interest-bearing liabilities include (i) secured bank loans of A$1,632 million (31 December 2020: A$2,019 million); (ii) unsecured loans from related parties of A$1,672 million (31 December 2020: A$1,059 million); and Watagan bonds of nil (2020: A$1,006 million); all denominated in US dollars and lease liabilities of A$131 million (31 December 2020: A$121 million) denominated in Australian dollars.

Secured bank loans carry a floating interest rate calculated with reference to the 3-month LIBOR rate for which the average all-in rate (including guarantee fees) for the year ended 31 December 2021 was 4.51% (2020: 4.99%). Unsecured loans from related parties comprise two facilities (i) US$641 million at a fixed interest rate for which the rate for the year ended 31 December 2021 was 7.00% (2020: 7.00%); and (ii) US$775 million at a fixed cash rate of 4.65% until 31 March 2024 and at the Loan Prime Rate[15] for the three years to 31 March 2027[16].

The Group's cash and cash equivalents includes A$970 million (31 December 2020: A$192 million) and US$381 million (31 December 2020: US$343 million).

While the Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the A$, foreign currency exposure arises particularly in relation to coal supply contracts, which generally are priced and payable in USD, procurement of diesel and imported plant and equipment, which can be priced in USD or other foreign currencies, and debt denominated in USD.

The impact of exchange rate movements will vary depending on factors such as the nature, magnitude and duration of the movements, the extent to which currency risk is hedged under forward exchange contracts or other hedging instruments and the terms of these contracts.

The hedging policy of the Company aims to protect against the volatility of cash expenditures or reduced collection in the abovementioned transactions as well as to reduce the volatility of profit or loss for retranslation of US dollar denominated loans at each period end.

Operating foreign exchange risk that arises from firm commitments or highly probable transactions is managed through the use of bank issued forward foreign currency contracts. The Company hedges a portion of contracted USD sales and asset purchases settled in foreign currencies in each currency to mitigate the adverse impact on cash flow due to the future rise or fall in the A$ against the relevant currencies.

14 The Group's gearing ratio is defined as net debt (being interest-bearing liabilities less cash and cash equivalents) divided by net debt + total equity.
15 The Loan Prime Rate ("LPR") is the reference rate for lending in China as announced by the People's Bank of China in August 2020. The LPR is the interest rate banks charge their most creditworthy customers.
16 The arms' length interest rate of the US$775 million loan was independently determined to be 12% resulting in a fair value discount of $309 million being recognised as noted above. The unwind of this discount through the profit and loss over the life of the loan effectively increases the interest expense to 12%.

More details on interest-bearing liabilities, cash and cash equivalents and equity including types of instrument used, security provided, maturity profile of interest-bearing liabilities, interest rates and hedging strategies are included in Notes D1, D2 and D7 of the Group's financial statements.

### Available debt facilities

As at 31 December 2021 the Group had the following available debt facilities.

A$852 million of undrawn debt under its A$1,400 million unsecured facility from related parties with a maturity date of 31 December 2024.

A$69 million of undrawn debt under its US$50 million unsecured working capital facility from an external party with a maturity date of 29 June 2022.

A$100 million of undrawn bank guarantees under its A$975 million Syndicated Bank Guarantee Facility that are provided for operational purposes in favour of port, rail, government departments and other operational functions in the normal course of business with a maturity date of 2 June 2023.

No undrawn debt under its US$869 million Syndicated Facility with maturity dates of US$25 million on 8 July 2022; US$25 million on 10 July 2023; US$231.5 million on 8 July 2024; and US$587.5 million on 8 July 2025.

No undrawn debt under its US$333 million Syndicated Term Loan with maturity dates of US$301 million on 23 August 2024 and US$32 million on 21 August 2026.

The Directors of Yanzhou (now Yankuang Energy) have provided a letter of support whereby unless revoked by giving not less than 24 months' notice, for so long as Yanzhou owns at least 51% of the shares of the Company, Yanzhou will ensure that the Group continues to operate so that it remains solvent.

## CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 December 2021 capital expenditure cash flows of the Group amounted to $269 million (2020: $279 million) comprising $269 million (2020: $278 million) of property, plant and equipment and nil (2020: $1 million) of exploration.

Included in the capital expenditure of $269 million is capitalised operating expenses, net of any applicable revenue, incurred on open-cut and underground development activities of $38 million (2020: $32 million). Amortisation of such capitalised costs commences on either (i) the start of commercial production from the new mine or pit for open-cuts; and (ii) over the life of mine if development roads service the entire mine or over the life of the longwall panels accessible from the development roads, if shorter, for undergrounds.

As at 31 December 2021 commitments of the Group comprised capital commitments of $194 million.

## SIGNIFICANT INVESTMENTS

The Company continues to look for high quality acquisition opportunities.

The Company will inform the market as required, if and when any material transaction occurs. The Group also focuses on organic growth opportunities and business as usual capital expenditure.

The Group continues to pursue its long-term strategy for organic growth, with a commitment to progressing its brownfield expansion and extension projects.

In the year ahead, the Group will continue to focus on exploration and potential expansion works across the tier-one assets of Moolarben, MTW and HVO, to be funded from operating cash flows.

At Moolarben, Yancoal has the required approvals to increase annual open-cut mine ROM production from 14Mt to 16Mt. 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 has commenced, and the expansion to 16Mtpa from the open cut will occur over the next 18 months.

At MTW, Yancoal has identified a coal resource that could support an underground operation with the concept 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.

Organic growth opportunities are expected to be funded through operating cashflows as part of the group's overall capital expenditure program.

Funding of any inorganic opportunities will be assessed on a case-by-case basis and could include funding from operating cashflows and potentially interest-bearing liabilities depending on the debt market availability at the time.

On 16 December 2020, the Company received a letter from Shandong Energy (formerly Yankuang Group) confirming its commitment, having regard to the overall situation of the coal industry; the operations and financial circumstances of the Company and Shandong Energy; the Company's existing financings; the global funding market; and the profitability of any proposed project, to explore with the Company whether, and the basis on which, financial support may be provided to the Company by Shandong Energy in the next few years for the purpose of (i) potential acquisitions or finance lease arrangements; or (ii) additional financial support required by Watagan. In addition, Shandong Energy confirmed it is willing to assist and support the Company in discussions with Yankuang Energy (formerly Yanzhou) to explore the possibility of (i) obtaining a licence on paid terms for the use of technology recently acquired by Yankuang Energy; and (ii) commencing technology cooperation in accordance with standard and reasonable commercial practices.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MATERIAL ACQUISITIONS AND DISPOSALS

No material acquisitions or disposals were undertaken during the period.

## EMPLOYEES

As at 31 December 2021, the Group had approximately 3,196 employees (including contract labour who are full time equivalents), all located in Australia, in addition to other contractors and service providers who support the Group's operations by delivering fixed scopes of work. For the period, the total employee costs (including director's emoluments, HVO and Middlemount employees who are not included in the employee number above and excluding contract labour, contractors and service providers whose costs are included in Contractual services and plant hire) amounted to $578 million (2020: $568 million).

Remuneration packages and benefits are determined in accordance with market terms, industry practice as well as the nature of duties, performance, qualifications and experience of employees and are reviewed an on annual basis. Remuneration packages include base wages or salaries, short-term site production bonuses, short and long-term staff incentives, non-monetary benefits, superannuation and long service leave contributions and insurance.

The Group's remuneration policies ensure remuneration is equitable, aligns with the long-term interests of the Group and Shareholders, comply with the diversity policy, provide market competitive remuneration to attract and retain skilled and motivated employees and structure incentives to link rewards with performance.

Details of the Group's incentive plans are included in the Remuneration Report in the Groups' Financial Report for the year ended 31 December 2021.

The Company believes that capable and competent employees contribute to the success of the Group. The Group invests in competence development and assurance programs to ensure statutory compliance and zero harm to its employees. The Group also contributes to the ongoing professional development of its employees for example, the roll out of an "Inclusive Leadership" program to all site leadership teams in 2021. This investment contributes to a pipeline of employees who are ready to transition into new roles as well as creating a value proposition for new employees looking to join the Group.

## EVENTS OCCURRING AFTER THE REPORTING DATE

Other than as disclosed below, no matters or circumstances have occurred subsequent to the end of the period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state-of- affairs of the Group.

On 28 February 2022, the Directors declared an unfranked dividend of $930 million, comprising a $0.5000 per share final dividend and a $0.2040 per share special dividend, both with a record date of 16 March and payment date of 29 April 2022.

## FINANCIAL AND OTHER RISK MANAGEMENT

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include currency risk, price risk, interest rate risk, credit risk and liquidity risk and are detailed in Note D7 to the financial statements in this report. The Board reviews and agrees policies and procedures for management of these risks.

Coal sales are predominately provisionally priced initially. Provisionally priced sales are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables. The final sales price is determined normally 7 to 90 days after delivery to the customer. At 31 December 2021, there are $143 million of provisionally priced sales still to be finalised. If prices were to increase by 10%, provisionally priced sales would increase by $14 million.

## CONTINGENT LIABILITIES

The contingent liabilities of the Group as at 31 December 2021 comprise (i) $875 million (31 December 2020: $809 million) of bank guarantees comprising $370 million (31 December 2020: $377 million) of performance guarantees provided to third parties and $505 million (31 December 2020: $432 million) of guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute with respect to the Group's owned and managed mines (ii) a letter of support provided to the Middlemount Coal Pty Limited joint venture and (iii) a number of claims that have been made against the Group, including in respect of personal injuries, and in relation to contracts which Group members are party to as part of the Group's day to day operations.

See Note D6 to the financial statements in this report for further details on the Group's contingent liabilities.

## CHARGES ON ASSETS

The Group has a Syndicated Bank Guarantee Facility provided by a syndicate of nine Australian and international banks totalling A$975 million. As at 31 December 2021 the facility was drawn to A$875 million.

The Group has a Syndicated Term Loan facility provided by a syndicate of six international banks totalling US$333 million. As at 31 December 2021 the facility was fully drawn.

The Syndicated Bank Guarantee and Term Loan facilities are both secured by the assets of the consolidated group of Yancoal Resources Ltd and Coal & Allied Industries Ltd (both wholly owned subsidiaries of Yancoal) with a carrying value of $7,392 million as at 31 December 2021.

## FUTURE PROSPECTS

International coal indices are again at record levels in early 2022 as supply-side constraints persist, and commodity shortages occur in other international energy markets. Yancoal's rolling contract structures means it will continue to capture the benefit of the recent and current prices in the coming months.

Wet weather and the regional escalation of COVID-19 during Q4 2021 resulted in low, in-pit and ROM stockpiles at the Group's NSW mines, requiring a period of pit re-establishment.

In 2022, ongoing wet weather and COVID-19 impacts have hampered this recovery to date and could potentially continue to impact the Group's operating performance throughout the year. Open-cut mines in NSW still have excess water on-site with most near their water storage capacity making them susceptible to further rain events if La Niña persists. Despite the number of positive COVID-19 cases dropping their remains a risk of further interruptions.

Taking into account the risks noted, Yancoal has set the following targets for 2022:

- Saleable coal production of 35 to 38 million tonnes attributable).
- Cash operating costs (excluding government royalties) of $71 to $76/tonne[17].
- Capital expenditure is expected to be $600 to $650 million (attributable).

The bottom end of the production guidance and top end of the cost guidance is where the existing challenges persist, or other unforeseen issues arise. The top end of the production guidance and bottom end of the cost guidance is where operations rapidly return to optimal operating performances and external cost pressures decline. Capital expenditure increases in 2022, after two years of modest expenditure, as the Group replaces some mining fleet and to keep our large-scale, low-cost mines performing at optimal levels, together with the completion of the Moolarben CHPP upgrade.

Yancoal continually examines opportunities to grow the business and is open to expanding or extending the operational profile of its existing assets with organic projects, acquiring additional assets, or diversifying into other minerals, energy or renewable energy projects. Any new initiative would be subject to careful evaluation and require consideration and approval of the Board before commencement.

17 Operating cash costs are exclusive of government royalties and sea-freight. The comparable figure for the year ended 31 December 2021 is $65/tonne.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2021

| | NOTES | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|---|
| **Revenue** | B2 | **5,404** | 3,473 |
| Other income | B3 | **64** | 680 |
| Changes in inventories of finished goods and work in progress | | **(60)** | 12 |
| Raw materials and consumables used | | **(757)** | (666) |
| Employee benefits | B4 | **(578)** | (568) |
| Depreciation and amortisation | | **(831)** | (804) |
| Transportation | | **(642)** | (556) |
| Contractual services and plant hire | | **(410)** | (364) |
| Government royalties | | **(421)** | (232) |
| Coal purchases | | **(162)** | (302) |
| Impairment of exploration and evaluation assets | C4 | **(100)** | – |
| Other operating expenses | B5 | **(202)** | (183) |
| Finance costs | B5 | **(259)** | (191) |
| Share of profit / (loss) of equity-accounted investees, net of tax | E2 | **57** | (59) |
| Loss on reconsolidation of Watagan | E1 | **–** | (1,383) |
| **Profit / (loss) before income tax** | | **1,103** | (1,143) |
| Income tax (expense) / benefit | B6 | **(312)** | 103 |
| **Profit / (loss) after income tax** | | **791** | (1,040) |
| Profit / (loss) is attributable to: | | | |
| Owners of Yancoal Australia | | **791** | (1,040) |
| Non-controlling interests | | **–** | – |
| | | **791** | (1,040) |
| | | | |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Cash flow hedges: | | | |
| Fair value (losses) / gains | D5 | **(232)** | 309 |
| Fair value losses transferred to profit and loss | D5 | **153** | 194 |
| Deferred income tax benefit / (expense) | D5 | **24** | (151) |
| **Other comprehensive income, net of tax** | | **(55)** | 352 |
| **Total comprehensive income / (expense)** | | **736** | (688) |
| | | | |
| Total comprehensive income / (expense) for the year is attributable to: | | | |
| Owners of Yancoal Australia Ltd | | **736** | (688) |
| Non-controlling interests | | **–** | – |
| | | **736** | (688) |
| | | | |
| **Earnings / (loss) per share attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings / (loss) per share (cents per share) | B7 | **59.9** | (78.8) |
| Diluted earnings / (loss) per share (cents per share) | B7 | **59.7** | (78.8) |

These financial statements should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

## AS AT 31 DECEMBER 2021

| | NOTES | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | C7 | **1,495** | 637 |
| Trade and other receivables | C8 | **707** | 348 |
| Inventories | C9 | **264** | 312 |
| Royalty receivable | C10 | **23** | 16 |
| Other current assets | | **42** | 30 |
| **Total current assets** | | **2,531** | 1,343 |
| | | | |
| **Non-current assets** | | | |
| Trade and other receivables | C8 | **239** | 221 |
| Property, plant and equipment (reclassified) | C1 | **3,232** | 3,291 |
| Mining tenements (reclassified) | C2 | **4,608** | 4,883 |
| Exploration and evaluation assets | C4 | **541** | 709 |
| Intangible assets | C5 | **138** | 135 |
| Royalty receivable | C10 | **198** | 201 |
| Interests in other entities | E2 | **303** | 257 |
| Other non-current assets | | **10** | 15 |
| **Total non-current assets** | | **9,269** | 9,712 |
| **Total assets** | | **11,800** | 11,055 |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | C11 | **743** | 678 |
| Interest-bearing liabilities | D1 | **66** | 496 |
| Provisions | C12 | **17** | 25 |
| **Total current liabilities** | | **826** | 1,199 |
| | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | | **8** | 6 |
| Interest-bearing liabilities | D1 | **3,369** | 3,709 |
| Deferred tax liabilities | B6 | **516** | 135 |
| Provisions | C12 | **935** | 813 |
| **Total non-current liabilities** | | **4,828** | 4,663 |
| **Total liabilities** | | **5,654** | 5,862 |
| **Net assets** | | **6,146** | 5,193 |
| | | | |
| **EQUITY** | | | |
| Contributed equity | D2 | **6,698** | 6,482 |
| Reserves | D5 | **(188)** | (134) |
| Accumulated losses | | **(366)** | (1,157) |
| Capital and reserves attributable to owners of Yancoal Australia Ltd | | **6,144** | 5,191 |
| Non-controlling interests | | **2** | 2 |
| **Total equity** | | **6,146** | 5,193 |

These financial statements should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2021

| | | ATTRIBUTABLE TO OWNERS OF YANCOAL AUSTRALIA LTD | | | | | |
|---|---|---|---|---|---|---|---|
| | NOTES | CONTRIBUTED EQUITY $M | RESERVES $M | RETAINED EARNINGS/ (ACCUMULATED LOSSES) $M | TOTAL $M | NON-CONTROLLING INTERESTS $M | TOTAL EQUITY $M |
| **Balance at 1 January 2020** | | 6,482 | (484) | 163 | 6,161 | 2 | 6,163 |
| Loss after income tax | | – | – | (1,040) | (1,040) | – | (1,040) |
| Other comprehensive income | | – | 352 | – | 352 | – | 352 |
| **Total comprehensive income** | | **–** | **352** | **(1,040)** | **(688)** | **–** | **(688)** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Dividends paid | D4 | – | – | (280) | (280) | – | (280) |
| Movements in other reserves | D5 | – | (2) | – | (2) | – | (2) |
| | | **–** | **(2)** | **(280)** | **(282)** | **–** | **(282)** |
| **Balance at 31 December 2020** | | **6,482** | **(134)** | **(1,157)** | **5,191** | **2** | **5,193** |
| **Balance at 1 January 2021** | | **6,482** | **(134)** | **(1,157)** | **5,191** | **2** | **5,193** |
| Profit after income tax | | **–** | **–** | **791** | **791** | **–** | **791** |
| Other comprehensive income | | **–** | **(55)** | **–** | **(55)** | **–** | **(55)** |
| **Total comprehensive income** | | **–** | **(55)** | **791** | **736** | **–** | **736** |
| **Transactions with owners in their capacity as owners:** | | | | | | | |
| Movements in other contributed equity | D2 | **216** | **–** | **–** | **216** | **–** | **216** |
| Movements in other reserves | D5 | **–** | **1** | **–** | **1** | **–** | **1** |
| | | **216** | **1** | **–** | **217** | **–** | **217** |
| **Balance at 31 December 2021** | | **6,698** | **(188)** | **(366)** | **6,144** | **2** | **6,146** |

These financial statements should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2021

| | NOTES | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | **5,109** | 3,729 |
| Payments to suppliers and employees | | **(3,036)** | (2,994) |
| Interest paid | | **(180)** | (179) |
| Interest received | | **7** | 64 |
| Stamp duty paid | | **–** | (15) |
| **Net cash inflow from operating activities** | **F3** | **1,900** | **605** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(269)** | (278) |
| Payments for capitalised exploration and evaluation activities | | **–** | (1) |
| Proceeds from sale of property, plant and equipment | | **1** | 40 |
| Receipts of non-contingent royalties | | **4** | 4 |
| Payment of non-contingent royalties | | **(13)** | (15) |
| Payments for acquisition of interest in joint operation (net of cash acquired) | E1 | **(100)** | (204) |
| Cash at bank acquired on reconsolidation of Watagan | | **–** | 7 |
| Repayment of borrowing from joint venture | | **60** | – |
| Advances of borrowing to joint venture | | **–** | (35) |
| Repayment of borrowings from associates | | **–** | 247 |
| Advance of borrowings to associates | | **–** | (367) |
| Dividends received | | **11** | 11 |
| **Net cash outflow from investing activities** | | **(306)** | (591) |
| **Cash flows from financing activities** | | | |
| Repayment of interest-bearing liabilities | D1 | **(958)** | (432) |
| Proceeds from interest-bearing liabilities | D1 | **464** | 433 |
| Repayment of interest bearing liabilities - related entities | | **(232)** | – |
| Payment of lease liabilities | | **(35)** | (35) |
| Dividends paid | | **–** | (280) |
| **Net cash outflow from financing activities** | | **(761)** | (314) |
| **Net increase / (decrease) in cash and cash equivalents** | | **833** | (300) |
| Cash and cash equivalents at the beginning of the financial year | | **637** | 962 |
| Effects of exchange rate changes on cash and cash equivalents | | **25** | (25) |
| **Cash and cash equivalents at the end of the year** | C7 | **1,495** | 637 |

These financial statements should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2021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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## A BASIS OF PREPARATION

These consolidated financial statements and notes are for the consolidated entity consisting of Yancoal Australia Ltd ("Company" or "parent entity") and its subsidiaries ("the Group").

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Yancoal Australia Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 28 February 2022.

The outbreak of the Novel Coronavirus ("COVID-19") was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020.

In 2021, the most significant COVID-19 impacts on the Group have been (i) the increased number of positive cases in regional Australia, particularly NSW, impacting the workforce where the combination of forced shutdowns and COVID-19 protocols adopted decreased workforce availability resulting in an estimated loss of 1.1Mt of ROM coal (equity); and (ii) coal price indices appreciated to record levels on the back of COVID-19 driven government stimulus packages increasing coal demand.

COVID-19 continues to cause great uncertainty for the coal industry and the global economy more broadly and the Group continues to rigorously adopt and enhance its strict COVID-19 protocols aimed at minimising the transmission and disruption at site.

These uncertainties continue to be assessed and have been considered in the preparation of the financial statements.

### (i) Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

### (ii) Subsidiaries

The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are aligned to ensure consistency with the policies adopted by the Group.

### (iii) Significant accounting policies

Significant accounting policies have been included in the relevant notes to which the policies relate, and other significant accounting policies are discussed in Note F6. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (iv) Historical cost convention

These financial statements have been prepared on an accrual basis and under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

### (v) Auditor sign-off – unqualified and unmodified

The independent auditor's report of these consolidated financial statements is unqualified and unmodified.

### (vi) Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191. Amounts in the financial statements have been rounded off in accordance with that legislative instrument to the nearest million dollars, or in certain cases, the nearest dollar.

### (vii) New and amended standards adopted by the Group

Effective from 1 January 2021 the Group adopted new standards, refer to Note F7 for details.

### (viii) Impact of standards issued but not yet applied by the Group

Australian Accounting Standards and Interpretations issued but not yet applicable for the year ended 31 December 2021 that have not been applied by the Group are disclosed in Note F8.

### (ix) Early adoption of standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out in Note F8.

### (x) Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates and judgements that involve a higher degree of judgement or complexity. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Directors evaluate estimates and judgements incorporated into these financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. The resulting accounting estimates will, by definition, seldom equal the related actual results.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Details of critical accounting estimates and judgements can be found in the notes to which they relate and include:

| | |
|---|---|
| Taxation | Note B6 |
| Mining tenements | Note C2 |
| Impairment of assets | Note C3 |
| Exploration and evaluation assets | Note C4 |
| Royalty receivable | Note C10 |
| Provisions | Note C12 |
| Related party loan contributions | Note D2 |
| Business combinations and disposals | Note E1 |
| Interests in other entities | Note E2 |

### (xi) Adjustments due to provisional accounting (reclassified)

Refer to note E1 for details on the adjustments associated with finalising provisional accounting.

## B PERFORMANCE

This section of the financial statements focuses on disclosure that enhances a user's understanding of profit or loss after tax. Segment reporting provides a breakdown of profit, revenue and assets by geographic segment. The key line items of the profit or loss along with their components provide details behind the reported balances.

### B1 Segment information

**Accounting policy**

Management has determined the operating segments based on the strategic direction and organisational structure of the Group together with reports reviewed by the Chief Operating Decision Makers ("CODM"), defined as the Executive Committee, that are used to make strategic decisions including resource allocation and assessment of segment performance.

The reportable segments are considered at a regional level being New South Wales ("NSW") and Queensland ("QLD").

Non-operating items of the Group are presented under the segment "Corporate" which includes administrative expenses, foreign exchange gains and losses recycled from hedge reserve, and the elimination of intersegment transactions and other consolidation adjustments.

### (a) Segment information

The segment information for the reportable segments for the year ended 31 December 2021 is as follows:

| | COAL MINING | | | |
|---|---|---|---|---|
| 31 DECEMBER 2021 | NSW $M | QLD $M | CORPORATE $M | TOTAL $M |
| Total segment revenue* | 4,899 | 510 | (153) | 5,256 |
| Add: Fair value losses recycled from hedge reserve | – | – | 153 | 153 |
| **Revenue from external customers** | **4,899** | **510** | **–** | **5,409** |
| Operating EBIT | 1,597 | 70 | 33 | 1,700 |
| Operating EBITDA | 2,379 | 111 | 41 | 2,531 |
| | | | | |
| **Material income or expense items** | | | | |
| **Non-cash items** | | | | |
| Depreciation and amortisation | (782) | (41) | (8) | (831) |
| Remeasurement of contingent royalty | – | – | (33) | (33) |
| Remeasurement of royalty receivable | – | – | 4 | 4 |
| Impairment of exploration and evaluation assets | (100) | – | – | (100) |
| | **(882)** | **(41)** | **(37)** | **(960)** |
| | | | | |
| **Total capital expenditure** | **417** | **21** | **1** | **439** |
| | | | | |
| Segment assets | 9,133 | 662 | 1,701 | 11,496 |
| Investments in associates and joint ventures | 171 | – | 133 | 304 |
| **Total assets** | **9,304** | **662** | **1,834** | **11,800** |

* Total segment revenue consists of revenue from the sale of coal whereas revenue disclosed in the profit and loss also includes other revenue such as management fees, sea freight, rents and sub-lease rentals, interest income, dividend income and royalty income. Refer to Note B1(b) below.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest revenue by segment for 31 December 2021 is as follows: NSW $1 million (2020: $nil), QLD $nil (2020: $nil) and Corporate $20 million (2020: $84 million).

Finance costs by segment for 31 December 2021 is as follows: NSW $26 million (2020: $18 million), QLD $3 million (2020: $1 million) and Corporate $230 million (2020: $172 million).

The segment information for the reportable segments for the year ended 31 December 2020 is as follows:

| | COAL MINING | | | |
|---|---|---|---|---|
| 31 DECEMBER 2020 | NSW $M | QLD $M | CORPORATE $M | TOTAL $M |
| Total segment revenue* | 3,092 | 337 | (194) | 3,235 |
| Add: Fair value losses recycled from hedge reserve | – | – | 194 | 194 |
| **Revenue from external customers** | **3,092** | **337** | **–** | **3,429** |
| | | | | |
| Operating EBIT | 51 | (65) | (42) | (56) |
| Operating EBITDA | 801 | (20) | (33) | 748 |
| **Material income or expense items** | | | | |
| **Non-cash items** | | | | |
| Depreciation and amortisation | (750) | (46) | (8) | (804) |
| Remeasurement of contingent royalty | – | – | 23 | 23 |
| Remeasurement of royalty receivable | – | – | (9) | (9) |
| Gain on acquisition of interest in joint operation | 653 | – | – | 653 |
| Loss on reconsolidation of Watagan | – | – | (1,383) | (1,383) |
| | **(97)** | **(46)** | **(1,377)** | **(1,520)** |
| | | | | |
| **Cash items** | | | | |
| Stamp duty expense | (15) | – | – | (15) |
| | **(15)** | **–** | **–** | **(15)** |
| | | | | |
| **Total capital expenditure** | **331** | **12** | **2** | **345** |
| | | | | |
| Segment assets | 9,272 | 645 | 881 | 10,798 |
| Investment in associate and joint ventures | 177 | – | 80 | 257 |
| **Total assets** | **9,449** | **645** | **961** | **11,055** |

There was no impairment charge or other significant non-cash items recognised during the year ended 31 December 2021 and 31 December 2020 other than those disclosed above.

## (b) Other segment information

### (i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties for the reportable segments are measured in a manner consistent with that in the profit and loss.

Revenue from external customers are derived from the sale of coal from operating mines and coal purchases. Segment revenues are allocated based on the country in which the customer is located. Refer to Note B2 for revenue from external customers split by geographical region.

Revenues from the top five external customers were $1,691 million (2020: $1,094 million) which in aggregate represent approximately 31% (2020: 32%) of the Group's revenues from the sale of coal. These revenues were attributable to the NSW and Queensland coal mining segments.

Segment revenue reconciles to total revenue as follows:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Total segment revenue** | **5,256** | 3,235 |
| Interest income | **21** | 84 |
| Sea freight | **79** | 64 |
| Royalty revenue | **28** | 15 |
| Other revenue | **20** | 30 |
| Mining services fees | **–** | 45 |
| **Total revenue (refer to Note B2)** | **5,404** | 3,473 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Operating EBITDA

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and significant impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value re-measurements and foreign exchange gains / (losses) on interest-bearing liabilities.

Interest income and expense are not allocated to the NSW and QLD segments, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

A reconciliation of Operating EBITDA to profit before income tax from continuing operations is provided as follows:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Operating EBITDA** | **2,531** | 748 |
| Depreciation and amortisation | **(831)** | (804) |
| **Operating EBIT** | **1,700** | (56) |
| Interest income | **21** | 84 |
| Finance costs | **(259)** | (191) |
| Bank fees and other charges | **(49)** | (55) |
| Fair value losses recycled from hedge reserve – USD loans | **(153)** | (194) |
| Impairment of exploration and evaluation assets | **(100)** | – |
| Remeasurement of contingent royalty | **(33)** | 23 |
| Loss on reconsolidation of Watagan | **–** | (1,383) |
| Contingent royalty payments | **(28)** | – |
| Gain on acquisition of interest in joint operation | **–** | 653 |
| Remeasurement of royalty receivable | **4** | (9) |
| Stamp duty | **–** | (15) |
| **Profit / (loss) before income tax from continuing operations** | **1,103** | (1,143) |

### (iii) Segment capitalised expenditure

Amounts with respect to capital expenditure are measured in a manner consistent with that of the financial statements. Reportable segment's capital expenditure is set out in Note B1(a).

All segment assets are located in Australia.

### (iv) Segment liabilities

A measure of total liabilities for reportable segments are not provided to the Executive Committee. The Executive Committee reviews the liabilities of the Group at a consolidated level.

## B2 Revenue

**Accounting policies**

*(a) Sales revenue*

(i) Sale of coal

The Group produces and sells a range of thermal and metallurgical coal products. Revenue from the sale of coal is recognised when control of the product has transferred to the customer usually when loaded onto the vessel, or Free On Board ("FOB"). Some contracts include sea freight services which is accounted for as a separate performance obligation. On occasion revenue is recognised as the vessel pulls into harbour on a Free Alongside Ship ("FAS") basis. A receivable is recognised when the products are delivered as this is the point in time that the consideration is unconditional and only the passage of time is required before the payment is due. Payment is usually due within 21 days of the date when control of the product is transferred to the customer.

Some of the Group's coal sales contracts are long-term supply agreements which stipulate the annual quantity and contain a price negotiation mechanism. The initial transaction price is the market price prevailing at the time of the future shipment. As the future market price for coal is highly susceptible to factors outside the Group's influence, the transaction price for a shipment is not readily determinable until the time of the shipment.

As a result, the Group has concluded that a contract with the customer does not exist for those contracts until the time of shipment.

The transaction price for a shipment is often linked to a market index for the respective delivery period, for example, by reference to the average GlobalCOAL Newcastle Index for the delivery period. At the end of each reporting period, the final average index price may not be available for certain shipments. In those situations, the Group uses "the expected value" method to estimate the amount of variable consideration with reference to index prices at the end of the reporting period for those shipments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(b) Other revenue*

(i) Interest

Interest income from a financial asset is accrued over time, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income from leases is recognised over the term of the lease based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

(ii) Mining services fees

The Group provided mining, corporate support and IT services which relate to the management of Watagan mines. The management and mining service agreements stipulate a fixed monthly service fee and payment of the service fees is usually due within 21 days after the end of each calendar month in which the service is rendered. Revenue from providing management and mining services is recognised when the services are rendered.

(iii) Sea freight services

When contracts for sale of coal include sea freight services the performance obligation associated with providing the shipping is separately measured and recognised as the service is provided.

(iv) Other

Other primarily consists of dividends, rent, and other management fees. Dividends are recognised as revenue when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and can be measured reliably. Rental income arising on land surrounding a mine site is accounted for on a straight-line basis over the lease term.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **From continuing operations** | | |
| *Sales revenue* | | |
| Sale of coal | **5,409** | 3,429 |
| Fair value losses recycled from hedge reserve | **(153)** | (194) |
| | **5,256** | 3,235 |
| | | |
| *Other revenue* | | |
| Interest income | **21** | 84 |
| Mining services fees | **–** | 45 |
| Sea freight | **79** | 64 |
| Royalty revenue | **28** | 15 |
| Other items | **20** | 30 |
| | **148** | 238 |
| | **5,404** | 3,473 |

At 31 December 2021 there are $143 million (2020: $50 million) of provisionally priced sales, still to be finalised, of which $94 million is yet to be collected (2020: $50 million). These amounts are included in the revenue recognised above.

## Disaggregation of revenue

In the following table, revenue from sale of coal is disaggregated by primary geographical market and major products/service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's three reportable segments (see Note B1) however Corporate is not presented in this table as this segment have no coal sales:

| 31 DECEMBER 2021 | NSW $M | QLD $M | TOTAL $M |
|---|---|---|---|
| **Primary geographical markets** | | | |
| Japan | **1,331** | **124** | **1,455** |
| Taiwan | **1,090** | **4** | **1,094** |
| Singapore | **608** | **70** | **678** |
| South Korea | **546** | **107** | **653** |
| Australia (Yancoal's country of domicile) | **604** | **1** | **605** |
| Thailand | **278** | **–** | **278** |
| Vietnam | **12** | **202** | **214** |
| Malaysia | **120** | **–** | **120** |
| All other foreign countries | **303** | **9** | **312** |
| **Total** | **4,892** | **517** | **5,409** |
| | | | |
| **Product mix** | | | |
| Thermal coal | **4,382** | **25** | **4,407** |
| Metallurgical coal | **510** | **492** | **1,002** |
| **Total** | **4,892** | **517** | **5,409** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| 31 DECEMBER 2020 | NSW $M | QLD $M | TOTAL $M |
|---|---|---|---|
| **Primary geographical markets** | | | |
| Japan | 622 | 61 | 683 |
| Singapore | 562 | 48 | 610 |
| China | 434 | 21 | 455 |
| South Korea | 340 | 73 | 413 |
| Taiwan | 361 | 24 | 385 |
| Australia (Yancoal's country of domicile) | 338 | – | 338 |
| Thailand | 283 | – | 283 |
| Vietnam | 11 | 90 | 101 |
| Malaysia | 101 | – | 101 |
| All other foreign countries | 40 | 20 | 60 |
| **Total** | **3,092** | **337** | **3,429** |
| | | | |
| **Product mix** | | | |
| Thermal coal | 2,771 | 52 | 2,823 |
| Metallurgical coal | 321 | 285 | 606 |
| **Total** | **3,092** | **337** | **3,429** |

In 2021 8.2% of coal sales were attributable to the largest customer and 31.2% to the top five customers (2020: 8.3% and 31.9% respectively).

### Contract balances

The Group has recognised the following revenue-related receivables, contract assets and liabilities:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Receivables from contracts with customers | **619** | 223 |

There are no contract assets, liabilities or costs as at 31 December 2021 or 31 December 2020.

### Transaction price allocated to the remaining performance obligation

For long term contracts the Group has concluded that contracts with customers do not exist for those shipments for which the actual delivery quantity and transaction price have not yet been negotiated or determined. For the remaining shipments where the delivery quantity and transaction price have been negotiated or determined but are subject to market price movements, the contract durations are within one year or less. As a result, the Group elects to apply the practical expedient in paragraph 121(a) of AASB 15 and does not disclose information about the remaining performance obligations in relation to the coal sales contracts. The Group also elects to apply the practical expedient in paragraph 121(b) of AASB 15 and does not disclose information about the remaining performance obligations in relation to the management and mining service contracts.

## B3 Other income

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Gain on remeasurement of royalty receivable | **4** | – |
| Net gain on foreign exchange | **52** | – |
| Sundry income | **8** | 4 |
| Gain on acquisition of interest in joint operation | **–** | 653 |
| Gain on remeasurement of contingent royalty | **–** | 23 |
| | **64** | 680 |

There is no impact on the conversion of US dollar denominated interest-bearing liabilities (2020: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B4 Employee benefits

**Accounting policies**

(i) Employee benefits

Employee benefits are expensed as the service by the employee is provided and includes both equity and cash based payment transactions. Employee benefits recognised in the profit or loss are net of recoveries from third parties.

(ii) Superannuation

Contributions made by the Group under Australian legislation to contribute 10% (previously 9.5%) from 1 July 2021 of employees salaries and wages to the employee's defined contribution superannuation funds are recognised as an expense in the period in which they are incurred.

(iii) Equity-settled share-based payments

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market based performance conditions at the vesting date.

### (a) Employee benefits

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Employee benefits | **532** | 525 |
| Superannuation contributions | **46** | 43 |
| **Total employee benefits** | **578** | 568 |

During 2021 $16 million of employee benefits were capitalised (2020: $9 million).

### (b) Key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel ("KMP") for the year ended 31 December 2021. The total remuneration paid to KMP of the Company and Group during the year is as follows:

| | 31 DECEMBER 2021 $ | 31 DECEMBER 2020 $ |
|---|---|---|
| Short-term employee benefits | **5,482,202** | 7,876,960 |
| Post-employment benefits | **133,429** | 163,603 |
| Share-based payments | **2,058,029** | (2,537,960) |
| Other long-term benefits | **1,040,413** | 1,329,898 |
| | **8,714,073** | 6,832,501 |

### (c) Top five employees

The five highest paid individuals in the Group include the Chief Executive for each of the years, details of whose remuneration are set out in the remuneration report. Details of remuneration of the remaining four (2020: four) highest paid individuals who are neither a Director or Chief Executive of the Company are as follows:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Salaries, allowance and other benefits in kind | **2** | 2 |
| Retirement benefit scheme contributions | **–** | – |
| Discretionary bonuses | **4** | 3 |
| | **6** | 5 |

Their emoluments were within the following bands:

| | 31 DECEMBER 2021 NUMBER | 31 DECEMBER 2020 NUMBER |
|---|---|---|
| HK$6,500,000 to HK$7,000,000 | **–** | 1 |
| HK$8,000,000 to HK$8,500,000 | **–** | 1 |
| HK$8,500,000 to HK$9,000,000 | **1** | 1 |
| HK$9,000,000 to HK$9,500,000 | **1** | – |
| HK$9,500,000 to HK$10,000,000 | **–** | 1 |
| HK$10,500,000 to HK$11,000,000 | **2** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B5 Expenses

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **(a) Finance costs** | | |
| Lease charges | **8** | 5 |
| Unwinding of discount on provisions and deferred payables | **22** | 16 |
| Other interest expenses | **229** | 170 |
| **Total finance costs** | **259** | 191 |
| **(b) Other operating expenses** | | |
| Bank fees and other charges | **48** | 55 |
| Remeasurement of financial assets | **33** | – |
| Contingent royalty payments | **28** | – |
| Rates and other levies | **28** | 27 |
| Information technology | **20** | 15 |
| Insurance | **19** | 19 |
| Other operating expenses | **15** | 14 |
| Travel and accommodation | **7** | 9 |
| Rental expense | **4** | 3 |
| Stamp duty | **–** | 15 |
| Loss on remeasurement of royalty receivable | **–** | 9 |
| Net loss on disposal of property, plant and equipment | **–** | 9 |
| Net loss on foreign exchange | **–** | 8 |
| **Total other operating expenses** | **202** | 183 |

### (c) Largest suppliers

In 2021 7.4% of total operating expenses related to one supplier and 21.6% to the top five suppliers (2020: 6.3% and 19.7% respectively).

## B6 Taxation

**Accounting policy**

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate and laws enacted or substantially enacted at the end of the reporting period for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax expense or benefit associated with these items is recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying value of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that future taxable profit will be available to allow all or part of the asset to be recovered.

Current tax assets and liabilities are offset where the Group has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

*Tax consolidation legislation*

Yancoal Australia Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Yancoal Australia Ltd, and the entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Yancoal Australia Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from the entities in the tax consolidated group.

The entities in the tax consolidated group have entered into a tax funding agreement under which the wholly-owned entities fully compensate Yancoal Australia Ltd for any current tax payable assumed and are compensated by Yancoal Australia Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Yancoal Australia Ltd under the tax consolidation legislation as loans between entities. The amounts receivable/payable under the tax funding agreement are due upon receipt of funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Critical accounting estimates and judgements**

*Deferred tax*

Judgement is required to determine the amount of deferred tax assets that are recognised based on the likely timing and the level of future taxable profits. The Group assesses the recoverability of recognised and unrecognised deferred taxes, including historical losses incurred in Australia, using estimates and assumptions relating to projected taxable income as applied in the impairment process, refer to note C3.

*Uncertain tax matters*

Judgements are applied in how income tax legislation interacts with income tax accounting principles. These judgements are subject to risk and uncertainty, and there is the possibility that changes in circumstances will alter expectations, which may impact deferred tax assets and liabilities recognised. Where the final tax outcome is different from the amounts that are initially recognised these differences will impact the current and deferred tax in the period in which the determination is made.

## (a) Income tax (expense) / benefit

### (i) Income tax (expense) / benefit

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Deferred tax (expense) / benefit | **(312)** | 103 |
| Deferred tax (expense) / benefit included in income tax benefit comprises: | | |
| Net over provision in respect of prior years | **5** | 3 |
| (Decrease) / increase in deferred tax assets (refer to Note B6(b)(ii)) | **(422)** | 73 |
| Increase in deferred tax liabilities (refer to Note B6(b)(iii)) | **105** | 27 |
| | **(312)** | 103 |

### (ii) Reconciliation of income tax (expense) / benefit to prima facie tax payable

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Profit / (loss) from continuing operations before tax | **1,103** | (1,143) |
| Tax at the Australian tax rate of 30% (2020 – 30%) | **(331)** | 343 |
| Tax effect of amounts which are not deductible / taxable in calculating taxable income: | | |
| Over provision in prior years | **5** | 3 |
| Share of profit / (loss) of equity-accounted investees not deductible | **17** | (18) |
| Other | **(3)** | (2) |
| Stamp duty expensed | **–** | (4) |
| Gain on acquisition of interest in joint operation | **–** | 196 |
| Loss on reconsolidation of Watagan | **–** | (415) |
| Income tax (expense) / benefit | **(312)** | 103 |

### (iii) Amounts recognised directly in equity

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: | | |
| Tax effect of the discount on interest bearing liability | **93** | – |
| Cash flow hedges | **(24)** | 151 |
| | **69** | 151 |

## (b) Deferred tax assets and liabilities

### (i) Deferred tax balances

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Deferred tax assets | **539** | 890 |
| Deferred tax liabilities | **(1,055)** | (1,025) |
| | **(516)** | (135) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Deferred tax assets

| MOVEMENTS | TAX LOSSES AND OFFSETS $M | PROVISIONS $M | TRADE AND OTHER PAYABLES $M | LEASE LIABILITIES $M | CASH FLOW HEDGES $M | OTHER $M | TOTAL $M |
|---|---|---|---|---|---|---|---|
| **At 1 January 2020** | 330 | 154 | 29 | 29 | 210 | 40 | 792 |
| (Under)/over provision in prior year | 10 | – | – | – | – | (10) | – |
| (Charged)/credited | | | | | | | |
| – to profit or loss | 66 | 16 | 8 | (4) | – | (13) | 73 |
| – directly to equity | – | – | – | – | (151) | – | (151) |
| – others | – | – | – | – | – | 24 | 24 |
| – tax loss recorded on behalf of | | | | | | | |
| Watagan Group | 74 | – | – | – | – | – | 74 |
| Acquisition of subsidiaries | – | 62 | – | 12 | – | 4 | 78 |
| **At 31 December 2020** | 480 | 232 | 37 | 37 | 59 | 45 | 890 |
| | | | | | | | |
| **1 January 2021** | **480** | **232** | **37** | **37** | **59** | **45** | **890** |
| (Under)/over provision in prior year | **45** | **–** | **2** | **–** | **–** | **–** | **47** |
| (Charged)/credited | | | | | | | |
| – to profit or loss | **(462)** | **32** | **(1)** | **2** | **–** | **7** | **(422)** |
| – directly to equity | **–** | **–** | **–** | **–** | **24** | **–** | **24** |
| **At 31 December 2021** | **63** | **264** | **38** | **39** | **83** | **52** | **539** |

The Group's tax consolidated group includes Watagan Mining Company Pty Ltd ("Watagan") and its controlled subsidiaries, including the period from 31 March 2016 to 16 December 2020 whilst Watagan was deconsolidated, refer to E1(b) for further details. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses / credits can be utilised. The Group has unrecognised capital tax losses (tax effected) of $12 million (2020: capital tax losses $11 million). There is no expiry date on these tax losses.

### (iii) Deferred tax liabilities

| MOVEMENTS | PROPERTY, PLANT AND EQUIPMENT $M | INTANGIBLE ASSETS $M | INVENTORIES $M | MINING TENEMENTS AND EXPLORATION AND EVALUATION ASSETS $M | UNREALISED FOREIGN EXCHANGE GAINS $M | OTHER $M | TOTAL $M |
|---|---|---|---|---|---|---|---|
| **At 1 January 2020** | 160 | 6 | 28 | 548 | 9 | 52 | 803 |
| (Under)/over provision in prior year | (25) | – | – | 22 | 7 | (7) | (3) |
| Charged/(credited) | | | | | | | |
| – to profit or loss | (8) | 3 | – | (52) | 46 | (16) | (27) |
| Acquisition of subsidiaries | (88) | 8 | 7 | 313 | – | 12 | 252 |
| **At 31 December 2020** | 39 | 17 | 35 | 831 | 62 | 41 | 1,025 |
| | | | | | | | |
| **At 1 January 2021** | **39** | **17** | **35** | **831** | **62** | **41** | **1,025** |
| Over provision in prior year | **28** | **–** | **–** | **12** | **–** | **2** | **42** |
| Charged/(credited) | | | | | | | |
| – to profit or loss | **14** | **(1)** | **2** | **(80)** | **(40)** | **–** | **(105)** |
| – directly to equity | **–** | **–** | **–** | **–** | **–** | **93** | **93** |
| **At 31 December 2021** | **81** | **16** | **37** | **763** | **22** | **136** | **1,055** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B7 Earnings per share

**Accounting policies**

*(a) Basic earnings per share*

Calculated as net earnings/(loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference shares dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element, excluding any treasury shares held.

*(b) Diluted earnings per share*

Calculated as net earnings/(loss) attributable to members of the parent, adjusted for costs of servicing equity (other than dividends); the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### (a) Basic and diluted earnings per share

| | 31 DECEMBER 2021 | 31 DECEMBER 2020 |
|---|---|---|
| Total basic earnings / (loss) per share (cents) | **59.9** | (78.8) |
| Total diluted earnings / (loss) per share (cents) | **59.7** | (78.8) |

### (b) Reconciliation of earnings / (loss) used in calculating earnings/ (loss) per share

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| *Basic and diluted earnings / (loss) per share* | | |
| Earnings used in calculating the basic and diluted earnings / (loss) per share: | | |
| From continuing operations | **791** | (1,040) |
| | **791** | (1,040) |

### (c) Weighted average number of shares used in calculating earnings / (loss) per share

| | 31 DECEMBER 2021 NUMBER | 31 DECEMBER 2020 NUMBER |
|---|---|---|
| Ordinary shares on issue at start on the period | **1,320,439,437** | 1,320,439,437 |
| Less: weighted average of treasury shares held | **(31,225)** | (31,225) |
| Weighted average number of ordinary shares used in basic earnings / (loss) per share | **1,320,408,212** | 1,320,408,212 |
| Adjusted for rights and options on issue | **3,677,102** | 1,900,859 |
| Anti-dilutive options | **–** | (1,900,859) |
| Weighted average shares used in diluted earnings / (loss) per share | **1,324,085,314** | 1,320,408,212 |

## C OPERATING ASSETS AND LIABILITIES

Investment in assets drives the current and future performance of the Group. This section includes disclosures for property plant and equipment, mining tenements, exploration and evaluation assets, intangible assets, royalty receivable, cash and cash equivalents, trade and other receivables, trade and other payables, inventories and provisions contained within the Balance Sheet.

### C1 Property, plant and equipment

**Accounting policies**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost includes expenditure directly attributable to the acquisition of the items and the estimated restoration costs associated with the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Mine development assets include all mining related development expenditure that is not included under land, buildings, and plant and equipment. The open pit operations capitalise mine development costs including both direct and indirect costs incurred to remove overburden and other waste materials to enable access to the coal seams during the development of a new open pit mining area before commercial production commences. Amortisation of capitalised costs over the life of the operation commences at the time that commercial production begins for an open pit mining area. The open pit mining area costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. Underground mine development costs include both direct and indirect mining costs relating to underground longwall panel development and mains development (primary access / egress roads for the mine). Mains development costs are capitalised net of the coal sales revenue earned from coal extracted as part of the mains development process. These capitalised costs are amortised over the life of the mine if the roads service the entire mine or over the life of the panels accessible from those mains if shorter than the mine life.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward mine development costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

*Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

*Depreciation and amortisation*

Fixed assets, excluding freehold land, is depreciated on a straight-line or Units of Production ("UOP") basis over the asset's useful life to the Group. UOP is based on either machine hours utilised, or production tonnes from life of mine plans and estimated reserves, commencing from the time the asset is ready for use. Right of use assets are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The estimated useful lives are as follows:

- Buildings 10 - 40 years
- Mine development 10 - 40 years
- Plant and equipment 2.5 - 30 years
- Leased property, plant and equipment 2 - 10 years

An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable value. Any gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in profit or loss.

See Note C3 for further details on impairment of assets and Note C2 for further details on the estimation of coal reserves used for UOP.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | ASSETS UNDER CONSTRUCTION $M | FREEHOLD LAND AND BUILDINGS $M | MINE DEVELOPMENT $M | PLANT AND EQUIPMENT $M | RIGHT OF USE ASSETS $M | TOTAL $M |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | | |
| Opening net book amount | 224 | 310 | 1,188 | 1,140 | 78 | 2,940 |
| Additions | 273 | 1 | 60 | 9 | 20 | 363 |
| Transfers from assets under construction | (334) | 18 | 105 | 196 | – | (15) |
| Acquisition through business combinations | 39 | 81 | 181 | 161 | 42 | 504 |
| Other disposals | – | – | – | (8) | (2) | (10) |
| Depreciation charge | – | (10) | (145) | (299) | (37) | (491) |
| Closing net book amount | 202 | 400 | 1,389 | 1,199 | 101 | 3,291 |
| **At 31 December 2020** | | | | | | |
| Cost | 202 | 484 | 2,025 | 3,368 | 178 | 6,257 |
| Accumulated depreciation | – | (84) | (636) | (2,169) | (77) | (2,966) |
| Net book amount | 202 | 400 | 1,389 | 1,199 | 101 | 3,291 |
| **Year ended 31 December 2021** | | | | | | |
| Opening net book amount | **202** | **400** | **1,389** | **1,199** | **101** | **3,291** |
| Additions | **249** | **–** | **104** | **25** | **59** | **437** |
| Transfers from assets under construction | **(194)** | **–** | **86** | **102** | **–** | **(6)** |
| Other disposals | **–** | **–** | **–** | **(1)** | **–** | **(1)** |
| Depreciation charge | **–** | **(11)** | **(177)** | **(263)** | **(38)** | **(489)** |
| Closing net book amount | **257** | **389** | **1,402** | **1,062** | **122** | **3,232** |
| **At 31 December 2021** | | | | | | |
| Cost | **257** | **484** | **2,237** | **3,463** | **211** | **6,652** |
| Accumulated depreciation | **–** | **(95)** | **(835)** | **(2,401)** | **(89)** | **(3,420)** |
| Net book amount | **257** | **389** | **1,402** | **1,062** | **122** | **3,232** |

During the year ended 31 December 2021 $7 million of depreciation and amortisation was capitalised (2020: $7 million).

### (a) Non-current assets pledged as security

Refer to Note D1(b) for information on non-current assets pledged as security by the Group.

## C2 Mining tenements

**Accounting policy**

Mining tenements have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Mining tenements are amortised from the date when commercial production commences, or the date of acquisition. Amortisation is calculated over the life of the mine on a 'units of production' method based on the Joint Ore Reserves Committee ("JORC") estimated reserves.

Changes in the annual amortisation rate resulting from changes in the remaining estimated reserves, are applied on a prospective basis from the commencement of the next financial year. Every year the mining tenement's carrying amount is compared to its recoverable amount and assessed for impairment, or for possible reversals of prior year impairment.

See Note C3 for further details on the impairment of assets.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Opening net book amount | **4,883** | 4,047 |
| Acquisition through business combination | **–** | 1,121 |
| Transfers from exploration and evaluation | **69** | 31 |
| Amortisation | **(344)** | (316) |
| **Closing net book amount** | **4,608** | 4,883 |

**Critical accounting estimates and judgements**

Coal reserves are based on geological information and technical data relating to the size, depth, quality of coal, suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based on factors such as estimates of foreign exchange rates, coal price, future capital requirements, rehabilitation obligations and production costs, along with geological assumptions and judgements made in estimating the size and quality of the reserves. Management forms a view of forecast sales prices based on long term forecast coal price data from multiple external sources.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C3 Impairment of assets

**Accounting policy**

Mining tenements and goodwill are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised immediately in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Mining tenements and other non-financial assets (excluding goodwill) that have previously suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purposes of assessing impairment, assets are grouped into Cash-Generating Units ("CGU"), being the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs that are expected to benefit from the synergies of the combination. The Group assesses impairment by evaluation of conditions and events specific to the CGU that may be indicative of impairment triggers.

**Critical accounting estimates and judgements**

The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, coal prices (considering current and historical prices, price trends and related factors), foreign exchange rates, coal resources and reserves (refer to C2), operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets with the impact recorded in profit or loss. Management must use judgement in determining the CGUs that should be used for impairment testing and allocating goodwill that arises from business combinations to these CGUs.

The Group estimates its coal resources and reserves based on information compiled by Competent Persons defined in accordance with the 2012 JORC code.

### (a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines of Moolarben, Mount Thorley Warkworth, Hunter Valley Operations, Ashton and Startford Duarlie are considered to be one Cash Generating Unit ("CGU"). Yarrabee and Middlemount are considered separate CGU's due to their location and ownership structure.

Donaldson is currently on care and maintenance and has been included in the Group of NSW CGU's. The Austar mine is progressing toward closure and is therefore not included in the Group of NSW CGU's. Life of Mine ("LOM") models are reassessed on a regular basis and any change in the LOM model may result in a change in the recoverable amount and possibly result in an impairment charge.

On 16 December 2020 the Watagan Group mines of Ashton, Austar and Donaldson were reconsolidated into the Group as disclosed in Note E1(b) with the assets and liabilities recorded at fair value in line with AASB 3 *Business Combinations*.

### (b) Assessment of fair value

Each CGU's fair value less costs of disposal has been determined using a discounted cash flow model over the expected life of mine (17 – 54 years). The fair value model adopted has been categorised as level 3 in the fair value hierarchy.

The key assumptions in the model include:

| KEY ASSUMPTIONS | DESCRIPTION |
|---|---|
| Coal price | The Group's cash flow forecasts are based on estimates of future coal prices, which assume benchmark prices will revert to the group's assessment of the long term real coal prices of US$57 – US$105 per tonne (2020: US$57 – US$103 per tonne) for thermal and US$103 – US$180 per tonne (2020: US$103 – US$177 per tonne) for metallurgical coal.<br><br>The Group receives long term forecast coal price data from multiple external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities.<br><br>The external sources have determined their benchmark coal price forecasts having regard to countries various National Energy Policies including Nationally Determined Contributions submitted in accordance with the 2015 Paris Agreement, and other measures announced in the lead-up to COP26, including phasing down of coal fired power generation. This contemplates the global seaborne demand for thermal coal will remain relatively consistent to 2025 and then range between remaining relatively consistent or declining to 25% below 2021 levels by 2040, whilst the global seaborne demand for metallurgical coal will increase up to 2040. Key risks to the outlooks are increasing decarbonisation trends, trade disputes, protectionism, import control policies in end markets, shareholder activism to divest from coal, the pace of renewable technology advancement and investor behaviour to coal project financing. |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| KEY ASSUMPTIONS | DESCRIPTION |
|---|---|
| Coal price *continued* | The Group has considered the impacts of a more rigorous international response to climate change under the Paris Agreement incorporating updated pledges for COP26 and notes that the average mine life required for the recoverable amount to continue to exceed the book value, holding all inputs constant, including coal prices, is 7, 9 and 6 years for the NSW, Yarrabee and Middlemount CGUs, respectively. The NSW CGU has a 91% exposure to thermal coal and 9% exposure to metallurgical coal whilst Yarrabee and Middlemount are both metallurgical coal mines.<br><br>The Group concludes that whilst a more rigorous international response to climate change could reduce the future demand for coal the likely impact of any such actions are not expected to materially impact during the time periods noted above and hence would not result in the recoverable amount falling below book value.<br><br>For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts. These forecasts include the assumption that the world economy will return to the growth trajectory that was occurring before the COVID-19 pandemic, China will increase its imports of seaborne coal and that limited supply will be brought online due to low investment in new coal production capacity over the last five to ten years. There is a risk that these assumptions are incorrect and that future coal prices are different from those forecast. |
| Foreign exchange rates | The long term AUD/USD forecast exchange rate of $0.75 (2020: $0.75) is based on external sources. The year-end AUD/USD exchange rate was $0.7256 per the Reserve Bank of Australia. |
| Production and capital costs | Production and capital costs are based on the Group's estimate of forecast geological conditions, stage of existing plant and equipment and future production levels.<br><br>This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans, JORC reports, and project evaluations performed by the Group in its ordinary course of business. |
| Coal reserves and resources | The Group estimates its coal reserves and resources based on information compiled in accordance with the JORC 2012 Code and ASX Listing Rules 2014. See discussion at Note C2 Mining tenements for how the coal reserves and resources are determined. |
| Discount rate | The Group has applied a post-tax discount rate of 10.5% (2020: 10.5%) to discount the forecast future attributable post-tax cash flows.<br><br>The post-tax discount rate applied to the future cash flow forecasts represents an estimate of the rate the market would apply having regard to the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.<br><br>External consultants were engaged to consider the Group's discount rate, in particular the effect of ESG concerns on coal asset risk premiums, with 10.5% assessed as the middle of the range.<br><br>This rate is also consistent with the Group's five-year business plan, life of mine models and project evaluations performed in ordinary course of business. |

Based on the above assumptions at 31 December 2021 the recoverable amount is determined to be above book value for all CGU's resulting in no impairment.

Impairment provisions recorded in previous years as at 31 December 2021 is $40 million at Stratford and Duralie. Stratford and Duralie is included in the NSW CGU. Management may consider reversals of the impairment provision previously recognised if there is either an increase in the average long term real revenue over the life of the mine due to either an increase in USD coal prices, or a weakening of the AUD/USD foreign exchange rate or a combination of both, or reductions in the current and life of mine operating costs, capital expenditure requirements, or an increase in the reserves.

In determining the value assigned to each key assumption, management has used: external sources of information; the expertise of external consultants; as well as the experience of experts within the Group to validate entity specific assumptions such as coal reserves and resources. Additionally various sensitivities have been determined and considered with respect to each of the key assumptions, further supporting the above fair value conclusions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Key sensitivity

The most sensitive input in the fair value model is forecast revenue, which is primarily dependent on estimated future coal prices and the AUD/USD forecast exchange rate. The sensitivity for the NSW, Yarrabee and Middlemount CGUs are shown below:

| | 2021 | | |
|---|---|---|---|
| | NSW $M | YARRABEE $M | MIDDLEMOUNT $M |
| Book Value | 6,077 | 344 | 299 |
| Recoverable Amount | 10,392 | 777 | 413 |
| Head Room | 4,315 | 433 | 114 |
| USD Coal Price (i) | | | |
| +10% | 2,298 | 277 | 175 |
| -10% | (2,299) | (278) | (234) |
| Exchange Rate (ii) | | | |
| +5 cents | (1,548) | (196) | (164) |
| -5 cents | 1,771 | 224 | 143 |
| Discount Rate (iii) | | | |
| +50 bps | (379) | (24) | (9) |
| -50 bps | 409 | 25 | 10 |

(i) This represents the change in recoverable amount due to a +/- 10% change to our coal price assumption.

(ii) This represents the change in recoverable amount due to a +/- 5 cents change to the long-term US$:A$ foreign exchange rate adopted.

(iii) This represents the change in recoverable amount due to a +/- 50bps change in discount rate adopted.

If coal prices were -10% Life of mine ("LOM") the NSW and Yarrabee recoverable amounts would exceed book value however for Middlemount the book value would exceed the recoverable amounts by $117 million. If the AUD/USD over the life of mine long term forecast exchange rate was $0.80, the recoverable amount would exceed book value for NSW and Yarrabee however for Middlemount the book value would exceed recoverable amount by $17 million. If the WACC was 11.0%, or 0.5% higher, the recoverable amount would exceed book value for all CGU's.

Donaldson remains on care and maintenance and technical work remains ongoing to assess potential future mining operations. Based on the latest available technical information, with development commencing in 2025, and adopting a 14% discount rate, the recoverable amount exceeds the book value.

The key sensitivity for Donaldson is whether the operation is developed. If, as a result of the ongoing technical work, or due to other strategic priorities, the development is delayed or cancelled there may be an impairment.

### (c) Goodwill

The Yarrabee goodwill was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

### (d) Exploration and evaluation

Details of the impairment of exploration and evaluation assets is included in note C4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C4 Exploration and evaluation assets

**Accounting policy**

Exploration and evaluation expenditure incurred is accumulated in respect of each separately identifiable area of interest which is at the individual exploration permit or licence level. These costs are only carried forward where the right of tenure for the area of interest is current and to the extent that they are expected to be recouped through successful development and commercial exploitation, or alternatively, sale of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets acquired in a business combination are recognised at their fair value at the acquisition date. The carrying amount of exploration and evaluation assets are assessed for impairment when facts or circumstances suggest the carrying amount of the assets may exceed their recoverable amount. A regular review is undertaken for each area of interest to determine the appropriateness of continuing to carry forward costs in relation to each area of interest. Accumulated costs in relation to an abandoned area are written off in full in the period in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, the exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining tenements or mine development assets

**Critical accounting estimates and judgements**

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If after expenditure is capitalised information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is recognised in the profit and loss in the period when the new information becomes available.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Opening net book amount | **709** | 555 |
| Acquisition through business combination | **–** | 184 |
| Other additions | **1** | 1 |
| Transfers to mining tenements | **(69)** | (31) |
| Impairment | **(100)** | – |
| Closing net book amount | **541** | 709 |

An impairment of $100 million has been recognised against the Donaldson exploration and evaluation assets. Based on the latest available technical information, if the Donaldson mine commences development in 2025 the mine plan could extend out beyond 2050. It has been assessed that the development of a thermal coal resource in this location is unlikely beyond 2050 and as a result the book value of the exploration and evaluation assets are unlikely to be recoverable.

## C5 Intangibles

**Accounting policies**

*(i) Goodwill*

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

See Note C3 for further details on impairment of assets.

*(ii) Computer software*

Computer software is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of expected benefit, which ranges from 2.5 to 10 years.

*(iii) Water rights*

Water rights have been recognised at cost and are assessed annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. The water rights have been determined to have an indefinite useful life as there is no expiry date on the licences.

*(iv) Other*

Other intangibles include access rights, other mining licenses and management rights associated with the Group's right to manage Port Waratah Coal Services. These intangibles have a finite useful life and are carried at cost less any accumulated amortisation and impairment losses. Amortisation of these other intangibles is calculated as the shorter of the life of the mine or agreement and using a units of production basis in tonnes, or on a straight-line basis. The estimated useful lives vary from 10 to 25 years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | GOODWILL $M | COMPUTER SOFTWARE $M | WATER RIGHTS $M | OTHER $M | TOTAL $M |
|---|---|---|---|---|---|
| **Year ended 31 December 2020** | | | | | |
| Opening net book amount | 60 | 6 | 18 | 13 | 97 |
| Acquisition through business combination | – | – | 28 | – | 28 |
| Transfers – assets under construction | – | 4 | 11 | – | 15 |
| Amortisation charge | – | (3) | – | (2) | (5) |
| Closing net book amount | 60 | 7 | 57 | 11 | 135 |
| **At 31 December 2020** | | | | | |
| Cost | 60 | 35 | 57 | 15 | 167 |
| Accumulated amortisation | – | (28) | – | (4) | (32) |
| Net book amount | 60 | 7 | 57 | 11 | 135 |
| **Year ended 31 December 2021** | | | | | |
| Opening net book amount | 60 | 7 | 57 | 11 | 135 |
| Transfers – assets under construction | – | 1 | 5 | – | 6 |
| Amortisation charge | – | (3) | – | – | (3) |
| Closing net book amount | 60 | 5 | 62 | 11 | 138 |
| **At 31 December 2021** | | | | | |
| Cost | **60** | **36** | **62** | **16** | **174** |
| Accumulated amortisation | **–** | **(31)** | **–** | **(5)** | **(36)** |
| Net book amount | **60** | **5** | **62** | **11** | **138** |

The goodwill at 31 December 2021 relates to the acquisition of Yancoal Resources Limited (formally known as Felix Resources Limited) in a public offer to shareholders of the ASX listed company and was allocated to the Yarrabee mine. Refer to Note C3 for the details regarding the fair value less cost to sell calculation performed at 31 December 2021. The CGU for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

## C6 Leases

### (a) Amount recognised in profit or loss

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Depreciation on right of use assets (refer Note C1) | **(38)** | (37) |
| Expenses relating to short-term and variable leases | **(45)** | (34) |
| Interest on lease liabilities | **(8)** | (5) |
| Other income from equipment leasing | **–** | 4 |

### (b) As a lessee

#### Right-of-use assets

| | BUILDINGS $M | PLANT AND EQUIPMENT $M | TOTAL $M |
|---|---|---|---|
| Opening balance at 31 December 2020 | 12 | 89 | 101 |
| Additions | – | 59 | 59 |
| Depreciation | (2) | (36) | (38) |
| **Closing balance at 31 December 2021** | **10** | **112** | **122** |

An undiscounted maturity analysis of lease liabilities is disclosed in Note D7(c).

The cash outflow for capitalised leases was $35 million for the year ended 31 December 2021 (2020: $35 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C7 Cash and cash equivalents

**Accounting policy**

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents includes:

(i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

(ii) other short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Cash at bank and in hand | **621** | 470 |
| Deposits at call | **769** | 65 |
| Share of cash held in Joint Operations | **105** | 102 |
| | **1,495** | 637 |

As disclosed in Note D1(a)(i) the minimum average balance of US$25 million per day and at month end US$50 million is required to be held in the Lender Accounts of the Syndicated Facility which is not available for use on those days.

### (a) Risk exposure

The Group's exposure to interest rate risk and credit risk is discussed in Note D7. The maximum exposure to credit risk on the cash and cash equivalents balance at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## C8 Trade and other receivables

**Accounting policy**

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. After initial recognition, trade and other receivables are carried at amortised cost using the effective interest method apart from Wiggins Island Preference Shares ("WIPS") which are classified as fair value through profit and loss. Refer to Note F6(b) for detailed policies in relation to recognition, measurement, impairment and derecognition of trade and other receivables.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Current** | | |
| Trade receivables from contracts with customers | **619** | 223 |
| Receivables from joint venture (i) | **–** | 60 |
| Other trade receivables | **88** | 65 |
| | **707** | 348 |
| **Non-current** | | |
| Receivables from joint venture (ii) | **149** | 135 |
| Receivables from other entities (iii) | **14** | 14 |
| Long service leave receivables | **76** | 72 |
| | **239** | 221 |

(i) Current receivables from joint venture includes revolver loans provided to Middlemount Coal Pty Ltd ("Middlemount") with a maturity date of 31 December 2023 (facility amended and extended from previous one which expired on 31 December 2021) and interest rate of 10%. The drawn balance of the revolver loan is nil million at 31 December 2021, facility balance is $50 million.

(ii) Receivables from joint venture includes a loan provided to Middlemount with a face value of $212 million. From 15 October 2020 the shareholders of Middlemount agreed to renew the loan interest free until 31 December 2025. At 31 December 2021 this loan has been revalued using the effective interest rate method to $149 million with the initial difference being recognised against the investment in joint venture (refer Note E2), and is subsequently unwound through profit and loss over the term.

(iii) Receivables from other entities includes the Group's investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ('WICET"). These include E Class WIPS and Gladstone Island Long Term Securities ("GiLTS"). During 2018 the WIPS were revalued to nil from $29 million, the GiLTS were impaired by $17 million to a carrying value of $14 million.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis, as appropriate. The following is an aged analysis of trade receivables based on the invoice dates at the reporting dates:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| 0-90 days | **591** | 199 |
| 91-180 days | **5** | 3 |
| 181-365 days | **10** | 9 |
| Over 1 year | **13** | 12 |
| Total | **619** | 223 |

### (a) Past due but not impaired

The ageing analysis of the Group's trade receivables, that were past due but not yet impaired as at 31 December 2021 and 2020, is as follows:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| 0-90 days | **3** | 2 |
| 91-180 days | **5** | 3 |
| 181-365 days | **10** | 9 |
| Over 1 year | **13** | 12 |
| Total | **31** | 26 |

Included above is $27 million (2020: $26 million) of royalty revenue receivable from Middlemount which under the terms of the revolver loans provided defer the payment obligation from Middlemount whilst there is a current balance in the revolver loans. As at 31 December 2021 there is no outstanding balance in the Middlemount revolver loan. Subsequent to year end this royalty receivable has been settled.

The Group does not hold any collateral over these balances. Management closely monitors the credit quality of trade receivables and considers the balance that are neither past due or impaired to be of good quality.

### (b) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note D7.

### (c) Fair value and credit risk

Due to the nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to Note D7 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

## C9 Inventories

**Accounting policy**

Coal stocks are stated at the lower of cost and net realisable value. Costs are assigned on a weighted average basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overheads on the basis of normal mining capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of auxiliary materials, spare parts, small tools, and fuel expected to be used in production are stated at weighted average cost after deducting rebates, discounts, less an allowance, if necessary, for obsolescence.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Coal – at lower of cost or net realisable value | **142** | 197 |
| Tyres and spares – at cost | **118** | 111 |
| Fuel – at cost | **4** | 4 |
| | **264** | 312 |

### (a) Inventory expense

Write downs of inventories to net realisable value recognised as a provision at 31 December 2021 amounted to $8 million (2020: $14 million). The movement in the provision has been included in “Changes in inventories of finished goods and work in progress” in the profit or loss.

## C10 Royalty receivable

**Accounting policy**

The royalty receivable is revalued at each reporting period based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates. Gains or losses arising from changes in the re-measurement of the fair value of the royalty receivable are recognised in profit or loss. The cash and accrued receipts are recorded directly in other revenue in profit or loss.

**Critical accounting estimates and judgements**

The fair value of the royalty receivable is estimated based on expected future cash flows that are dependent on sales volumes, price changes and fluctuations in foreign exchange rates.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Opening balance | **217** | 226 |
| Re-measurement of royalty receivable | **4** | (9) |
| | **221** | 217 |
| | | |
| **Split between:** | | |
| Current | **23** | 16 |
| Non-current | **198** | 201 |
| Total | **221** | 217 |

A right to receive a royalty of 4% of Free on Board Trimmed sales from the Middlemount mine was acquired as part of the merger with Gloucester Coal Ltd in 2012. This asset has been determined to have a finite life being the life of the Middlemount Mine and is measured on a fair value basis.

### (a) Risk exposure and fair value measurements

Information about the Group’s exposure to price risk, foreign exchange risk and methods and assumptions used in determining fair value of the royalty receivable is provided in Note D7.

## C11 Trade and other payables

**Accounting policy**

Refer to Note F6(b) for detailed policies in relation to recognition, classification, measurement and derecognition of trade and other payables.

Liabilities for payroll costs payable include employee benefits for wages, salaries, annual leave and accumulating sick leave that are expected to be wholly settled within 12 months of the reporting date and based on the undiscounted present obligations resulting from employees' services provided to the reporting date including related on costs, such as superannuation, workers compensation, insurance and payroll tax. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits using corporate bond rates with terms that match the expected timing of cash out flows. In determining the liability, consideration is given to employee salary and wage increases and the probability that the employee may satisfy any vesting requirements.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Trade payables | **458** | 414 |
| Payroll costs payable | **136** | 127 |
| Interest payable | **127** | 99 |
| Other payables | **22** | 38 |
| | **743** | 678 |

The following is an aging analysis of trade payables based on the invoice dates at the reporting date:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| 0-90 days | **453** | 412 |
| 91-180 days | **5** | 1 |
| 181-365 days | **–** | 1 |
| Over 1 year | **–** | – |
| Total | **458** | 414 |

The average credit period for trade payable is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

## C12 Provisions

**Accounting policy**

Provisions are:

- recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that cash will be required to settle the obligation, and the amount can be reliably estimated.
- measured at the present value of management's best estimate at reporting date of the cash outflow required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability where the time value is material. Any increase in the provision due to the passage of the time is recognised as an interest expense.

| 2021 | EMPLOYEE BENEFITS $M | REHABILITATION $M | TAKE OR PAY $M | SALES CONTRACT PROVISION $M | OTHER PROVISIONS $M | TOTAL $M |
|---|---|---|---|---|---|---|
| Opening net book amount | **95** | **631** | **22** | **47** | **43** | **838** |
| Charged / (credited) to profit or loss | | | | | | |
| – unwinding of discount | **–** | **18** | **1** | **2** | **–** | **21** |
| – release of the provision | **(2)** | **–** | **(9)** | **(6)** | **(1)** | **(18)** |
| – utilisation of provisions | **–** | **(27)** | **–** | **–** | **–** | **(27)** |
| Increase of provisions | **–** | **105** | **–** | **–** | **–** | **105** |
| Re–measurement of provisions | **–** | **–** | **–** | **–** | **33** | **33** |
| Closing net book amount | **93** | **727** | **14** | **43** | **75** | **952** |
| **Split between** | | | | | | |
| **Current** | **5** | **–** | **4** | **8** | **–** | **17** |
| **Non-current** | **88** | **727** | **10** | **35** | **75** | **935** |
| **Total** | **93** | **727** | **14** | **43** | **75** | **952** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| PROVISION | DESCRIPTION |
|---|---|
| Employee benefits | The provision for employee benefits represents long service leave entitlements and other incentives accrued by employees.<br><br>Long service leave payments are made monthly to the Coal Mining Industry (Long Service Leave Funding) Corporation based on the eligible monthly payroll of employees involved in the mining of black coal. Reimbursement is sought from the fund when long service leave is paid to employees involved in the mining of black coal. An asset for the amount recoverable from the Coal Mining Industry (Long Service Leave Funding) Corporation is recognised in trade and other receivables. |
| Rehabilitation costs | Mining lease agreements and exploration permits impose obligations on the Group to rehabilitate areas where mining activity has taken place. Rehabilitation of these areas is ongoing and in some cases will continue past the life of a mine. The provision for rehabilitation costs has been calculated based on the present value of the future costs expected to be incurred in restoring affected mining areas, assuming current technologies.<br><br>***Key estimate and judgement:***<br>The rehabilitation provision has been created based on managements' internal estimates and assumptions relating to the current economic environment, which management believes is a reasonable basis upon which to estimate the future liability.<br><br>These estimates are reviewed regularly to take into account any material changes to the assumptions, however actual rehabilitation costs will ultimately depend upon the future market prices for the necessary decommissioning works (including technology changes which are inherently uncertain) and the timing of when the rehabilitation costs are incurred. Timing is dependent upon when the mines cease to produce at economically viable rates, which in turn, will depend upon future coal prices, which are inherently uncertain. |
| Take or pay | In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under AASB 3 Business Combinations. Take or pay is the assessment of forecast excess capacity for port and rail contracts. A provision is recognised for the discounted estimated excess capacity. The provision has a finite life and will be released to profit or loss over the period in which excess capacity is realised.<br><br>***Key estimate and judgement:***<br>The provision is recognised and estimated based on management's assessment of contracted port capacity versus forecast usage. This involves making assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. |
| Sales contract | In acquiring part of a business or operation, an assessment is made on the fair value of the assets and liabilities under AASB 3 Business Combinations. The sales contract provision is the assessment of a coal supply and transportation agreement to supply coal to BLCP Power Limited in Thailand at below market prices. A provision was recognised in 2017 for the discounted estimated variance between contract and market prices. The provision has a finite life and will be released to profit or loss over the contract term.<br><br>***Key estimate and judgement:***<br>The provision is recognised and estimated based on management's assessment of future market prices. |
| Other provisions | The provision includes marketing services fee payable to Noble Group Limited deemed above market norms in 2012 and contingent royalties payable to Rio Tinto assessed as part of the Coal & Allied Industries Ltd ("Coal & Allied") acquisition in 2017 which will be amortised over the contract terms, and make good provisions to cover the cost to 'make good' any hired equipment, in case any major overhaul costs are incurred at the end of the lease period.<br><br>***Key estimate and judgement:***<br>The provision is recognised and estimated based on management's assessment of future market prices of coal. |

## D CAPITAL STRUCTURE AND FINANCING

The ability of the Group to fund the investment in its ongoing activities, invest in new opportunities and meet current commitments is dependent on available cash and access to third party capital. This section contains disclosure on interest-bearing liabilities, contingencies, financial risk management, reserves, share-based payments and contributed equity that are required to finance the Group's activities.

### D1 Interest-bearing liabilities

**Accounting policy**

(i) Interest-bearing liabilities

Interest-bearing liabilities (excluding financial guarantees) are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method. US dollar interest-bearing loans are designated as a hedge instrument in a cash flow hedge (refer to note D7). Refer to Note F6(b) for detailed policies in relation to recognition, classification, measurement and derecognition of interest-bearing liabilities.

(ii) Leases

For capitalised leases the corresponding minimum lease payments are included in lease liabilities. Each lease payment is allocated between finance cost and a reduction in the outstanding lease liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Current** | | |
| Lease liabilities | **32** | 41 |
| Bank loans | **34** | 455 |
| | **66** | 496 |
| | | |
| **Non-current** | | |
| Lease liabilities | **99** | 80 |
| Bank loans | **1,598** | 1,564 |
| Bonds from related parties | **–** | 1,006 |
| Unsecured loans from related parties (i) | **1,672** | 1,059 |
| | **3,369** | 3,709 |
| | | |
| **Total interest-bearing liabilities** | **3,435** | 4,205 |

(i) Included are unsecured interest bearing loans of $883 million (2020: $1,059 million) from majority shareholder Yankuang Energy and $789 million (2020: nil) from ultimate parent Shandong Energy. Terms and conditions is detailed in Note D1(c) below.

### Reconciliation of liabilities arising from financing activities

| | LEASE LIABILITIES $M | LOANS FROM RELATED PARTIES $M | BANK LOANS $M | BONDS $M |
|---|---|---|---|---|
| Opening balance at 1 January 2021 | 121 | 1,059 | 2,019 | 1,006 |
| Additions | 44 | 1,019 | 464 | – |
| Repayments | (42) | (232) | (958) | (1,019) |
| Transaction costs capitalised | – | – | (4) | – |
| Initial revaluation of loan from Shandong Energy | – | (309) | – | – |
| Unwind of interest expenses and costs | 8 | 30 | 6 | – |
| Foreign exchange movements | – | 105 | 105 | 13 |
| **Closing balance at 31 December 2021** | **131** | **1,672** | **1,632** | **–** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (a) Bank loans

The bank loans are made up of the following facilities:

| | | 31 DECEMBER 2021 | | 31 DECEMBER 2020 | |
|---|---|---|---|---|---|
| | FACILITY US $M | FACILITY $M | UTILISED $M | FACILITY $M | UTILISED $M |
| **Secured bank loans** | | | | | |
| Syndicated Facility (i)* | **869** | **1,198** | **1,198** | 1,655 | 1,655 |
| Syndicated Term Loan (ii) | **333** | **459** | **459** | 390 | 390 |
| **Unsecured bank loan** | | | | | |
| Working capital facility (iii) | **50** | **69** | **–** | 65 | – |
| | **1,252** | **1,726** | **1,657** | 2,110 | 2,045 |

* Facility balance excludes transaction costs of AU$24 million (31 December 2020: AU$26 million).

i. Syndicated Facility

On 8 July 2020 the Syndicated Facility was refinanced with a new agreement and syndication of banks. Repayments are US$25 million each due after six months, the first, second and third anniversary with the balance split over the fourth and fifth anniversary. During 2021 US$406 million was repaid reducing the facility to US$869 million (31 December 2020 facility amounted to US$1,275 million). Once the facility has been repaid it can not be redrawn.

Security is held over these loans in the form of a corporate guarantee issued by the Company's majority shareholder, Yankuang Energy Group Company Limited ("Yankuang Energy"), formerly known as Yanzhou Coal Mining Co Limited, for the full amount of the facility in return for a 1.5% guarantee fee.

The new Syndicated Facility includes the following financial covenants that remain the same as compared to 31 December 2020 to be tested half-yearly:

a. The interest cover ratio is greater than 1.40;
b. The gearing ratio of the Group will not exceed 0.75; and
c. The consolidated net worth of the Group must be greater than AU$3,000 million.

The calculation of the above covenants include certain exclusions with regard to unrealised gains and losses including foreign exchange gains and losses.

The Syndicated Facility include the following minimum balance requirements to be satisfied daily and at each end of month:

a. The Company is to maintain in the Lender Accounts an aggregate daily average balance of not less than US$25 million, this is tested at the end of each month, and;
b. The Company is to maintain in the Lender Accounts an aggregate end of month balance of not less than US$50 million.

There was no breach of covenants at 31 December 2021.

ii. Syndicated Term Loan

On 23 August 2021, the Syndicated Term Loan has been refinanced with a new agreement, provided from a syndicate of six international banks, with US$333 million in total of which US$301 million will mature in August 2024 and US$32 million will mature in August 2026.

The Syndicated Term Loan is secured by the assets of the aggregated group of Yancoal Resources Ltd and Coal & Allied Industries Ltd with an assets carrying value of $7,392 million.

The Syndicated Term Loan includes the following financial covenants based on the aggregated results of Yancoal Resources Ltd Group and Coal & Allied Group to be tested half-yearly:

a. The interest cover ratio is greater than 5.0 times;
b. The finance debt to EBITDA ratio is less than 3.0 times; and
c. The net tangible assets is greater than AU$1,500 million.

iii Working capital facility

On 1 June 2020 the Company entered into a general purpose working capital facility with an international bank on an unsecured basis with an annual review. No amounts were drawn on the facility as at 31 December 2021 (The drawn balance at 31 December 2020 was less than $1 million).

The financial covenants match the Syndicated Facility. There was no breach of covenants at 31 December 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Bank guarantee facilities

Yancoal are party to the following bank guarantee facilities which have been issued for operational purposes in favour of port, rail, government departments and other operational functions:

| PROVIDER | AU $M | UTILISED AU $M | SECURITY |
|---|---|---|---|
| Syndicate of nine Australian and international banks* | 975 | 875 | Secured by the assets of the consolidated groups of Yancoal Resources Ltd and Coal & Allied Industries Ltd with carrying value of $7,392 million. Facility expires on 3 June 2023. |
| **Total** | **975** | **875** | |

* The Syndicated Bank Guarantee Facility was extended on 3 June 2020 for a three year term with a new syndicate group of banks.

The Syndicated Bank Guarantee Facility includes the same financial covenants as the Syndicated Term Loan.

### (c) Unsecured loans from related parties

In December 2014, the Company successfully arranged two long term loan facilities from its majority shareholder, Yankuang Energy repayable on 31 December 2024.

- Facility 1: AU$1,400 million – the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. During the period, US$175 million has been repaid (31 December 2020: NIL). At 31 December 2021 US$398 million (AU$548 million) was drawn (31 December 2020: US$573 million (AU$744 million)).
- Facility 2: US$243 million – initially the facility totalled US$807 million with the purpose of the facility being to fund the coupon payable on subordinated capital notes. On 31 January 2018 all remaining SCN's were redeemed limiting the facility to the current drawn amount US$243 million. During the period no amount has been drawn down or repaid. In total US$243 million (AU$335 million) was drawn as at 31 December 2021 (31 December 2020 US$243 million (AU$315 million)).

Both the facilities have a term of ten years (with the principal repayable at maturity, 31 December 2024) and are provided on an unsecured and subordinated basis with no covenants.

The terms of the US$775 million loan from Shandong Energy are as follows:

On 31 March 2021 the Group successfully refinanced the Watagan Bonds where the ultimate parent, Shandong Energy, provided the Group a US$775 million unsecured and subordinated loan. The loan matures on 16 December 2026. During the period, no principal repayments have been made on this loan.

A revaluation to fair value of the loan was performed at inception. This loan has an interest rate of 4.65% which is significantly below normal commercial terms. The implicit discount, between the agreed interest rate and determined arms length commercial interest rate of the loan, (if the loan was made by a financier that was not a related party) 12%, was recognised as an increase to other contributed equity. The revaluation of the loan is released through interest expense in the profit and loss using the effective interest method over the life of the loan. As at 31 December 2021 the total outstanding loan (net of discounted equity contribution) amounts to $789 million (US$563 million).

### (d) Bonds

On 16 December 2020 the Group reconsolidated Watagan Mining Company Pty Ltd and its subsidiaries and as disclosed in Note E2, the Group acquired US$775 million of bonds payable to external financiers. The financiers were Industrial Bank Co. Ltd US$550 million, Yankuang Group (Hong Kong) Ltd US$200 million and United NSW Energy US$25 million. A commercial arrangement was entered into between Shandong Energy (the Group's ultimate parent company, formerly known as Yankuang) and the financiers whereby Shandong Energy provided a new loan facility of US$775 million to the Group which was used to refinance all the bonds on 31 March 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D2 Contributed equity

**Accounting policy**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Costs directly attributable to the issue of new shares, options or other equity instrument are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration. Refer to Note F6(b)(ii) for detailed policies in relation to recognition, classification and measurement of contributed equity.

### (a) Contributed equity

| | 31 DECEMBER 2021 NUMBER | 31 DECEMBER 2020 NUMBER | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|---|---|
| *(i) Share capital* | | | | |
| Ordinary shares | **1,320,439,437** | 1,320,439,437 | **6,219** | 6,219 |
| | | | | |
| *(ii) Other equity securities* | | | | |
| Contingent value right shares | | | **263** | 263 |
| Related party loan contribution (i) | | | **216** | – |
| | | | **479** | 263 |
| **Total contributed equity** | | | **6,698** | 6,482 |

i. Related party loan contribution

On 31 March 2021 Shandong Energy the Group's ultimate parent, (formerly known as Yankuang) provided a US$775 million loan to the Group in order for the Group to redeem an equal amount of external bonds on issue. Using the effective interest method a revaluation to fair value the loan from Shandong Energy was performed at inception. The revaluation took into account the implicit discount between the determined arms length commercial interest rate of the loan if the loan was made by a financier that was not a related party, of 12%, and the actual interest rate. The difference is recognised as an increase to other contributed equity reflecting the contribution made to the Group through the implicit support provided by Shandong Energy. The revaluation of the loan is released through interest expense in the profit and loss using the effective interest method over the life of the loan.

**Key accounting estimate and judgement:**

In determining the expected commercial borrowing rate that is expected to be payable if the loan was made by a financier that was not a related party requires significant judgement in formulating the estimate as there are limited observable comparable transactions.

### (b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital. There were no changes in ordinary shares in the reporting periods.

### (c) Contingent value right shares

The contingent value right ("CVR") shares were repurchased on 4 March 2014 for cash of $263 million representing the market value of $3.00 cash per CVR share.

### (d) Capital risk management

Total capital comprises total equity as shown on the balance sheet plus total interest bearing liabilities less cash and cash equivalents. The Group's primary objectives when managing capital are to ensure the continued ability to provide a consistent return for equity stakeholders through a combination of capital growth and distributions and to maintain an optimal capital structure to reduce the cost of capital. In order to achieve these objectives, the Group seeks to maintain a debt to debt plus equity ratio (gearing ratio) that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or other equity instruments, repay debt or draw down additional debt.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The gearing ratios at the reporting dates were as follows:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Total interest-bearing liabilities | **3,435** | 4,205 |
| Less: cash and cash equivalents | **(1,495)** | (637) |
| Net debt | **1,940** | 3,568 |
| | | |
| Total equity | **6,146** | 5,193 |
| Total capital | **8,086** | 8,761 |
| | | |
| **Gearing ratio** | **24.0%** | 40.7% |

Refer to Note D1 for the Group's compliance with the financial covenants of its borrowing facilities.

## D3 Share-based payments

**Accounting policy**

Refer to Note B4(iii) for the accounting policy on share-based payments.

Participation in the share-based payment program (Long Term Incentive Program, "LTIP") by the issuing of rights is limited to Senior Executives of the Group. All rights are redeemable on a one-for-one basis for the Group's shares, subject to the achievement of certain performance hurdles. Dividends are not payable on rights. For more information on the operation of the LTIP refer to the remuneration report.

Outlined below are the rights that are on issue as at 31 December 2020 and 31 December 2021.

| DETAILS | DATE OF MEASUREMENT/GRANT | NUMBER OF RIGHTS* | DATE OF EXPIRY | CONVERSION PRICE ($) |
|---|---|---|---|---|
| **Management performance rights** | | | | |
| 2018 LTIP | 30 May 2018 | 383,135 | 1 January 2021 | Nil |
| 2019 LTIP (i) | 1 January 2019 | 591,960 | 1 January 2022 | Nil |
| 2020 LTIP | 1 January 2020 | 2,459,845 | 1 January 2023 | Nil |
| Balance at 31 December 2020 | | 3,434,940 | | |
| | | | | |
| 2019 LTIP | 1 January 2019 | 591,960 | 1 January 2022 | Nil |
| 2020 LTIP | 1 January 2020 | 2,115,455 | 1 January 2023 | Nil |
| 2021 LTIP | 1 January 2021 | 2,870,651 | 1 January 2024 | Nil |
| Balance at 31 December 2021 | | 5,578,066 | | |

| | 2021 NO. OF RIGHTS | 2020 NO. OF RIGHTS |
|---|---|---|
| Balance at beginning of the year | **3,434,940** | 3,599,839 |
| Granted | **2,870,651** | 2,591,655 |
| 2018 LTIP paid in cash | **(153,254)** | – |
| LTIP rights lapsed | **(229,881)** | – |
| Forfeited during the year (ii) | **(344,390)** | (2,756,554) |
| **Balance at the end of year** | **5,578,066** | 3,434,940 |

(i) 2019 LTIP is still on issue and expected to be completed in first half 2022.

(ii) In 2021 the Chairman of the Executive Committee forfeited his 2020 LTIP right 2018 allocation. In 2020 certain executives including Chief Executive Officer, Chief Financial Officer and Chairman of Executive Committee resigned and previously allocated LTIP performance rights were forfeited upon their departure.

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### Fair value of performance rights granted

The fair value of the LTIP performance rights has been determined using the following assumptions:

| | 2021 LTIP | 2020 LTIP | 2019 LTIP |
|---|---|---|---|
| Number of performance rights issued | **2,870,651** | 2,591,655 | 2,161,669 |
| Number of performance right on issue | **2,870,651** | 2,115,455 | 591,960 |
| | | | |
| Grant date (b) | **1 January 2021** | 1 January 2020 | 1 January 2019 |
| Average share price at grant date ($) | **2.45** | 2.86 | 3.35 |
| Expected dividend yield | **8%** | 8% | 8% |
| Vesting conditions | **(a)** | (a) | (a) |
| Value per performance right ($) | **1.94** | 2.23 | 2.66 |

There are a maximum of 5,578,066 shares available for issue, which, if issued as new shares, would represent 0.4% of share capital in issue at 31 December 2021 (31 December 2020: 3,434,940 shares representing 0.3% of share capital).

The LTIP has been valued using the volume weighted average price of Yancoal's ordinary shares across a 20 day trading period around the grant date.

a. The LTIP performance rights will vest dependent upon the outcome of cost and earnings per share targets. The rights are split 40% and 60% respectively to these conditions.
b. The current Chief Executive Officer and Chair of the Executive Committee's performance rights were granted on 28 May 2021 after approval by shareholders at the AGM with a commencement date of 31 December 2020. All other senior executives were granted on 1 January 2021.

### D4 Dividends

#### (a) Dividends

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | CENTS PER SHARE | TOTAL AU$'M | CENTS PER SHARE | TOTAL AU$'M |
| Final dividend for 2019 paid on 30 April 2020 | – | – | 21.21 | 280 |

There were no final dividend paid for 2020 or an interim dividend paid for 2021.

On 28 February 2022, the Directors declared an unfranked dividend of $930 million, comprising a $0.5000 per share final dividend and a $0.2040 per share special dividend, both with a record date of 16 March and payment date of 29 April 2022.

#### (b) Franking credits

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Franking credits available for subsequent reporting periods based on an income tax rate of 30% (2020 – 30%) | **25** | 20 |

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

a. franking credits that will arise from the payment of the amount of the provision for income tax and franking debits that will arise as a result of refunds of tax that are reflected in the current tax receivable balance at the reporting date;
b. franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
c. franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

## D5 Reserves

**Accounting policies**

(i) Hedging reserve

When a financial instrument is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the hedging instrument are recognised in other comprehensive income and accumulated in the hedging reserve until the anticipated underlying transaction occurs. Any ineffective portion of changes in the fair value of the hedging instrument is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, or is sold, terminated or expires, any accumulated gain or loss remains in equity until the forecast transaction is ultimately recognised in profit or loss. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is immediately recognised in profit or loss.

(ii) Employee compensation reserve

Shares held by the Group sponsored Employee Share Plan Trust are recognised as treasury shares and deducted from equity.

The fair value of equity plans granted is recognised in the employee compensation reserve over the vesting period. This reserve will be reversed against treasury shares when the underlying shares vest and transfer to the employee at the fair value. The difference between the fair value at grant date and the amount received against treasury shares is recognised in retained earnings (net of tax).

### (a) Reserve balances

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Hedging reserve | **(192)** | (137) |
| Employee compensation reserve | **4** | 3 |
| | **(188)** | (134) |

### (b) Hedging reserve

The hedging reserve is used to record gains or losses on cash flow hedges that are recognised directly in equity through other comprehensive income.

The closing balance relates to the effective portion of the cumulative net change in the fair value of the natural cash flow hedge using the US dollar denominated interest-bearing liabilities to hedge against future coal sales.

| MOVEMENTS | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| *Hedging reserve – cash flow hedges* | | |
| Opening balance | **(137)** | (489) |
| Fair value (losses) / gains recognised on USD interest bearing liabilities | **(232)** | 309 |
| Fair value losses recycled to profit or loss | **153** | 194 |
| Deferred income tax benefit / (expense) | **24** | (151) |
| Closing balance | **(192)** | (137) |

If interest-bearing liabilities that are a natural hedge to future coal sales are repaid prior to the original designated date the hedge gain/loss incurred prior to repayment will be released to the profit or loss in line with the original sales to which they were designated. This has resulted in the following pre-tax release profile as at 31 December 2021:

| | 2022 $M | 2023 $M | 2024 $M | 2025 $M | 2026 $M | TOTAL $M |
|---|---|---|---|---|---|---|
| Hedge loss to be recycled in future periods | 237 | (2) | 6 | (38) | 71 | 274 |
| *Of which:* | | | | | | |
| Hedges related to loans repaid prior to designated repayment date | 238 | – | 40 | – | – | 278 |
| Hedges related to loans yet to be repaid | (1) | (2) | (34) | (38) | 71 | (4) |
| | | | | | | 274 |
| Deferred income tax benefit | | | | | | (82) |
| Closing balance | | | | | | 192 |

### (c) Employee compensation reserve

During the period the movements related to any 2021 additional performance rights issued or forfeited as disclosed in Note D3 and new awards of performance rights were made during the period.

## D6 Contingencies

### Contingent liabilities

The Group had contingent liabilities at 31 December 2021 in respect of:

### (i) Bank guarantees

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Parent entity and Group** | | |
| Performance guarantees provided to external parties | **133** | 134 |
| Guarantees provided to government departments as required by statute | **108** | 107 |
| | **241** | 241 |
| **Joint ventures (equity share)** | | |
| Performance guarantees provided to external parties | **151** | 153 |
| Guarantees provided to government departments as required by statute | **393** | 321 |
| | **544** | 474 |
| **Guarantees held on behalf of related parties (refer to Note E3(f) for details of beneficiaries)** | | |
| Performance guarantees provided to external parties | **86** | 90 |
| Guarantees provided to government departments as required by statute | **4** | 4 |
| | **90** | 94 |
| | **875** | 809 |

Refer to note E2(c)(iii) for commitments and contingent liabilities of the Group's associates and joint ventures.

### (ii) Letter of Support provided to Middlemount Coal Pty Ltd

The Company has issued a letter of support dated 4 March 2015 to Middlemount Coal Pty Ltd ("Middlemount"), a joint venture of the Group confirming:

- it will not demand the repayment of any loan due from Middlemount, except to the extent that Middlemount agrees otherwise or as otherwise provided in the loan agreement; and
- it will provide financial support to Middlemount to enable it to meet its debts as and when they become due and payable, by way of new shareholder loans in proportion to its share of the net assets of Middlemount.

This letter of support will remain in force whilst the Group is a shareholder of Middlemount or until notice of not less than 12 months is provided or such shorter period as agreed by Middlemount.

### (iii) Other contingencies

A number of claims have been made against the Group, including in respect of personal injuries, and in relation to contracts which Group members are party to as part of the Group's day to day operations. The personal injury claims which have been made against the Group have largely been assumed by the insurers of the Group under the Group's insurance policies. The Directors do not believe that the outcome of these claims will have a material impact on the Group's financial position.

## D7 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and not as speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, interest rate risk and other price risks, and aging analysis for credit risk.

The Group holds the following financial instruments:

i. Cash and cash equivalents;
ii. Trade and other receivables (including WIPS);
iii. Trade and other payables;
iv. Interest-bearing liabilities, including bank loans and leases;
v. Available-for-sale investments;
vi. Royalty receivable; and
vii. Derivative financial instruments.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Financial assets** | | |
| *Cash, loans and receivables – amortised cost* | | |
| Cash and cash equivalents | **1,495** | 637 |
| Trade and other receivables | **946** | 569 |
| *Assets at fair value through profit and loss* | | |
| Royalty receivable | **221** | 217 |
| | **2,662** | 1,423 |
| | | |
| **Financial liabilities** | | |
| *Amortised cost* | | |
| Trade and other payables | **751** | 684 |
| Interest-bearing liabilities | **3,435** | 4,205 |
| | **4,186** | 4,889 |

The Board of Directors has overall responsibility for determining risk management objectives and policies and risk management is carried out by the Group Audit and Risk Management department along with the Group Treasury department. The Board provides written principles for overall risk management, as well as policies covering specific areas such as the use of derivative financial instruments to mitigate foreign exchange risk. These derivative instruments create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation.

The overall objective of the Board is to set policies that seek to reduce risk and volatility in financial performance without unduly affecting competitiveness and flexibility. Further details regarding these policies are set out below.

### (a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, securities prices, and coal prices, will affect the Group's income or the value of its holdings of financial instruments.

#### (i) Foreign exchange risk

The Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the Australian dollar. Export coal sales are denominated in US dollars and a strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flow settlement. Liabilities for some plant and equipment purchases and loans are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement.

The hedging policy of the Group aims to protect against the volatility of cash expenditures or reduced collection in the above mentioned transactions as well as to reduce the volatility of profit or loss for retranslation of US dollar denominated loans at each period end.

### Hedging through bank issued instruments

Operating foreign exchange risk that arises from firm commitments or highly probable transactions are managed through the use of bank issued forward foreign currency contracts. The Group hedges a portion of contracted US dollar sales receivables and asset purchases settled in foreign currencies in each currency to mitigate the adverse impact on cash flow due to the future rise or fall in Australian dollars against the relevant currencies.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the profit or loss or recognised as part of the cost of the asset to which it relates. The ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the profit or loss. In the current period, the loss relating to the ineffective portion was $nil (2020: $nil).

### Natural cash flow hedge

The Group currently does not use bank issued instruments to hedge foreign exchange risks in respect of US dollar denominated loans, however, the scheduled repayment of the principal on US dollar loans is designated to hedge the cash flow risks on the portion of forecast US dollar sales that are not hedged through bank issued instruments ("natural cash flow hedge"). US dollar loan repayments up to a six-month period are designated to hedge the forecast US dollar sales during the same period after the designation of the hedge relationship based on a dollar for dollar basis until the hedge ratio reaches one.

Hedging effectiveness is determined by comparing the changes in the hedging instruments and hedged sales. Hedge ineffectiveness will occur when cash flows generated by sales transactions are lower than the forecast sales transaction. In cases of hedge ineffectiveness, gains or losses in relation to the excess portion in the foreign exchange movement of the designated US dollar loan repayment will be recycled to profit or loss. The effective portion of changes in the hedging instruments will be recognised in the cash flow hedge reserve in Other Comprehensive Income. When the sales transactions occur, amounts accumulated in equity are recycled through the profit or loss as an increase or decrease to sales revenue.

### Royalty receivable

The royalty receivable from the Middlemount Joint Venture is estimated based on expected future cash flows that are dependent on sales volumes, US dollar denominated coal prices and the US dollar foreign exchange rate (refer to Note C10).

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

| | 31 DECEMBER 2021 US $M | 31 DECEMBER 2020 US $M |
|---|---|---|
| Cash and cash equivalents | **525** | 446 |
| Trade and other receivables | **565** | 200 |
| Other assets | **–** | 5 |
| Royalty receivable | **221** | 217 |
| Trade and other payables | **(237)** | (154) |
| Interest-bearing liabilities | **(3,608)** | (4,111) |
| Net Exposure | **(2,534)** | (3,397) |

### Sensitivity

The following table summarises the sensitivity of the Group's financial assets and liabilities to a reasonable possible change in the US dollar exchange rate. The Group's exposure to other foreign exchange movements is not material. The Group has used the observed range of actual historical rates for the preceding five year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. A 10% depreciation/appreciation of the Australian dollar against the US dollar would have increased/(decreased) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

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| | 10% DEPRECIATION OF AUD/USD | | 10% APPRECIATION OF AUD/USD | |
|---|---|---|---|---|
| | PROFIT AFTER INCOME TAX $M | EQUITY $M | PROFIT AFTER INCOME TAX $M | EQUITY $M |
| **2021** | | | | |
| Cash and cash equivalents | **41** | **–** | **(33)** | **–** |
| Trade and other receivables | **44** | **–** | **(36)** | **–** |
| Royalty receivable | **19** | **–** | **(16)** | **–** |
| Total increase / (decrease) in financial assets | **104** | **–** | **(85)** | **–** |
| Trade and other payables | **(18)** | **–** | **15** | **–** |
| Interest-bearing liabilities | **–** | **(281)** | **–** | **230** |
| Total (increase) / decrease in financial liabilities | **(18)** | **(281)** | **15** | **230** |
| Total increase / (decrease) in profit after tax and equity | **86** | **(281)** | **(70)** | **230** |
| **2020** | | | | |
| Cash and cash equivalents | 35 | – | (28) | – |
| Trade and other receivables | 15 | – | (12) | – |
| Royalty receivable | 19 | – | (19) | – |
| Total increase / (decrease) in financial assets | 69 | – | (59) | – |
| Trade and other payables | (12) | – | 10 | – |
| Interest-bearing liabilities | (78) | (241) | 64 | 198 |
| Total (increase) / decrease in financial liabilities | (90) | (241) | 74 | 198 |
| Total (decrease) / increase in profit after tax and equity | (21) | (241) | 15 | 198 |

Equity movements above reflect movements in the hedge reserve due to foreign exchange movements on designated USD interest bearing loans.

### (ii) Price risk

The price risk of the Group include coal price risk.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sales requirements, such contracts are not settled net. The royalty receivables from Middlemount is exposed to fluctuations in coal price. The Group currently does not have any derivative hedges in place against the movement in the spot coal price. Refer to Note D8(d)(iii) for the royalty receivable coal price sensitivity analysis.

Coal sales are predominately provisionally priced initially. Provisionally priced sales are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables. The final sales price is determined normally 7 to 90 days after delivery to the customer. At 31 December 2021 there are $143 million of provisionally priced sales (31 December 2020: $50 million). If coal prices were to increase by 10.0% provisionally priced sales would increase by $14 million (31 December 2020: $5 million).

### (iii) Interest rate risk

The Group is subject to interest rate risk that arises from borrowings, cash and cash equivalents and interest-bearing loan to associate. Generally, no variable interest is receivable or payable on the Group's trade and other receivables or payables where applicable as they are fixed in nature and therefore they are not exposed to the interest rate risk.

The Group's cash flow interest rate risk for assets primarily arises from cash at bank and deposits subject to market bank rates. As at 31 December 2021, two US$ bank facilities (the Syndicated Facility and the Syndicated Term Loan) are subject to USD LIBOR-linked interest rates. All other facilities have fixed interest rates. In response to the interest rate benchmark reform, the Group has adopted screen rate replacement provisions with reference to the Asia Pacific Loan Market Association (APLMA) loan agreement template. Transition trigger event will happen in accordance with the loan agreements on or before 30 June 2023.

The Group is also committed not to sign any new contracts with LIBOR component on and from 31 December 2021. Extensive discussions with internal and external stakeholders are ongoing to manage the risks with the market evolvement.

The Group's exposure to interest rate risk and the weighted average interest rate is set out as below:

| | 31 DECEMBER 2021 | | 31 DECEMBER 2020 | |
|---|---|---|---|---|
| | WEIGHTED AVERAGE INTEREST RATE % | BALANCE $M | WEIGHTED AVERAGE INTEREST RATE % | BALANCE $M |
| Cash and cash equivalents | **0.4** | **1,495** | 0.4 | 637 |
| Bank loans and other borrowings | **3.3** | **1,657** | 6.0 | 2,045 |

### Sensitivity

A reasonable possible movement in interest rates would not cause a material impact on profit or loss.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2021 the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the Consolidated Balance Sheet and the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note D6.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. The Group maintains its cash and cash equivalents with reputable banks. Therefore, the Directors consider that the credit risk for such amounts are minimal.

In assessing the Expected Credit Losses ("ECL") of trade receivables management assesses historical write offs of trade receivables, ageing of debtors and whether sufficient credit enhancement is provided by customers (letters of credit and bank guarantees). If the ageing of trade receivables significantly increased then the recognition of ECL would need to be reassessed.

Receivables will only be written off if there is demonstrable evidence that there is no reasonable expectation of recovery. There was no provision recognised for trade receivables as at 31 December 2021 as there are minimal aged debts.

The credit risk on cash and cash equivalents is limited as the counterparties are banks with credit-ratings assigned by international credit-rating agencies that are at least investment grade.

Credit risk in trade receivables is managed in the following ways:

i. payment terms and credit limits are set for individual customers;

ii. a risk assessment process is used for all customers; and

iii. letters of credit are required for those customers assessed as posing a higher risk.

As disclosed in Note D1(a)(i) the minimum average balance of US$25 million per day and at month end US$50 million is required to be held in the Lender Accounts of the Syndicated Facility which is not available for use on those days.

The maximum exposure to credit risk on financial assets which have been recognised in the balance sheet is their carrying amount less impairment provision, if any as set out below.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Cash and cash equivalents | **1,495** | 637 |
| Trade and other receivables | **946** | 565 |
| | **2,441** | 1,202 |

Included in trade and other receivables are significant customers located in Japan, Australia and Taiwan that account for 26%, 19% and 18% of trade receivables respectively (2020: Australia 20%, South Korea 10% and Singapore 6%).

The top five customers included in trade receivables with the largest gross receivable balance as at 31 December 2021 account for 34% of trade receivables (2020: 43%).

### (c) Liquidity risk

Liquidity risk includes the risk that the Group will not be able to meet its financial obligations as they fall due. The Group will be impacted in the following ways:

i. will not have sufficient funds to settle transactions on the due date;

ii. will be forced to sell financial assets at a value which is less than what they are worth; or

iii. may be unable to settle or recover a financial asset at all.

Liquidity risk is managed by maintaining sufficient cash and liquid deposit balances and having readily accessible standby facilities in place in accordance with the Board's risk management policy. Details regarding finance facilities are set out in Note D1.

#### Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities and interest payments for all liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows including interest payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Contractual maturities of financial liabilities

| AT 31 DECEMBER 2021 | LESS THAN 1 YEAR $M | BETWEEN 1 AND 2 YEARS $M | BETWEEN 2 AND 5 YEARS $M | GREATER THAN 5 YEARS $M | TOTAL CASH FLOWS $M | CARRYING AMOUNT $M |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade and other payables | **742** | **–** | **–** | **–** | **742** | **742** |
| Lease liabilities | **39** | **33** | **60** | **21** | **153** | **130** |
| Other interest-bearing liabilities | **213** | **212** | **3,833** | **194** | **4,452** | **3,305** |
| Total non-derivatives | **994** | **245** | **3,893** | **215** | **5,347** | **4,177** |

| AT 31 DECEMBER 2020 | LESS THAN 1 YEAR $M | BETWEEN 1 AND 2 YEARS $M | BETWEEN 2 AND 5 YEARS $M | GREATER THAN 5 YEARS $M | TOTAL CASH FLOWS $M | CARRYING AMOUNT $M |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade and other payables | 671 | – | – | – | 671 | 671 |
| Non-contingent royalty | 13 | – | – | – | 13 | 13 |
| Lease liabilities | 48 | 29 | 44 | 31 | 152 | 121 |
| Other interest-bearing liabilities | 706 | 253 | 3,175 | 1,022 | 5,156 | 4,084 |
| **Total non-derivatives** | 1,438 | 282 | 3,219 | 1,053 | 5,992 | 4,889 |

### D8 Fair value measurements

#### (i) Fair value hierarchy

The Group uses various methods in estimating the fair value of financial instruments. AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in accordance with the following fair value measurement hierarchy:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The royalty receivable was classified as a level 3 financial instrument in 2021 and 2020. No other financial instruments were subject to recurring measurement.

#### (ii) Valuation techniques

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for the royalty receivable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iii) Value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the year ended 31 December 2021:

| | 31 DECEMBER 2021 ROYALTY RECEIVABLE $M | 31 DECEMBER 2020 ROYALTY RECEIVABLE $M |
|---|---|---|
| Opening balance | **217** | 226 |
| Remeasurement of the royalty receivable recognised in profit and loss | **4** | (9) |
| Closing balance | **221** | 217 |

### Royalty receivable

The fair value of the royalty receivable is the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has a finite life being the life of the Middlemount Mine and will be measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments (refer to Note C3). The risk-adjusted post-tax discount rate used to determine the future cash flows is 9.0%.

The estimated fair value could increase significantly if the following unobservable inputs of sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The estimated fair value would also increase if the risk-adjusted discount rate was lower.

### Sensitivity

The following tables summarise the sensitivity analysis of royalty receivable. This analysis assumes that all other variables remain constant.

| | 31 DECEMBER 2021 FAIR VALUE INCREASE/ (DECREASE) $M | 31 DECEMBER 2020 FAIR VALUE INCREASE/ (DECREASE) $M |
|---|---|---|
| **Coal price** | | |
| +10% | **19** | 19 |
| -10% | **(18)** | (19) |
| **Exchange rates** | | |
| +5 cents | **(13)** | (11) |
| -5 cents | **15** | 14 |
| **Discount rates** | | |
| +50 bps | **(7)** | (7) |
| -50 bps | **8** | 8 |

### WIPS

On the 28 July 2020 the WIPS were restructured and are no longer entitled to any accrual or future dividend payments. Rights to claim repayment of the face value of $31 million only on wind-up, cessation or sale of the business or breach of senior debt covenants. The fair value is determined using the discount future cash flows that are dependent on the following unobservable inputs: internally maintained budgets and business plans of Wiggin Island Coal Export Terminal ("WICET").

The risk adjusted post tax discount rate used to determine the future cashflows is 11.0%. In 2018 the WIPS book value was reduced to nil.

### (iv) Fair values of other financial instruments

The carrying amount is approximate to the fair value for the following:

i. Trade and other receivables
ii. Other financial assets
iii. Trade and other payables
iv. Interest-bearing liabilities

## E GROUP STRUCTURE

This section explains significant aspects of the Group's structure including business combinations and disposals, interests in other entities, related party transactions, parent entity information, controlled entities, and the deed of cross guarantee.

### E1 Business combinations and disposals

**Accounting policies**

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred including stamp duty. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on acquisition of subsidiaries.

**Critical accounting estimates and judgements**

Accounting for the acquisitions of businesses requires judgment and estimates in determining the fair value of the consideration, acquired assets and liabilities. Techniques used to determine the fair value of acquired assets and liabilities include an income and cost approach for mining tenements and depreciated replacement cost for the valuation of property, plant and equipment.

The relevant accounting standard allows the fair value of assets acquired to be refined for a window of one year after the acquisition date only if the information has not been obtained as a matter of course. Judgement is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill or gain recognised on acquisition.

#### (a) Update on acquisition of 10% interest in Moolarben Coal Joint Venture

On 31 March 2020, Yancoal Moolarben Pty Ltd a 100% owned subsidiary of Yancoal Australia Ltd acquired a 10% interest in Moolarben Coal Joint Venture ("Moolarben JV") previously owned by Sojitz Corporation ("Sojitz"). The Moolarben JV is accounted for as a joint operation. With the 10% acquisition the Group now holds an 95% interest in the Moolarben JV.

On acquiring the 10% interest from Sojitz the Group is deemed to now control the relevant activities of the Moolarben JV by holding all voting rights on the Joint Venture Policy Committee.

During 2021 the final instalment of $100 million was paid. There was no change to the provisional accounting at 31 December 2020 and the accounting for the acquisition was final at 30 June 2021.

#### (b) Update on reconsolidation of Watagan

On 18 February 2016, the Group executed a Bond Subscription Agreement, together with other agreements that, on completion, transferred the Group's interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines, to Watagan for a purchase price of $1,363 million funded by way of a $1,363 million loan from Yancoal. The completion date of the transaction was 31 March 2016 when it was determined that the Group lost accounting control of Watagan on the basis that the bondholders obtained power over the key operating and strategic decisions of Watagan through the ability to appoint the majority of the Watagan Board. This resulted in the Group de-consolidating the results of Watagan as a subsidiary from that date.

On 16 December 2020, the Company announced that a commercial arrangement had been entered into between Shandong Energy, its wholly owned subsidiary Yankuang Group (Hong Kong) Ltd ("Yankuang HK") and two other bondholders. On 16 December 2020 as part of the commercial arrangement the bondholder nominated directors stepped down from the Watagan Board resulting in the determination that the Group regained accounting control of Watagan and the reconsolidation of Watagan as a subsidiary on that date. The Company subsequently included the Watagan Group entities in its ASIC Deed of Cross Guarantee.

The reconsolidation of the Watagan Group was accounted for as a business combination under AASB 3, and resulted in recognition of $593 million of net assets and a $1,383 million loss on reconsolidation. At 30 June 2021 a prior period adjustment was made to the provisional accounting of the Watagan net assets on reconsolidation. This resulted in a decrease to property, plant and equipment of $11 million, and an increase to mining tenements of $11 million. There was no change to prior period profit or loss due to the acquisition being so close to the period end.

The accounting for the reconsolidation of Watagan has been finalised as at 31 December 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## E2 Interests in other entities

**Accounting policies**

(i) Control

The Group defines "control of an investee" in accordance with AASB 10 *Consolidated Financial Statements*, paragraph 6 and 7 when the investor has:

- power over the investee, and
- exposure or rights to variable returns from its involvement with the investee and
- the ability to affect those returns through its power over the investee.

Consideration is given to the substance of the agreements and not only to how the arrangements are directed in practice when determining the level of control over the arrangement. In the case of an incorporated entity, this would result in Yancoal consolidating that entity as a subsidiary. In the case of another legal ownership structure, the Group has considered the most appropriate accounting policy based on the facts and circumstances for each legal ownership structure. This is discussed further in section (iii) below. If the conclusion is that the Group does not control the entity or other legal ownership structure, then an assessment is made whether the arrangement meets the definition of joint control.

(ii) Joint control and joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake economic activities under joint control. Joint control exists only when the strategic, financial and operational policy decisions relating to the relevant activities of the joint arrangement require the unanimous consent of the parties sharing control. The classification of a joint arrangement as either a joint operation or joint venture is dependent on the rights and obligations of the parties to the arrangement. Where the Group concludes that joint control exists, the Group then considers whether the arrangement is a joint operation or joint venture in accordance with AASB 11 *Joint Arrangements*.

Joint operations: A joint operation is an arrangement where the Group shares joint control, primarily through contractual arrangements with other parties. In these arrangements, the Group has rights to the assets and obligations for the liabilities relating to the arrangement. This includes situations where the parties benefit from the joint activity through a share of the output, rather than by receiving a share of the results of trading. The Group recognises its proportional interest in the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate line items.

Joint ventures: A joint venture is a joint arrangement in which the parties that share joint control of the arrangement have rights to the net assets of the arrangement. A separate vehicle, not the parties, has rights to the assets and liabilities of the arrangement. Joint ventures are accounted for using the equity method accounting (as outlined in AASB 128 *Investment in Associates and Joint Ventures*).

(iii) Controlling interest in unincorporated arrangements

A controlling interest in an unincorporated arrangement occurs when the Group has the sole ability to direct the relevant activities in the arrangement, such as, approving budgets and investment plans and appointing representatives to the Board or relevant Committees. As the Group controls these contractual arrangements, they do not meet the definition of joint operations. The Group recognises its interest in these types of arrangements in accordance with the contractual arrangements by consolidating its share of any jointly held or incurred assets, liabilities, revenues, and expenses of joint operations. These have been incorporated in the financial statements under the appropriate line items.

If neither control nor joint control is identified, consideration is given whether the Group has significant influence over the entity or other legal ownership structure through AASB 128 *Investments in Associates and Joint Ventures*.

(iv) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Significant influence is presumed to exist where the Group:

- has over 20% but less than 50% of the voting rights of an entity, unless it can be clearly demonstrated that this is not the case; or
- holds less than 20% of the voting rights of an entity; however, has the power to participate in the financial and operating policy decisions of the entity.

If the conclusion is that significant influence exists, then the investment is accounted for using the equity method as outlined in AASB 128 *Investments in Associates and Joint Ventures*.

After initial recognition at cost, associates are accounted for using the equity method.

(v) Equity method

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is aggregated as one line item and recognised in profit or loss. Its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in a joint venture or associate equals or exceeds its interest, which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise any further losses, unless it has incurred a contractual or constructive obligation to contribute further funds. Unrealised gains on transactions between the Group and its joint ventures or associates are eliminated to the extent of the Group's interest in these entities. Accounting policies of the joint ventures and associates have been changed where necessary, to ensure consistency with the policies adopted by the Group.

(vi) Reassessment of interests in other entities

The determination of control, joint control or significant influence requires significant judgement as discussed below. The Group has reassessed these determinations for its interests in other entities. This assessment led to the following changes:

The Group's interests in the unincorporated Mount Thorley and Warkworth joint ventures, collectively Mount Thorley Warkworth, have been assessed as being controlled, rather than jointly controlled, and are now accounted for as unincorporated arrangements.

The Group's interest in Newcastle Coal Infrastructure Group Pty Ltd ("NCIG") has been assessed as being subject to joint control, rather than significant influence, and will continue to be equity accounted.

The reassessments have not resulted in any changes in recognition and measurement, as the accounting principles are the same.

In addition, the Group's interest in WICET Holdings Pty Ltd ("WICET") was reassessed at 30 June 2021 as being an associate and equity accounted. This resulted in no change to the balance sheet or net profit after tax as the Group's share of WICET's losses after tax exceeded its investment in WICET for the period ended 31 December 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Critical accounting judgements and estimates**

The Group has interests in several unincorporated arrangements of which the determination of control or joint control requires significant judgement based on the assessment of the contractual rights and obligations. Differing conclusions around these judgements could materially impact how the Group recognises these investments on initial acquisition and how any subsequent changes in ownership interest are accounted for. See (a) and (b) below for a summary of the Group's interest in unincorporated arrangements and joint arrangements and key judgements made in determining the applicable accounting treatment for each.

Prior to 16 December 2020 there was significant judgement in assessing whether the Group controlled Watagan. An assessment was made that in accordance with the accounting standards the Group did not control Watagan as it was not able to direct the relevant activities of Watagan and accounted for its interest in Watagan as an associate. On 16 December 2020, due to a change in circumstances, it was determined the Group had regained control of Watagan resulting in it accounting for its interest in Watagan as a subsidiary, refer to E1 for more details.

## (a) Controlling interest in unincorporated arrangement

In some unincorporated arrangements the Group's contractual rights and obligations give it control of the arrangements and the Group accounts for these arrangements by consolidating its share of the assets, liabilities, revenues, and expenses of the arrangement. In applying this accounting policy there can be significant judgement in determining whether the Group has control or joint control of an unincorporated arrangement. The Group has made the following judgements in the application of its accounting policy for a controlling interest in unincorporated arrangements.

- Moolarben Coal Mines Pty Ltd and Yancoal Moolarben Pty Ltd, have a combined 95% (85% up to 31 March 2020) interest in the Moolarben Joint Venture (an unincorporated arrangement) whose principal activity is the development and operation of open-cut and underground coal mines. The Group controls Moolarben as the decisions over relevant activities require approval from the JV Policy Committee, where the Group has the sole ability to appoint representatives.
- Mount Thorley Operations Pty Ltd has an 80% (2020: 80%) interest in Mount Thorley Co-Venture (an unincorporated arrangement) whose principal activity is the development and operation of open-cut coal mines. The Group controls Mount Thorley as the decisions require a majority approval based on working interest and the Group's working interest is 80%.
- CNA Warkworth Australasia Pty Ltd and CNA Resources Ltd, have a combined 84.5% (2020: 84.5%) interest in Warkworth Associates (an unincorporated arrangement) whose principal activity is the development and operation of open-cut mines. The Group controls Warkworth as the decisions over relevant activities require a majority approval of the Operating Committee and 76% of the Participants shares. The Group can appoint 9 out of 11 Operating Committee members and holds 84.5% of the Participants shares.

The principal place of business for the above joint operations is in Australia.

## (b) Joint operations with joint control

The Group accounts for joint operations in accordance with AASB 11 Joint Arrangements, by recognising the Group's share of joint assets, liabilities, revenue and expenses. The Group has made the following judgements in the application of its accounting policy for its interests in joint operations where the Group has joint control.

- Coal & Allied Operations Pty Ltd has a 51% (2020: 51%) interest in the Hunter Valley Operations ("HVO") Joint Venture (an unincorporated joint operation) whose principal activity is the development and operation of open-cut coal mines. The Group and the other joint venture partner have joint control over HVO as they must act together to direct the relevant activities which significantly affect the returns of the arrangement.
- Yarrabee Coal Company Pty Ltd, has a 50% (2020: 50%) interest in the Boonal Joint Venture (an unincorporated joint operation), whose principal activity is the provision of a coal haul road and train load out facility. The Group and the other joint venture partner have joint control over Boonal as they must act together to direct the relevant activities which significantly affect the returns of the arrangement.

The principal place of business for the above joint operations is in Australia.

## (c) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| NAME OF ENTITY | PLACE OF BUSINESS / COUNTRY OF INCORPORATION | % OF OWNERSHIP INTEREST 2021 % | 2020 % | NATURE OF RELATIONSHIP | MEASUREMENT METHOD | CARRYING AMOUNT OF INVESTMENT 2021 $M | 2020 $M |
|---|---|---|---|---|---|---|---|
| Port Waratah Coal Services Ltd | Australia | **30** | 30 | Associate | Equity method | **171** | 177 |
| WICET Holdings Pty Ltd | Australia | **25** | 25 | Associate | Equity method | **–** | – |
| Middlemount Coal Pty Ltd | Australia | **49.9997** | 49.9997 | Joint Venture | Equity method | **132** | 80 |
| HVO Coal Sales Pty Ltd | Australia | **51** | 51 | Joint Venture | Equity method | **–** | – |
| HV Operations Pty Ltd | Australia | **51** | 51 | Joint Venture | Equity method | **–** | – |
| HVO Services Pty Ltd | Australia | **51** | 51 | Joint Venture | Equity method | **–** | – |
| Newcastle Coal Infrastructure Group Pty Ltd | Australia | **27** | 27 | Joint Venture | Equity method | **–** | – |
| Total | | | | | | **303** | 257 |

* Watagan Mining Company Pty Ltd ceased being an associate in 2020.

Amount recognised in profit or (loss):

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Middlemount Coal Pty Ltd | **52** | (61) |
| Port Waratah Coal Services Ltd | **5** | 4 |
| HVO Entities | **–** | (2) |
| | **57** | (59) |

### (i) Investment in associates

#### Port Waratah Coal Services Ltd

The Group holds a direct shareholding in Port Waratah Coal Services Ltd ("PWCS") of 30% (2020: 30%). Under the shareholder agreement between the Group and the other shareholders of PWCS, the Group has 30% of the voting power of PWCS. The Group has the right to appoint a director who is on the Board to partake in policy-making processes and is the appointed manager. The principal activities of PWCS were the provision of coal receivable, blending, stockpiling and ship loading services in the Port of Newcastle.

#### WICET Holdings Pty Ltd ("WICET")

The Group holds 25% (2020: 25%) of the ordinary shares of WICET Holdings Pty Ltd ("WICET"). Under the shareholder agreement between the Group and other shareholders of WICET, the Group has 9.7% of the voting power equal to its capacity entitlement at WICET. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes. The principal activities of WICET were the provision of coal receiving, stockpiling and ship loading services in the Port of Gladstone.

#### Summarised financial information of associates

The information below reflects the Group's share of the results of its principal associates and the aggregated assets and liabilities. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | PWCS | | WICET | |
|---|---|---|---|---|
| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
| Cash and cash equivalent | **8** | 62 | **21** | 27 |
| Other current assets | **95** | 43 | **142** | 124 |
| **Current assets** | **103** | 105 | **163** | 151 |
| Property, plant and equipment | **1,184** | 1,310 | **2,842** | 2,947 |
| Other non-current assets | **94** | 23 | **122** | 117 |
| Non-current assets | **1,278** | 1,333 | **2,964** | 3,064 |
| Total assets | **1,381** | 1,438 | **3,127** | 3,215 |
| **Current liabilities** | **129** | 226 | **365** | 301 |
| Deferred tax liability | **50** | 61 | **–** | – |
| Other non-current liabilities | **632** | 560 | **3,108** | 3,230 |
| **Non-current liabilities** | **682** | 621 | **3,108** | 3,230 |
| **Total liabilities** | **811** | 847 | **3,473** | 3,531 |
| **Net assets** | **570** | 591 | **(346)** | (316) |
| **Group's ownership interest in the Net assets / (liabilities)** | **171** | 177 | **(87)** | (79) |
| **Revenue** | **337** | 308 | **443** | 1,371 |
| Other income | **–** | – | **–** | 278 |
| Other interest expenses | **(17)** | (18) | **(170)** | (291) |
| Depreciation and amortisation expenses | **(121)** | (110) | **(110)** | (112) |
| Other expenses | **(173)** | (157) | **(213)** | (44) |
| Income tax expense | **(10)** | (10) | **–** | – |
| **Profit / (loss) from continuing operations after tax** | **16** | 13 | **(50)** | 1,202 |
| Other comprehensive income / (expense) | **–** | – | **–** | – |
| **Total comprehensive income / (expense)** | **16** | 13 | **(50)** | 1,202 |
| **Group's ownership interest in profit / (loss) after tax** | **5** | 4 | **(13)** | 301 |

The Group's share of WICET's loss after tax has not been recognised for the reporting periods since the Group's share of WICET's accumulated losses exceeds its interest in WICET at the reporting dates. As the Group does not have contractual agreements or an obligation to contribute to this associate no additional liabilities have been recognised.

### Movements in carrying amounts

| MOVEMENTS IN PWCS CARRYING AMOUNTS | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| Opening balance | **177** | 184 |
| Share of profit of equity-accounted investees, net of tax | **5** | 4 |
| Dividends received | **(11)** | (11) |
| Closing net book amount | **171** | 177 |

### (ii) Interest in joint ventures

#### Middlemount Coal Pty Ltd

Gloucester (SPV) Pty Ltd, has a 49.9997% interest in the net assets of Middlemount Coal Pty Ltd ("Middlemount"), an incorporated joint venture, whose principal activity is the development and operation of open-cut coal mines in the Bowen Basin. Structured through a separate vehicle and as a Pty Ltd entity, the legal form provides separation of the assets and liabilities of Middlemount and its owners. The Group and the other shareholder have joint control over Middlemount as they must act together to direct the relevant activities which significantly affect the returns of the arrangement. The key decisions require approval of 80% of the voting interest (which follows ownership interest). Given the legal structure of Middlemount, it has been concluded that it should be classified as a Joint Venture. In accordance with AASB 11 *Joint Arrangements*, the Group's investment in Middlemount should be accounted for using the equity method.

#### HVO entities

The Group holds a 51% interest in HVO Coal Sales Pty Ltd, HV Operations Pty Ltd and HVO Services Pty Ltd (together the "HVO Entities"). These entities are the sales, marketing and employee vehicles of the HVO Joint Operation. The Group and the other joint venture partner have joint control over HVO Entities as they must act together to direct the relevant activities which significantly affect the returns of the arrangement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2020: 27%) of the ordinary shares of Newcastle Coal Infrastructure Group Pty Ltd ("NCIG"). Under the shareholder agreement between the Group and other shareholders, the Group has 27% of the voting power of NCIG. The Group has the right to appoint a director and is currently represented on the Board to partake in policy-making processes. The principal activities of NCIG were the provision of coal receiving, stockpiling and ship loading services in the Port of Newcastle. All decisions over relevant activities are made by the Group and two other investors as the decisions over the relevant activities requires approval of 75% of voting interest. In accordance with AASB 11 *Joint Arrangements*, the Group's investment in NCIG is deemed a joint venture and is accounted for using the equity method.

### Summarised financial information of joint ventures

The following table provides summarised financial information for the HVO Entities, Middlemount and NCIG. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

| | HVO ENTITIES | | MIDDLEMOUNT | | NCIG | |
|---|---|---|---|---|---|---|
| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
| Cash and cash equivalents | **5** | 6 | **9** | 12 | **67** | 63 |
| Other current assets | **159** | 76 | **220** | 69 | **44** | 36 |
| Total current assets | **164** | 82 | **229** | 81 | **111** | 99 |
| Total non-current assets | **33** | 25 | **1,045** | 1,103 | **2,441** | 2,515 |
| Total current liabilities | **169** | 72 | **405** | 441 | **58** | 50 |
| Non-current financial liabilities | **–** | – | **244** | 270 | **–** | – |
| Other non-current liabilities | **38** | 38 | **360** | 313 | **3,754** | 3,718 |
| Total non-current liabilities | **38** | 38 | **604** | 583 | **3,754** | 3,718 |
| **Net assets** | **(10)** | (3) | **265** | 160 | **(1,260)** | (1,154) |
| **Group's ownership interest in net (liabilities)/assets** | **(5)** | (1) | **132** | 80 | **(340)** | (312) |

| | HVO ENTITIES | | MIDDLEMOUNT | | NCIG | |
|---|---|---|---|---|---|---|
| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
| Revenue | **–** | – | **715** | 355 | **473** | 440 |
| Depreciation and amortisation | **–** | – | **(80)** | (66) | **(113)** | (115) |
| (Loss) / gain on foreign exchange | **–** | – | **–** | – | **(133)** | 259 |
| Other expenses | **(7)** | (5) | **(422)** | (413) | **(125)** | (70) |
| Interest expenses | **–** | – | **(52)** | (40) | **(231)** | (251) |
| **Income tax (expense) / benefit** | **–** | (2) | **(56)** | 42 | **23** | (95) |
| (Loss) / profit from continuing operations after tax | **(7)** | (7) | **105** | (122) | **(106)** | 168 |
| Movements in reserves, net of tax | **–** | – | **–** | 108 | **–** | – |
| **Total changes in equity** | **(7)** | (7) | **105** | (14) | **(106)** | 168 |
| **Group's ownership interest in (loss)/profit after tax** | **(3)** | (3) | **52** | (7) | **(29)** | 45 |
| **Group's ownership interest in reserve movements** | **–** | – | **–** | – | **–** | – |

The Group's share of the HVO Entities loss after tax has not been fully recognised for the year ended 31 December 2021 since the Group's share of the joint ventures accumulated loss exceeds its interest during the period.

The liabilities of Middlemount include non-interest-bearing liability of $149 million (face value of $212 million) due to the Group at 31 December 2021 (2020: $135 million, face value $212 million) with maturity of 31 December 2025 and an interest-bearing revolver of $nil (2020: $20 million). The liabilities of Middlemount also include a royalty payable of $46 million due to the Group at 31 December 2021 (2020: $32 million).

### Movements in carrying amounts

The Group's share of NCIG's loss after tax has not been recognised for the reporting periods since the Group's share of NCIG's accumulated losses exceeds its interest in NCIG at the reporting dates.

As the Group does not have contractual agreements or an obligation to contribute to this associate no additional liabilities have been recognised.

| | MIDDLEMOUNT | |
|---|---|---|
| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
| Opening net book amount | **80** | 87 |
| Share of profit / (loss) of equity-accounted investees, net of tax | **53** | (61) |
| Movements in reserves, net of tax | **-** | 54 |
| Closing net book amount | **133** | 80 |

### (iii) Commitments and contingent liabilities in respect of associates and joint ventures

There were no commitments and no contingent liabilities in respect of the Group's associates and joint ventures, other than Middlemount, as at 31 December 2021.

There were no commitments in respect of the Group's interest in Middlemount at 31 December 2021. Other contingent liabilities in respect of the Group's interest in Middlemount are set out in Note D6(ii).

As a shipper in NCIG and WICET, the Group may be required to pay its share of any outstanding senior debt, amortised over the remaining years of that particular contract, if the Group's source mines are unable to maintain a minimum level of Marketable Coal Reserves. Furthermore, the Group may be required to pay its share of any outstanding senior debt in full, if NCIG or WICET are unable to refinance a tranche of its maturing debt and defaults on its remaining debt. If an NCIG or WICET shipper was to default on its contractual obligations and was unable to pay its share of the NCIG or WICET debt, the outstanding senior debt would be socialised amongst the remaining shippers. In this scenario's the Group's share of the outstanding senior debt would increase.

The Group currently expects to remain in compliance with the minimum level of Marketable Coal Reserves and is unaware of any issues with NCIG or WICET refinancing their future debt maturities.

## E3 Related party transactions

### (a) Parent entities

The parent entity within the Group is Yancoal Australia Ltd. The Group's majority shareholder is Yankuang Energy Group Company Limited ("Yankuang Energy"), incorporated in the People's Republic of China, formerly known as Yanzhou Coal Mining Company Limited. The ultimate parent entity and ultimate controlling party is Shandong Energy Group Company Limited ("Shandong Energy"), incorporated in the People's Republic of China, formerly known as Yankuang Group Corporation Limited.

Yancoal International Resources Development Co., Ltd, Yancoal International Trading Co., Ltd (up to 30 April 2020) and Yankuang (Hainan) Intelligent Logistics Technology Co., Ltd ("Yankuang Hainan") are owned by Yankuang Energy and incorporated in Hong Kong. Yankuang Resources Pty Ltd and Yankuang Group (Hong Kong) Ltd are owned by Yankuang Group, incorporated in Australia and the Company manages this entity on behalf of Yankuang Group. Yancoal International Trading Co., Ltd from 30 April 2020 is owned by Yankuang Energy.

### (b) Yancoal International Holding Co. Ltd

Yancoal International (Holding) Co., Ltd is a wholly owned subsidiary of Yankuang Energy and controls the following subsidiaries: Yancoal Technology Development Holdings Pty Ltd, Athena Holdings Pty Ltd, Tonford Holdings Pty Ltd, Wilpeena Holdings Pty Ltd, Premier Coal Holdings Pty Ltd, Premier Coal Ltd, Yankuang Ozstar Ningbo Trading Co Ltd ("Yankuang Ozstar"), Yancoal Energy Pty Ltd and Syntech Resources Pty Ltd ("Yancoal International Group"). The Company manages these entities on behalf of Yankuang Energy.

### (c) Associates and joint ventures

Refer to Note E2 for details on the associates and joint ventures.

### (d) Transactions with other related parties

The following transactions occurred with related parties:

| | 31 DECEMBER 2021 $'000 | 31 DECEMBER 2020 $'000 |
|---|---|---|
| *Sales of goods and services* | | |
| Sales of coal to Yankuang Hainan (i) | **27,019** | 21,513 |
| Sales of coal to Yancoal International Trading Co. Ltd (i) | **21,446** | 73,110 |
| Sales of coal to Shandong Energy (Qingdao) Intelligent Industry Technology Co. Ltd (i) | **18,647** | – |
| Provision of marketing and administrative services to Yancoal International Group (ii) | **8,556** | 10,135 |
| Provision of marketing and administrative services to Watagan Group | **–** | 5,745 |
| | **75,668** | 110,503 |
| *Purchases of goods and services* | | |
| Purchases of coal from Syntech Resources Pty Ltd (i) | **(9,862)** | (4,939) |
| Purchase of coal from Watagan Group | **–** | (132,190) |
| | **(9,862)** | (137,129) |
| *Advances and loans* | | |
| Revolver loan repayment from Middlemount | **60,000** | – |
| Advances of loan to Watagan (ii) | **–** | (367,027) |
| Repayments of loan from Watagan (ii) | **–** | 246,161 |
| Advances of loan receivable to Middlemount | **–** | (35,000) |
| Revaluation of interest-free loan to Middlemount | **–** | (77,024) |
| | **60,000** | (232,890) |
| *Equity subscription, debt repayment and debt provision* | | |
| Repayments of loan from Yankuang Energy (ii) | **(233,023)** | – |
| | **(233,023)** | – |
| *Finance costs* | | |
| Interest expenses on loans from Yancoal International Resources Development Co., Ltd (ii) | **(9,220)** | (11,612) |
| Interest expenses on loans from Yankuang Energy (ii) | **(59,781)** | (50,234) |
| Interest expenses on loans from Yancoal International (Holding) Co., Ltd (ii) | **(3,693)** | (4,817) |
| Interest on bond from Yankuang Group (Hong Kong) Ltd | **(2,718)** | – |
| Interest on loan from Shandong Energy | **(34,936)** | – |
| Unwinding of discount on loan from Shandong Energy | **(29,706)** | – |
| | **(140,054)** | (66,663) |
| *Other costs* | | |
| Corporate guarantee fee to Yankuang Energy (ii) | **(23,962)** | (28,388) |
| Port charges to NCIG | **(121,375)** | (116,423) |
| Port charges to PWCS | **(21,389)** | (29,682) |
| Port charges to WICET | **(47,845)** | (55,782) |
| | **(214,571)** | (230,275) |
| *Finance income* | | |
| Interest income received from loan receivable with Middlemount | **14,114** | 9,132 |
| Interest income released from loan receivable with Middlemount | **5,096** | 5,549 |
| Interest income on loan to Watagan Mining Company Pty Ltd | **–** | 62,311 |
| | **19,210** | 76,992 |
| *Other income* | | |
| Royalty income charged to Middlemount | **28,270** | **14,724** |
| Bank guarantee fee charged to Yancoal International Group (ii) | **2,216** | 2,534 |
| Dividend income received from PWCS | **13,058** | 13,510 |
| Mining services fees charged to Watagan Group | **–** | 44,668 |
| Bank guarantee fee charged to Watagan Group | **–** | 1,830 |
| Longwall hire fee charged to Austar Coal Mine Pty Ltd | **–** | 1,185 |
| | **43,544** | 78,451 |

### (e) Outstanding balances arising from transactions with related parties

Balances outstanding at the reporting date to / from related parties are unsecured, non-interest bearing (except for loans receivable and loans payable) and are repayable on demand.

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | 31 DECEMBER 2021 $'000 | 31 DECEMBER 2020 $'000 |
|---|---|---|
| *Current assets* | | |
| *Trade and other receivables* | | |
| Receivable from Yancoal International Group in relation to cost reimbursement | **4,001** | 1,293 |
| Royalty receivable from Middlemount | **46,390** | 31,636 |
| *Loans receivable* | | |
| Interest income receivable from Middlemount | **155** | 510 |
| Other receivable from Shandong Energy | **1** | – |
| Loan receivable advanced to Middlemount | **–** | 60,000 |
| | **50,547** | 93,439 |
| *Non-current assets* | | |
| *Advances to joint venture and associate* | | |
| Receivable from Middlemount being an unsecured, non-interest bearing advance | **148,892** | 134,778 |
| | **148,892** | 134,778 |
| **Total assets** | **199,439** | 228,217 |
| *Current liabilities* | | |
| *Other payables* | | |
| Payables to Yankuang Energy | **110,714** | 84,799 |
| Payables to Shandong Energy | **12,518** | – |
| Payables to Yancoal International Resources Development Co., Ltd | **647** | 5,143 |
| Payables to Yancoal International (Holding) Co., Ltd | **–** | 2,133 |
| Payables to Yankuang Group (Hong Kong) Ltd | **–** | 785 |
| | **123,879** | 92,860 |
| *Non-current liabilities* | | |
| *Other payables* | | |
| Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan (ii) | **22,046** | 175,279 |
| Payable to Yankuang Energy being an unsecured, interest-bearing loan (ii) | **860,913** | 811,060 |
| Payable to Shandong Energy, interest-bearing loan (ii) | **788,946** | – |
| Payable to Yankuang Group (Hong Kong) Ltd being an interest-bearing bond (ii) | **–** | 259,673 |
| Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan (ii) | **–** | 72,704 |
| | **1,671,905** | 1,318,716 |
| **Total liabilities** | **1,795,784** | 1,411,576 |

The terms and conditions of the related party non current liabilities is detailed in Note D1(c) above.

i. Continuing connected transaction under Chapter 14A of H K Listing Rules.

ii. Fully exempt continuing connected transaction under Chapter 14A of H K Listing Rules.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (f) Guarantees

The financiers of the Group have issued undertakings and guarantees to government departments, and various external parties on behalf of the following related entities:

| | 31 DECEMBER 2021 $'000 | 31 DECEMBER 2020 $'000 |
|---|---|---|
| **Yancoal International Group** | | |
| Syntech Resources Pty Ltd | **60,899** | 64,879 |
| AMH (Chinchilla Coal) Pty Ltd | **29** | 49 |
| Premier Coal Ltd | **29,062** | 29,000 |
| Tonford Holdings Pty Ltd | **10** | 10 |
| Athena Joint Venture | **3** | 3 |
| **Other Yankaung entity** | | |
| Yankuang Resources Pty Ltd | **45** | 45 |
| | **90,048** | 93,986 |

### (g) Terms and conditions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The terms of the loan facilities from Yankuang Energy are as follows:

On 31 December 2014 an AU$1,400 million facility was provided by Yankuang Energy at a fixed interest rate of 7% on any amounts drawn. During the period, US$175 million was repaid. As at 31 December 2021 US$398 million (AU$548 million) was drawn (31 December 2020: US$573 million (AU$744 million)).

On 31 December 2014 an AU$807 million facility was provided by Yankuang Energy at a fixed interest rate of 7% on any amounts drawn. During 2021 no amounts were repaid or drawn (31 December 2020: no amount was repaid or drawn) (Note D1(c)). As at 31 December 2021 a total of US$243 million has been drawn.

Yankuang Energy has provided corporate guarantees as security for the following facilities:

- Syndicated facility and syndicated bank guarantee facility at a fixed rate of 1.5% is charged on the outstanding loan principal and bank guarantee facility limit.

The terms of the US$775 million loan from Shandong Energy are as follows:

On 31 March 2021 the Group successfully refinanced the Watagan Bonds where the ultimate parent, Shandong Energy, provided the Group a US$775 million unsecured and subordinated loan. The loan matures on 16 December 2026. During the period, no principal repayments have been made on this loan.

A revaluation to fair value of the loan was performed at inception. This loan has an interest rate of 4.65% which is significantly below normal commercial terms. The implicit discount, between the agreed interest rate and determined arms length commercial interest rate of the loan, (if the loan was made by a financier that was not a related party) 12%, was recognised as an increase to other contributed equity. The revaluation of the loan is released through interest expense in the profit and loss using the effective interest method over the life of the loan. As at 31 December 2021 the total outstanding loan (net of discounted equity contribution) amounts to $789 million (US$563 million).

### (h) Letter of support provided by parent

The Directors of Yankuang Energy have provided a letter of support whereby unless revoked by giving not less than 24 months notice, for so long as Yankuang Energy owns at least 51% of the shares of the Company, Yankuang Energy will ensure that the Group continues to operate so that it remains solvent.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## E4 Parent entity financial information

### (a) Summary financial information

The individual financial statements for the parent entity, Yancoal Australia Ltd show the following aggregate amounts:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 (RESTATED) $M |
|---|---|---|
| Current assets | **3,661** | 1,266 |
| Non-current assets | **9,201** | 8,620 |
| Total assets | **12,862** | 9,886 |
| Current liabilities | **3,786** | 1,698 |
| Non-current liabilities | **4,240** | 4,002 |
| Total liabilities | **8,026** | 5,700 |
| | | |
| **Net assets** | **4,836** | 4,186 |
| *Shareholders' equity* | | |
| Contributed equity | **6,698** | 6,482 |
| Reserves | | |
| Other reserves | **(188)** | (134) |
| Accumulated losses | **(1,674)** | (2,162) |
| **Capital and reserves attributable to the owners of Yancoal Australia Ltd** | **4,836** | 4,186 |
| Loss for the year | **(54)** | (1,566) |
| Other comprehensive (expense) / income | **(55)** | 352 |
| **Total comprehensive expense** | **(109)** | (1,214) |

#### Restatement

The parent entity has assessed the carrying value of its net investment in a controlled subsidiary and has determined that the recoverable amount is less than the book value and has further determined that an impairment loss of $543 million should have been recorded in the prior year, resulting in a prior year error. The error is corrected above as a $543 million increase in the loss for the year ended 31 December 2020 and a corresponding decrease in non-current assets. This restatement is only associated with the parent entity and there is no impact on the Group.

#### Dividends

Subsequent to year end, controlled subsidiaries have declared dividends sufficient to enable the parent to declare a final and special dividend from accounting profits.

### (b) Guarantees entered into by the parent entity

As at 31 December 2021, the parent entity had contingent liabilities in the form of bank guarantees amounting to $875 million (2020: $809 million) in support of the operations of the parent entity, its subsidiaries and related parties (refer to Note E3).

### (c) Contingent liabilities of the parent entity

There are cross guarantees given by Yancoal Australia Ltd and certain subsidiaries as described in Note E5.

The parent entity did not have any contingent liabilities as at 31 December 2021, except for those described in Note D8.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## E5 Controlling interests

### (a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries that are controlled:

| NAME OF ENTITY | PRINCIPAL ACTIVITIES | ISSUED AND FULLY PAID SHARE CAPITAL $ | EQUITY HOLDING 2021 % | EQUITY HOLDING 2020 % |
|---|---|---|---|---|
| **The Company** | | | | |
| Yancoal Australia Ltd (i) | | | **100** | 100 |
| **Controlled entities** | | | | |
| Yancoal SCN Ltd (iv) | Holding company of subordinated capital notes | 1 | **–** | 100 |
| Yancoal Australia Sales Pty Ltd (i) (iii) | Coal sales | 100 | **100** | 100 |
| Yancoal Resources Pty Ltd (formerly Yancoal Resources Limited) (iii) | Coal investment holding company | 446,409,065 | **100** | 100 |
| Yancoal Mining Services Pty Ltd (i) | Provide management services to underground mines | 100 | **100** | 100 |
| Yancoal Moolarben Pty Ltd (i) (iii) | Coal business development | 100 | **100** | 100 |
| Moolarben Coal Mines Pty Ltd (iii) | Coal business development | 1 | **100** | 100 |
| Moolarben Coal Operations Pty Ltd | Management of coal operations | 2 | **100** | 100 |
| Moolarben Coal Sales Pty Ltd | Coal sales | 2 | **100** | 100 |
| Felix NSW Pty Ltd | Investment holding | 2 | **100** | 100 |
| SASE Pty Ltd (iv) | Dormant | 9,650,564 | **–** | 90 |
| Yarrabee Coal Company Pty. Ltd. (iii) | Coal mining and sales | 92,080 | **100** | 100 |
| Proserpina Coal Pty Ltd | Holding company | 1 | **100** | 100 |
| Athena Coal Operations Pty Ltd | Dormant | 1 | **100** | 100 |
| Athena Coal Sales Pty Ltd | Dormant | 1 | **100** | 100 |
| Gloucester Coal Pty Ltd (formerly Gloucester Coal Ltd) (i) (iii) | Coal resource exploration development | 719,720,808 | **100** | 100 |
| Westralian Prospectors Pty Ltd (formerly Westralian Prospectors NL) (i) | Holding company | 93,001 | **100** | 100 |
| Eucla Mining Pty Ltd (formerly Eucla Mining NL) (i) | Coal mining | 2 | **100** | 100 |
| CIM Duralie Pty Ltd (ii) | Holding company | 665 | **100** | 100 |
| Duralie Coal Marketing Pty Ltd (ii) | Holding company | 2 | **100** | 100 |
| Duralie Coal Pty Ltd (i) (iii) | Coal mining | 2 | **100** | 100 |
| Gloucester (SPV) Pty Ltd (iii) | Holding company | 2 | **100** | 100 |
| Gloucester (Sub Holdings 2) Pty Ltd (ii) | Holding company | 2 | **100** | 100 |
| CIM Mining Pty Ltd (i) | Holding company | 30,180,720 | **100** | 100 |
| Monash Coal Holdings Pty Ltd (ii) | Holding company | 100 | **100** | 100 |
| CIM Stratford Pty Ltd (i) | Holding company | 21,558,606 | **100** | 100 |
| CIM Services Pty Ltd (ii) | Holding company | 8,400,002 | **100** | 100 |
| Monash Coal Pty Ltd (ii) (iii) | Coal exploration | 100 | **100** | 100 |
| Stratford Coal Pty Ltd (ii) (iii) | Coal mining | 10 | **100** | 100 |
| Stratford Coal Marketing Pty Ltd (ii) | Coal sales | 10 | **100** | 100 |
| Paway Ltd (iv) | Dormant | 1 | **–** | 100 |
| Coal & Allied Industries Pty Ltd (formerly Coal & Allied Industries Ltd) (iii) | Coal investment Holding company | 86,584,735 | **100** | 100 |
| Kalamah Pty Ltd | Holding company | 1 | **100** | 100 |
| Coal & Allied (NSW) Pty Ltd | Employment company for Mount Thorley and Warkworth mines | 1 | **100** | 100 |
| Australian Coal Resources Pty Ltd (formerly Australian Coal Resources Ltd) | Coal investment holding company | 5 | **100** | 100 |
| Coal & Allied Operations Pty Ltd (iii) | Coal mining and related coal preparation and marketing | 17,147,500 | **100** | 100 |
| Lower Hunter Land Holdings Pty Ltd | Management company of Lower Hunter Land entities | 6 | **100** | 100 |
| Oaklands Coal Pty Ltd | Coal exploration | 5,005 | **100** | 100 |
| Novacoal Australia Pty Ltd | Holding company | 530,000 | **100** | 100 |
| CNA Resources Pty Ltd (formerly CNA Resources Ltd) (iii) | Holding company | 14,258,694 | **100** | 100 |
| CNA Warkworth Pty Ltd | Coal mining | 1 | **100** | 100 |
| Coal & Allied Mining Services Pty Ltd | Employment company for Mount Thorley Co Venture | 10,000 | **100** | 100 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| NAME OF ENTITY | PRINCIPAL ACTIVITIES | ISSUED AND FULLY PAID SHARE CAPITAL $ | EQUITY HOLDING 2021 % | EQUITY HOLDING 2020 % |
|---|---|---|---|---|
| RW Miller (Holdings) Pty Ltd (formerly RW Miller (Holdings) Ltd) | Holding company | 42,907,017 | **100** | 100 |
| Mount Thorley Coal Loading Ltd | Operation of coal loading facility | 3,990,000 | **70** | 70 |
| Gwandalan Land Pty Ltd | Dormant | 1 | **100** | 100 |
| Nords Wharf Land Pty Ltd | Dormant | 1 | **100** | 100 |
| Catherine Hill Bay Land Pty Ltd | Dormant | 1 | **100** | 100 |
| Black Hill Land Pty Ltd | Dormant | 1 | **100** | 100 |
| Minmi Land Pty Ltd | Dormant | 1 | **100** | 100 |
| Namoi Valley Coal Pty Ltd | Holding company | 51,210,000 | **100** | 100 |
| CNA Warkworth Australasia Pty Ltd (iii) | Coal mining | 2 | **100** | 100 |
| CNA Bengalla Investments Pty Ltd | Holding company | 12 | **100** | 100 |
| Mount Thorley Operations Pty Ltd (iii) | Coal mining | 24,214 | **100** | 100 |
| Northern (Rhondda) Collieries Pty Ltd | Holding company | 62,082 | **100** | 100 |
| Miller Pohang Coal Company Pty Ltd | Sales company for Mount Thorley JV | 100 | **80** | 80 |
| Warkworth Mining Ltd | Mine management | 100 | **80** | 80 |
| Warkworth Pastoral Company Pty Ltd | Pastoral company for the Warkworth JV | 100 | **85** | 85 |
| Warkworth Tailings Treatment Pty Ltd | Tailings company for the Warkworth JV | 100 | **85** | 85 |
| Warkworth Coal Sales Ltd | Sales company for Warkworth JV | 100 | **85** | 85 |
| Parallax Holdings Pty Ltd | Holding company | 100 | **–** | 100 |
| White Mining Pty Ltd (formerly White Mining Limited) | Holding company and mine management | 3,300,200 | **100** | 100 |
| Watagan Mining Company Pty Ltd | Holding company | 100 | **100** | 100 |
| Austar Coal Mine Pty Limited | Coal mining and sales | 64,000,000 | **100** | 100 |
| White Mining Services Pty Limited | Holding company | 2 | **100** | 100 |
| White Mining (NSW) Pty Limited | Coal mining and sales | 10 | **100** | 100 |
| Ashton Coal Operations Pty Limited | Mine management | 5 | **100** | 100 |
| Ashton Coal Mines Pty Ltd (formerly Ashton Coal Mines Ltd) | Coal sales | 100 | **100** | 100 |
| Donaldson Coal Holdings Pty Ltd (formerly Donaldson Coal Holdings Ltd) | Holding company | 204,945,942 | **100** | 100 |
| Gloucester (Sub Holdings 1) Pty Ltd | Holding company | 2 | **100** | 100 |
| Donaldson Coal Pty Ltd | Coal mining and sales | 6,688,782 | **100** | 100 |
| Donaldson Coal Finance Pty Ltd | Finance company | 10 | **100** | 100 |
| Abakk Pty Ltd | Holding company | 6 | **100** | 100 |
| Newcastle Coal Company Pty Ltd | Coal mining | 2,300,999 | **100** | 100 |
| Primecoal International Pty Ltd | Holding company | 1 | **100** | 100 |

(i) These subsidiaries have been granted relief from the requirement to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785. These subsidiaries represent the closed group for the purposes of the class order. For further information refer to Note E6. During 2020 the Watagan Group and Yancoal Moolarben Pty Ltd were added to the closed group.

(ii) These subsidiaries are members of the extended closed group for the purposes of ASIC Legislative Instrument 2016/785. For further information refer to Note E6.

(iii) These entities are considered to be the material controlled entities of the Group. Their principal activities are the exploration, development, production and marketing of metallurgical and thermal coal.

(iv) These subsidiaries have been deregistered / dissolved during 2021.

(v) All subsidiaries included in the table above are incorporated and operate in Australia, except for Paway Ltd which is incorporated in the British Virgin Islands.

The subsidiaries as listed have share capital consisting solely of ordinary shares and subordinated capital notes, which are held directly by the Group. The country of incorporation or registration is also their principal place of business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## E6 Deed of cross guarantee

Yancoal Australia Ltd and certain subsidiaries (refer to Note E5), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Legislative Instrument 2016/785 issued by the Australian Securities and Investments Commission.

### (a) Consolidated statement of profit or loss and other comprehensive income

Set out below is a Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in consolidated accumulated losses for the year ended 31 December 2021 of the entities included in the deed of cross guarantee consisting of Yancoal Australia Ltd and certain subsidiaries. For details regarding the closed group and the extended closed group refer to Note E5.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Revenue** | **852** | 1,000 |
| Other income | **105** | 776 |
| Changes in inventories of finished goods and work in progress | **(3)** | (9) |
| Raw materials and consumables used | **(81)** | (34) |
| Employee benefits | **(147)** | (145) |
| Depreciation and amortisation | **(276)** | (189) |
| Coal purchase | **(162)** | (298) |
| Impairment of exploration and evaluation assets | **(100)** | – |
| Transportation | **(140)** | (103) |
| Contractual services and plant hire | **(91)** | (51) |
| Loss on reconsolidation of Watagan | **–** | (1,383) |
| Government royalties | **(41)** | (11) |
| Other operating expenses | **(79)** | (80) |
| Finance costs | **(228)** | (159) |
| **Loss before income tax** | **(391)** | (686) |
| Income tax benefit | **201** | 154 |
| **Loss after income tax** | **(190)** | (532) |

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Other comprehensive income** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Cash flow hedges: | | |
| Fair value (losses) / gains taken to equity | **(232)** | 309 |
| Fair value losses transferred to profit or loss | **153** | 194 |
| Deferred income tax benefit / (expense) | **24** | (151) |
| **Other comprehensive (expense) / income, net of tax** | **(55)** | 352 |
| **Total comprehensive expense** | **(245)** | (180) |
| | | |
| ***Summary of movements in consolidated accumulated losses*** | | |
| Accumulated losses at the beginning of the financial year | **(1,184)** | (372) |
| Dividends provided for or paid | **–** | (280) |
| Loss after income tax | **(190)** | (532) |
| **Accumulated losses at the end of the financial year** | **(1,374)** | (1,184) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Consolidated balance sheet

Set out below is a Consolidated Balance Sheet as at 31 December 2021 of the entities included in the deed of cross guarantee consisting of Yancoal Australia Ltd and certain subsidiaries. For details regarding the closed group and the extended closed group refer to Note E5.

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **959** | 501 |
| Trade receivables | **1,679** | 937 |
| Inventories | **34** | 30 |
| Other current assets | **49** | 44 |
| Non contingent royalty receivable | **–** | 4 |
| **Total current assets** | **2,721** | 1,516 |
| | | |
| **Non-current assets** | | |
| Trade and other receivables | **14** | 19 |
| Other financial assets | **6,791** | 6,808 |
| Property, plant and equipment | **746** | 792 |
| Exploration and evaluation assets | **70** | 397 |
| Mining tenements | **1,364** | 1,279 |
| Intangible assets | **29** | 30 |
| Deferred tax assets | **–** | 189 |
| Other non-current assets | **21** | 20 |
| **Total non-current assets** | **9,035** | 9,534 |
| | | |
| **Total assets** | **11,756** | 11,050 |
| | | |
| **Current liabilities** | | |
| Trade and other payables | **3,319** | 1,770 |
| Interest-bearing liabilities | **47** | 93 |
| Provisions | **4** | 9 |
| Non-contingent royalty payable | **–** | 13 |
| **Total current liabilities** | **3,370** | 1,885 |
| | | |
| **Non-current liabilities** | | |
| Interest-bearing liabilities | **2,891** | 3,724 |
| Trade and other payable | **7** | 5 |
| Deferred tax liabilities | **87** | – |
| Provisions | **266** | 273 |
| **Total non-current liabilities** | **3,251** | 4,002 |
| | | |
| **Total liabilities** | **6,621** | 5,887 |
| | | |
| **Net assets** | **5,135** | 5,163 |
| | | |
| **Equity** | | |
| Contributed equity | **6,698** | 6,482 |
| Reserves | **(189)** | (135) |
| Accumulated losses | **(1,374)** | (1,184) |
| **Total equity** | **5,135** | 5,163 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## F OTHER INFORMATION

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements. Information is provided on commitments, remuneration of auditors, events occurring after balance date, reconciliation of profit after income tax to net cash inflow, other accounting policies and new and amended accounting policies.

### F1 Commitments

### (a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| *Property, plant and equipment* | | |
| Not later than one year | | |
| Share of joint operations | **187** | 42 |
| Other | **1** | – |
| Later than one year but not later than five years | **5** | – |
| | | |
| *Exploration and evaluation* | | |
| Not later than one year | | |
| Share of joint operations | **1** | 3 |
| | **194** | 45 |

### F2 Remuneration of auditors

### (a) ShineWing Australia

| | 31 DECEMBER 2021 $000 | 31 DECEMBER 2020 $000 |
|---|---|---|
| Audit and review of financial statements | **1,233** | 1,585 |
| Audit-related services | **35** | 27 |
| Other assurance services | **50** | 45 |
| Total remuneration of ShineWing Australia | **1,318** | 1,657 |

### (b) ShineWing China CPA / ShineWing (HK) CPA Ltd

| | | |
|---|---|---|
| Audit and review of financial statements | **10** | 15 |
| Other assurance services | **–** | 59 |
| | **10** | 74 |

### (c) Other audit providers

During the year ended 31 December 2021 the Company incurred services provided by other audit providers for the audit and review of financial statements and financial information for:

| PROVIDER | ENTITY | 31 DECEMBER 2021 $000 | 31 DECEMBER 2020 $000 |
|---|---|---|---|
| Deloitte | Hunter Valley Operations | **65** | 68 |
| Ernst & Young | Middlemount | **36** | 35 |
| PwC | PWCS | **8** | – |
| Deloitte | PWCS | **–** | 13 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## F3 Reconciliation of profit / (loss) after income tax to net cash inflow from operating activities

| | 31 DECEMBER 2021 $M | 31 DECEMBER 2020 $M |
|---|---|---|
| **Profit / (loss) after income tax** | **791** | (1,040) |
| *Non-cash flows in profit or loss:* | | |
| Depreciation and amortisation of non-current assets | **831** | 804 |
| Release of provisions | **(44)** | (27) |
| Interest income release from joint venture loan | **(14)** | (9) |
| Unwinding of discount on provisions and deferred payables | **22** | 15 |
| Net loss on disposal of property, plant and equipment | **1** | 9 |
| Impairment of exploration and evaluation assets | **100** | – |
| Fair value losses recycled from hedge reserve | **153** | 194 |
| Foreign exchange gains | **(61)** | (24) |
| Unwind of non-substantial loan refinance | **30** | 8 |
| Loss / (gain) on remeasurement of contingent royalty | **33** | (23) |
| (Gain) / loss on remeasurement of royalty receivables | **(4)** | 9 |
| Accrual of royalty receivable | **–** | (15) |
| Gain on acquisition of interest in joint operations | **–** | (653) |
| Loss on reconsolidation of Watagan | **–** | 1,383 |
| Unwind of discount on non-contingent royalty | **–** | 1 |
| Share of (profit) / loss of equity-accounted investees, net of tax | **(57)** | 59 |
| *Changes in assets and liabilities:* | | |
| Decrease / (increase) in deferred tax | **312** | (111) |
| Decrease / (increase) in inventories | **48** | (26) |
| (Increase) / decrease in operating receivables | **(423)** | 192 |
| Increase / (decrease) in operating payables | **194** | (113) |
| Increase in prepayments | **(12)** | (28) |
| **Net cash inflow from operating activities** | **1,900** | 605 |

## F4 Historical information

The revenue, profit / (loss) after tax, assets and liabilities for the last five years at 31 December are:

| | 2021 $M | 2020 $M | 2019 $M | 2018 $M | 2017 $M |
|---|---|---|---|---|---|
| Revenue | **5,404** | 3,473 | 4,459 | 4,850 | 2,601 |
| Profit / (loss) before income tax | **1,103** | (1,143) | 767 | 1,172 | 311 |
| Income tax (expense) / benefit | **(312)** | 103 | (48) | (320) | (82) |
| **Profit / (loss) after tax** | **791** | (1,040) | 719 | 852 | 229 |
| Profit / (loss) is attributable to: | | | | | |
| Owners of Yancoal Australia Ltd | **791** | (1,040) | 719 | 852 | 229 |
| Non-controlling interests | **–** | – | – | – | – |
| **Assets and Liabilities** | | | | | |
| Current assets | **2,531** | 1,343 | 1,773 | 1,922 | 1,689 |
| Non-current assets | **9,269** | 9,712 | 9,320 | 10,486 | 10,624 |
| **Total assets** | **11,800** | 11,055 | 11,093 | 12,408 | 12,313 |
| Current liabilities | **825** | 1,199 | 2,112 | 913 | 1,013 |
| Non-current liabilities | **4,828** | 4,663 | 2,818 | 5,657 | 6,274 |
| **Total liabilities** | **5,653** | 5,862 | 4,930 | 6,570 | 7,287 |
| **Net assets** | **6,147** | 5,193 | 6,163 | 5,838 | 5,026 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## F5 Events occurring after the reporting period

No matter or circumstances have occurred subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the result of those operations or the state of affairs of the Group or Company in subsequent financial periods except for the following:

- On 28 February 2022, the Directors declared an unfranked dividend of $930 million, comprising a $0.5000 per share final dividend and a $0.2040 per share special dividend, both with a record date of 16 March and payment date of 29 April 2022.

## F6 Other significant accounting policies

### (a) Foreign currency transactions

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### (b) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### (i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

#### Financial assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor contingent consideration arising from a business combination as at FVTOCI on initial recognition, and
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other revenue' line item.

### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

d) it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (including consideration of enforceability and recoverability under any guarantees). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and any undrawn, but committed loans associated with the financial asset.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the

Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

### Impairment of trade receivables

The Group has applied the simplified approach to measuring ECL to trade and other receivables using a life-time expected loss allowance. The Group has also used the practical expedient of a provisions matrix using fixed rates to approximate the ECL. These provisions are considered representative across all business and geographic segments of the Group based on historical credit loss experience and considered future information.

### (ii) Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### Financial liabilities

The Group's financial liabilities including trade and other payables, non-contingent royalty payable, interest-bearing liabilities which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

### (iii) Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in Note D7. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

### Cash flow hedges

The effective portion of changes in the fair value of derivatives or other financial instruments that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated in cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in the cash flow hedge reserve in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Derivatives that do not qualify for hedge accounting and those not designated as hedging instruments

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting and those not designated as hedges are recognised immediately in the profit or loss.

#### (iv) Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### F7 New and amended standards adopted by the Group

#### Other amending accounting standards and interpretations

The relevant accounting amendments and interpretations effective for the current reporting period are:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*.

The adoption of the amendments and interpretations have not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

### F8 New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

| REFERENCE | DETAILS OF NEW STANDARD/AMENDMENT/INTERPRETATION | APPLICATION DATE FOR THE GROUP |
|---|---|---|
| AASB 2020-1, AASB 2020-6 | *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*<br>• The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.<br>• Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.<br>• The amendments clarify the situations that are considered settlement of a liability.<br>Impact:<br>There is no material impact expected on the Group's financial report. | 1 January 2023 |
| AASB 2020-3 | *Amendments to Australian Accounting Standards - Annual Improvements 2018 – 2020 and Other Amendments*<br>The AASB has made:<br>• AASB 116 *Property, Plant and Equipment*, in relation to proceeds before intended use. AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 102 Inventories. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards.<br>• AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, in relation to onerous contracts and the cost of fulfilling a contract<br>• AASB 9 *Financial Instruments*, to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; and<br>• AASB 3 *Business Combinations*, in relation to references to the Conceptual Framework.<br>Impact:<br>The Group does not anticipate any material impact resulting from adhering to this standard on the Group's financial report. | 1 January 2022 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| REFERENCE | DETAILS OF NEW STANDARD/AMENDMENT/INTERPRETATION | APPLICATION DATE FOR THE GROUP |
|---|---|---|
| AASB 2014-10, AASB 2017-5 | *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*<br>The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined by AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.<br>AASB 2015-10 deferred the mandatory effective date (application date) of AASB 2014-10 so that the amendments were required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. AASB 2017-5 further defers the effective date of the amendments made in AASB 2014-10 to periods beginning on or after 1 January 2022.<br>Impact:<br>The Directors anticipate that the adoption of this amendment will only have an impact on the financial statements if the Group was to transfer to an associate or joint venture involving a business. At present, there is no material impact expected on the Group's financial report. | 1 January 2022 |
| AASB 2021-2 | *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*<br>The changes to AASB 108 focus on accounting estimates and clarify the following:<br>• Under the new definition of accounting estimates, they are "monetary amounts in financial statements that are subject to measurement uncertainty".<br>• Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.<br>• Clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.<br>• A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.<br>Disclosure of Accounting Policies amends AASB 101 in the following ways:<br>• An entity will be required to disclose its material accounting policy information instead of its significant accounting policies.<br>• Explanations have been provided as to how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material.<br>• The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.<br>• The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.<br>• The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.<br>Impact:<br>The Group is still in the process of assessing the impact of this amendment. | 1 January 2022 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| REFERENCE | DETAILS OF NEW STANDARD/AMENDMENT/INTERPRETATION | APPLICATION DATE FOR THE GROUP |
|---|---|---|
| AASB 2021-5 | *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*<br>The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.<br>The amendments to AASB 112:<br>• Apply to transactions that occur on or after the beginning of the earliest comparative period presented; and<br>• Require entities to also recognise deferred tax for all temporary differences related to leases, decommissioning, restoration and similar liabilities at the beginning of the earliest comparative period presented.<br>Impact:<br>The Group is currently adhering to this standard and there is no material impact expected on the Group's financial report. | 1 January 2023 |

# DIRECTORS' DECLARATION

## FOR THE YEAR ENDED 31 DECEMBER 2021

In the Directors' opinion:

a. the financial statements and notes set out on pages 56 to 120 are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
   ii. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the year ended on that date, and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note E6 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note E6.

Note A(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by individuals performing the function of the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.

**Gregory James Fletcher**
Director

Sydney
28 February 2022

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Yancoal Australia Ltd ("the Company") and its subsidiaries ("the Group") which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial statements of the Group is in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended

b. complying with Australian Accounting Standards and the Corporations Regulations 2001, and

c. complying with International Financial Reporting Standards ("IFRS") as disclosed in Note A(i).

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("the Code") that are relevant to our audit of the financial statements in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.


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|---|---|---|---|
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# INDEPENDENT AUDITOR'S REPORT

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**1. Recoverability of long-life assets (Note C3)**

| Area of focus | How our audit addressed the area of focus |
|---|---|
| A substantial portion of the value of the Group's non-current assets are tangible and intangible assets which are subject to an impairment assessment in accordance with AASB 136 *Impairment of Assets*.<br><br>These assets represent 86% of the Group's non-current assets which includes property, plant and equipment (note C1), mining tenements (note C2) and intangible assets (note C5).<br><br>Significant judgement is required to assess the fair value of these assets. We have determined this to be a key audit matter | Our audit procedures included:<br>• Considering the assessment of the existence of impairment indicators<br>• Assessing the basis for determining the Cash-Generating Units (CGUs)<br>• Obtaining an understanding and assessing key controls over the preparation of the fair value models<br>• Obtaining an understanding of the methods, assumptions and data used in the fair value models<br>• Testing the accuracy of the fair value models<br>• Assessing whether the methods, assumptions and data were appropriate<br>• Obtaining the assistance of valuation experts in assessing whether certain key assumptions are appropriate, and<br>• Assessing the adequacy of the Group's impairment disclosures relating to the recoverability of long-life assets. |

**2. Recoverability of interests in the Middlemount Joint Venture (Middlemount) (Note C3 and C10)**

| Area of focus | How our audit addressed the area of focus |
|---|---|
| The Group has $299 million of investments and receivables in Middlemount and a royalty receivable of $221 million. The equity investment and receivables are subject to impairment testing under AASB 9 *Financial Instruments* and AASB 136 *Impairment of Assets* and the royalty receivable must be fair valued in accordance with AASB 13 *Fair Value Measurement*.<br><br>Significant judgement is required to assess the fair value of the Middlemount investment, loan receivables and royalty receivable. We have determined this to be a key audit matter. | Our audit procedures included:<br>• Considering the assessment of the existence of impairment indicators<br>• Obtaining an understanding and assessing key controls over the preparation of the fair value model<br>• Obtaining an understanding of the methods, assumptions and data used in the fair value model<br>• Testing the accuracy of the fair value model<br>• Assessing whether the methods, assumptions and data were appropriate<br>• Obtaining the assistance of valuation experts in assessing whether certain key assumptions are appropriate<br>• Obtaining the group reporting opinion and other deliverables from Middlemount's auditor, and<br>• Assessing the adequacy of the Group's impairment disclosures relating to Middlemount. |

## INDEPENDENT AUDITOR'S REPORT

Take the lead

| 3. Exploration and evaluation asset impairment (Note C4) | |
|---|---|
| **Area of focus** | **How our audit addressed the area of focus** |
| The Group has $541 million of exploration and evaluation assets. During the year $100 million of these assets associated with Donaldson were impaired.<br><br>Significant judgement is required to assess impairment of exploration and evaluation assets. We have determined this to be a key audit matter. | Our audit procedures included:<br>• Assessing management's determination of the areas of interest<br>• Assessing the Group's rights to tenure for a sample of tenements<br>• Considering the assessment of the future exploration plans for each area of interest<br>• Obtaining an understanding and assessing key controls over the assessment of the likelihood of future economic benefits<br>• Obtaining an understanding of the methods, assumptions and data used in the assessment of the likelihood of future economic benefits<br>• Assessing whether the methods, assumptions and data were appropriate<br>• Testing the accuracy of the impairment recognised, and<br>• Assessing the adequacy of the Group's exploration and evaluation assets disclosures. |

| 4. Taxation (Note B6) | |
|---|---|
| **Area of focus** | **How our audit addressed the area of focus** |
| The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income tax and associated deferred taxation balances. The Group estimates its tax liabilities based on the Group's interpretation of tax laws and regulations. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such a determination is made.<br><br>The Group is involved in a significant number and value of related party transactions that are subject to analysis under the transfer pricing provisions of the international taxation laws and regulations.<br><br>Significant judgement is required to calculate taxation balances. Due to the size of the deferred tax balances on a gross basis we consider this a key audit matter. | Our audit procedures included:<br>• Check the accuracy of the taxation work papers provided by the Group<br>• Engaging the use of our tax experts to assist the audit team with:<br>  ○ Assessing the tax calculations<br>  ○ Assessing transfer pricing documentation<br>  ○ Considering the prior period tax returns, and<br>  ○ Evaluating any uncertain tax positions.<br>• Assessing the adequacy of the Group's taxation disclosures. |

# INDEPENDENT AUDITOR'S REPORT

Take the lead

### Information Other than the Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2021 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process. In Note A(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with IFRS.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

# INDEPENDENT AUDITOR'S REPORT

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them, all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 38 of the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Yancoal Australia Ltd for the year ended 31 December 2021 complies with section 300A of the *Corporations Act 2001*.

# INDEPENDENT AUDITOR'S REPORT

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**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**ShineWing Australia**
Chartered Accountants

| | |
|---|---|
| R Blayney Morgan | Yang (Bessie) Yang |
| Partner | Partner |
| Melbourne, 28 February 2022 | Sydney, 28 February 2022 |

# CORPORATE GOVERNANCE STATEMENT

### Introduction

The Board and management of the Company are committed to corporate governance. The Company adopts an approach to corporate governance based on international good practice as well as Australian and Hong Kong law requirements.

### ASX Corporate Governance Statement

To the extent appropriate to the scale and nature of the Company's business, the Company has adopted the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations ("ASX Recommendations"). This statement sets out the Company's compliance with the ASX Recommendations and the main corporate governance policies and practices adopted by the Company.

### HK Listing and Compliance with the Hong Kong Corporate Governance Code

The Company has also adopted the provisions of the Corporate Governance Code in Appendix 14 (the "HK Code") to the Rules Governing the Listing of Securities on HKEx (the "HK Listing Rules") as part of its corporate governance policy.

The Company has implemented and applied the principles contained within the HK Code in conducting the Company's business, including reflecting those principles in the Company's Board Charter and relevant policies. In the opinion of the Board, the Company has complied with the code provisions of the HK Code (in addition to the relevant principles of the ASX Recommendations, unless otherwise disclosed) for the financial year ended 31 December 2021. The conduct of the Company's compliance with the principles is discussed further in this statement.

## 1. OUR BOARD

### Role of the Board

The Board is responsible for the overall corporate governance, leadership and control of the Company including directing the affairs of the Company, setting and monitoring the Company's risk management strategy and overseeing the appointment, remuneration and performance of senior Executives. The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of the Company over the longer-term. Directors are expected to exercise their decision making in the best interests of the Company.

The Board's role and responsibilities and its delegation of authority to standing committees and senior Executives have been formalised in a Board Charter. The Board Charter can be found within the Corporate Governance section of the Company's website.

To assist the Board in making independent judgements, the Board Charter sets out the procedure by which the Board collectively, and each individual Director, can seek independent professional advice, at the Company's expense.

### Delegation to management

The Board delegates responsibility for the day to day management of the Company's affairs and implementation of the strategy and policy initiatives set by the Board to the Chair of the Executive Committee ("CEC"), the CEO and other senior Executives. The Executive Committee is a management committee comprising the CEC, CEO, the CFO and any other senior Executives that the Board resolves from time to time will be members of the Executive Committee.

The Executive Committee Charter sets out the functions of the Executive Committee and the duties of the CEC, CEO and CFO and provides for a clear division of responsibility between management and the Board. The Executive Committee Charter is supplemented with the financial decision authorities matrix and appropriate approval thresholds at different management / executive levels, which have been approved by the Board.

Given the delegation of the day-to-day management of the Company, it is the responsibility of management, with the assistance of the Company Secretary, to provide the Directors with timely, adequate and appropriate information to assist the Directors in making informed decisions and to be able to effectively perform their duties and responsibilities.

### Structure of the Board

During the financial year ended 31 December 2021, the Board composition was:

| |
|---|
| **EXECUTIVE DIRECTORS** |
| Ning Zhang |
| **NON-EXECUTIVE DIRECTORS** |
| Baocai Zhang (Chairman)<br>Cunliang Lai<br>Qingchun Zhao<br>Xiangqian Wu<br>Xing Feng |
| **INDEPENDENT NON-EXECUTIVE DIRECTORS** |
| Gregory James Fletcher<br>Geoffrey William Raby<br>Helen Jane Gillies |

The skills, experience and expertise of each Director and the period that each Director has held office is disclosed in the Information on Directors in the Directors' Report, on page 14.

The Constitution provides that there will be a minimum of 4 and a maximum of 11 Directors of the Company, unless the Company resolves otherwise at a general meeting.

The number of meetings held by the Board during 2021 and each director's attendance at these meetings is set out in the Directors' Report on page 24.

### Chairman of the Board

The current Chairman, Baocai Zhang, was nominated by the Company's majority shareholder, Yankuang Energy Group Company Limited ("Yankuang Energy"). The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions. The Chairman ensures that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the CEC and CEO to review key issues and performance trends.

The current CEO is David James Moult. The CEO is responsible for conduct and supervision of the management function of the Company, including implementing strategic objectives, plans and budgets approved by the Board. The CEO has overall responsibility for the Company's operations (other than as delegated to the CEC) and undertakes such responsibilities as may be delegated to him by the Board from time to time.

# CORPORATE GOVERNANCE STATEMENT

The CEO is accountable to the Board and reports to the Chairman of the Board and the CEC.

The roles of the Chairman, CEC and the CEO are separate and assumed by different individuals to ensure a balance of power and authority, so that power is not concentrated in any one individual of the Board. There is a clear division of responsibilities between the Chairman, CEC and the CEO.

### Board skills matrix

The Board represents a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The table below sets out the skills and experience that are currently represented on the Board.

**BOARD COLLECTIVE KEY SKILLS AND EXPERIENCE**

| | |
|---|---|
| Mining / exploration and production/ Engineering | • Executive experience in mining, engineering or resources companies<br>• Experience in engineering, exploration and production projects both domestically and internationally |
| Capital projects | • Experience in assessing commercial viability of major capital projects<br>• Experience in the delivery of large-scale capital projects |
| Trading / marketing | • Relevant experience in marketing and trading of coal |
| Strategy | • Experience in developing and implementing successful business strategy, including appropriately overseeing management on the delivery of agreed strategic planning objectives |
| Leadership | • Experience at a senior executive level working in a large organisation |
| Board experience | • Experience in serving on Boards of varying size and composition, in varying industries and for a range of organisations |
| Corporate governance | • Experience in governance within large organisations and multi- jurisdictional compliance environments<br>• Publicly listed company experience |
| Accounting / audit / risk management | • Experience in financial accounting, reporting and corporate finance, including recognising and evaluating financial risks and maintaining effective risk management and internal controls |
| Government / policy | • Experience in government affairs, and public and regulatory policy |
| Legal / regulatory | • Experience in compliance and knowledge of legal and regulatory requirements |
| Health, safety and environment | • Experience in health, safety and environment, including controlling risks and implementing and monitoring health, safety and environment strategies and procedures |
| Human resources | • Experience in remuneration, workplace culture, people management and succession planning |
| International business expertise | • Experience in and exposure to political, cultural, regulatory and business environments in a range of global locations<br>• Experience with doing business in China, including with government agencies, regulators and customers |

### Nomination and appointment of Directors

The Board considers that Board succession planning, and the progressive and orderly renewal of the Company's Board membership, are an important part of the governance process. The Board's policy for the selection, appointment and re-appointment of Directors is to ensure that the Board possesses an appropriate range of skills, experience and expertise to enable the Board to carry out its responsibilities most effectively. As part of this appointment and re-appointment process, the Directors consider Board renewal and succession plans and whether the Board's size and composition is conducive to making appropriate decisions.

At the time of appointment of a new Non-Executive Director, the key terms and conditions relevant to that person's appointment, the Board's responsibilities and the Company's expectations of a Director are set out in a letter of appointment. Each Director has entered into a written letter of appointment with the Company. The Company has implemented an induction program, facilitated by the Company Secretary, through which new Non-Executive Directors are introduced to the Company's operations and are familiarised with the Company's strategy, culture and core values.

The Board has established a Nomination and Remuneration Committee to make recommendations to the Board on matters such as:

- Board composition and succession planning for the Board and the CEO;
- Director remuneration (subject to any shareholder approval that is required in accordance with the Company's Constitution, ASX Listing Rules and HK Listing Rules) and remuneration arrangements for the Company's Executive Committee and any other person nominated as such by the Nomination and Remuneration Committee from time to time;
- the public reporting of remuneration for Directors and key management personnel and other members of the Executive Committee;
- the performance assessment of the Executive Committee;
- designing Company remuneration policy and regulations with regard to corporate governance; and
- oversight of the progress of the diversity and inclusion strategy, as well as diversity metrics at the organisation and operation level.

In carrying out its duties, the Nomination and Remuneration Committee has regard to the ASX Recommendations and the principles in the HK Code, in particular, principles B.1 and B.2 (formerly principles A.3 and A.4). Further information regarding the Nomination and Remuneration Committee is outlined under the Board committees section below.

# CORPORATE GOVERNANCE STATEMENT

The Board recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. Whilst traditionally, experience as a senior Executive or Director of a large organisation with international operations is a prerequisite for candidature, in accordance with the Diversity Policy, the Board also seeks skills and experience in the following areas:

- marketing and sales;
- policy and regulatory development and reform;
- health, safety and environment and social responsibility; and
- human resources.

In identifying candidates, the Nomination and Remuneration Committee considers and recommends to the Board nominees by reference to a number of selection criteria including the skills, expertise, background and gender that add to and complement the range of skills, expertise, background and gender of the existing Directors, the capability of the candidate to devote the necessary time and commitment to the role, potential conflicts of interest and independence, and the extent to which the candidate would fill a present need on the Board. The selection criteria for candidates for the Board are set out in the Nomination and Remuneration Committee Charter which can be found within the Corporate Governance section of the Company's website. Where appropriate, the appropriate checks are undertaken prior to a Director being appointed. The mix of skills currently held by the Board is set out under the paragraph titled "Board skills matrix".

Shareholder approval is required for the appointment of Directors. However, Directors may appoint other Directors to fill a casual vacancy where the number of Directors falls below the Company Constitution's prescribed minimum number of Directors and in order to comply with any applicable laws, regulations, ASX Listing Rules or HK Listing Rules. If a Director is appointed to fill a casual vacancy in these circumstances, the approval of members must be sought at the next general meeting.

No Director may hold office without re-election beyond the third annual general meeting ("AGM") following the meeting at which the Director was last elected or re-elected. The Company provides all material information in its possession, including the details of expertise and qualifications, details of any other material directorships, and any other materials that the Board considers to be material to such a decision, in relation to Directors standing for election or re-election in the Notice of Meeting provided to shareholders prior to the AGM.

Each Non-Executive Director (whether independent or not) has been appointed for an initial term of not more than 3 years and will be subject to retirement by rotation at least once every 3 years under rule 8.1 of the Company's Constitution, pending re-election by the shareholders at an AGM.

To the extent that the ASX Listing Rules require an election of Directors to be held and no Director would otherwise be required under the Company's Constitution to submit for election or re-election at an AGM, the Director who has been the longest in office since their last election or appointment must retire at the AGM. As between Directors who were last elected or appointed on the same day, where it is not agreed between the relevant Directors, the Director to retire must be decided by lot.

The process for appointment, retirement and re-election of Directors is set out in the Company's Constitution which can be found within the Corporate Governance section of the Company's website.

### Independence standard

In assessing the independence of its Directors, the Board has regard to the factors relevant to assessing the independence of a Director that are set out in Box 2.3 of the ASX Recommendations and Rule 3.13 of the HK Listing Rules. The criteria considered in assessing the independence of Non-Executive Directors are also set out in the Board Charter. The Board will consider the materiality of the Directors' interests, position, association or relationship for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

A Director is generally considered to be independent if the Director:

- is not, and has not within the last three years been, employed in an executive capacity by the Company or any of its child entities;
- is not, nor has within the last three years been, a partner, principal, director or senior employee of a provider of material professional services to the Company or any of its child entities;
- is not, nor has within the last three years been, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- does not receive performance-based remuneration (including options or performance rights) from, or participate in an employee incentive scheme of, the Company;
- does not hold more than 1% of the number of issued shares of the Company; is not a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- is not, nor has been within the last three years an officer or employee of, or a partner, principal, director or employee of a professional adviser to, a substantial shareholder of the Company;
- does not have a material contractual relationship with the Company or any of its child entities other than as a Director;
- does not have, nor within one year prior to the appointment, had any material interest in any principal activity of or is not or was not involved in any material business dealings with the Company, its holding company or their respective child entities;
- does not have close personal ties (for example based on family, friendship or other social or business connections) with any person who falls within any of the categories described above;

## CORPORATE GOVERNANCE STATEMENT

- has not been a Director of the Company, of its holding company or any of their respective subsidiaries or of any core connected persons of the Company for such a period that his or her independence from management and substantial holders may have been compromised;
- is free from any other interest, position, association or relationship that might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

### Director independence

In determining the composition of the Board, the Company has regard to the balance of Executive and Non- Executive Directors to ensure that there is a strong independent presence on the Board to exercise independent judgement.

The Board has assessed the independence of each of the Non-Executive Directors (including the Chairman of the Board) in light of their interests and relationships, and has determined that of the 9 Directors currently on the Board, three hold their positions in an independent Non-Executive capacity (based on the independence standard disclosed above). The Company's current independent Directors are Gregory James Fletcher, Geoffrey William Raby and Helen Jane Gillies. Mr Fletcher and Dr Raby have been independent non-executive Directors since their appointment on 26 June 2012 and have always emphasised the importance of high standards of corporate governance and contributed in objectively advising as well as constructively monitoring and mentoring the management team in their capacity as independent non-executive Directors. Being familiar with the corporate values of the Company, Mr Fletcher and Dr Raby have enhanced these values through their strong professional relationship with management. After a review of all the skill sets, experience and qualifications of Mr Fletcher and Dr Raby respectively, the Board is satisfied that Mr Fletcher and Dr Raby have the required character, integrity, experience and knowledge to continue fulfilling the role of independent non-executive Director effectively, and their continued tenure will continue to bring valuable insights, expertise and fresh perspectives to the Board.

A majority of the Board are not considered independent Directors due to their affiliations with the Company's majority shareholder, Yankuang Energy, and accordingly the Company does not comply with Recommendation 2.4 of the ASX Recommendations. However, the Board considers that its composition appropriately represents the interests of its shareholders including its majority shareholder, Yankuang Energy, and that the Board has put in place appropriate policies and procedures to guide the Board and senior Executives in circumstances where conflicts of interest may arise and in its dealings with Yankuang Energy, including establishing Independent Board Committees where appropriate.

Each independent Director must regularly provide the Board with all information relevant to their continued compliance with the independence standard. The independence of Directors will be reviewed by the Board on a regular basis with assistance from the Nomination and Remuneration Committee.

The independent Non-Executive Directors have confirmed their independence in accordance with Rule 3.13 of the HK Listing Rules, and the Company has received from each of the independent Non-Executive Directors an annual confirmation on his/her independence as required under Rule 3.13 of the HK Listing Rules. Accordingly, the Company considers that the independent Non-Executive Directors continue to be independent.

### Nomination and non-independence of Chair

The Company's Constitution provides that the Company's shareholders holding a majority of the issued shares of the Company (which confer the right to vote) may nominate a Director to the office of Chairman and may elect one or more Directors to the office of Vice Chair.

As a nominee of Yankuang Energy, Baocai Zhang, the Chairman is not considered independent by the independence standard (as above) and accordingly the Company does not comply with Recommendation 2.5 of the ASX Recommendation. However, the Board considers that this is an appropriate reflection of Yankuang Energy's majority shareholding in the Company. While a majority of the Directors are associated with Yankuang Energy this is considered appropriate in light of Yankuang Energy's majority shareholding in the Company. The Board has put in place appropriate policies and procedures such as the Conflicts and Related Transactions Policy and the Majority Shareholder Protocol to manage any potential conflicts, while the Company's Constitution allows for the establishment of an Independent Board Committee consisting of independent Non-Executive Directors if required.

### Conflicts of interest

To help ensure that any conflicts of interests are identified, the Company has put in place a standing agenda item at all meetings of the Board and its committees to provide the Directors with the opportunity of declaring any conflicts of interests in the subject matter of the proposed resolutions made within the meeting.

### Induction and professional development

Upon appointment, Directors are provided with induction training. This includes briefing sessions with management regarding the Company's structure, business operations, history, and culture, and provision of an information pack containing a letter of appointment setting out the Company's expectations, Directors' duties and the terms and conditions of their appointment, and other materials containing information about the Company including the Company's Constitution, charters and policies to support the induction of Directors to the Board.

Yancoal has an ongoing Director training program, which Directors participate in to ensure that they maintain the skills and knowledge required to effectively discharge their responsibilities. Examples of continuing education or development programs include training on the Company's Code of Conduct, cybersecurity, chain of responsibility, cross cultural, ESG and sexual harassment laws. Periodic review is undertaken to consider whether professional development for Directors is required to enable the Board to deal with new and emerging business and governance issues, and Directors are expected to undertake any necessary continuing education and training.

# CORPORATE GOVERNANCE STATEMENT

The Company Secretary supports Directors by providing access to information in appropriate form where requested.

### Keeping non-English speaking directors informed

There are currently a number of non-English speaking directors on the Board. To ensure that these directors understand, and are able to participate in, Board meeting discussions and can properly discharge their directors' duties and obligations, the Company will ensure that:

- all Board and Board Committee papers or any other key corporate documents are distributed to a Director in a language the Director speaks and understands where that Director does not speak and understand English; and
- an interpreter is available at all Board and Board Committee meetings (whether in person, by telephone, video conference or otherwise) to assist in translating the content of all discussions at those meetings to ensure all Directors can understand and contribute to the discussions at those meetings.

In addition to the above, to ensure that all Directors are kept informed and can properly discharge their directors' duties and obligations, where required Board in-camera sessions are held prior to Board meetings, with a translator present, to provide all Directors the opportunity to participate and discuss important Company matters, and all Board Committee meetings, where possible and appropriate, invite all Directors to attend regardless of whether such Directors are members of such Board Committees.

### Company Secretary

The Company Secretary supports and is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary facilitates the timely flow of information within the Board and between the Board and management. Each Director is able to communicate directly with the Company Secretary and vice versa. The Board Charter sets out the other duties of the Company Secretary, which include being responsible for:

- ensuring compliance by the Company with the Company's Constitution, the provisions of the *Corporations Act 2001* (Cth) and other applicable laws and Listing Rules as they relate to the Company;
- providing corporate governance advice to the Board and facilitating induction processes and the ongoing professional development of Directors;
- ensuring that the Board Charter and relevant policies and procedures are followed;
- ensuring that the Company's books and registers required by the *Corporations Act 2001* (Cth), the Securities and Future Ordinance and other applicable laws are established and properly maintained;
- ensuring that all notices and responses are lodged with ASIC, ASX and HKEx on time; and
- organising and attending shareholders' meetings and Directors' meetings, including sending out notices, preparing agendas, marshalling proxies and compiling minutes.

The Company Secretary is Laura Ling Zhang. Ms Zhang has completed no less than 15 hours of professional training to update her skills and knowledge as required by the HKEx.

### Performance of the Board, its Committees and individual Directors

The Nomination and Remuneration Committee oversees an annual evaluation process for the Board, its committees and each Director based on the Board Performance Evaluation Protocol (**Protocol**) adopted and approved by the Board in 2012. The Protocol was recently reviewed as part of the Company's annual review process. As a result of that review, taking into account the ongoing COVID-19 pandemic and inability for Directors to meet in person, the Protocol was amended to provide a practical evaluation process for the Board. Such revised Protocol was approved by the Board in February 2022.

## The Board

Periodically, a review of the structure and operation of the Board, the skills and characteristics required by the Board to maximise its effectiveness and whether the mix of skills, experience and expertise and the Board's practices and procedures are appropriate for the present and future needs of the Company is conducted. This evaluation of performance of the Board may be conducted with the assistance of an external facilitator. As set out in the Board Charter, the review of the Board involves Directors providing written feedback on the Board's performance to the Chairman or to an external facilitator, which in turn is discussed by the Board, with consideration of whether any steps for improvement are required.

Where practicable, it is expected that externally facilitated reviews will occur approximately every three years. The independent external facilitator will seek input from each of the Directors and certain members of senior management in relation to the performance of the Board against a set of agreed criteria.

Once an externally facilitated review occurs, the progress against any recommendations from the most recent externally facilitated review, together with any new issues, will be considered internally. Feedback from each Director against a set of agreed criteria will be collected by the Chairman or the external facilitator. The CEC and CEO will also provide feedback from senior Executives in connection with any issues that may be relevant in the context of the Board performance review. Feedback will be collected by the Chairman, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees.

Where practicable, as part of the annual performance evaluation process, the Nomination and Remuneration Committee considers assessments by independent bodies regarding Boards of Australian companies and their performance. The Chair of the Nomination and Remuneration Committee reports any material issues or findings from these evaluations to the Board.

# CORPORATE GOVERNANCE STATEMENT

## Board committees

Each of the four standing committees of the Board conducts an annual committee performance self-assessment, using guidelines approved by the Nomination and Remuneration Committee. The guidelines include reviewing the committee's performance having regard to its role and responsibilities as set out in its Charter; consideration as to whether the committee's Charter is fit for purpose; and identification of future topics for training/education of the committee or its individual members. On a periodic basis, each committee also reviews and makes an assessment against the respective committee's Charter requirements.

The outcomes of the performance self-assessments are reported to the Nomination and Remuneration Committee (or to the Board, if there are any material issues relating to the Nomination and Remuneration Committee) for discussion and noting.

Each committee provides feedback to the Board on its own performance, which is collected by the Chairman or an external facilitator, and the feedback is discussed by the Board, with consideration of whether any steps for improvement are required.

## Individual Directors

Directors are evaluated on, amongst other things, their alignment with the values of the Company, their commitment to their duties and their level of financial, technical and specialist knowledge. Directors are also expected to be fully aware of their duties of care and skill, as well as fiduciary duties, as a Director.

A performance review of Non-Executive Directors is conducted by the Chairman for each Non-Executive Director, specifically addressing the performance criteria within the Protocol.

A review of the performance of the Chairman is facilitated by the Co-Vice Chairs who seek input from each Director individually on the performance of the Chairman against the competencies for the Chairman's role approved by the Board.

## Performance reviews

Since the adoption of the Protocol in 2012, the Company has carried out five annual board performance reviews internally, and has conducted one externally facilitated board performance review. An externally facilitated review of the Board was carried out in 2016 (in respect of 2015) and a review of the Board was conducted internally in 2018 (in respect of 2017), in accordance with the process disclosed above.

The Company has undertaken a review of the performance of the Board and its committees for the financial year ending 31 December 2021. The format of the review was conducted in accordance with the new process set out in the revised Protocol. The new process adopted for the 2021 review took into account the requirements of the principles set out in the HK Code.

### Performance of senior Executives

The CEC and the CEO review the performance of senior Executives annually against appropriate measures as part of the Company's performance management system for all managers and staff.

On an annual basis, the Nomination and Remuneration Committee and subsequently the Board formally reviews the performance of the CEO and the CEC. The CEO's performance is assessed against qualitative and quantitative criteria, including profit performance, other financial measures, safety performance and strategic actions. The Nomination and Remuneration Committee also undertakes an annual formal review of the performance of other members of the Executive Committee, based on similar criteria. The Board reviews and approves the annual review of all the members of the Executive Committee undertaken by the Nomination and Remuneration Committee.

The performance evaluation for the CEC, CEO and senior Executives to take place in 2022 (in respect of 2021), will be in accordance with the process disclosed above.

### Remuneration of Non-Executive Directors and senior Executives

The Nomination and Remuneration Committee makes recommendations to the Board to achieve Company remuneration structures that are equitable and aligned with the long-term interests of the Company and its shareholders, to attract and retain skilled employees, to structure short and long term incentives that are challenging and linked to creation of sustainable returns and to ensure any termination benefits are justifiable and appropriate.

In 2018, the committee engaged consulting firm Aon Hewitt ("Aon") to provide independent market benchmarking and recommendations with respect to the remuneration of senior Executives and Non-Executive Directors. The Board adopted the recommendations in May 2018. Given this review in 2018 and the subsequent implementation of remuneration recommendations, no further changes to the remuneration framework for Executives or Non- executive Directors was made in 2021.

## Non-Executive Directors

The Constitution provides that the Non-Executive Directors are entitled to such remuneration as approved by the Company's shareholders in accordance with the Constitution, which must not exceed the aggregate annual amount as determined by the Company in general meeting or by its majority shareholder, Yankuang Energy.

Remuneration for Non-Executive Directors is capped at an aggregate amount for each financial year of $3.5 million. Non-Executive Directors may also be paid such additional or special remuneration as the Directors decide is appropriate where a Non-Executive Director performs extra services or makes special exertions for the benefit of the Company. Such additional remuneration will not form part of the calculation of the aggregate cap on Non- Executive Directors' remuneration for a financial year and do not require shareholder approval. No Director is involved in determining his or her own remuneration.

## Senior Executives

The Company's senior Executives are employed under written employment contracts that set out the terms of their employment. In 2018, the Nomination and Remuneration Committee engaged external remuneration consultants to provide independent market benchmarking with respect to the remuneration of Yancoal Executives and Non-Executive Directors. In 2021, no changes were made to the structure of senior Executive contracts other than Mr Moult's Executive contract for position as CEO, which was initially for a period of two years from 9 March 2020, and varied to an Executive contract with no fixed term on 17 December 2021. Aside from this variation, the material terms of Mr Moult's Executive Contract remain unchanged. Where appropriate, the appropriate checks are undertaken prior to a new senior Executive being appointed.

Further details of the remuneration of the Non-Executive Directors, Executive Directors and senior Executives can be found in the Remuneration Report on pages 27 to 38.

## 2. BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established the following standing Board committees:

| | | | |
|---|---|---|---|
| Audit and Risk Management Committee | Health, Safety, Environment and Community Committee | Nomination and Remuneration Committee | Strategy and Development Committee |

These Board committees review matters on behalf of the Board and as set out in the relevant Charter:

- refer matters to the Board for a decision, with a recommendation from the committee; or
- determine matters (where the committee acts with delegated authority), which the committee then reports to the Board.

Other committees may be established by the Board as and when required. Membership of the Board committees is based on the needs of the Company, relevant regulatory requirements, and the skills and experience of individual Directors.

The purpose and primary role of each of the Board committees and membership of the committees are outlined below. The Charters of each of these standing Board committees are available within the Corporate Governance section of the Company's website.

| AUDIT AND RISK MANAGEMENT COMMITTEE | |
|---|---|
| **CURRENT MEMBERSHIP** | **PURPOSE** |
| *Independent Non-Executive Directors:*<br>Gregory James Fletcher – Chair<br>Helen Jane Gillies<br>*Non-Executive Directors:*<br>Qingchun Zhao<br>The committee consists only of Non-Executive Directors with a majority being independent and the Chair of the committee is an independent Non-Executive Director and is not the Chairman of the Board. The Committee meets the minimum composition requirement for audit committee of three Non- Executive Directors, at least one of whom is an independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise, as required by the HK Code. | The committee's objectives are to:<br>• help the Board in relation to the reporting of financial information;<br>• advise on the appropriate application and amendment of accounting policies;<br>• make evaluations and recommendations to the shareholders of the Company regarding the external auditor;<br>• recommend to the Board the remuneration of the external auditor for shareholder approval as required in accordance with the Constitution;<br>• provide a link between the Board and the external auditor and management;<br>• ensure that the Board, Directors and management are aware of material risks facing the business;<br>• ensure the systems in place to identify, monitor and assess risk are appropriate and operating effectively; and<br>• assess the independence of the external auditor.<br>During the financial year ended 31 December 2021, work performed by the committee included, but was not limited to:<br>• review and endorsement of the Company's Interim and Annual Financial Results;<br>• consideration of external audit reports and approval of external auditor's audit plan;<br>• engagement of non-audit services;<br>• consideration of the Company's asset impairment assessments;<br>• review of the Company's related party and connected transactions;<br>• review and endorsement of the Company's 2020 Environmental, Social and Governance Report;<br>• annual review of Enterprise Risk Management Framework;<br>• review of the effectiveness of risk management, internal control systems, internal audit function and whether the Company is operating with due regard to the risk appetite set by the Board; and<br>• evaluation of the Company's debt facilities.<br>The qualifications, skills and experience of each member and the number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Information on Directors in the Directors' Report, on page 14. |

# CORPORATE GOVERNANCE STATEMENT

<table>
<tr><th colspan="2">HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE</th></tr>
<tr><th>CURRENT MEMBERSHIP</th><th>PURPOSE</th></tr>
<tr><td>Independent Non-Executive Directors:<br>Geoffrey William Raby – Chair<br>Non-Executive Directors:<br>Xiangqian Wu<br>Executive Directors:<br>Ning Zhang<br>The committee consists of majority Non-Executive Directors and meets the minimum composition requirement of three Directors, as required by the Company's Health, Safety, Environment and Community Committee Charter.</td><td>The committee assists the Board to:<br>• fulfil its responsibilities in relation to the health, safety, environment, and community (collectively "HSEC") matters arising out of the activities of the Company;<br>• consider, assess and monitor whether or not the Company has in place the appropriate policies, standards, systems and resources required to meet the Company's HSEC commitments; and<br>• provide necessary focus and guidance on HSEC matters across the Company.<br>During the financial year ended 31 December 2021, work performed by the committee included, but was not limited to:<br>• monitoring the Company's ongoing health and safety and environmental performance, including significant incidents and regulatory investigations;<br>• overseeing major initiatives;<br>• monitoring the COVID-19 pandemic response;<br>• considering independent environmental assurance audits for various Company mine sites;<br>• reviewing and endorsing the Company's 2020 Environmental, Social and Governance Report; and<br>• overseeing community initiatives and health, safety and environmental legal and compliance matters.<br>The qualifications, skills and experience of each member and the number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Information on Directors in the Directors' Report, on page 14.</td></tr>
<tr><th colspan="2">NOMINATION AND REMUNERATION COMMITTEE</th></tr>
<tr><td>Independent Non-Executive Directors:<br>Helen Jane Gillies – Chair<br>Gregory James Fletcher<br>Geoffrey William Raby<br>Non-Executive Directors:<br>Baocai Zhang<br>Xiangqian Wu<br>The committee consists only of Non-Executive Directors with a majority being independent, including the Chair of the committee, and meets the minimum composition requirement of three Non-Executive Directors, as required by the Company's Nomination and Remuneration Committee Charter.</td><td>The committee assists the Board of the Company by making recommendations in relation to:<br>• Board composition and succession planning for the Board and the CEO and oversight of succession planning for the Executive Committee;<br>• Director remuneration (subject to any shareholder approval that is required in accordance with the Company's Constitution, ASX Listing Rules and HK Listing Rules) and remuneration arrangements for the Company's Executive Committee and any other person nominated as such by the Committee from time to time;<br>• the public reporting of remuneration for Directors and key management personnel and other members of the Executive Committee;<br>• oversight of the performance assessment of the Executive Committee;<br>• designing Company remuneration policy and regulations with regard to corporate governance; and<br>• oversight of the progress of the diversity and inclusion strategy, as well as diversity metrics at the organisation and operation level.<br>During the financial year ended 31 December 2021, work performed by the committee included, but was not limited to:<br>• consideration of re-election of Directors;<br>• undertaking a review of the Company's organisational structure and composition of the Executive Committee;<br>• undertaking cross cultural training;<br>• review of the 2020 Corporate Governance Statement, including diversity and measurable objectives; and<br>• finalisation and endorsement of Company short-term and long-term incentive plans and Company salary indexation and performance assessment implementation.<br>The qualifications, skills and experience of each member and the number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Information on Directors in the Directors' Report, on page 14.</td></tr>
</table>

| STRATEGY AND DEVELOPMENT COMMITTEE | |
|---|---|
| **CURRENT MEMBERSHIP** | **PURPOSE** |
| *Independent Non-Executive Directors:*<br>Geoffrey William Raby<br>*Non-Executive Directors:*<br>Baocai Zhang – Chair<br>Qingchun Zhao<br>Xing Feng<br>The committee consists only of Non-Executive Directors and meets the minimum composition requirement of three Directors, as required by the Company's Strategy and Development Committee Charter. | The committee assists the Board in its oversight and review of the Company's strategic initiatives, including:<br>• merger and acquisition proposals;<br>• major capital markets transactions;<br>• significant investment opportunities; and<br>• proposals to dispose of significant Company assets.<br>During the financial year ended 31 December 2021, work performed by the committee included, but was not limited to:<br>• consideration of capital management issues; and<br>• evaluation of various acquisition opportunities and organic growth opportunities.<br>The qualifications, skills and experience of each member and the number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Information on Directors in the Directors' Report, on page 14. |
| **INDEPENDENT BOARD COMMITTEE** | |
| An Independent Board Committee is composed of independent Non-Executive Directors who do not have a material interest in the relevant transactions. | An Independent Board Committee is established by the Board as and when required to manage any related party transactions.<br>During the financial year ended 31 December 2021, the Independent Board Committee met three times for the purposes of considering transactions between or involving the Company and its majority shareholder, Yankuang Energy. In addition, a previously constituted Independent Board Committee passed certain written resolutions for the purposes of considering transactions between or involving the Company and its major shareholder, Yankuang Energy. |

### Meetings and attendance

The number of meetings held by the Board and each committee during 2021 and each member's attendance at these meetings is set out in the Directors' Report on page 24.

## 3. ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

### Our values and beliefs

The Company is focused on maintaining and upholding a company culture and a set of company values to underpin its ongoing success and sustainability as a business. Who we are and how we work as Yancoal employees is informed by the 'Yancoal Way', which encapsulates our beliefs, values and expected behaviours.

Our three core beliefs drive our values to deliver. They are:

**TRANSPARENCY**
We are open and honest with one another and have a "no surprises" mentality for all the stakeholders we work with.

**COMPLIANCE**
We always follow our internal rules and the rules of law where we operate.

**EFFICIENCY**
We strive to be efficient, productive and effective at what we do all day, every day.

# CORPORATE GOVERNANCE STATEMENT

Our beliefs are underpinned by our core values which drive our daily behaviour. Our five core values are:

**PEOPLE – PATH WAY**

We value involvement from everyone. Full engagement is encouraged. 99% of what we need to know is already within the Yancoal workforce.

**SAFETY – SAFE WAY**

Safety is not optional. It is considered in everything we do to eliminate harm to our people.

**EXCELLENCE – HIGH WAY**

We identify and implement best practice and operate above the line in the 'can do' zone with courage, trust and pride.

**INNOVATION – BETTER WAY**

We seek to continuously improve all aspects of our business.

**INTEGRITY – RIGHT WAY**

We do what we say with honesty, integrity and reliability. If it feels like the wrong thing to do it quite possibly is. If you are uncomfortable with doing something, check the Code or seek advice.

Our values and beliefs are supported by our Code of Conduct and other key governance polices, which are approved by the Board. The Code of Conduct and other key governance polices are internally promoted on a regular basis and training programs have been developed to instil and reinforce our values, beliefs and expected behaviours under the Code of Conduct and other key governance polices.

### Code of Conduct

The Board policy is that Directors, employees and contractors must observe both the letter and spirit of the law, and adhere to the highest standards of business conduct. The Company has adopted a formal Code of Conduct and other key governance guidelines and policies which are approved by the Board that set out legal and ethical standards for the Company's Directors and employees, including (but not limited to) an Anti-Corruption Policy, Conflicts and Related Party Transactions Policy, Competition / Anti-Trust Policy, Health and Safety Policy, Gifts and Benefits Policy, Modern Slavery Policy, Share Trading Policy, Whistleblower Policy and Workplace Behaviour Policy.

The Code of Conduct and these other key governance guidelines and policies guide the Directors, the CEO, senior Executives, and employees generally as to the practices necessary to maintain confidence in the Company's integrity and as to the responsibility and accountability of individuals for reporting, and investigating reports of, misconduct or an improper state of affairs or circumstances within the Group. The Code of Conduct and these other key governance guidelines and policies also guide compliance with legal and other obligations to stakeholders.

Specifically, the objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

The key values underpinning the Code of Conduct are:

- our actions must be governed by the highest standards of integrity and fairness;
- our decisions must be made in accordance with the letter and spirit of applicable law;
- our business must be conducted honestly and ethically, with our best skills and judgement, and for the benefit of customers, employees, shareholder and the Company alike; and
- the Company does not tolerate inappropriate workplace conduct, including sexual harassment, bullying and racism of any form.

The Code of Conduct is promoted across to all business activities in Australia and overseas and reinforced by training and appropriate disciplinary action if breached. Any material breaches of the Code of Conduct are reported to the Board or the Audit and Risk Management Committee. The Code of Conduct is available in the Corporate Governance section of the Company's website and training for all levels of the business regarding the Code of Conduct is conducted periodically.

### Reporting concerns and whistleblower protection

The Company's Whistleblower Policy encourages any current or former employees or officers, contractors or suppliers (and their employees), associates or certain family members of an individual mentioned above to raise serious concerns of misconduct or an improper state of affairs or circumstances in relation to the Company and report any issues if they have reasonable grounds for suspecting so. The disclosure cannot solely be about a personal work-related grievance.

Individuals can report their concerns confidentially in writing or by phone to a confidential Speak Up facility, which is operated by an independent external party. Alternatively, disclosure may be made with our Whistleblower Officer, the Executive General Manager ("EGM") of Risk and Audit, an officer or senior manager within the Company, the Company's auditor or if the disclosure concerns the Company's tax affairs

## CORPORATE GOVERNANCE STATEMENT

or its associates, its registered tax agent or Business Activity Statement agent, or an employee or officer at the Company who has functions or duties relating to its tax affairs.

All disclosures made under the policy will be treated seriously and may be the subject of an investigation with the objective of locating evidence that either substantiates or refutes the misconduct disclosed by a person. Such investigations will be facilitated in accordance with the steps and process detailed in the policy, subject to certain exceptions within the policy. The Audit and Risk Management Committee and the Board are informed at each meeting with a report on all active whistleblower matters and incidents, including information on the number and nature of disclosures made in the last quarter, the status of any investigations underway and the outcomes of any investigations completed and actions taken as a result of those investigations.

The Yancoal Whistleblower Policy is available in the Corporate Governance section of the Company's website.

### Anti-Corruption Policy

The Company is committed to the highest level of integrity and ethical standards in all business practices and has formally adopted an Anti-Corruption Policy, which outlines how the Company expects all of its Directors, officers and employees to behave when conducting business both in Australia and internationally. Corruption and bribery in all forms are strictly prohibited by the Company. Directors, officers and employees must conduct themselves, at all times, in a manner consistent with Company policy, community expectations and in compliance with state, federal and international legislation.

Breaches of the Anti-Corruption Policy are regarded as serious and will be subject to appropriate sanctions. Preliminary investigations of reported breaches are administered by Human Resources. If a breach of the policy is found to have occurred, a formal investigation process is administered by the Company Secretary in consultation with the supervisor or manager of the offending person. Any material breaches of the policy are reported to the Audit and Risk Management Committee. The Anti-Corruption Policy is available in the Corporate Governance section of the Company's website and is supplemented by the Company's Code of Conduct and Gifts & Benefits Policy. Individuals can report concerns confidentially and anonymously via Yancoal's Speak Up facility, which is operated by an independent external party.

### Dealings in Company securities

By law, and under the Company's Share Trading Policy, dealing in Company securities is subject to the overriding prohibition on trading while in possession of inside information.

In addition, the Company's Share Trading Policy prohibits dealing in Company securities or Yankuang Energy securities by Directors of the Group, all officers of the Company and other relevant employees and contractors of the Group, as well as their closely related parties, during specified blackout periods each year. Subject to compliance with the Company's Share Trading Policy, employees are permitted to deal in Company securities or Yankuang Energy securities outside these blackout periods where they are not in possession of inside information, however additional approval requirements apply. The Share Trading Policy precludes relevant employees from entering into any hedge or derivative transactions relating to unvested options or share rights granted to them under incentive plans and securities that are subject to holding locks or restrictions on dealing under such plans. There are also restrictions that apply to relevant employees from entering into margin lending arrangements and short-term trading of the Company's securities. Breaches of the policy are treated seriously and may lead to disciplinary action, including dismissal.

The Company's Share Trading Policy was last revised in February 2021, which includes the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the HK Listing Rules to regulate the Directors' securities transactions, which is also applicable to its employees who are likely to be in possession of unpublished inside information. A copy of the Share Trading Policy is available on the Corporate Governance section of the Company's website.

Specific enquiry has been made of all the Directors and they have each confirmed that they have complied with the Company's Share Trading Policy for the period 1 January 2021 to 31 December 2021.

### Make timely and balanced disclosure

The Company recognises the importance of timely and adequate disclosure to the market and is committed to making timely and balanced disclosure of all material matters and to effective communication with its shareholders and investors so as to give them ready access to balanced and understandable information. The Company also works together with its majority shareholder, Yankuang Energy, to ensure that Yankuang Energy can comply with its disclosure obligations in relation to Company information, and vice versa, Yankuang Energy seeks to ensure that the Company can comply with its disclosure obligations in relation to Yankuang Energy's information.

The Board has put in place a Disclosure Policy to encapsulate the disclosure obligations under the *Corporations Act 2001* (Cth) and the ASX Listing Rules and to set out procedures for managing compliance with those obligations. These procedures provide a framework for managing the disclosure of material matters to the market to ensure accountability at Board and senior Executive level. As part of this framework, a standing agenda item at all the Company's Board and Executive Committee meetings requires the Directors and senior Executives to consider whether any matters at the meeting should be disclosed to the market.

A Disclosure Committee has been established to assist the Company to meet its disclosure obligations. The committee plays a key role in reviewing and determining whether information is likely to have a material effect on the price or value of the Company's securities such that it requires disclosure to the market. The Disclosure Committee members comprise the CEC, CEO, CFO, Company Secretary, Investor Relations General Manager and General Counsel.

In accordance with the Disclosure Policy, Board approval and input will only be required in respect of matters that are clearly within the reserved powers of the Board (and responsibility for which has not been delegated to management) or matters that are otherwise of fundamental significance to Yancoal. Copies of all material market announcements are also circulated to the Board promptly after they have been made, to ensure the Board has timely oversight of the nature and quality of information being disclosed to the market and the frequency of such disclosures. In addition, the Disclosure Committee receives copies of all market announcements prior to release regardless of materiality and the Chair of Audit and Risk Management Committee receives copies of all immaterial market announcements once released, otherwise material announcements are provided prior to release.

The Disclosure Policy can be found within the Corporate Governance section of the Company's website. Any information disclosed to the market through an announcement to the ASX and HKEx is also published on the Investor section of the Company's website.

## 4. RISK MANAGEMENT AND FINANCIAL REPORTING

### Risk identification and management

The Board, through the Audit and Risk Management Committee, is responsible for satisfying itself that a sound system of risk oversight and management exists, that internal controls are effective and for setting the risk appetite within which the Board expects management to operate.

In particular, the Board ensures that:

- the material strategic, operational, financial reporting and compliance risks are identified and evaluated; and
- risk management, control and reporting systems are in place to identify, assess, manage, monitor and report on these risks.

The role and membership of the Audit and Risk Management Committee are described under paragraph titled "Audit and Risk Management Committee" and under the Board committees section.

The Company's Audit and Risk Management Committee Charter can be found within the Corporate Governance section of the Company's website. The number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Directors' Report, on page 24.

The Board has requested the Company's senior Executives and management to report to the Audit and Risk Management Committee and, where appropriate the Board, regarding the effective management of its material business risks.

In 2021, the Audit and Risk Management Committee had in place a framework to identify, assess, manage risks that are material to the business. This framework includes:

- implementation of a corporate risk management standard approved by the Audit and Risk Management Committee and Board;
- identification of material business risk by reference to a corporate risk register, approved by the Audit and Risk Management Committee and Board;
- formal risk identification activities being undertaken at both a functional level and at each of the Company's mine sites;
- designated individuals across the business that have accountability for the implementation of risk management within their areas of responsibility; and
- the EGM of Risk and Audit as a central resource available to assist with all risk management responsibilities, and to assist with any training/awareness or other related requirements.

The Audit and Risk Management Committee receives periodic reports on the performance of the Company's enterprise risk management framework, as well as on the Company's key risk exposures to satisfy itself that it continues to be sound and that the Company is operating with due regard to the risk appetite set by the Board. An annual review of the risk management framework was conducted in 2021 by the Audit and Risk Management Committee, on behalf of the Board. The Audit and Risk Management Committee confirmed that the risk management framework continued to be effective and adequate and considered social, environmental and contemporary risks including climate change (transition and physical), conduct, cyber and pandemic related risks. The Audit and Risk Management Committee confirmed that the Company is operating with due regard to the risk appetite set by the Board.

The EGM of Risk and Audit is responsible for establishing and managing the enterprise risk management framework, risk management system and practices. The Company's formal risk identification activities are guided by ISO 31000 - Risk Management and undertaken on a periodic basis; with risk identification and analysis activities performed at a functional level, as well as at each of the Company's mine sites.

The responsibility for managing risks, risk controls or risk management action plans is embedded within the business and undertaken as part of everyday activities. Together with the CEC, the Board and the Audit and Risk Management Committee, the EGM of Risk and Audit is responsible for developing a risk matrix and framework and for implementing related risk-based assurance processes for the Company and its subsidiaries. The EGM of Risk and Audit annually reviews and confirms the continued effectiveness of the risk framework to the Audit and Risk Management Committee.

The Board recognises and acknowledges that, while risk management controls and systems can be effective in managing risks, they cannot eliminate all risks relevant to the Company achieving its objectives and cannot provide absolute assurance against material misstatement or loss.

### Internal audit function

The internal audit function is managed by the EGM of Risk and Audit. That person has direct access to the Chair of the Audit and Risk Management Committee, as well as to the CEC, to whom he directly reports. The CEC and the Audit and Risk Management Committee recommends to the Board the appointment of the EGM of Risk and Audit.

The EGM of Risk and Audit has unfettered access to the Audit and Risk Management Committee and its Chair to seek information and explanations. The Chair of the Audit and Risk Management Committee meets independently with the EGM of Risk and Audit.

The role of the EGM of Risk and Audit is responsible for the achievement of the risk management, internal audit, insurance objectives and includes the responsibilities of Yancoal's Whistleblower Officer.

# CORPORATE GOVERNANCE STATEMENT

An annual program for internal audit and risk assurance is provided to the Audit and Risk Management Committee for approval. The annual Internal Audit program is focused on key operating risks and processes and evaluates the design and operating effectiveness of associated key controls.

The program includes a review of compliance with the obligations imposed by the General Rules on Internal Control for Enterprises and the Supporting Guidelines of Internal Control for Enterprises, jointly issued by five Chinese ministries.

Periodical status reports on the execution of the plan, including current findings and actions are provided to the Audit and Risk Management Committee. This includes key issues and subsequently corrective actions are monitored, reviewed and reported. Any material findings are reported to the Board.

### Risks associated with the Company

The future operating performance of the Group may be affected by risks relating to the Company's business. Some of these risks are specific to the Company while others relate to economic conditions and the general industry and markets in which the Company operates.

The Company's risk management policies and procedures have been designed and implemented to identify, assess and manage any material exposure to risks relating to the Company's business, including environmental and social risks. The Company undertakes regular monitoring and assessment of existing and emerging risks. Group material risks are assigned specific risk owners which are recorded alongside applicable key controls and control effectiveness ratings to manage the Company's exposure to such risks. Further details of how the Company manages certain environmental and social risks are set out in the Company's 2020 Environmental, Social and Governance Report published on the ASX and HKEx platforms and available on the Company's website. The 2021 Environmental, Social and Governance Report will be published later in 2022.

However, there can be no assurance that such risk mitigation strategies will protect the Company from these risks. Other risks are beyond the Company's control and cannot be mitigated. The occurrence of any such risks could adversely affect the Company's financial condition and performance. The risks listed below are not purported to be exhaustive and there is no assurance that the importance of different risks will not change or other risks will not emerge.

### Environmental and social risks

The table below identifies risks which are considered to be environmental and/or social risks.

| | ENVIRONMENTAL RISKS | SOCIAL RISKS |
|---|---|---|
| Operations | ✓ | ✓ |
| Health and safety | ✓ | ✓ |
| Regulatory approvals | | ✓ |
| Mine closure | ✓ | ✓ |
| Native Title / Aboriginal Cultural Heritage | | ✓ |
| Overlapping tenement | | ✓ |
| Transition to a lower carbon economy | ✓ | ✓ |
| Technological change | ✓ | |
| Fraud or misconduct | | ✓ |
| Changes in government policy, legislation or regulation | ✓ | |
| Geopolitical Environment | | ✓ |
| Environment | ✓ | ✓ |
| Litigation | | ✓ |

## Operations

The Company's operations are subject to operating risks. These risks include (but are not limited to) industrial action, inappropriate mine design / plans, mine collapses, cave-ins or other failures relating to mine infrastructure, including tailings dams, interruptions due to hazardous weather conditions, power interruption, insufficient water supply, inability to dispose of tailings and rejects, critical equipment unavailability / failure (in particular any protracted breakdown or issues with any of the Company's Coal Handling and Preparation Plants ("CHPPs") or a major excavator), supply chain interruptions, damage to third party infrastructure, fires and explosions from methane gas or coal dust, accidental mine water discharges, flooding and variations in or unusual or unexpected geological or geotechnical mining conditions (particularly in the Company's underground operations).

Such risks could result in damage to applicable mines, personal injury, environmental damage, delays in coal production, delays in deliveries, decreased coal production, increased cost / monetary losses, reduced revenue, and possible legal liability. Although the Company's insurance policies provide coverage for some of these risks, the amount and scope of insurance cover is limited by market and economic factors and these risks would not be fully covered by insurances maintained by the Company.

Mining operations can also be impacted by regular rain events. Throughout the year regular wet weather events generated by the prevailing La Niña weather pattern often had a threefold impact: mining activities were halted to protect and repair the unsealed roads; logistics services were usually severed; and excess water in open-cut operations restricted mining access, particularly when onsite water storage limits were reached.

The Company reviews the risks at each site on a regular basis, and reviews and revises the risk controls as required to minimise or mitigate both the likelihood of a risk occurring, and the consequence of that risk in the event it does occur.

## Health and safety

Accidents could occur at a mine site or corporate office that result in personal injuries. These could relate to factors such as (but not limited to) vehicle interaction / motor vehicle accidents, exposures to energised plant or equipment, exposures to airborne contaminants, ground or strata instability, fires and explosions, explosives, inrush and inundation, stockpile and reclaim tunnels, integrity of structures and fixed plant, handling of tyres, coal or gas bursts, lifting and working with suspended loads, working at heights or in confined spaces. These could also have adverse financial implications including legal claims for personal injury, wrongful death, amendments to approvals, potential production delays or stoppages, any of which may have a material adverse effect on the financial performance and/or financial position of the Company.

There is a risk that past, present or future operations have not met, or will not meet, health and safety requirements and/or that the approvals or modifications the Company is currently seeking, or may need to seek in the future, will not be granted at all or on terms that are unduly onerous. If the Company is unsuccessful in these efforts or otherwise breaches these health and safety requirements, it may incur fines or penalties, be required to curtail or cease operations and/or be subject to increased compliance costs or costs for rehabilitation or rectification works, which have not been previously planned at one or more of its sites.

The Company's operations may cause exposure to hazardous materials. There is also a risk that actions could be brought against the Company, alleging adverse effects of such substances on personal health.

The Company regularly reviews the health and safety risks at each of its sites and has identified a number of core hazards that are consistent across each site. The Company has developed methods to control these core hazards. The management of these health and safety controls is audited at each site to mitigate the core hazard and associated health and safety risks.

### Regulatory approvals

The ability of the Company to meet its long term production target profile depends on (amongst other things) the Company being able to obtain on a timely basis, and maintain, all necessary regulatory approvals (including any approvals arising under applicable mining laws, environmental legislation and other laws) for its current operations and expansion and growth projects, including obtaining planning approvals, land access, land owner consents and addressing any native title issues, impacts on the environment and objections from local communities.

The requirement to obtain approvals and to address potential and actual issues for existing and future mining projects is common to all companies in the coal mining sector. There is no assurance or guarantee that the Company will be successful in securing any or all of the required consents, approvals and rights necessary to maintain its forecast production profile from its existing operations or to develop its growth projects in a manner which will result in profitable mining operations and the achievement of its long term production targets. If these approvals (or other approvals required for the planned production increases) are not obtained or are delayed, or if conditional or limited approvals are obtained, the economic viability of the relevant projects may be adversely affected, which may in turn result in the value of the relevant assets being impaired.

With regard to environmental approvals, NSW and QLD have recently introduced state government policies in the interests of aimed at protecting agricultural and urban land from the effects of mining. These include the *QLD Government's Central Queensland Plan (2013)* and *Regional Planning Interests Act 2014 (QLD)* and the *NSW Government's Strategic Regional Land Use Policy (2012)*, *Aquifer Interference Policy (2012)*, and amendments to the *State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (NSW)*. Each of these policies is relevant to the areas in which the Company has mining operations. Regulation and policy are constantly evolving and adapting to market trends, community concerns and new technologies. Accordingly, there is no assurance that the future development and exploration activities of the Company will result in profitable or commercially viable mining operations in these areas.

In 2013, amendments to the *Mining Act 1992 (NSW)* introduced a 'fit and proper person' test which allows a decision maker to make decisions in relation to the grant, renewal, cancellation or transfer of an authority based on its view of whether the current or proposed authority holder is a 'fit and proper person'. The decision maker may take into consideration whether the proposed authority holder has previous compliance issues, a company's financial capacity to comply with mining obligations, whether the proposed authority holder has been the subject of insolvency action, and technical expertise. In recent years, the NSW Government also significantly increased the maximum penalties for breaches of mining and environmental legislation. In particular, the NSW Resources Regulator considers the following circumstances to be priority for investigations and escalating enforcement actions:

- mining/prospecting without authorisation;
- failure to rehabilitate the land;
- providing false and misleading information;
- non-compliance with statutory notices or directions and title or statutory conditions; and
- failure to pay rehabilitation security deposits.

The legislative changes have resulted in the updating of compliance programs and increased the risk of prosecution for breaches of relevant legislation.

In 2018, the QLD Government revised the process by which mining companies are required to calculate and provide security for their rehabilitation liability. Companies are progressively being transitioned to this process and are now assessed under a risk-based security mechanism. Mining operations that have been assessed as higher risk will be required to provide a greater amount of security. Mines in both NSW and Queensland are being held to more rigorous progressive rehabilitation and mine closure regimes.

Yancoal's experts in these areas continuously monitor changing regulations and ensure the Company is in a position to respond promptly to the rapidly changing regulatory environment.

The "life of mine" planning process is utilised to identify future approvals requirements. Early identification of an approval requirement provides sufficient time to finesse the scope of a project to limit or avoid environmental impacts, and to collect appropriate baseline data to support new approvals. Early consultation with stakeholders provides data to inform an application and to respond to stakeholder concerns. This approach results in constructive engagement and the mitigation of approvals risk.

### Mine closure

Closure of any of the mines or other operations of the Company before the end of their mine life (e.g. due to environmental, geological, geotechnical, commercial and/or health and safety issues), could trigger significant closure and rehabilitation expenses and other costs or loss of revenues. Many of these costs will also be incurred where mines are closed at the end of their planned mine life or placed on care and maintenance.

If one or more of the relevant sites are closed earlier than anticipated, the Company will be required to fund the closure costs on an expedited basis and lose revenues, which could have an adverse financial effect. In addition, there is a risk that closure and rehabilitation planning is inadequate, costs have been underestimated and/or that claims may be made arising from environmental remediation upon closure of one or more of the sites.

The annual "life of mine" planning process assesses closure options and is instrumental in identifying closure costs, liabilities and risks. Further, the Company is developing a mine closure standard to facilitate a consistent approach to closure planning at each of its operations.

In February 2020, the Austar mine completed mining of the Bellbird South area and with no immediate economically viable mine plan, was placed under care and maintenance by Watagan. The Yancoal Board has approved commencing mine closure activities at Austar, with such activities expected to take between five and ten years to complete.

### Native Title / Aboriginal Cultural Heritage

It is possible that, in relation to tenements which we have an interest in or will in the future acquire, there may be areas over which legitimate native title rights of Aboriginal Australians may exist. Where the grant or renewal of a tenement is in respect of land in relation to which native title may exist, the Company will need to comply with the *Native Title Act 1993* (Cth) in order for the tenement to be validly granted.

Compliance with the *Native Title Act 1993* (Cth) (and the relevant native title process to be followed for the grant of the tenement e.g. the right to negotiate process) may be prolonged or delayed, and substantial compensation may be payable as part of any agreement reached, including for the temporary suspension of the relevant native title rights and interests.

The existence or determination of native title may, therefore, affect the existing or future activities of the Company and impact on its ability to develop projects which may in turn impact its operational and financial performance.

Under the *Aboriginal Land Rights Act 1983* (NSW), Aboriginal Land Councils can claim crown land if certain requirements are met. If a claim is successful, freehold title over the relevant land is transferred to the claimant Local Aboriginal Land Council. Further, Aboriginal Land Councils are afforded certain statutory rights which can include a requirement to enter into a compensation agreement prior to the grant of a Mining Lease. This may delay the grant of future mining tenements over any area of such land. Some of our tenements are located in areas that are subject to outstanding Aboriginal land claims, and additional Aboriginal land claims may be made in the future over other areas in which our tenements are located. Any such claims may result in our ability to explore or mine for coal in these areas being subject to the decisions of the relevant Aboriginal Land Councils, which may adversely affect our ability to develop projects and, consequently, our operational and financial performance.

There may be matters of Aboriginal cultural heritage significance in the vicinity of existing or future mining operations. A planning approval to disturb areas of Aboriginal cultural heritage does not, as of right, permit the destruction of such areas. It is also possible that both state and federal legislation will be amended to afford greater protection for areas previously proposed to be disturbed. In addition, claims to protect areas of Aboriginal cultural heritage significance may be brought by Aboriginal parties. In any of these circumstances, mine plans may need to be altered, or projects may become unviable, with a direct impact on forecast production profiles and forecast profitability and asset value.

Yancoal has implemented an additional layer of governance in the oversight of Aboriginal Cultural Heritage matters with the development of a corporate register of matters. This initiative is designed to identify material matters which warrant corporate oversight and approval.

### Overlapping tenement

Some of the Company's mines and associated tenements adjoin or are overlapped by petroleum tenements and adjoin other exploration interests held by third parties. Overlapping tenements could potentially prevent, delay or increase the cost of the future development of the Company's projects because the Company and the relevant petroleum exploration or production licence or other exploration licence holders could potentially seek to undertake their respective activities on the overlapping area or the same resource seams and in some cases the overlapping petroleum tenure holder's consent may be required.

There is no guarantee that agreement will be reached with the overlapping petroleum tenement holder or that agreement will not be delayed or will be reached on terms satisfactory to the Company. There is also a risk that if agreement cannot be reached with overlapping tenement holders the matter may be referred to the relevant minister or a court who may make a decision which adversely impacts upon or prevents the project proposed by the Company.

The Company has established a dedicated and skilled team to manage all tenement matters, including where overlapping tenements exist. This team is charged with oversight of overlapping tenement risks and opportunities, and for constructive engagement with the holders of those overlapping tenements to harmonise operations.

### Transition to a lower carbon economy

Yancoal acknowledges that it has a role to play in mitigating the emissions generated by its operations and supporting research into low-emission technology to assist the reduction of downstream emissions from the consumption of coal products.

# CORPORATE GOVERNANCE STATEMENT

The transition to a lower carbon economy gathered pace in 2021, with the 2021 United Nations Climate Change Conference of Parties (COP26) in Glasgow. COP26 resulted in announcements of renewed efforts by 151 countries to reduce emissions, meaning that 70% of the global economy (including Yancoal customer countries) is now covered by a net zero target. Participating countries also agreed to revisit and strengthen their 2030 targets by the end of 2022 to align them with the Paris Agreement, which aims to hold back the increase in global temperatures, increase the ability of countries to adapt to the adverse impacts of climate change and provide channels to finance projects that lead to greenhouse gas reductions.

The Company tracks and measures its carbon emissions at each site and reports emissions under the National Greenhouse and Energy Reporting scheme (NGER). There is a particular focus on targeting the reduction of Scope 2 emissions (from diesel and electricity consumption). This includes optimising diesel consumption in the existing fleet, assessing the potential to progressively electrify the fleet, the use of rooftop solar to reduce grid energy consumption and the opportunity to enter into “power purchase agreements” with renewable energy generators.

ESG is also incorporated into our procurement processes, with supplier ESG performance progressively incorporated in our assessment of tenders. This includes an evaluation of modern slavery performance, health and safety systems and performance, and an explicit requirement for suppliers to conduct themselves ethically in compliance with the Yancoal Code of Conduct.

The Company is also subject to a spectrum of climate-related risks, including both physical and transition risks with the potential to affect the Company’s future development, operations, markets and asset carrying values. Physical risk factors include (but are not limited to) extreme weather events, fires, access to water, power supply, damage to assets and indirect impacts from supply chain disruption. Transition risk factors include (but are not limited to) timing of technology development and deployment, customer or community perception and the regulatory response to the risk of climate change. Unilateral and collective action by Australia and other countries, may affect the demand for coal, coal prices, the future supply of coal and the competitiveness of the Company’s products in the world energy market. Extensive government regulations relating to the transition to a lower carbon world economy may give rise to risks of delay and uncertainty associated with approvals for future development and impose costs on the mining operations of the Company. Future regulations could increase those costs, limit the Company’s ability to produce and sell coal, or reduce demand for the Company’s coal products. In recent years, China has also taken steps to address severe air pollution in many Chinese cities by adopting a range of policies to lower carbon emissions and reduce coal usage. The Company is also exposed to risks related to external actors, including the capital and insurance markets.

The Company recognises the growing interest by stakeholders in how Yancoal is positioning itself in this shift to a lower-carbon economy, through managing potential risks and identifying and developing opportunities for our business and the broader sector as a result of an anticipated global shift towards a lower-carbon economy.

Increased community concern and adverse actions taken by community and environmental groups may delay or prevent the Company from progressing new mine developments or development or expansion of existing mines, or may mean that those mines are subject to conditions that adversely affect their profitability and consequently the financial performance of the Company. Environmental lobby groups in both QLD and NSW have previously made submissions opposing both operation and expansion of coal mines in an attempt to prevent new mine developments or expansion of existing mines on the basis of environmental concerns. The Company engages constructively with all stakeholders to ensure they have access to objective information to inform their views.

In terms of physical risks, sites are consistently managing these at an operational level, including water conservation initiatives and flood mitigation measures. The Company’s marketing team is constantly developing a more diversified customer base to improve revenue resilience. The Company’s Environment & Community team is accountable for the organisation’s ESG report and is engaged with evolving trends and developments to meet stakeholder needs for more useful reporting.

Additional details relating to the transition to a lower carbon economy is provided in the Company’s 2020 Environmental, Social and Governance Report published on the ASX and HKEx platforms and available on the Company’s website. The 2021 Environmental, Social and Governance Report will be published later in the year.

### Technological change

Thermal coal as a source of energy competes with other forms of electricity generation (such as hydro, solar and wind). In recent years, the global shift from conventional fuels to renewable sources of energy has created greater competition for thermal coal in the market which could lead to a structural decline in thermal coal demand.

As renewable technologies become more efficient and cost effective, they may gain an economic advantage over coal-fired and other fossil fuel-based electricity generation. These economic factors, combined with increasing costs to comply with emission limits for other air pollutants, may result in the continued retirement of existing coal- powered generation capacity, and the cancellation of planned additional coal-fired power capacity, which may reduce demand for thermal coal in the market.

There is also a risk of the Company not keeping up with technology advancements which could affect its future competitiveness.

Our diversified and evolving customer base assist in improving business resilience to changing demands. Our focus on high quality, low cost Tier 1 assets is an important limb of our strategy to mitigate the impact of technological change.

### Fraud and misconduct

Any fraud, misrepresentation, money laundering or other misconduct by the Company’s employees, customers, service providers, business partners or other third parties could result in violations of relevant laws and regulations by the Company and subject the Company to corresponding regulatory sanctions. These unlawful activities and other misconduct may have occurred in the past and may occur in the future, and may result in civil and criminal liability under increasingly stringent laws or cause serious reputational or financial harm to the Company. The Company may not be able to timely detect or prevent such activities, which could subject the Company to regulatory investigations and criminal and civil liability, harm our reputation and have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Yancoal wants everyone to work in an environment that is conducive to productivity, safety and teamwork. It has in place a Code of Conduct, which sets out expected standards of behaviour that are non-negotiable and key to the Company's culture, including the clear prohibition of bullying, (sexual) harassment, retaliation and unlawful discrimination. The Code of Conduct is supplemented by a Speak Up facility that allows for any concerns to be raised confidentially and anonymously. Material disclosures received via this facility are subject to investigations overseen by Yancoal's Whistleblower Officer, with outcomes reported to the Board.

### Changes in government policy, legislation or regulation

The Company is subject to extensive legislation, regulations and supervision by a number of federal and state regulatory bodies. Any future legislation or regulatory change may affect the resources industry and may adversely affect the Company's financial performance and position, such as future laws that may limit the emission of greenhouse gases or the use of coal in power generation.

Yancoal is a member of the state industry body in each jurisdiction, as well as of the federal Minerals Council of Australia. Each of these industry associations is actively involved in advising respective governments in respect of changes in policy, legislation and regulation, and is primarily accountable for the industry's lobbying efforts in that regard, and in keeping association members informed of developments.

### Geopolitical Environment

The Company is subject to geopolitical exposures that have the potential to impact the Company's operations and growth. Import protocols of China continue to influence regional coal markets and have resulted in an increased diversification of the Company's customer base. Yancoal intends to continue this diversification of its customer base and sales mix in the most optimal market available.

### Environment

Due to the nature of coal mining processes, and the associated by-products, residues and tailings generated from these processes, all operations of the Company are subject to stringent environmental laws and regulations.

There is a risk that past, present or future operations have not met or will not meet environmental or related regulatory requirements and/or that the approvals or modifications the Company is currently seeking, or may need to seek in the future, will not be granted. If the Company is unsuccessful in these efforts or otherwise breaches any environmental requirements, it may incur fines or penalties, be required to cease operations and/or be subject to increased compliance costs or costs for rehabilitation or rectification works, which have not been previously planned at one or more of its sites.

Extensive environmental regulations in Australia, and in other countries that could affect the Company's business, may impose costs on its mining operations, and future regulations could increase those costs, limit its ability to produce and sell coal, or reduce demand for the Company's coal products. In particular, the regulatory response to the risk of climate change, including unilateral and collective action by Australia and other countries, may affect demand for coal, coal prices and the competitiveness of the Company's products in the world energy market in the medium to long term.

Changes to environmental regulations may increase the standard and cost of compliance, and may adversely affect the Company's ability to generate the expected economic returns from its mining assets over their operational life. The Company may not always be able to comply with future laws and regulations in relation to environmental protection economically or at all. There can be no assurance that the Company will be able to fully and economically utilise the entire coal resources of the mines it operates currently or in the future or that some of its mining assets will not become "stranded assets" that are not able to generate the expected economic returns over their useful lives.

Environmental legislation may change in a manner that may require compliance with additional standards, and a heightened degree of responsibility for companies and their Directors and employees. There may also be unforeseen environmental liabilities resulting from coal related activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential abandonment costs and obligations for which the Company may become liable as a result of its activities may be impossible to assess under the current legal framework.

The Company uses hazardous materials and will generate hazardous waste, and may be subject to common law claims, damages due to natural disasters, and other damages, as well as the investigation and clean-up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of current or former activities at sites that it owns or operates.

The Company employs skilled experts at each site to manage its environmental compliance obligations. Further, it has implemented an independent external environmental assurance program which audits each site on a periodical basis for both risks and compliance.

### Litigation

Like all companies in the resources sector, the Company is exposed to the risks of litigation (either as the complainant or as the defendant), which may have a material adverse effect on the financial position of the relevant entity. The Company could become exposed to claims or litigation by persons alleging they are owed fees or other contractual entitlements, employees, regulators, competitors or other third parties. Such claims or proceedings could divert our management's time and attention and consume financial resources in their defence or prosecution.

Yancoal undertakes legal review and ongoing conflict management of key material contracts to minimise risk of disputes and subsequent litigation. The Company also manages its obligations under relevant legislation to manage risk of prosecution, such as set out under the risks "Health and safety" and "Regulatory approvals" above.

#### Economic and contemporary risks

In addition to the above environmental and social risks, the Company is subject to a range of economic and contemporary risks. These include (but are not limited to) the Company's exposure to COVID-19, coal prices and demand, coal production, foreign exchange rates, insurance, transport and infrastructure, technology and cyber vulnerabilities, estimates of resources and reserves, business development risks, funding, accounting standards, impairments, WICET and NCIG debt, Key Personnel and Joint Ventures and reliance on third parties. These are further outlined below.

### COVID-19

As with most businesses, COVID-19 has introduced a range of new risks to the Company. These range from health, supply chain, logistics & infrastructure, production and sales risk through to other risks to the continuity of business operations, including absenteeism.

The Company's formed a Crisis Management Team that has been managing the company's response to COVID-19 since early 2020. The team comprises members of senior management and is supported by site- based Incident Management Teams. Yancoal also strongly encourages vaccinations amongst its workforce. It supports on-site vaccinations across a number of its mines and implemented a company-wide 'Thank You' program for fully vaccinated employees and managed contractors.

The company maintains a variety of COVID-19 controls including thermal cameras, pre-screening checks, physical distancing, face-masks, hygiene practices, travel approvals and wellbeing support.

### Coal prices and coal demand

The Company generates revenue from the sale of coal. In developing its business plan and operating budget, the Company makes certain assumptions regarding coal prices and demand for coal. The prices which the Company will receive for its coal depend on numerous market factors beyond its control and, accordingly, some underlying coal price assumptions relied on by the Company may materially change and actual coal prices and demand may differ materially from those expected.

The prices for coal are determined predominantly by world markets, which are affected by numerous factors, including the outcome of future sale contract negotiations, general economic activity, industrial production levels, changes in foreign exchange rates, changes in energy demand and demand for steel, changes in the supply of seaborne coal, technological changes, changes in production levels and events interfering with supply, changes in international freight rates or other transportation infrastructure and costs, the costs of other commodities and substitutes for coal, market changes in coal quality requirements, government regulations which restrict use of coal, and tax impositions on the resources industry, all of which are outside the control of the Company and may have a material adverse impact on coal prices and demand.

In addition, the coal price is highly dependent on the outlook for coal consumption in large Asian economies, such as China, Japan and India, as well as any changes in government policy regarding coal or energy policy in those countries.

Absent offsetting factors, significant and sustained adverse movements in demand for coal and, consequently, coal prices (both generally and in relation to particular types and classes of coal) may have a material adverse impact on the ongoing financial performance and financial position of the Company or may result in the Company not proceeding with the development of new mines and projects due to such development not being economically viable.

Any weakening in coal prices or any deterioration prompted by reduction in demand or addition of new tonnes to the seaborne market would have a material adverse impact on the financial performance of the Company and its capacity to undertake development projects.

### Coal production

The Company's financial performance is dependent on the Company being able to sustain or increase coal production and decrease operating costs on a per tonne basis. The Company's success or failure in improving productivity will become particularly important to the Company's financial performance at times of low coal prices.

The Company's coal production can be impacted by a number of factors, including for example unforeseen geological or geotechnical issues (particularly in the Company's underground operations), changes or variations in coal quality or geological, hydrologic or other conditions, adverse weather including abnormal wet weather conditions, bushfire events, unforeseen delays or complexities in installing and operating mining longwall systems, protracted breakdown of coal handling infrastructure and other mining equipment and rail and port breakdowns and outages. Regulatory factors and the occurrence of other operating risks can also limit production.

### Adverse foreign exchange rate movements

Foreign exchange risk is the risk of the Company sustaining loss through adverse movements in exchange rates. Such losses can impact the Company's financial position and performance and the level of additional funding required to support the Company's businesses.

The liabilities, earnings and cash flows of the Company are influenced by movements in exchange rates, especially movements in the A$:US$ exchange rate.

While the Company operates entirely in Australia and its costs are primarily denominated in its functional currency, the A$, foreign currency exposure arises particularly in relation to coal supply contracts, which generally are priced and payable in US$, procurement of imported plant and equipment, which can be priced in US$ or other foreign currencies, and debt denominated in US$.

The impact of exchange rate movements will vary depending on factors such as the nature, magnitude and duration of the movements, the extent to which currency risk is hedged under forward exchange contracts or other hedging instruments and the terms of these contracts.

### Insurance

The Company has external insurance coverage for certain operating risks. However, it may become subject to liability (including in relation to pollution, occupational illnesses or other hazards), or suffer loss resulting from business interruption, for which it is not externally insured (or has not sufficiently insured) or cannot insure, including liabilities in respect of past activities. The growing anti-coal sentiment in the insurance market may further reduce insurance capacity available to the Company and/or lead to insurance terms for certain insurance types or layers no longer being economically viable.

As a result, the risk transfer to a third party as achieved through external insurance coverage may not cover the scope and extent of claims against the Company or losses it may incur, including, but not limited to, claims for environmental or industrial accidents, occupational illnesses, pollution and product liability, war, terrorism, major equipment and business interruption. In the absence of external insurance coverage, major losses could adversely affect the future financial performance of the Company.

In addition, insurance may not be available or continue to be available at economically acceptable premiums and therefore require a form of self-insurance.

### Transport and infrastructure

Coal produced from the Company's mining operations is transported to customers by a combination of road, rail and sea. Fluctuations in transportation costs and disruptions to our railway and port linkages could disrupt the Company's coal deliveries and adversely affect its business, financial condition and results of operations.

A number of factors could disrupt or restrict access to essential coal transportation and handling services, including (but not limited to) weather related problems, key equipment and infrastructure failures, rail or port capacity constraints, congestions and inter-system losses, industrial action, failure to obtain consents from third parties for access to rail or land, failure or delay in the construction of new rail or port capacity, failure to meet contractual requirements, terrorist attacks, breach of regulatory framework, mismatch of rail and port capacity or the possible sale of infrastructure. Each of these factors could impair the Company's ability to supply coal to customers and/or increase costs, and consequently may have a material adverse effect on the Company's financial position.

Significant increases in transport costs (such as emissions control requirements and fluctuations in the price of diesel fuel and demurrage) could make the Company's coal less competitive when compared to other fuels or coal produced from other regions.

### Technology / cyber

The Company's business relies on the performance, reliability and availability of its technology systems including (custom) software. Information and operating technology may be subject to international cyber security threats. Breaches could result in (but are not limited to) safety exposures, the loss of sensitive data / information, unplanned outage of business-critical system, environmental damage and misappropriation of company funds. The Company's information technology infrastructure in general may also be adversely affected by factors such as server damage, equipment faults, power failure, computer viruses, misuse by employees or contractors, telecommunications failures, external malicious intervention such as hacking, terrorism, fire, natural disasters, or weather interventions. Such events are largely beyond the Company's control, and may affect its ability to carry on our operations efficiently.

### Estimates of Resources and Reserves and geology

The volume and quality of the coal that the Company recovers may be less than the Resource and Reserve estimates reported to date. Resource and Reserve estimates are expressions of judgment based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality or grade, tonnage or strip ratio from those in the estimates and the ability to economically extract and process the coal may not eventuate. Resource and Reserve estimates are necessarily imprecise and depend to some extent on interpretations and geological assumptions, coal prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable.

Coal Resource and Coal Reserve estimates are regularly revised based on actual production experience or new information and could therefore be expected to change. Furthermore, should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, Coal Resource and Coal Reserve estimates may have to be adjusted and mining plans, coal processing and infrastructure may have to be altered in a way that might adversely affect their operations. If it is determined that mining of certain Coal Reserves are uneconomic, this may lead to a reduction in the Company's aggregate Coal Reserve estimates.

Material changes in Coal Reserve estimates, grades, strip ratios, washing yields or recovery rates may affect the economic viability of projects. Coal Reserve estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations.

If the Company's actual Coal Resource and Coal Reserve estimates are less than current estimates, the Company's prospects, value, business, results of operations and financial condition may be materially adversely affected.

### Business development

An ineffective evaluation of investment opportunities and/or allocation of capital could result in a loss of company value, reduce shareholder returns, impairments and/or regulatory exposures. There is a risk that capital is not available to support the company's growth or strategy.

# CORPORATE GOVERNANCE STATEMENT

### Funding

The amount of future funding required by the Company will depend on a number of factors, including (but not limited to) the business activities, commitments and the overall performance of the Company's business at that time. The Company's business operations and cash flow are highly sensitive to any fluctuation in the US$ coal price, coal production from its operations, demand for its coal product and US$ movement in foreign exchange rates, particularly movements in the A$:US$ exchange rate. The growing anti-coal sentiment in capital markets is reducing external funding capacity available to the Company and/or lead to terms that are no longer economically viable.

In developing its business plan and operating budget, the Company has made certain assumptions regarding coal prices, the A$:US$ exchange rate, future production levels, business development activities, dividends and other factors which determine the Company's financial performance.

### Accounting Standards

Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") are issued by the Australian Accounting Standards Board and International Accounting Standards Board respectively and are beyond the control of the Company and the Directors. Any changes to AAS, IFRS or to the interpretation of those standards may have an adverse effect on the reported financial performance or financial position of the Company.

### Impairment

The Company's balance sheet includes a number of assets that are subject to impairment risk. The value of these assets is derived from the fundamental valuation of the underlying mining operations and as such is subject to many of the risks including, but not limited to, coal price and demand, foreign exchange, coal production, estimates of reserves and resources, uncertainty in costs forecasts, operating risks, injury and mine closure.

Adverse changes in these risk factors could lead to a reduction in the valuation of the Company's assets and result in an impairment charge being recognised.

### NCIG and WICET debt

As a shipper in NCIG and WICET, the Company may be required to pay its share of any outstanding senior debt, amortised over the remaining years of that particular contract, if the Company's source mines are unable to maintain a minimum level of Marketable Coal Reserves. Furthermore, the Company may be required to pay its share of any outstanding senior debt in full, if NCIG and WICET are unable to refinance a tranche of its maturing debt and defaults on its remaining debt. If a NCIG Shipper was to default on its contractual obligations and was unable to pay its share of the NCIG or WICET, the outstanding senior debt would be socialised amongst the remaining shippers. In this scenario the Company's share of the outstanding senior debt would increase.

### Joint ventures and reliance on third parties

The Company holds a number of joint venture interests, including interests in the Middlemount, Moolarben, HVO, Mount Thorley and Warkworth joint ventures, PWCS, NCIG and WICET, with other parties. Decision making, management, marketing and other key aspects of each joint venture are regulated by agreements between the relevant joint venture participants. Under these agreements, certain decisions require the endorsement of third party joint venture participants and the Company relies on the co-operation of these third parties for the success of its current operations and/or the development of its growth projects and the transportation of increased production.

The Company cannot control the actions of third party joint venture participants, and therefore cannot guarantee that joint ventures will be operated or managed in accordance with the preferred direction or strategy of the Company. There is a risk that the veto rights of, or consents required from, the joint venture partners will prevent the business and assets of a joint venture from being developed, operated and managed in accordance with that preferred direction or strategy.

The Company also use contractors and other third parties for exploration, mining and other services generally, and is reliant on a number of third parties for the success of its current operations and for the development of its growth projects. While this is normal for the mining and exploration industry, problems caused by third parties may arise which may have an impact on the performance and operations of the Company. Any failure by counterparties to perform their obligations may have a material adverse effect on the Company and there can be no assurance that the Company will be successful in attempting to enforce its contractual rights through legal action.

### People and talent management

As the world economy has emerged from the global pandemic the ability to attract and retain talent has taken on increased urgency. This is particularly relevant for qualified professional staff where a shortage in the industry is already at play (e.g. statutory ticket holders are in short supply). In addition, Yancoal faces the challenge of attracting and retaining employees into the coal industry. These increasing skills shortages, labour market challenges and industry perception have the potential to impact company performance.

Yancoal's approach to attraction and retention is to pay market competitive salaries and benefits, nurture a values driven culture that creates connection with the business, develop talent for the future and create career pathways.

Maintaining and upholding our company culture which is underpinned by our values is key to our ongoing success and sustainability as a business. A key factor in enabling this is the reinforcement of the message that Yancoal does not tolerate inappropriate workplace conduct and is committed to eliminating incidents of sexual harassment, bullying and racism. In 2022, Yancoal will continue to raise awareness and strengthen our reporting and response systems in this area. Most notably, we will implement the actions from the 2021 psycho-social risk assessment including the roll out of the Company's Behavioural, Mental Health and Wellbeing program and the inclusion of a module in a Front Line Leader development program aimed at strengthening people management skills and improving workplace culture. In addition, The Company will carry out a review of the accommodation camps used with a focus on the privacy, lighting and security that is in place to prevent harmful behaviours from occurring.

### Health, Safety Environment and Community Compliance

The Company has adopted policies to comply with occupational health, safety, environment and other laws. The Board has a Health and Safety Policy and an Environment and Community Relations Policy which apply across all areas of the business. In addition, each mine site has its own health, safety and environmental policies and procedures to deal with their particular health, safety and environmental issues. The Board has established a Health, Safety, Environment and Community Committee to assist it in overseeing the Company's health, safety, environmental and community responsibilities. The committee meetings are generally held at one of the Company's mine sites, to provide the Committee with the opportunity of viewing the implementation of the policies in practice, to receive feedback from site operational representatives and to address any mine specific health, safety and environment issues.

Further information regarding the Health, Safety, Environment and Community Committee is outlined under the Board committees section above.

### Audit and Risk Management Committee

The Board is responsible for preparing the financial statements and accounts of the Company. The Audit and Risk Management Committee plays a key role in helping the Board to oversee financial reporting, internal control structure, risk management systems and internal and external audit functions. The committee also enables the Board to maintain a transparent relationship with the Company's internal and external auditors.

Further information regarding the Audit and Risk Management Committee is outlined under the Board committees section above.

### CEO and CFO certifications on financial reports

The persons who performed a chief executive function and chief financial officer function for the Company have declared in writing to the Board that in respect of the half year ended 30 June 2021 and the full year ended 31 December 2021, in their opinion, the financial records of the Company have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

### External Auditor

The Company's external auditor is ShineWing Australia. Consistent with the requirements of the *Corporations Act 2001* (Cth), ShineWing Australia has a policy of partner rotation every five years. The appointment, removal and remuneration (not including amounts paid for special or additional services provided by the auditor) of the auditor require shareholder approval.

The external auditor receives all papers and minutes of the Audit and Risk Management Committee. The external auditor also attends the Company's AGM to answer questions from shareholders relevant to the Company's audit.

The statement of the external auditor, ShineWing Australia, about reporting responsibilities on the financial statements of the Group is set out under the heading "Independent Auditor's Report To the Members of Yancoal Australia Ltd" in this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

An analysis of remuneration (including details of the amounts paid or payable) to the auditor for audit and non-audit services provided during the financial year ended 31 December 2021 are set out in the Directors' Report on page 18.

### Verification of periodic corporate reports

Where a periodic corporate report is not required to be audited or reviewed by an external auditor, the Company conducts an internal verification process to confirm the integrity of the report to ensure that the content of the report is materially accurate, balanced and provide investors with appropriate information to make informed investment decisions. The verification process involves the reports being prepared and reviewed by relevant subject matter experts, an internal verification and sign off process, material statements reviewed for accuracy, and an internal approval process. Further details regarding the Company's disclosure and communications processes are set out below under paragraph titled "Make timely and balanced disclosure", and section titled "Communications with shareholders".

## 5. DIVERSITY

The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. The Company's Diversity Policy, approved by the Board, seeks to actively facilitate a more diverse and representative management and leadership structure. The Diversity Policy is available in the Corporate Governance section of the Company's website.

Annually, the Board establishes measurable objectives with the assistance of the Nomination and Remuneration Committee with a view to progressing towards a balanced representation of women at a Board and senior management level.

The measurable objectives and performance against them are reviewed annually by the Nomination and Remuneration Committee as part of its annual review of the effectiveness of the Diversity Policy.

# CORPORATE GOVERNANCE STATEMENT

The measurable objectives adopted for 2021 and the Company's performance against the measurable objectives are outlined in the table below:

| OBJECTIVE | PERFORMANCE |
|---|---|
| 1. Approval of and establishment of the Yancoal Diversity Strategy. | The Yancoal Diversity, Equity and Inclusion strategy ("DE&I Strategy") was established and adopted in August 2021.<br>The DE&I Strategy will shape the measurable objectives for 2022, 2023 and 2024. |
| 2. Creation and implementation of growth opportunities for women through internal and external mentoring programs, aimed at supporting the development of career pathways into leadership positions for female and other employees. | In 2021, Yancoal was a Silver Sponsor for the NSW WIMNET mentoring program for the 3rd consecutive year. In the 2021 program, 7 female employees were mentees and Yancoal contributed 5 mentors to the program. For the first year, Yancoal also participated in the QLD Women in Mining Mentor Program with two mentees. This provided great brand exposure and awareness for Yancoal in the QLD market, and created meaningful learning opportunities for our identified high potentials in QLD. |
| 3. Continue to develop our leaders by delivering inclusive leadership training to Company site leadership teams. | During 2021, inclusive leadership training was delivered to all site leadership teams as well as leaders in the corporate team. A total of 75 leaders participated in the program in 2021. Overall feedback from the program was positive, with 68% of participants rating the session as very good or excellent and 79% saying they feel that the course has made them think differently about inclusive leadership. |
| 4. Continuing to develop and monitor meaningful metrics to track key diversity metrics including:<br>a. diversity of new hires;<br>b. female employee turnover rate; and<br>c. return of female employees after parental leave. | Metrics for the diversity of new hires and the female employee turnover rate are tracked on a monthly basis. This data provides insight into company trends to enhance retention and attraction strategies to increase gender balance. |

The Board has set the following measurable objectives in relation to gender diversity for 2022:

1. Distribution and awareness of the DE&I Strategy to all leadership teams, to articulate the business case for greater diversity and create buy in and ownership for the year 1 objectives of the plan.
2. The Company will promote appropriate gender balance in interview selection panels.
3. The Company will actively promote the achievement of women at Yancoal through nominations in external awards, including NSW, QLD & WA Women in Mining, WIM100 and other industry awards.
4. The Company will provide development support and mentoring for women to progress into leadership positions, particularly in areas affected by gender imbalance.
5. The coal mining industry has a female representation of 15.5% compared to 50.5% across all industries. Attracting women into the industry is particularly difficult. The Company will evaluate its gender balance and set a target to increase the proportion of female employees from 12% to 13%.
6. We will encourage career planning conversations and achievable and structured development plans to be put in place as part of the annual Performance Review & Development cycle.

### Proportion of Women in the Company

Gender has been identified as a key area of focus for the Company. On an annual basis, the Nomination and Remuneration Committee reviews the proportion of women employed by the Company and submits a report to the Board outlining its findings. Details regarding the proportion of men and women throughout the organisation are set out below.

As at 31 December 2021, the proportion of women who were directly engaged as employees and contractors was 13%: 379 Full-time, 17 Part-time, 4 Casual and 89 Managed Contractors. The proportion of women in Executive Committee roles within the Company during 2021 was 7%: Women held 1 of 14 Executive Committee roles within the Company.

On and from 30 January 2018, one female Non-Executive Director sits on the Board.

## 6. COMMUNICATIONS WITH SHAREHOLDERS

The Company has an investor relations program that is aimed at facilitating two-way communications with investors. The Company's policy is to promote effective two-way communication with shareholders and other investors so that they understand how to assess relevant information about the Company and its corporate direction. The Company aims to keep shareholders, potential investors and other stakeholders informed of all major developments affecting the state of affairs of the Company. The Company facilitates the investor relations program by communicating information regularly to shareholders, potential investors and other stakeholders by:

- posting announcements on the ASX and HKEx platforms in accordance with its continuous disclosure obligations and also making these announcements available on the Company's website under the sections marked 'Corporate Governance', 'Media' and 'Boards and Committees';
- keeping its website up to date on important information about the Company, including its Constitution, Board and Board Committee Charters, core corporate governance policies and financial information about the Company; and
- publishing investor presentations made to analysts on the ASX and HKEx platforms and making media briefings available within the Investor section of the Company's website.

The Board considers one of its key responsibilities to be communication with shareholders. The Company generally encourages shareholders to attend and participate in all general meetings including AGMs and will use a variety of technological solutions where appropriate to facilitate such participation of shareholders to allow shareholders to attend and vote in person, by proxy or online, this may include, for example, making meetings available to view by

## CORPORATE GOVERNANCE STATEMENT

live telecommunications. To ensure that the views of as many shareholders as possible are represented, it is the Company's standard practice at an AGM (and any other general meeting) for all resolutions to be decided by a poll rather than by a show of hands.

Shareholders are entitled to ask questions about the management of the Company and of the auditor as to its conduct of the audit and the preparation of its reports. Any shareholders who cannot attend any general meetings can also participate via lodgement of their proxies. In addition, shareholders have the option of receiving communications from and sending communications to the Company and the Company's principal and branch share registries, Computershare Investor Services Pty Limited and Computershare Hong Kong Investor Services Limited, electronically.

The Company's 2021 AGM was held at 11.00am (AEST) (being 9.00am (HKT)) on Friday, 28 May 2021 at Darling Park, The Pavilion, 201 Sussex Street, Sydney NSW 2000, Australia. The major items discussed were the re-election of Directors, issue of rights under the equity incentive plan and re-insertion of proportional takeover provisions. All resolutions were duly passed by the shareholders by way of poll.

The Company's Shareholder Communication Policy can be found within the Corporate Governance section of the Company's website.

Paragraph 44 of the Hong Kong Joint Policy Statement Regarding the Listing of Overseas Companies, jointly issued by the Securities and Futures Commission of Hong Kong and HKEx in March 2007 and updated in April 2018, requires that members holding a minority stake in an overseas company must be allowed to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum level of members' support required to convene a meeting must be no higher than 10%.

Under section 249D of the *Corporations Act 2001* (Cth), shareholders with at least 5% of the votes that may be cast at a general meeting may request the Directors to call a general meeting or may convene a general meeting themselves at their own expense under section 249F of the *Corporations Act 2001* (Cth). Any such request must be in writing, must state any resolution to be proposed at the meeting, must be signed by the shareholder making the request and must be given to the Company.

Under section 249N of the *Corporations Act 2001* (Cth), shareholders representing at least 5% of the total votes that may be cast on the resolution or at least 100 shareholders who are entitled to vote at a general meeting may give the Company notice requiring resolutions to be put before a general meeting. The notice must be in writing, must set out the wording of the proposed resolution and must be signed by the shareholders proposing to move the resolution.

Apart from the general meetings, the Company's website is an effective means of communication with shareholders.

The Company is committed to facilitating the two-way communication with shareholders, in particular, dealing with shareholder enquiries (whether an institutional investor or a retail investor) and any shareholders who have questions or comments on what the Company is doing are most welcome to contact the Company at any time through the website. Shareholders may raise enquiries to the Board by contacting the Company's General Manager, Corporate Affairs, at shareholder@yancoal.com.au. Upon receipt of the enquiries, the General Manager, Corporate Affairs will forward shareholders enquiries and concerns to the Board, Board committees or management as appropriate.

This Corporate Governance Statement has been approved by the Board and is current as at 28 February 2022.

# CONTINUING CONNECTED TRANSACTIONS

The Company has entered into certain transactions with connected persons of the Company which constitute continuing connected transactions of the Company under the HK Listing Rules. These non-exempt continuing connected transactions, in respect of which the Company has complied with the relevant requirements under Chapter 14A of the HK Listing Rules, are set out below.

## SALE OF COAL BY THE GROUP TO YANKUANG ENERGY

From time to time, Yankuang Energy (the controlling shareholder of the Company who is interested in approximately 62.26% of the Shares in the Company) and/or its subsidiaries (excluding the Group) may purchase coal from the Group primarily for their own trading purposes. On 19 November 2020, the Company entered into a framework agreement for coal sales with Yankuang Energy (the "Yankuang Energy Framework Agreement For Coal Sales") in relation to the sale of coal by the Group to Yankuang Energy and/or its subsidiaries (excluding the Group) commencing from 1 January 2021 and expiring on 31 December 2023.

The Yankuang Energy Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Yankuang Energy and/or its subsidiaries (excluding the Group) must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better, and (iv) in compliance with, among other things, the HK Listing Rules and applicable laws.

The maximum annual transaction amount to be received by the Group from Yankuang Energy and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2021, 2022 and 2023 was not to exceed US$20 million, US$20 million and US$20 million, respectively. During the year ended 31 December 2021, the transaction amount received by the Group was nil.

## SALE OF COAL BY THE GROUP TO YIT

On 19 November 2020, the Company entered into a framework agreement for coal sales with Yancoal International Trading Co., Ltd. ("YIT") (the "2021 Framework Agreement For Coal Sales") in relation to the sale of coal by the Group to YIT and/or its associates (excluding the Yankuang Energy Group), commencing from 1 January 2021 and expiring on 31 December 2023.

YIT is a wholly-owned subsidiary of Shandong Energy, the controlling shareholder of Yankuang Energy. Accordingly, YIT is a connected person of the Company by virtue of being an associate of Yankuang Energy.

The YIT Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to YIT and/or its associates (excluding the Yankuang Energy Group) must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better, and (iv) in compliance with, among other things, the HK Listing Rules and applicable laws.

The maximum annual transaction amount to be received by the Group from YIT and/or its associates (excluding the Group) for the three years ending 31 December 2021, 2022 and 2023 was not to exceed US$87.5 million, US$87.5 million and US$87.5 million, respectively. During the year ended 31 December 2021, the transaction amount received by the Group was approximately US$49.3 million, which was below the annual cap.

## PURCHASE OF COAL BY THE GROUP

The Group has purchased and may, from time to time, purchase coal from Yankuang Energy and/or its subsidiaries, in particular Australian based subsidiaries of Yankuang Energy holding mines which are managed by the Group, for back-to-back on sale to end customers in order to fulfil customer requirements and maintain customer relationships.

The Company entered into a framework coal purchase agreement with Yankuang Energy (the "Framework Coal Purchase Agreement") on 8 October 2018 to govern all existing and future purchases of coal by the Group from Yankuang Energy and/or its subsidiaries (excluding the Group). The Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Yankuang Energy and/or its subsidiaries (excluding the Group) must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to industry index prices and coal quality characteristics under the respective contracts and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws.

The Framework Coal Purchase Agreement expired on 31 December 2020 and on 16 December 2020, the Board resolved to renew the Framework Coal Purchase Agreement for a further three years commencing from 1 January 2021 and to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US$40 million, US$40 million and US$40 million, respectively. During the year ended 31 December 2021, the transaction amount paid by the Group was approximately US$7.6 million, which was below the annual cap.

## PROVISION OF MANAGEMENT SERVICES BY THE COMPANY

As one of the conditions imposed by the Foreign Investment Review Board of the Australian Government in relation to the merger of the Company with Gloucester in 2012, a management and transitional services agreement (the "Management and Transitional Services Agreement") was entered into between the Company and the following entities (the "Existing Recipients"), comprising (i) Yankuang Energy, (ii) Yancoal Technology Development Holdings Pty Ltd, (iii) Premier Coal Holdings Pty Ltd, (iv) Athena Holdings Pty Ltd, (v) Tonford Holdings Pty Ltd, (vi) Wilpeena Holdings Pty Ltd and (vii) Yancoal Energy Pty Limited, in 2012, pursuant to which the Company has agreed to provide to the Existing Recipients each Services (as described below) in respect of certain assets owned by the Existing Recipients. Each of the Existing Recipients is a wholly owned subsidiary of Yankuang Energy (other than Yankuang Energy itself). Yankuang Energy is a Controlling Shareholder of the Company and is interested in approximately 62.26% of the Shares in the Company.

On 7 December 2016, a deed of variation, accession and termination agreement of the Management and Transitional Services Agreement was entered into among the Existing

Recipients, Yankuang Resources Pty Ltd ("Yankuang Resources"), Yankuang (Australia) Metal Mining Pty Ltd. ("Yankuang (Australia) Metal Mining"), together with Yankuang Resources and the Existing Recipients, the ("Recipients") and the Company, pursuant to which Yankuang Resources and Yankuang (Australia) Metal Mining became parties to the Management and Transitional Services Agreement and are entitled to all rights and benefits of an Existing Recipient under the Management and Transitional Services Agreement. Yankuang Resources and Yankuang (Australia) Metal Mining are both wholly owned subsidiaries of Shandong Energy. Shandong Energy is, directly and indirectly, interested in approximately 55.76% of the shares in Yankuang Energy and is a controlling shareholder of the Company.

Details of the terms of the Management and Transitional Services Agreement are set out below.

### Services

The services provided to each Recipient and each of their respective subsidiaries (excluding the Group and Yankuang Energy) include:

- General Corporate services, which comprise human resource services, treasury services, financial accounting/reporting services, compliance services, marketing and logistic services, corporate communications services, government and industry relations services, business development services and other general corporate services,
- Operations services, which comprise carrying out exploration programs, preparing business plans, monitoring and reporting on environmental issues, using all reasonable endeavours to meet business KPIs, preparing plans of operations as may be required by laws and other operational services and
- IT services, which comprise the granting of the permission to use the Company's hardware or software and the provision of IT support services.

  (collectively, the "Services")

During the term, each party may request that the Company provide an additional service, or the Company may change or modify the provision of an existing service by notifying the parties in writing. Following receipt of the notice, representatives of each party must promptly meet to discuss in good faith the proposed new services or modified services.

### Services Fees

The services fees for provision of the Services are charged on the basis of cost plus a 5% margin, except for any third-party charges attributable to the provision of the relevant services which are charged at cost. The cost base upon which 5% margin is applied is determined on the basis of management's reasonable estimate of such costs at the commencement of each calendar year having regard to certain principles, including (i) in respect of coal-mining operations, the total budgeted corporate administration costs of the Company and the budgeted proportion of overall product tonnes of the relevant mining operation, (ii) in respect of non-coal mining businesses, the estimated management hours and the hourly rate for such work and (iii) in respect of disbursement, full recovery of any hard disbursements incurred by the Company.

At the end of each financial year (or such other times as the parties may agree), the parties will undertake a reconciliation of the fees charged during that financial year against the actual cost and services provided. The Company will refund the excess charges, or the Recipients will pay the shortfall charges to the Company, in each case, within 14 days of determination of the fee adjustment required.

### Payment of the Services Fees

The Company will invoice the Recipients quarterly in arrears for services provided and the Recipients must pay to the Company within 30 days after the receipt of the invoice.

Notwithstanding that the term of the Management and Transitional Services Agreement may exceed three years, the Company has set the annual caps for the transactions under the Management and Transitional Services Agreement for a term of three years and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at $12 million, $12 million and $12 million, respectively. During the year ended 31 December 2021, the transaction amount charged by the Group was approximately $8.6 million, which was below the annual cap.

## LOAN FACILITY PROVIDED BY THE COMPANY

Premier Coal Holdings Pty Ltd, an indirect wholly-owned subsidiary of Yankuang Energy ("Premier Coal") (as the borrower), entered into a loan agreement with the Company (as lender) on 15 June 2016 in relation to an $50 million uncommitted revolving loan with a fixed interest rate of 7% per annum (the "Premier Coal Loan Agreement"). Pursuant to the Premier Coal Loan Agreement, the Company may terminate or cancel the facility at any time and amounts already advanced to Premier Coal prior to the termination or cancellation are required to be repaid immediately. The termination date will be the date 12 months after the date of the Premier Coal Loan Agreement, subject to automatic extension on a rolling 12 months basis, or any earlier date on which the facility is terminated or cancelled in full or on which all the money owing becomes due and payable.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at $53.5 million, $53.5 million and $53.5 million, respectively. As at 31 December 2021, no amount remained drawn down under the Premier Coal Loan Agreement.

## BANK GUARANTEES PROVIDED IN FAVOUR OF YANKUANG ENERGY'S SUBSIDIARIES

### Framework Bank Guarantee Agreement

The Company entered into a framework bank guarantee agreement with Athena Holdings Pty Ltd, Tonford Holdings Pty Ltd, Wilpeena Holdings Pty Ltd, Premier Coal Holdings Pty Ltd and Yancoal Energy Pty Ltd (together, the "Yankuang Energy Entities") (the "Framework Bank Guarantee Agreement") on 19 December 2019, pursuant to which the Yankuang

## CONTINUING CONNECTED TRANSACTIONS

Energy Entities and/or their subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group, and pay the Company bank guarantee fees, which are equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 business days after the payment by the Company. The initial term of the Framework Bank Guarantee Agreement is for a period of three years commencing 1 January 2020 and expiring on 31 December 2022 and is automatically renewed for a successive period of three years thereafter, subject to the compliance with the HK Listing Rules.

The Company manages certain mines, which are located in Australia on behalf of Yankuang Energy Entities and/or their subsidiaries. In the ordinary and usual course of business, the Yankuang Energy Entities and/or their subsidiaries of holding the managed mines may require credit support documents issued by commercial banks for their respective business operations. Given the relevant commercial banks can issue credit support documents pursuant to existing facility agreements generally within five business days after receiving a request, which is a much shorter period of time and simpler process as compared to those required by other commercial banks to issue credit support documents without an existing facility agreement and the relationship between the Company and the managed mines, as an integral part of the management services rendered by the Company in support of the operation of the managed mines, the Yankuang Energy Entities and/or their subsidiaries holding the managed mines will use the overall bank guarantee facilities entered or to be entered into by the Group and pay the Company bank guarantee fees.

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by the financiers in favour of the Yankuang Energy Entities and/or their subsidiaries (excluding the Group) for the three years ending 31 December 2020, 2021 and 2022 was not to exceed $170 million, $170 million and $170 million, respectively. During the year ended 31 December 2021, the aggregate maximum daily outstanding principal and the bank guarantee fees was approximately $90.0 million, which was below the annual cap.

### PURCHASE OF COAL BY GLENCORE

From time to time, Glencore Coal Pty Ltd (“Glencore”) and/or its associates may purchase coal from the Group for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements. The Company entered into a framework coal sales agreement with Glencore (the “Glencore Framework Coal Sales Agreement”) on 29 June 2018 to govern all existing and future sales of coal by the Group to Glencore and/or its subsidiaries and/or related entities. The Glencore Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Glencore and/or its subsidiaries and/or related entities must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm’s length basis, (iii) on normal commercial terms with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price. Glencore wholly owns Anotero Pty Ltd (“Anotero”). Anotero is a substantial shareholder of subsidiaries of the Company under the HK Listing Rules. Glencore is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary (through Anotero).

On 16 December 2020, the Board resolved to renew the Glencore Framework Coal Sales Agreement for a further three years commencing from 1 January 2021 and to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US$350 million, US$350 million and US$350 million, respectively. During the year ended 31 December 2021, the transaction amount received by the Group was approximately $155.2 million, which was below the annual cap.

### SALES OF COAL BY THE GROUP TO POSCO AND/OR ITS ASSOCIATES

From time to time, POSCO Australia Pty Ltd (previously known as Pohang Steel Australia Pty Ltd) (“POSCO”) and/or its associates may purchase coal from the Group for their own utilisation in the manufacturing of steel or generation of electricity. As POSCO is interested in 20% of the Mount Thorley JV, a subsidiary of the Company under the HK Listing Rules, POSCO is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary.

On 18 December 2020, each of Ashton Coal Mines Limited, Miller Pohang Coal Company Pty Limited and Yarrabee Coal Company Pty Ltd (each a subsidiary of the Company) formally agreed to enter into a coal sales agreement with POSCO pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group during the financial year ending 31 December 2021 and the three months ending 31 March 2022 (collectively, the “2021 POSCO Coal Sales Agreements”). The maximum annual transaction amounts to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the 2021 POSCO Sales Agreements for the year ending 31 December 2021 and for the period from 1 January 2022 to 31 March 2022 will not exceed US$500 million and US$125 million, respectively. During the year ended 31 December 2021, the transaction amount received by the Group was approximately US$171.5 million, which was below the annual cap.

On 22 December 2021, each of Ashton Coal Mines Limited, Miller Pohang Coal Company Pty Limited, Yarrabee Coal Company Pty Ltd and Stratford Coal Pty Ltd (each a subsidiary of the Company) formally agreed to enter into a coal sales agreement with POSCO (collectively, the “POSCO Coal Sales Agreements”) pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group during the three years ending 31 December 2024. Upon the POSCO Coal Sales Agreements becoming effective, the 2021 POSCO Coal Sales Agreements will cease to have any effect in accordance with their terms. The maximum annual transaction amounts to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the POSCO Sales Agreements for the three years ending 31 December 2022, 2023 and 2024 will not exceed US$300 million, US$300 million and US$300 million, respectively.

# CONTINUING CONNECTED TRANSACTIONS

## PURCHASE OF COAL FROM GLENCORE

From time to time, the Group may purchase coal from Glencore and/or its associates for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements. The Company entered into a framework coal purchase agreement with Glencore (the "Glencore Framework Coal Purchase Agreement") on 6 August 2018 to govern all existing and future purchase of coal by the Group from Glencore and/or its subsidiaries.

The Glencore Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Glencore and/or its associates must be in the ordinary and usual course of business of the Group, on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price. Glencore wholly owns Anotero which is a substantial shareholder of subsidiaries of the Company under the HK Listing Rules. Glencore is a connected person of the Company by virtue of being a substantial shareholder of the Company's subsidiary.

On 16 December 2020, the Board resolved to renew the Glencore Framework Coal Purchase Agreement for a further three years commencing from 1 January 2021 and to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US$250 million, US$250 million and US$250 million, respectively. During the year ended 31 December 2021, the transaction amount paid by the Group was approximately US$75.6 million, which was below the annual cap.

## PURCHASE OF COAL FROM ANOTERO

As part of the Glencore Transaction, Coal & Allied Operations Pty Ltd ("CNAO"), a wholly-owned subsidiary of the Company, HVO Coal Sales Pty Ltd (the "SalesCo") and Anotero entered into a sales contract – Hunter Valley Operations Joint Venture on 4 May 2018 (the "HVO Sales Agreement"). The relevant mining and exploration licences of HVO are held directly by CNAO and Anotero as tenants in common in proportion to their respective participating interest in the Hunter Valley Operations Joint Venture ("HVO JV"). Pursuant to the HVO Sales Agreement, (i) each of CNAO and Anotero agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the HVO JV to the SalesCo only and the SalesCo agrees to purchase each of CNAO's and Anotero's entitled portion of coal product (other than coal product to be sold to Glencore and/or its subsidiaries); (ii) the amount payable to each of CNAO and Anotero by the SalesCo shall be the total amount received by the SalesCo for that portion of product under each sales contract entered into between the SalesCo and its customers; and (iii) payment by the SalesCo to CNAO and Anotero shall be no later than 3 business days after receipt by the SalesCo of payment from its customers. In respect of any sales to Glencore and/or its subsidiaries that fall within the Glencore Framework Coal Sales Agreement, each of CNAO and Anotero agrees that SalesCo will be treated as if it has entered into the sale as agent for and on behalf CNAO and Anotero in proportion to their respective participating interests in the HVO JV.

Anotero is a substantial shareholder of subsidiaries of the Company under the HK Listing Rules. Anotero is a connected person of the Company by virtue of being a substantial shareholder of the Company's subsidiary.

The HVO Sales Agreement shall commence on the date of the HVO Sales Agreement and terminate upon the termination of the joint venture agreement in relation to the HVO JV in accordance with its terms.

Notwithstanding that the term of the HVO Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the HVO Sales Agreement for a term of three years and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US$750 million, US$750 million and US$750 million, respectively. During the year ended 31 December 2021, the transaction distributed by the SalesCo to Anotero was approximately US$740.9 million, which was below the annual cap.

## PURCHASE OF COAL FROM POSCO

The participants of the unincorporated joint venture in relation to Mt Thorley (the "MT JV") namely POSCO and Mount Thorley Operations Pty Ltd (previously known as R. W. Miller & Co. Pty Limited) ("MT Operations"), a wholly-owned subsidiary of the Company holding the relevant mining and exploration licences of Mount Thorley on behalf of the MT JV, entered into a sales contract with Miller Pohang Coal Co. Pty Limited (the "MT SalesCo") on 10 November 1981 (the "MT Sales Agreement"), respectively. MT SalesCo is a company jointly controlled by MT Operations and POSCO with MT Operations and POSCO holding 80% and 20% of its interest, respectively. Both the MT SalesCo and the MT JV are subsidiaries of the Company under the HK Listing Rules. As POSCO holds more than 10% of the interest in the MT SalesCo and has more than 10% participating interest in the MT JV, POSCO is a connected person of the Company by being a substantial shareholder of the subsidiaries of the Company. Accordingly, the transaction between the MT SalesCo and POSCO constitutes a continuing connected transaction of the Company under the HK Listing Rules.

Pursuant to the MT Sales Agreement: (i) each of POSCO and MT Operations agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the MT JV to the MT SalesCo only and the MT SalesCo agrees to purchase each of POSCO's and MT Operations' entitled portion of coal product; (ii) the amount payable to each of POSCO and MT Operations shall be the total amount received by the MT SalesCo for that portion of product under each sales contract entered into between the MT SalesCo and its customers; and (iii) payment by the MT SalesCo to POSCO and MT Operations shall be no later than seven days after receipt by the MT SalesCo of payment from its customers.

## CONTINUING CONNECTED TRANSACTIONS

The MT Sales Agreement was entered into on 10 November 1981 and will last during the economic life of the Mount Thorley coal mine.

Notwithstanding that the term of the MT Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the MT Sales Agreement for a term of three years and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US$90 million, US$90 million and US$90 million, respectively. During the year ended 31 December 2021, the transaction amount distributed by the MT SalesCo to POSCO was approximately US$84.1 million, which was below the annual cap.

### PURCHASE OF DIESEL FUEL FROM GLENCORE

On 25 October 2019, HV Operations Pty Ltd ("HV Operations"), a subsidiary of the Company, entered into a diesel fuel supply agreement with Glencore Australia Oil Pty Ltd ("GAO"), pursuant to which HV Operations has agreed to purchase diesel fuel from GAO during the period from 1 November 2019 to 31 October 2022 (the "2019 Diesel Fuel Supply Agreement").

As GAO is a subsidiary of Glencore plc, which is the holding company of Anotero Pty Ltd, a substantial shareholder of HV Operations, GAO is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company's subsidiary.

The 2019 Diesel Fuel Supply Agreement became effective on 1 November 2019 and will expire on 31 October 2022. Pursuant to the 2019 Diesel Fuel Supply Agreement, HV Operations agrees to purchase, and GAO agrees to sell at a price agreed and applicable to the monthly quantity delivered as measured in accordance with the agreement. HV Operations will generate a purchase order prior to the month of delivery. GAO will deliver the volume of fuel in the purchase order by the date specified in that purchase order and HV Operations will make the payments after the delivery of the fuel. The basis for calculating the payments to be made is based on the volume delivered and the price determined following the tender process.

To ensure a fair and open tender process, an Independent Third Party has been engaged with extensive involvement in the commercial business-to-business diesel supply market to assist in the tender document preparation, submission evaluations and subsequent engagement with suppliers in negotiating the optimal outcome. A tender has been issued to several prospective suppliers. The negotiation process cycled three or four times with each supplier, including reviewing and verifying the accuracy and consistency of each submission made by the suppliers and ensuring that pricing is evaluated on consistent basis. Potential suppliers were determined and approved based on a variety of criteria, including reputation, reliability and the pricing submitted.

The maximum annual transaction amount to be paid by HV Operations to GAO for the purchase of diesel fuel for the period from 1 November 2019 to 31 December 2019, the two years ending 31 December 2020 and 2021, and the period from 1 January 2022 to 31 October 2022 will not exceed $30 million, $180 million, $180 million and $150 million, respectively. During the year ended 31 December 2021, the transaction amount paid by the Group was approximately $105.3 million, which was below the annual cap.

### MASTER LEASE AGREEMENTS WITH ZHONGYIN

On 22 December 2021, each of Warkworth Mining Limited and Mount Thorley Operations Pty Limited (each a "Lessee"), both being subsidiaries of the Company, and Zhongyin (Hong Kong) Co., Limited ("Zhongyin") entered into master lease agreements (the "Master Lease Agreements", and each, a "Master Lease Agreement") pursuant to which Zhongyin agreed to lease certain items of up to a total of 15 ultra-class trucks across both Lessees (the "Equipment") to each Lessee for a term of five years from the relevant commencement date in accordance with the terms of the relevant Master Lease Agreement.

Yankuang Energy is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company, and Zhongyin is an indirect wholly-owned subsidiary of Yankuang Energy. Accordingly, Zhongyin is a connected person of the Company by virtue of being an associate of Yankuang Energy, a connected person of the Company.

In accordance with the Australian Accounting Standards applicable to the Group, the Group will recognise each lease (the "Lease") under the Master Lease Agreements as a right-of-use asset representing its right to use the relevant Equipment and a lease liability representing its obligation to make lease payments. A right-of-use asset will be recognised at the commencement date of the individual Lease. Leases will be recognised by the Company pursuant to the Master Lease Agreements in the year ending on 31 December 2022. The transactions under the Master Lease Agreements will be treated as continuing connected transactions under Chapter 14A of the HK Listing Rules and the Company is required to set annual cap on the total value of right-of-use assets to be recognised by the Company for the year ending on 31 December 2022 under the Master Lease Agreements.

Each Lessee will execute a lease schedule in respect of each unit of Equipment leased by it, setting out the details of the lease, including the lease commencement date, rent payment date and rent in respect of the lease of such Equipment. During the term of the lease of each unit of Equipment, which will be five years from the date of commencement of such lease, the relevant Lessee will pay to Zhongyin the rent on each rent payment date as specified in the relevant lease schedule. The amount of the rent in respect of a lease will be determined by reference to the acquisition cost of the relevant Equipment (being the applicable purchase price, interest payable on the amount of that price that has been paid by the Lessor, from the date it pays that component of the price and the term of the lease).

The Company has not leased any Equipment from Zhongyin previously. The annual cap for the Leases to be entered into by the Group under the Master Lease Agreements, which are based on the total value of the right-of-use assets relating to such Leases, for the year ending 31 December 2022 is not expected to exceed US$70 million.

### Review on continuing connected transactions

Pursuant to Rule 14A.55 of the HK Listing Rules, the Directors (including independent non-executive Directors) have reviewed the above continuing connected transactions in the year ended 31 December 2021. The independent non-executive Directors hereby confirmed that the above continuing transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of Shareholders as a whole.

In accordance with the requirement of Rule 14A.56 and 14A.71(6)(b) of the HK Listing Rules, the Company has engaged the independent auditor of the Company to report on the continuing connected transactions of the Group.

Based on the results of procedures performed and in accordance with the aforesaid HK Listing Rules, the independent auditor has provided a letter to the Board confirming that nothing has come to their attention that cause them to believe that the continuing connected transactions:

i. have not been approved by the Board;

ii. were not, in all material respects, in accordance with the pricing policies of the Group;

iii. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

iv. have exceeded their respective annual caps for the financial year ended 31 December 2021 set out in the prospectus and announcement of the Company.

In accordance with paragraph 14A.57 of the Listing Rules, a copy of the independent auditor's letter has been provided to the HK Stock Exchange.

The Company confirms that it has complied with the requirements of Chapter 14A of the HK Listing Rules in relation to all connected transactions and continuing connected transactions to which any Group member was a party during the year ended 31 December 2021. Please refer to Note E3 to the financial statements for a summary of the related party transactions entered into by the members of the Group for the year ended 31 December 2021. Other than those transactions disclosed in the section headed "Continuing Connected Transactions" above, none of these transactions constitutes a disclosable connected transaction as defined under the HK Listing Rules.

# COAL RESERVES AND RESOURCES

The Coal Resources and Coal Reserves presented in this report are extracted from an announcement made on 28 February 2022. The original report was produced in accordance with the Australasian Code for reporting of Mineral Resources and Ore Reserves 2012 Edition (the JORC Code).

Yancoal is not aware of any new information or data that materially affects the information included in this report and at the time of this report all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.[1]

Coal Resources and Coal Reserves are reported in 100 per cent terms (unless otherwise stated). Coal Resources are reported inclusive of the Coal Resources that have been converted to Coal Reserves (i.e. Coal Resources are not additional to Coal Reserves). The attributable share total is the total coal resources or coal reserves when Yancoal's ownership percentage (as at 31 December 2021) is applied. Coal resources and coal reserves have been rounded in line with the JORC Code and the Yancoal reporting standards to reflect the relative uncertainty of the estimates.

On an attributable basis the Yancoal group total year-end 31 December 2021 position is as follows:

| | 31 DEC 2021 | 31 DEC 2020 | % CHANGE |
|---|---|---|---|
| Measured, Indicated and Inferred Coal Resources[3] | **6,013Mt** | 6,884Mt | -12.7% |
| Recoverable Proved and Probable Coal Reserves[2,3] | **1,137Mt** | 1,154Mt | -1.5% |
| Marketable Proved and Probable Coal Reserves | **819Mt** | 833Mt | -1.7% |

The following abbreviations are used throughout this section of the report.

| | |
|---|---|
| AusIMM | Australasian Institute of Mining and Metallurgy |
| JORC | Joint Ore Reserves Committee |
| Met | Metallurgical Coal |
| Semi | Semi-soft coking coal |
| PCI | Pulverised Coal Injection |
| Mt | Million tonnes |
| OC | Open Cut |
| UG | Underground |

## COAL RESOURCES FOR YEAR ENDING 31 DECEMBER 2021

| PROJECT | YANCOAL OWNERSHIP % | COAL TYPE | MOISTURE BASIS % | MEASURED COAL RESOURCES (MT) | | INDICATED COAL RESOURCES (MT) | | INFERRED COAL RESOURCES (MT) | | TOTAL COAL RESOURCES (MT) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2021 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 |
| Moolarben (OC & UG) | 95% | Thermal | **6.0%** | **700** | 710 | **170** | 180 | **200** | 200 | **1,070** |
| Mt Thorley (OC & UG) | 80% | Semi/Thermal | **6 to 8%** | **203** | 280 | **150** | 160 | **75** | 160 | **428** |
| Warkworth (OC & UG)[4] | 84.47% | Semi/Thermal | **6 to 8%** | **497** | 590 | **260** | 420 | **175** | 440 | **932** |
| HVO (OC) | 51% | Semi/Thermal | **6 to 8%** | **780** | 800 | **1,300** | 1,300 | **2,400** | 2,400 | **4,480** |
| Yarrabee (OC) | 100% | PCI/Thermal | **5.5%** | **60** | 75 | **60** | 85 | **13** | 50 | **133** |
| Gloucester (OC)[5] | 100% | Met/Thermal | **6.0%** | **8** | 8 | **195** | 195 | **110** | 110 | **313** |
| Middlemount (OC) | 50% | Coking/PCI | **5.0%** | **83** | 57 | **56** | 53 | **19** | 8 | **158** |
| Austar (UG)[6,7] | 100% | Met | **5.0%** | **0** | 110 | **0** | 40 | **0** | 70 | **0** |
| Ashton (OC & UG)[7] | 100% | Semi/Thermal | **6.5%** | **85** | 85 | **95** | 85 | **90** | 90 | **270** |
| Donaldson (OC & UG)[7] | 100% | Semi /Thermal | **4.0%** | **190** | 190 | **400** | 400 | **100** | 100 | **690** |
| Monash (UG) | 100% | Met/Thermal | **6.0%** | **0** | 0 | **17** | 17 | **80** | 80 | **97** |
| **Total Coal Resources (100% Basis)** | | | | **2,606** | 2,905 | **2,703** | 2,935 | **3,262** | 3,708 | **8,571** |
| **Yancoal Attributable Share** | | | | | | | | | | **6,013** |

1 The Austar mine suspended production on 31 March 2020 and transitioned to care and maintenance operations. On 1 March 2021, an announcement was made to transition Austar to closure activities. Coal Resources and Reserves are therefore no longer being reported for Austar
2 Where required the component Coal Reserve numbers for each site making up this total have been depleted by production from the annual report date to 31 December 2021.
3 2021 Coal Resources and Coal Reserves have been rounded (significant figure) by the Competent Persons in line with the JORC Code and the Yancoal Coal Resource and Reserve reporting standards to reflect the relative uncertainty of the estimates.
4 MTW operations primary changes are due to Bulga Exclusion Zone, Southern Biodiversity Area, Resource Re-classifications and Sterilisation of Resources.
5 Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits.
6 The Austar mine suspended production and transitioned to care and maintenance operations after 31 March 2020. On the 1st of March 2021, an announcement was made to transition Austar to closure activities. Coal Resources are therefore no longer being reported for Austar.
7 On 16 December 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd, its wholly owned subsidiary Yankuang Group (Hong Kong) Limited and the other two holders of the bonds issued by Watagan which resulted in Yancoal regaining accounting control of Watagan on that date.


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# COAL RESERVES AND RESOURCES

## COAL RESERVES FOR YEAR ENDING 31 DECEMBER 2021

| PROJECT | YANCOAL OWNERSHIP % | COAL TYPE | RECOVERABLE COAL RESERVE – PROVED COAL RESERVES (MT) 2021 | PROVED COAL RESERVES (MT) 2020 | PROBABLE COAL RESERVES (MT) 2021 | PROBABLE COAL RESERVES (MT) 2020 | TOTAL COAL RESERVES (MT) 2021 |
|---|---|---|---|---|---|---|---|
| Moolarben (OC) | 95% | Thermal | **162** | 178 | **5** | 6 | **167** |
| Moolarben (UG) | 95% | Thermal | **32** | 38 | **13** | 13 | **44** |
| Mount Thorley (OC) | 80.0% | Semi/Thermal | **2** | 4.6 | **16** | 14 | **18** |
| Warkworth (OC) | 84.47% | Semi/Thermal | **151** | 180 | **92** | 76 | **242** |
| HVO (OC) | 51% | Semi/Thermal | **400** | 420 | **460** | 460 | **860** |
| Yarrabee (OC) | 100% | PCI/Thermal | **39** | 31 | **42** | 15 | **81** |
| Gloucester (OC)[8] | 100% | Met/Thermal | **0** | 0 | **2.4** | 17 | **2.4** |
| Middlemount (OC) | 50% | Coking/PCI | **74** | 41 | **19** | 37 | **93** |
| Ashton (AWOC)[9] | 100% | Semi/Thermal | **0** | 0 | **17** | 17 | **17** |
| Ashton (UG)[9] | 100% | Semi/Thermal | **14** | 15 | **8** | 7 | **22** |
| Donaldson (UG)[9] | 100% | Semi/Thermal | **0** | 0 | **110** | 110 | **110** |
| **Total Coal Reserves (100% Basis) – Rounded** | | | **874** | **909** | **783** | **771** | **1,657** |
| **Yancoal Attributable Share** | | | | | | | **1,137** |

| PROJECT | YANCOAL OWNERSHIP % | COAL TYPE | MARKETABLE COAL RESERVE – MOISTURE BASIS % 2021 | ASH % 2021 | PROVED COAL RESERVES (MT) 2021 | PROVED COAL RESERVES (MT) 2020 | PROBABLE COAL RESERVES (MT) 2021 | PROBABLE COAL RESERVES (MT) 2020 | TOTAL COAL RESERVES (MT) 2021 |
|---|---|---|---|---|---|---|---|---|---|
| Moolarben (OC) | 95% | Thermal | **9%** | **21%** | **133** | 144 | **4** | 5 | **137** |
| Moolarben (UG) | 95% | Thermal | **9%** | **16%** | **32** | 39 | **13** | 13 | **45** |
| Mount Thorley (OC) | 80.0% | Semi/Thermal | **10%** | **10-14%** | **1.3** | 3.1 | **11** | 10 | **13** |
| Warkworth (OC) | 84.47% | Semi/Thermal | **10%** | **10-14%** | **104** | 123 | **61** | 52 | **165** |
| HVO (OC) | 51% | Semi/Thermal | **10%** | **13%** | **290** | 310 | **330** | 330 | **620** |
| Yarrabee (OC) | 100% | PCI/Thermal | **10%** | **10%** | **29** | 25 | **32** | 12 | **61** |
| Gloucester (OC)[8] | 100% | Met/Thermal | **8%** | **19%** | **0** | 0 | **1.4** | 10 | **1.4** |
| Middlemount (OC) | 50% | Coking/PCI | **10% Coking 10.5% PCI** | **10% Coking 10.5% PCI** | **53** | 33 | **16** | 27 | **69** |
| Ashton (AWOC)[9] | 100% | Semi/Thermal | **9.5%** | **9.5%** | **0** | 0 | **9** | 9 | **9** |
| Ashton (UG)[9] | 100% | Semi/Thermal | **8.5%** | **9.5%** | **8** | 7.2 | **5** | 3.4 | **13** |
| Donaldson (UG)[9] | 100% | Semi/Thermal | **8%** | **17%** | **0** | 0 | **62** | 62 | **62** |
| **Total Coal Reserves (100% Basis) – Rounded** | | | | | **651** | **684** | **544** | **532** | **1,195** |
| **Yancoal Attributable Share** | | | | | | | | | **819** |

8 Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits.

9 On 16 December 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd, its wholly owned subsidiary Yankuang Group (Hong Kong) Limited and the other two holders of the bonds issued by Watagan which resulted in Yancoal regaining accounting control of Watagan on that date.

# COAL RESERVES AND RESOURCES

## YANCOAL 2021 EXPLORATION DRILLING

Total payments for capitalised exploration and evaluation activities in 2021 was $6.1 million. There were no development activities related to mining structures or infrastructure undertaken in 2021. The reporting period is from 1 January to 31 December 2021. The drilling totals provided exclude pre-production drilling.

| | MOOLARBEN | | MOUNT THORLEY WARKWORTH | | HUNTER VALLEY OPERATIONS | |
|---|---|---|---|---|---|---|
| | NO. OF HOLES | TOTAL DRILLED M | NO. OF HOLES | TOTAL DRILLED M | NO. OF HOLES | TOTAL DRILLED M |
| Non-Core Holes | 91 | 5269 | 0 | 0 | 13 | 1354 |
| Core Holes | 16 | 537 | 5 | 1594 | 6 | 1602 |

## YANCOAL AUSTRALIA TENEMENTS AS AT 31 DECEMBER 2021

Only tenements containing Coal Resources and/or Reserves reported in accordance with the 2012 JORC Code are detailed in the following table.

| PROJECT | TITLE TENEMENT | TENEMENT TYPE |
|---|---|---|
| Moolarben | EL 6288 | Exploration License |
| | EL 7073 | Exploration License |
| | EL 7074 | Exploration License |
| | ML 1605 | Mining Lease |
| | ML 1606 | Mining Lease |
| | ML 1628 | Mining Lease |
| | ML 1691 | Mining Lease |
| | ML 1715 | Mining Lease |
| Mount Thorley/ Warkworth (MTW) | CCL 753 | Consolidated Coal Lease |
| | CL 219 | Coal Lease |
| | EL 7712 | Exploration License |
| | EL 8824 | Exploration License |
| | ML 1412 | Mining Lease |
| | Part ML 1547 (sublease) | Sublease |
| | ML 1590 | Mining Lease |
| | ML 1751 | Mining Lease |
| | ML 1752 | Mining Lease |
| | MLA 548 | Mining Lease Application |
| HVO | AL 32 | Assessment Lease |
| | AL 33 | Assessment Lease |
| | AL 34 | Assessment Lease |
| | Auth 72 | Authorisation |
| | Part CCL 708 (sublease) | Sublease |
| | CCL 714 | Consolidated Coal Lease |
| | CCL 755 | Consolidated Coal Lease |
| | CL 327 | Coal Lease |
| | CL 359 | Coal Lease |
| | CL 360 | Coal Lease |
| | CL 398 | Coal Lease |
| | CL 584 | Coal Lease |
| | CML 4 | Consolidated Mining Lease |
| | EL 5291 | Exploration License |
| | EL 5292 | Exploration License |
| | EL 5417 | Exploration License |
| | EL 5418 | Exploration License |
| | EL 5606 | Exploration License |
| | EL 8175 | Exploration License |
| | EL 8821 | Exploration License |
| | ML 1324 | Mining Lease |
| | ML 1337 | Mining Lease |

| PROJECT | TITLE TENEMENT | TENEMENT TYPE |
|---|---|---|
| HVO (cont.) | ML 1359 | Mining Lease |
| | ML 1406 | Mining Lease |
| | ML 1428 | Mining Lease |
| | ML 1465 | Mining Lease |
| | ML 1474 | Mining Lease |
| | ML 1482 | Mining Lease |
| | ML 1500 | Mining Lease |
| | ML 1526 | Mining Lease |
| | ML 1560 | Mining Lease |
| | ML 1589 | Mining Lease |
| | ML 1622 | Mining Lease |
| | ML 1634 | Mining Lease |
| | ML 1682 | Mining Lease |
| | ML 1704 | Mining Lease |
| | ML 1705 | Mining Lease |
| | ML 1706 | Mining Lease |
| | ML 1707 | Mining Lease |
| | ML 1710 | Mining Lease |
| | ML 1732 | Mining Lease |
| | ML 1734 | Mining Lease |
| | ML 1748 | Mining Lease |
| | ML 1753 | Mining Lease |
| | ML 1810 | Mining Lease |
| | ML 1811 | Mining Lease |
| | MLA 495 | Mining Lease Application |
| | MLA 496 | Mining Lease Application |
| | MLA 520 | Mining Lease Application |
| | MLA 535 | Mining Lease Application |
| | MLA 542 | Mining Lease Application |
| | MLA 543 | Mining Lease Application |
| | MLA 562 | Mining Lease Application |
| Yarrabee/Wilpeena | EPC 1684 | Exploration Permit for Coal |
| | EPC 717 | Exploration Permit for Coal |
| | EPC 1177 | Exploration Permit for Coal |
| | EPC 1429 | Exploration Permit for Coal |
| | EPC 1668 | Exploration Permit for Coal |
| | EPC 621 | Exploration Permit for Coal |
| | MDL 160 | Mineral Development License |
| | ML 1770 | Mining Lease |
| | ML 80049 | Mining Lease |
| | ML 80050 | Mining Lease |
| | ML 80096 | Mining Lease |

## COAL RESERVES AND RESOURCES

| PROJECT | TITLE TENEMENT | TENEMENT TYPE |
|---|---|---|
| | ML 80104 | Mining Lease |
| | ML 80172 | Mining Lease |
| | ML 80195 | Mining Lease |
| | ML 80196 | Mining Lease |
| | ML 80197 | Mining Lease |
| | ML 80198 | Mining Lease |
| Gloucester Basin (Stratford/Duralie) | ALA 74 | Assessment Lease Application |
| | Auth 311 | Authorisation |
| | Auth 315 | Authorisation |
| | EL 6904 | Exploration License |
| | ELA 5910 | Exploration License Application |
| | ML 1427 | Mining Lease |
| | ML 1646 | Mining Lease |
| | ML 1360 | Mining Lease |
| | ML 1409 | Mining Lease |
| | ML 1447 | Mining Lease |
| | ML 1521 | Mining Lease |
| | ML 1528 | Mining Lease |
| | ML 1538 | Mining Lease |
| | ML 1577 | Mining Lease |
| | ML 1733 | Mining Lease |
| | ML 1787 | Mining Lease |
| Middlemount | MDL 282 | Mineral Development License |
| | ML 700014 | Mining Lease |
| | ML 700027 | Mining Lease |
| | ML 70379 | Mining Lease |
| | ML 70417 | Mining Lease |
| Austar | CCL 728 | Consolidated Coal Lease |
| | CCL 752 | Consolidated Coal Lease |
| | CML 2 | Coal Mining Lease |
| | DSL 89 | Dam Site Lease |
| | EL 6598 | Exploration License |
| | ML 1157 | Mining Lease |
| | ML 1283 | Mining Lease |
| | ML 1345 | Mining Lease |
| | ML 1388 | Mining Lease |
| | ML 1550 | Mining Lease |
| | ML 1661 | Mining Lease |
| | ML 1666 | Mining Lease |
| | ML 1677 | Mining Lease |
| | MLA 521 | Mining Lease Application |
| | MPL 1364 | Mining Purposes Lease |
| | MPL 204 | Mining Purposes Lease |
| | MPL 217 | Mining Purposes Lease |
| | MPL 23 | Mining Purposes Lease |
| | MPL 233 | Mining Purposes Lease |
| | MPL 269 | Mining Purposes Lease |

| PROJECT | TITLE TENEMENT | TENEMENT TYPE |
|---|---|---|
| Ashton | EL 4918 | Exploration License |
| | EL 5860 | Exploration License |
| | ML 1529 | Mining Lease |
| | ML 1533 | Mining Lease |
| | ML 1623 | Mining Lease |
| | ML 1696 | Mining Lease |
| | MLA 351 | Mining Lease Application |
| | MLA 394 | Mining Lease Application |
| | MLA 500 | Mining Lease Application |
| Donaldson | ALA 70 | Assessment Lease Application |
| | ALA 71 | Assessment Lease Application |
| | ALA 72 | Assessment Lease Application |
| | EL 5337 | Exploration License |
| | EL 5497 | Exploration License |
| | EL 5498 | Exploration License |
| | EL 6964 | Exploration License |
| | ML 1461 | Mining Lease |
| | ML 1555 | Mining Lease |
| | ML 1618 | Mining Lease |
| | ML 1653 | Mining Lease |
| | ML 1703 | Mining Lease |
| | ML 1756 | Mining Lease |
| Monash | ALA 73 | Assessment Lease Application |
| | EL 6123 | Exploration License |
| | EL 7579 | Exploration License |
| Rhondda | CCL 774 | Consolidated Coal Lease |

# SHAREHOLDER STATISTICS

## DIRECTORSHIPS

Current Directorships and Company Secretary positions of subsidiaries of Shandong Energy and Yankuang outside the Group held by CEO and CFO:

| | COMPANY | CEO | CFO |
|---|---|---|---|
| 1 | AMH (Chinchilla Coal) Pty Ltd | Dir. | Dir. |
| 2 | Athena Coal Mines Pty Ltd | Dir. | Dir. |
| 3 | Mountfield Properties Pty Ltd | Dir. | Dir. |
| 4 | Ozstar Australia Pty Ltd | Dir. | Dir. |
| 5 | Premier Coal Limited | Dir. | Dir. |
| 6 | Syntech Holdings II Pty Ltd | Dir. | Dir. |
| 7 | Syntech Holdings Pty Ltd | Dir. | Dir. |
| 8 | Syntech Resources Pty Ltd | Dir. | Dir. |
| 9 | Tonford Pty. Ltd. | Dir. | Dir. |
| 10 | UCC Energy Pty Limited | – | Dir. |
| 11 | Yancoal CSR Pty Ltd | Dir. | Dir. |
| 12 | Yancoal Technology Development Pty Ltd | – | Dir. |
| 13 | Yankuang Bauxite Resources Pty Ltd | – | Dir. |
| 14 | Yankuang OzStar Pty Ltd | Dir. | Dir. |

## SHAREHOLDER STATISTICS

### Yancoal Australia Limited – Ordinary Fully Paid as of 7 March 2022

Combined ASX and HKEx Top 20 Shareholders

| RANK | NAME | UNITS* | % UNITS |
|---|---|---|---|
| 1 | YANZHOU COAL MINING COMPANY LIMITED | **822,157,715** | 62.26 |
| 2 | BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM | **209,831,508** | 15.89 |
| 3 | GLENCORE COAL PTY LTD | **84,497,858** | 6.40 |
| 4 | HKG REGISTER CONTROL A/C\C | **78,147,273** | 5.92 |
| 5 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2 | **73,758,645** | 5.59 |
| 6 | CITICORP NOMINEES PTY LIMITED | **19,180,182** | 1.45 |
| 7 | EVERCHARM INTERNATIONAL INVESTMENT LIMITED | **14,285,715** | 1.08 |
| 8 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | **3,515,442** | 0.27 |
| 9 | MR KENNETH RUDY KAMON | **648,338** | 0.05 |
| 10 | HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED | **618,056** | 0.05 |
| 11 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | **400,640** | 0.03 |
| 12 | MRS MELISSA ANN JOSEPHSON | **323,194** | 0.02 |
| 13 | BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C> | **310,689** | 0.02 |
| 14 | BOND STREET CUSTODIANS LIMITED <LAMAN - D05019 A/C> | **210,000** | 0.02 |
| 15 | MR MICHAEL JOHN BUFFIER + MRS PATRICIA MARY BUFFIER <MIPAT BUFFIER S/F A/C> | **200,000** | 0.02 |
| 16 | MR DONALD GORDON MACKENZIE | **200,000** | 0.02 |
| 17 | MR BAOCAI ZHANG | **177,766** | 0.01 |
| 18 | COAL SALES PTY LTD | **160,000** | 0.01 |
| 19 | MR MICHAEL CHUNSUP LEE + MS LINDA MISOOK LEE | **151,251** | 0.01 |
| 20 | BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C> | **144,039** | 0.01 |
| | **Totals: Top 20 holders of ORDINARY SHARES (Total)** | **1,308,918,311** | 99.13 |
| | **Total Remaining Holders Balance** | **11,521,126** | 0.87 |
| | **Total shares on issue** | **1,320,439,437** | |

# SHAREHOLDER STATISTICS

## RANGE OF UNITS

Ordinary Shares as of 03/03/2022

| RANGE | TOTAL HOLDERS | UNITS | % UNITS |
|---|---|---|---|
| 1 - 1,000 | 2,169 | 534,963 | 0.04 |
| 1,001 - 5,000 | 784 | 2,042,705 | 0.15 |
| 5,001 - 10,000 | 191 | 1,461,839 | 0.11 |
| 10,001 - 100,000 | 220 | 6,321,781 | 0.48 |
| 100,001 Over | 29 | 1,310,078,149 | 99.22 |
| **Rounding** | | | 0.00 |
| **Total** | 3,393 | 1,320,439,437 | 100.00 |

## UNMARKETABLE PARCELS

Ordinary Shares as of 03/03/2022

| | MINIMUM PARCEL SIZE | HOLDERS | UNITS |
|---|---|---|---|
| Minimum $ 500.00 parcel at $ 5.0800 per unit | 99 | **1,078** | 21,227 |

Transfer of shares between the Australian and Hong Kong share registers

Shares in Yancoal can be moved between its Australian and Hong Kong share registers. Any shareholder interested in moving their shares between the two registers is encouraged to contact Computershare, using the contact details set out in the Corporate Directory.

The process and fees for moving shares will differ depending on how a shareholder, or their broker/participant, holds their shares. Typically, the transfer of shares between the Australian and Hong Kong registers takes between three to six business days. Shareholders should not trade their shares until a transfer of shares is completed.

# GLOSSARY

| TERM | MEANING |
|---|---|
| **AAS** | Australian Accounting Standards |
| **ACCC** | Australian Competition & Consumer Commission |
| **AGM** | Annual General Meeting |
| **API5** | All Published Index 5 – 5,500 kCal coal index |
| **ARMC** | Audit and Risk Management Committee |
| **ARTC** | Australian Rail Track Corporation |
| **ASX** | The Australian Securities Exchange |
| **ASX Recommendations** | ASX Corporate Governance Council's Principles and Recommendations |
| **Board** | Yancoal's board of directors |
| **CEC** | Chair of the Executive Committee |
| **CEO** | Chief Executive Officer |
| **CFR** | Cost and Freight contract |
| **CFO** | Chief Financial Officer |
| **CGU** | Cash-Generating Unit |
| **CHPP** | Coal Handling and Preparation Plant |
| **Cinda** | Cinda (HK) Holdings Company Limited Group |
| **Coal & Allied** | Coal & Allied Industries Ltd |
| **CODM** | Chief Operating Decision Makers |
| **Coke (steel making)** | A grey, hard, and porous fuel with a high carbon content and few impurities, made by heating coal or oil in the absence of air. |
| **Continuing Connected Transactions** | The Stock Exchange of Hong Kong requires disclosure of 'Continuing Connected Transactions' which are connected transactions involving the provision of goods or services, which are carried out on a continuing or recurring basis and are expected to extend over a period of time. They are usually transactions in the ordinary and usual course of business of the issuer.<br>Connected transactions are transactions with connected persons, and specified categories of transactions with third parties that may confer benefits on connected persons through their interests in the entities involved in the transactions. |
| **COP26** | 2021 United Nations Climate Change Conference of Parties |
| **Costs Target** | Costs Target vesting condition |
| **COVID-19** | Novel Coronavirus |
| **CVR** | Contingent Value Rights |
| **Deferred Share Rights** | Rights to Yancoal shares with no dividend equivalent payments that vest over time subject to remaining employed |
| **EBIT** | Earnings Before Interest and Tax |
| **EBITDA** | Earnings Before Interest, Tax, Depreciation and Amortisation |
| **ECL** | Expected Credit Losses |
| **EGM** | Executive General Manager |
| **EPS** | Earnings per share |
| **EPS Awards** | Earnings per share vesting condition |
| **ESA** | Executive Service Agreement |
| **ESG** | Environment, Social and Governance |
| **Executive KMPs** | Nominated members of the Executive Committee. |
| **Executives** | Comprise the executive directors and Executive KMPs |
| **FAR** | Fixed Annual Remuneration |
| **FAS** | Free Alongside Ship |
| **FOB Cash Costs** | Free On Board Cash Costs (excluding royalties) |
| **FVTPL** | Fair Value Through Profit or Loss |
| **FVTOCI** | Fair Value Through Other Comprehensive Income |
| **GCNewc** | GlobalCOAL Newcastle 6,000kCal NAR Index |
| **HK Code** | Corporate Governance Code in Appendix 14 |
| **HK Listing Rules** | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |

# GLOSSARY

| TERM | MEANING |
|---|---|
| **HKEx** | The Stock Exchange of Hong Kong |
| **HKExnews** | Website for regulatory filings and disclosures of listed issuers on the Stock Exchange of Hong Kong |
| **HSEC Committee** | Health, Safety, Environment and Community Committee |
| **HVO** | The Hunter Valley Operations mine |
| **IASB** | International Accounting Standards Board |
| **IFRS** | International Financial Reporting Standards |
| **JORC** | Joint Ore Reserves Committee |
| **Key Management Personnel (KMP)** | Comprise the Directors of the Company and the Executive KMPs. |
| **KPIs** | Key Performance Indicators |
| **LOM** | Life of Mine |
| **LPR** | Loan Prime Rate |
| **LTI/LTIP** | Long-term incentive / plan |
| **LTIFR** | The Lost Time Injury Frequency Rate is the number of lost time injuries occurring in a workplace per 1 million hours worked. |
| **MCA** | Minerals Council of Australia |
| **Metallurgical coal** | A collective term applied to coal used in the steel making process |
| **Middlemount** | Middlemount Coal Pty Ltd |
| **Mineral Reserve** | Parts of a Mineral Resource that can, at present, be economically mined. The two categories define an increasing level of geological confidence with Probable at the low end and Proved at the high end. |
| **Mineral Resource** | The concentration of material of economic interest in or on the earth’s crust. The three categories define an increasing level of geological confidence with Inferred at the low end, then Indicated, and Measured at the high end. |
| **Model Code** | Model Code for Securities Transactions by Directors of Listed Issuers |
| **Moolarben JV** | Moolarben Coal Joint Venture |
| **MTW** | The Mount Thorley Warkworth Mine |
| **NAR** | Net As Received |
| **NCIG** | Newcastle Coal Infrastructure Group is a coal export terminal in Newcastle, New South Wales. |
| **NGER** | National Greenhouse and Energy Reporting |
| **NRC** | Nomination and Remuneration Committee |
| **NSW** | New South Wales |
| **NSWMC** | New South Wales Mineral Council |
| **PBT** | Profit Before Tax |
| **PCI Coal** | Pulverised Coal Injection coal is used as a heat source and supplementary fuel in the steel making process to reduce coke consumption. |
| **Performance Rights** | Rights to Yancoal shares with no dividend equivalent payments that vest over time subject to meeting performance criteria and remaining employed |
| **PRD** | Performance Review and Development |
| **Protocol** | Board Performance Evaluation Protocol |
| **PWCS** | Port Waratah Coal Services is a coal export terminal in Newcastle, New South Wales. |
| **QLD** | Queensland |
| **ROM Coal** | Run Of Mine Coal, the coal volume initially extracted from the mine |
| **ROM tonnes** | Run of Mine tonnes |
| **Saleable coal** | Coal volume remaining after processing to remove non-coal material |
| **Scope 1 emissions** | Scope 1 covers direct emissions from owned or controlled sources; for example emissions released from coal during the mining process. |
| **Scope 2 emissions** | Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. |
| **Scope 3 emissions** | Scope 3 includes all other indirect emissions that occur in a company's value chain; for example the emissions real during combustion of coal by the end users. |
| **Semi-soft coking coal** | Used to produce coke for the steel-making process, but it produces a low coke quality and more impurities compared to hard coking coal. |
| **SFO** | Hong Kong Securities and Futures Ordinance |

# GLOSSARY

| TERM | MEANING |
|---|---|
| **Shandong Energy** | Shandong Energy Group Co. Ltd |
| **Sojitz** | Sojitz Corporation |
| **STI/STIP** | Short-term incentive / plan |
| **TCFD** | The Taskforce on Climate-related Financial Disclosures was established by the Financial Stability Board to develop a set of voluntary, consistent disclosure recommendations for use by companies in providing information to investors, lenders and insurance underwriters about their climate-related financial risks. |
| **$tCO_2$-e** | Emissions equivalent to a tonne of carbon dioxide emissions; it is the standard unit in carbon accounting to quantify greenhouse gas emissions. |
| **The Company or Yancoal** | Yancoal Australia Ltd |
| **The Group** | Yancoal Australia Ltd and its controlled entities |
| **Thermal coal** | A collective term applied to coal suited to combustion to generate electricity or other purposes. |
| **TRI & DI** | Total Recordable Injuries & Disease Injuries |
| **TRIFR** | The Total Recordable Injury Frequency Rate is the number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked. |
| **UOP** | Units of Production |
| **VWAP** | Volume Weighted Average Price gives the average price a security has traded at throughout a period, based on both volume and price |
| **Watagan** | Watagan Mining Company Pty Ltd |
| **WICET** | Wiggins Island Coal Export Terminal is a coal export terminal in at Gladstone, Queensland. |
| **WIPS** | Wiggins Island Preference Shares |
| **Yankuang** | Yankuang Group Company Ltd |
| **Yankuang Energy** | Yankuang Energy Group Company Limited |
| **Yanzhou** | Yanzhou Coal Mining Company Ltd |

# CORPORATE DIRECTORY

## DIRECTORS

Baocai Zhang

Ning Zhang

Cunliang Lai

Qingchun Zhao

Xiangqian Wu

Xing Feng

Gregory Fletcher

Dr Geoffrey Raby

Helen Gillies

## COMPANY SECRETARY:

Laura Ling Zhang

## AUDITOR:

ShineWing Australia
Level 7, Aurora Place
88 Phillip Street
Sydney
NSW 2000
Australia

Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance

## REGISTERED AND PRINCIPAL PLACE OF BUSINESS:

Level 18 Darling Park 2
201 Sussex Street
Sydney NSW 2000
Australia

T: +61 2 8583 5300

## AUSTRALIAN COMPANY NUMBER:

111 859 119

## AUSTRALIAN SECURITIES EXCHANGE LTD (ASX)

ASX Code: YAL

## STOCK EXCHANGE OF HONG KONG LIMITED

Stock code: 3668

## SHARE REGISTRY:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia

T: +61 2 8234 5000

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17M Floor, Hopewell Centre
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Wan Chai
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T: +852 2862 8555

## COUNTRY OF INCORPORATION:

Australia

## WEB ADDRESS:

www.yancoal.com.au

## SHAREHOLDER ENQUIRIES:

shareholder@yancoal.com.au

YANCOAL

兖煤澳大利亚有限公司