

PROGRESSION





**YANCOAL**

**YANCOAL**



**IT'S NOT JUST WHERE WE'RE GOING  
BUT HOW WE GET THERE**

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 2022 we sold our Australian coal to 13 countries, including major markets across the Asian region and an uplift of sales in Europe. 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.



“Despite a particularly difficult period over the past few years, nevertheless Yancoal has delivered some monumental ‘first time’ achievements in 2022.”



**BAOCAI ZHANG**  
CHAIRMAN OF THE BOARD

## CHAIRMAN’S LETTER

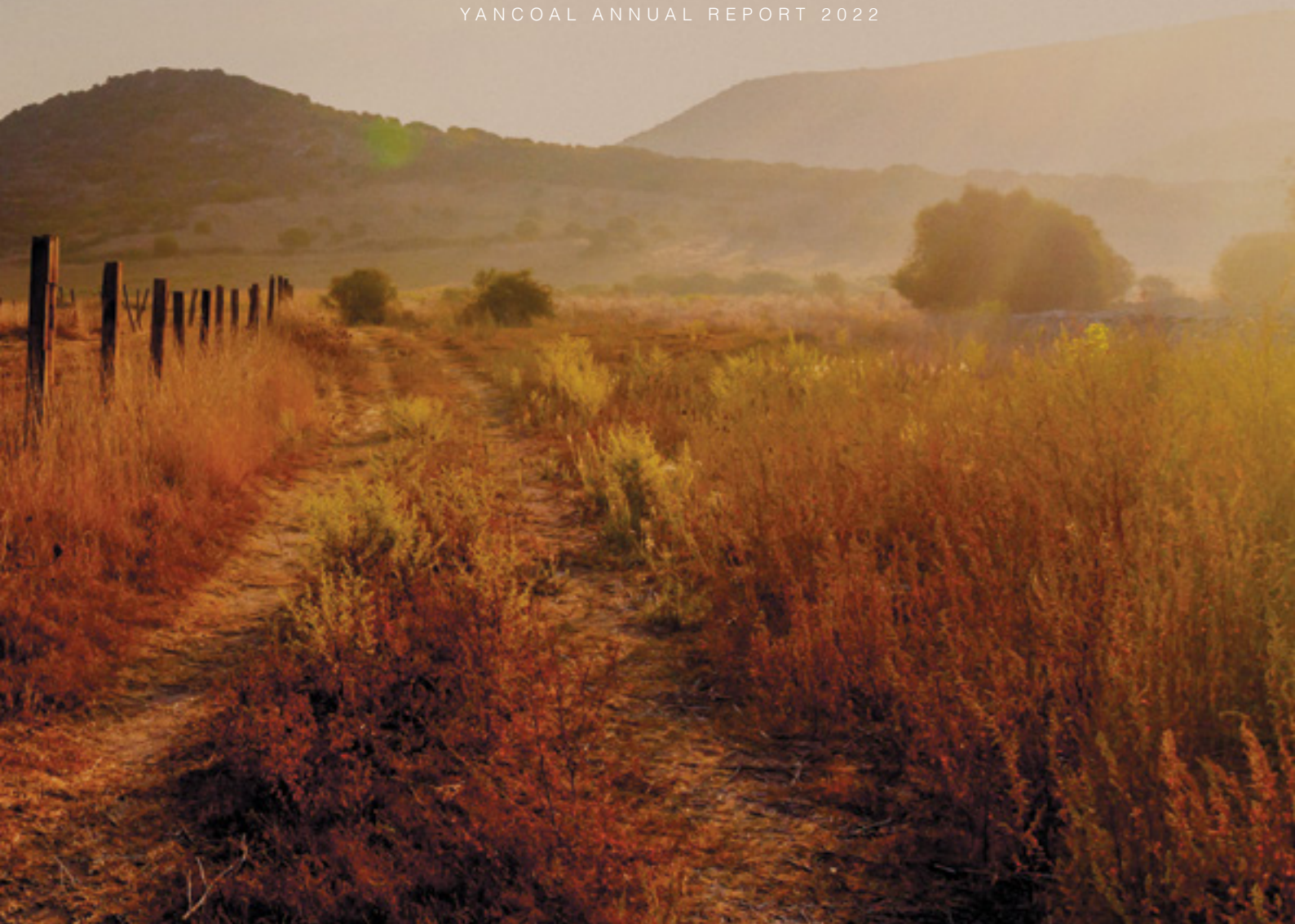
Since 2020, Yancoal has faced significant external challenges - severe floods, the continuation of COVID-19, industry-wide labour shortages and high inflation. But the company has not been overwhelmed by these difficulties. The business developed a comprehensive strategy to: operate efficiently; ensure safety at all times; prepare for possible negative external shocks and events; maximise production and productivity; achieve production targets; and achieve management objectives.

Tangible examples of how Yancoal implemented this strategy during 2022 included:

- Responding to unprecedented rain events, the business promptly adjusted mining plans at sites to increase investment in water management facilities so that production would not suffer drastic impacts;
- Over 90% of Yancoal employees participated in “Safe Way” program training. During 2022, Yancoal safety statistics continued to outperform the coal industry average;
- To improve maintenance performance and to reduce maintenance costs, Yancoal developed and implemented an equipment operation improvement and optimisation project that was based on each site having its own specific strategy; and
- To address the labour shortages being experienced across the Australian resources industry, Yancoal enacted a talent attraction and retention strategy, and introduced a new internal communication and collaboration platform (“OnePlace”).

This business strategy has achieved remarkable results in 2022 and Yancoal has experienced record revenue and profit, as well as maintaining its position as one of Australia’s largest coal exporters and one of the Yankuang Energy Group’s most important foreign investment pillars.

In 2022, Shandong Energy Group celebrated 20 years since its first international investment beyond Shandong Province. Yancoal has played an important role in the “Development Beyond Shandong” strategy and in 2022 was



deservedly recognised as an “Outstanding Contribution Company” amongst the broader Shandong Energy Group.

An important element of Yancoal's success has been the integration Australian and Chinese cultures. Such integration can only be facilitated by a mutual understanding and respect for the common goals we are seeking to achieve for Yancoal, as well as our differences. There has been a concerted effort to increase engagement with Yancoal's external stakeholders and shareholders to demonstrate our operations and the unique position we hold for both Yankuang Energy and Shandong Energy Group. These activities will continue as Yancoal forges ahead to maximise the value of

its Australian coal assets and seeks opportunities internationally.

Yancoal continues its diversification strategy through the potential development of renewable energy projects and expansion into minerals and commodities beyond coal. As part of this strategy, in 2022, Yancoal started assessing two renewable energy projects. A feasibility study has commenced into the Stratford Renewable Energy Hub, which could include pumped hydro power and solar facilities, and a Memorandum of Understanding was executed to study the application of innovative kinetic energy storage technology at the former Aустar coal mine. If developed, both these projects have the potential to increase

Yancoal's self-sufficiency for power and to deliver diversification for the business.

Despite a particularly difficult period over the past few years, nevertheless Yancoal has delivered some monumental “first time” achievements in 2022 that need to be recognised, such as the repayment of external interest bearing loan debt, the payment of fully franked dividends, and diversification into renewable energy projects. The foundation is set for Yancoal to generate further returns for shareholders in 2023 and beyond.

I thank my fellow Directors for their efforts and support in 2022, and I thank management and the workforce for their ongoing pursuit of the “One Yancoal” vision.



“Following an outstanding financial performance in 2021, Yancoal delivered even more record results in 2022.”

DAVID MOULT  
CEO

## MESSAGE FROM OUR CEO

This year again demonstrated the ability of Yancoal's world class assets to generate considerable returns during periods of robust coal prices.

Following an outstanding financial performance in 2021, Yancoal delivered even more record results in 2022, which included: record revenue generation of \$10.5 billion; record Operating EBITDA of \$7.0 billion and a record EBITDA margin of 65%; and record profit of \$3.6 billion.

Strong cash generation underpinned several significant milestones for the business this year. Yancoal is now paying corporate tax, having recouped previously incurred tax losses, and this has directly benefited our shareholders through the final dividend of \$0.70/share being fully franked for the first time. Following the repayment of US\$2.6 billion of debt during

2022 and the remainder of outstanding debt in 2023, for the first time since being established Yancoal has no external interest bearing loan debts and this will allow us to redirect the resulting cost savings towards to other initiatives.

Realised coal prices reached unprecedented levels during 2022. Yancoal's realised average price for thermal coal products was A\$372/tonne and A\$405/tonne for metallurgical coal products, giving an overall average realised sales price of A\$378/tonne. To maximise revenue during periods of strong market conditions, Yancoal actively responds to customer requirements and leverages its diversified international customer base. In 2022, Yancoal sold coal into 13 market destinations and experienced a notable uplift in sales to Europe.

Due to these financial results, Yancoal enters 2023 in a transformed financial position. But these impressive financial results and outcomes mask operational challenges that the business overcame in 2022. These challenges mirrored those that we experienced in 2021.

Our mines in New South Wales started the year with water storage capacity in excess of their environmental limits, following the repeated heavy rainfall events in 2021 due to the La Niña weather pattern. Heavy rains repeatedly fell again throughout 2022, as the La Niña weather pattern persisted for a third consecutive year. While the mines invested in additional dewatering equipment and constructed additional water storage dams, the volume of rainfall overwhelmed the increased pumping and storage capacity and repeatedly caused production outages.

**\$10.5B**  
REVENUE

**\$3.6B**  
PROFIT

The COVID-19 pandemic continued to linger in 2022, and we were required to implement ongoing response measures that proved effective in minimising risk to the workforce and disruption to operations. These work practices and measures proved successful on-site, but community transmission ultimately resulted in instances of workers being unable to attend sites, in line with Government protocols.

Run of Mine production achieved was 50.5 million tonnes (100% basis) and sales of attributable production was 29.3 million – both around 20% lower than 2021. Operating cash cost per product tonne for the year was \$94. Our disciplined approach to internal cost factors did not waiver, despite the need for additional equipment and contractors to implement recovery plans

to address adverse operating conditions. Lower production volume also directly influenced the per-tonne operating cost and this was compounded by uncontrollable external factors largely attributable to inflationary pressures.

Our community contributions increased during 2022 to \$1.8 million, which was split between site-based community support program initiatives and ongoing corporate level sponsorships of organisations such as the Clontarf Foundation and the Westpac Helicopter Rescue Service. A detailed overview of our Environmental, Social and Governance (ESG) performance will be available in the 2022 ESG Report.

The patience, resilience and determination of Yancoal's workforce allowed the business to extract the maximum value

from our operations in conditions that were often unprecedented at our mines. Importantly, and despite the additional challenges, our workforce remained focused on safety. The Total Recordable Injury Frequency Rate ended the year at 8.1, which represented a continuation of the downward trend that has been experienced since 2018.

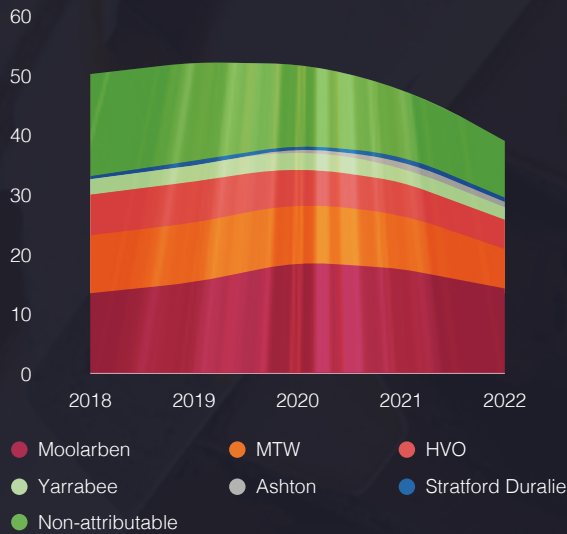
I thank all Yancoal employees for their hard work and support over the last year. A true reflection of a company's culture is how the workforce comes together as a team during difficult periods to achieve their goals. Our workforce's response to the challenges and headwinds we have experienced over the past three years is an indication that Yancoal's culture is strong. I am optimistic for our future.

# 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

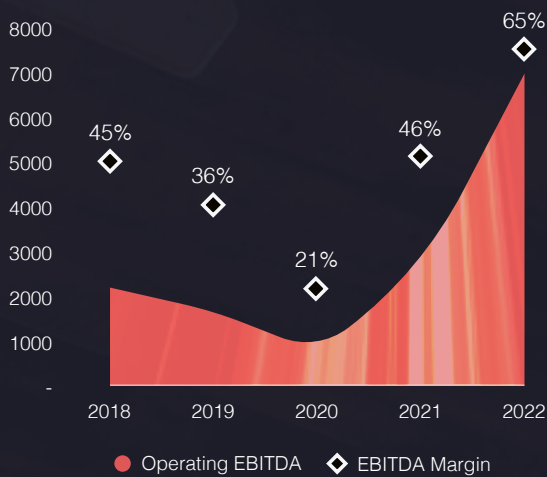
Realised price and revenue exceed the prior highs of 2018.



## OPERATING EBITDA

A\$ MILLIONS / MARGIN %

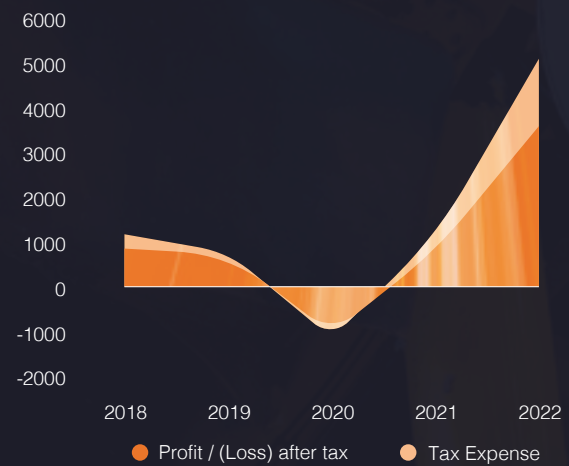
Record Operating EBITDA and EBITDA Margin.



## NET PROFIT / (LOSS) AFTER TAX

A\$ MILLIONS

Profit eclipses prior years.

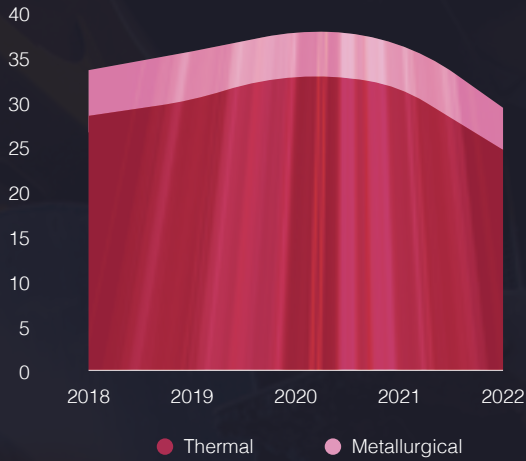




**PRODUCT MIX**

ATTRIBUTABLE SALES VOLUME, MILLION TONNES

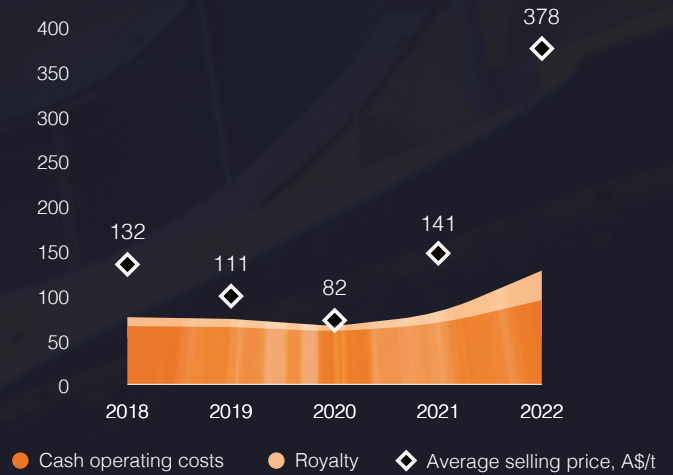
Product mix and qualities continually optimised.



**CASH OPERATING COSTS**

OPERATING COSTS, ROYALTIES, AND SELLING PRICE, A\$/TONNE

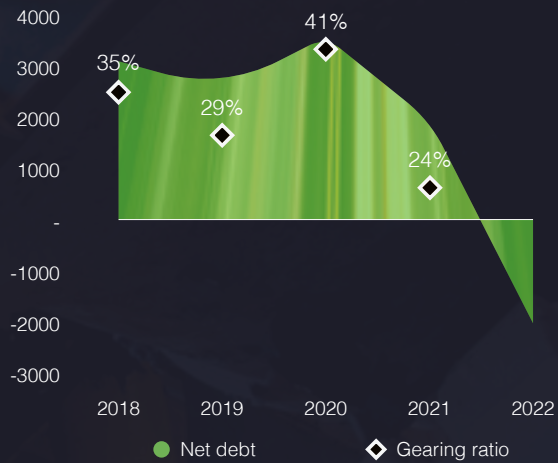
Realised price outpaced costs and royalties.



**NET DEBT AND GEARING**

A\$ MILLIONS / %

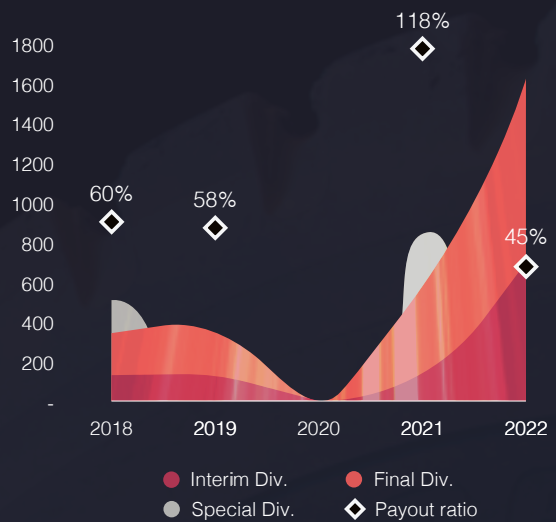
Net cash position since July 2022.



**TOTAL DIVIDEND AND PAYOUT RATIO**

A\$ MILLIONS / %

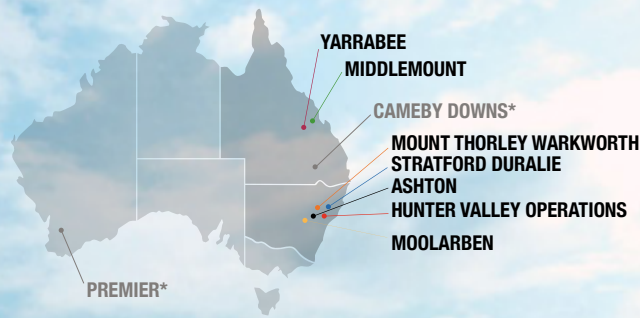
A\$1.23/share returned in 2022 dividends.



# REVIEW OF OPERATIONS

	MOOLARBEN NSW	MOUNT THORLEY WARKWORTH NSW	HUNTER VALLEY OPERATIONS NSW
ECONOMIC INTEREST	<b>95%</b>	<b>~83%</b>	<b>51%</b>
DESCRIPTION	Truck and shovel open-cut and longwall underground mining complex producing thermal coal; operated by Yancoal.	Dragline, Truck and shovel open-cut mine producing semi-soft coking coal and thermal coal; operated by Yancoal.	A multi-pit mine using dragline, truck and shovel operations to produce semi-soft coking coal and thermal coal; operated by Hunter Valley Joint Venture.
HEAD COUNT	<b>~860</b> EMPLOYEES & CONTRACTORS	<b>~1,360</b> EMPLOYEES & CONTRACTORS	<b>~1,365</b> EMPLOYEES & CONTRACTORS
2022 SALEABLE COAL PRODUCTION (100%)	<b>14.9</b> MILLION TONNES	<b>8.1</b> MILLION TONNES	<b>9.6</b> MILLION TONNES
MARKETABLE RESERVES (AS AT 31 DEC 2022)	<b>169</b> MILLION TONNES	<b>169</b> MILLION TONNES	<b>610</b> MILLION TONNES
IMPLIED MINE LIFE**	<b>9</b> YEARS	<b>15</b> YEARS	<b>58</b> YEARS

\*\*Implied mine life is the Marketable reserve at 31-Dec-2022 divided by the 2021 Output, rounded to the nearest whole number. The 2021 production figure was used for the calculation as 2022 incurred irregular production losses due to extraneous factors.



YARRABEE QLD	MIDDLEMOUNT QLD	ASHTON NSW	STRATFORD- DURALIE NSW
<b>100%</b>	<b>~50%</b>	<b>100%</b>	<b>100%</b>
Truck and shovel open-cut mine producing ultra low volatile pulverised coal injection (PCI) coal and thermal coal; operated by Yancoal.	Truck and shovel 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 shovel open-cut mine producing thermal coal and semi-hard coking coal; operated by Yancoal.
<b>~430</b> EMPLOYEES & CONTRACTORS	<b>~640</b> EMPLOYEES & CONTRACTORS	<b>~315</b> EMPLOYEES & CONTRACTORS	<b>~105</b> EMPLOYEES & CONTRACTORS
<b>2.1</b> MILLION TONNES	<b>2.6</b> MILLION TONNES	<b>0.9</b> MILLION TONNES	<b>0.7</b> MILLION TONNES
<b>59</b> MILLION TONNES	<b>67</b> MILLION TONNES	<b>24</b> MILLION TONNES	<b>0.8</b> MILLION TONNES
<b>23</b> YEARS	<b>18</b> YEARS	<b>20</b> YEARS	<b>1</b> YEAR

## 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 Moulton 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 45 years of experience in the mining industry, with 27 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.



# FINANCIAL STATEMENTS

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# 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 2022 (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)
- Geoffrey William Raby (became a director on 26 June 2012)
- Yaomeng Xiao (became a director on 30 May 2022)
- Xiangqian Wu (became a director on 28 April 2017)
- Qingchun Zhao (became a director on 28 April 2017)

### Directors retired during the year

- Cunliang Lai (was a director from 18 November 2004 to 30 May 2022)

## COMPANY SECRETARY

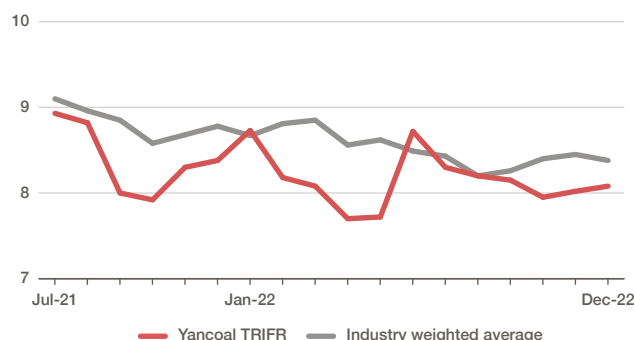
The Company Secretary in office during the period and up to the date of this report is Laura Ling Zhang.

## REVIEW OF ACTIVITIES

### SAFETY AND ENVIRONMENT

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

YANCOAL 12MTH ROLLING TRIFR



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.

During 2022, Yancoal continued to implement COVID-19 response measures that proved effective in minimising risks to the workforce and disruption to the Company's operations. The measures included pre-screening, periodical testing, differentiated check-in codes for work areas and deliveries with minimal contact. The work practices and measures implemented proved successful on-site. However, community transmission ultimately resulted in instances of workers being unable to attend work as they followed Government protocols.

Yancoal's Total Recordable Injury Frequency Rate ("TRIFR") at the end of the period was 8.1<sup>1</sup>; the TRIFR recorded at the end of 2021 was 8.4. The decrease in the Group's TRIFR was a favourable outcome that resulted from continued efforts across all sites. The uptick in the rate in mid-2022 served as a reminder that constant attention is required to sustain an acceptable rate, and the recovery in the profile by the end of the year demonstrates the effectiveness of the programs Yancoal has in place. The reported TRIFR at the end of the period is below the comparable industry-weighted average TRIFR of 8.4<sup>2</sup>.

In 2022 Yancoal commenced a trial vehicle collision awareness system at one of its operations. This trial commenced with equipment installation on light vehicles and is progressing to installation on haul trucks, which remains ongoing. Integration of the system with the site's new WiFi network was undertaken, and a full trial of the system will commence in 2023.

In 2022, Yancoal launched a five-year program designed to provide a consistent approach to Health, Safety and Training management across all Yancoal operations and support the integration of a safety culture across the business.

1 Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee, Ashton and the Corporate offices; it excludes Middlemount and Hunter Valley Operations.

2 The Industry weighted average combines proportional components from the relevant New South Wales and Queensland industry averages. The sources for the industry statistics are published periodically, as revised data is released the industry weighted average calculation is updated.



# DIRECTORS' REPORT

The "Safe Way Every Day" program offers a range of training and interpersonal initiatives designed to enhance personal safety skill sets. The program is designed to enhance employee safety knowledge and motivation to work safely each day, empowering everyone to understand their direct influence on safety outcomes.

In 2022 over 90% of Yancoal personnel commenced the "Safe Way Every Day" training.

Yancoal implemented a Mental Health Program in 2022, a four-year, four-stage program. In 2022 Stage 1 was completed, which incorporated several elements, including the provision of Manager & Supervisor Training to select site managers and supervisors; and the provision of 'First Aid' or 'Mental Health Response' training to select site supervisors to help senior workers and leaders facilitate help-seeking behaviours.

Stage 2 also commenced in 2022, with Yancoal employees being introduced to the program via a 2½ hour workshop on mental health awareness and education. The workshop focused on several areas, including assessing mental health support networks & EAP promotion; addressing the signs, symptoms and contributing factors of poor mental health; and providing knowledge and skills to have the appropriate conversations and establish appropriate support networks.

The Yancoal Mental Health program strategy is targeted to deliver a structured and sustainable mental health and well-being program that synergises strongly with the Yancoal Safe Way cultural framework and Leadership Development programs.

The program intends to promote and support positive mental health management; encourage "help-seeking" behaviours amongst our workforce; change perceptions of mental health; and equip our people better to support their teams, co-workers, family and friends.

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 2022 to improve environmental performance or comply with environmental approvals and licences:

- Yancoal undertook a review of its Corporate Environmental Management System (EMS) in 2022. The Corporate EMS has been developed and implemented to establish the company's environmental compliance systems, processes and practices. A significant update made during the 2022 review was the creation of an Aboriginal Cultural Heritage (ACH) Management Standard. This Standard aims to set out minimum expectations for managing ACH to ensure that all sites are consistently implementing control measures to minimise the impacts of mining on ACH.

- A water licence audit was undertaken across NSW operations to ensure that the company's records match those held by the regulator. As a result, a coordinated updating of the licence and works approvals across NSW operations has now been completed. The audit results are now being used to develop an interactive digital interface for site and corporate functions.
- Yancoal's Independent Environmental Assurance Audit (IEAA) program is designed to assess the risks associated with key environmental aspects at each operation. During 2022, audits were completed at Austar Mine, Ashton Mine, Moolarben Coal Mine and Mount Thorley Warkworth Operations. The level of environmental management demonstrated by these sites has been high, with proactive actions identified to improve environmental performance further.

There were no environmental incidents with significant impact reported during the year.

In 2022, Yancoal contributed \$1.84 million via its Community Support Program to 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.

## ENERGY TRANSITION

As a thermal coal producer, Yancoal acknowledges it plays a role in mitigating the emissions generated by its operations and supporting investments in low-emission technology to reduce downstream emissions from the consumption of coal products.

Yancoal is progressing with a feasibility study into a significant renewable energy project at Stratford once mining is completed in 2024. The proposed project is an integrated pumped hydro energy storage development, with an associated solar farm to "recharge" the pumped hydro system during daylight hours.

Yancoal, in combination with Green Gravity, is studying the potential application of Green Gravity's innovative energy storage technology at the former Austar coal mine site in NSW, Australia. The concept involves utilising decommissioned ventilation shafts to house Green Gravity's gravitational energy storage technology to provide long-duration energy storage to the NSW electricity grid.

Yancoal also studied the potential for nature-based carbon credit generation projects across its property portfolio.

Equipment suppliers to the mining sector are constantly innovating to improve the fuel efficiency of haul trucks and other machinery. Fuel efficiency is a crucial assessment metric Yancoal considers when acquiring equipment for its operations.

# DIRECTORS' REPORT

Yancoal also understands the elevated interest from stakeholders regarding the potential risks and opportunities posed to its business and the broader sector due to the ongoing global shift towards a lower-carbon economy. Yancoal's 2022 ESG Report is due to be published in April 2023. The 2022 ESG Report will provide a detailed review of the Company's progress in these matters and broader ESG materiality issues.

## 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.

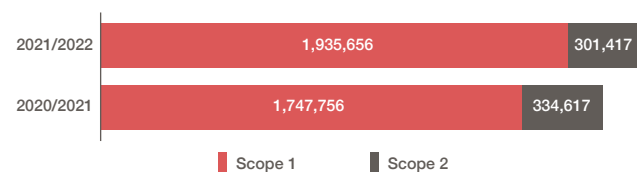
## REPORTING ON OUR EMISSIONS

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

The Group has implemented systems and processes to collect and calculate the data required and submitted its 2021/2022 Section 19 Energy and Emissions Report to the Federal Clean Energy Regulator on 27 October 2022.

Most scope 1 emissions relate to fugitive emissions associated with underground and open-cut mines and diesel consumption, and scope 2 emissions stem from 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 2022 were 2,237,073 tCO<sub>2</sub>-e, a 7% increase from the year prior<sup>3</sup>. Fugitive emissions associated with underground mining at Ashton were the main driver of the increased Scope 1. Scope 2 emissions decreased, driven mainly by reduced coal processing due to reduced volumes due to excessive wet weather.

## GREENHOUSE GAS 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.

We note that the government is working on changes to legislation and regulations to progressively step down "baselines" under the safeguard mechanism within the *National Greenhouse and Energy Reporting Act 2007* (Cth). Such changes will likely require safeguard facilities to purchase and retire "Australian Carbon Credit Units" or new "Safeguard Mechanism Credits" for emissions above their revised baselines. We are tracking these developments closely and exploring means to reduce emissions at sites.

## OPERATIONS

Yancoal owns, operates or has a joint-venture stake in coal mines in New South Wales ("NSW"), Queensland and Western Australia. 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.

The mines in NSW started the year with water storage capacity in excess of our environmental limits following repeated heavy rainfall events in 2021 due to the La Niña weather pattern. Heavy rains repeatedly fell again throughout 2022 as the La Niña weather pattern persisted for a third consecutive year. The mines invested in additional dewatering equipment and constructed additional water storage dams; however, the volume of rainfall overwhelmed the increased pumping and storage capacity. The rainfall impacted the mining output in several ways; initially, production is lost when mining ceases during the rain event; additional time is lost pumping water out of the active mining pits and off benches where mining needs to resume. Furthermore, productivity is lost due to operating in wet and boggy conditions following the rain event. Where the water storage dams are at capacity, water must then be stored in operating locations (sacrificial pits), inhibiting mining operations.

Compounding the production impacts resulting from the wet weather were the COVID-19 pandemic disruptions. Mandated isolation procedures often resulted in mines running with reduced workforce availability, and supply chains and production or delivery of services and spare parts were often compromised. The combination of these factors impacted equipment availability and further affected coal production.

<sup>3</sup> Emissions data is reported on 100% basis, but Yancoal does not own 100% of all assets. The operating assets included are: Moolarben, Mount Thorley Warkworth, Yarrabee, Stratford Duralie, and Ashton, as well as several non-operational assets. 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

In the context of the unprecedented working conditions in 2022, coal production was down 20% from the 2021 level. Limiting the production loss to 20% was a commendable outcome only made possible by the diligent efforts of the workforce across all operations. Yancoal's seven mines produced 50.5Mt of ROM coal, 38.9Mt of saleable coal and 29.4Mt of attributable saleable coal. The full-year attributable saleable coal production was ~5% below the low end of the 31-33Mt target range due to multiple factors, including the reasons mentioned above.

The Group's overall average cash operating costs, excluding government royalties, increased from A\$67 per tonne in 2021 to A\$94 per tonne in 2022. The lower production volume directly impacts the per-tonne unit cost calculation. There were also uncontrollable factors, including higher diesel prices, explosive prices and demurrage costs, that contributed to the higher unit cost and the additional cost associated with sourcing additional equipment and contractors to aid recovery efforts.

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

### COAL MARKETS

The majority of Yancoal's thermal coal sales are at prices associated with the GlobalCOAL NEWC 6,000k Cal NAR index (GCNewc) and the All Published Index 5 (API5) 5,500kCal index. Each contract has price adjustments for energy content and other coal characteristics. Typically, thermal coal produced in the Hunter Valley tends to have GCNewc index characteristics. In contrast, coal produced west of the Hunter Valley usually tends to have API5 Index characteristics or sits between the indices.

In 2022, the API5 price averaged US\$176/t and ended the period at US\$133/t, while the GCNewc price averaged US\$363/t and ended at US\$399/t. The +US\$200/t price differential through the year was more pronounced than the prior decade, of which the average differential was approximately US\$20/t. The two indices should not trade at disparate prices on a simple energy equivalent basis, but specific supply and demand factors sustained the high-energy, low-ash coal indices throughout 2022.

Yancoal's full-year 2022 average realised coal price of A\$378/t was up 168% from 2021. The average realised price comprised a A\$372/t average realised thermal coal price and a A\$405/t average realised metallurgical coal price.

The GCNewc price ended the year at near record levels; however, if the heavy rain associated with the La Niña weather pattern has passed – as suggested by the Bureau of Meteorology – Australia's exports should gradually improve. Coal markets appear to have started factoring in a slow easing of supply-side constraints for high-energy low-ash coal from Australia.

Indonesia recorded several monthly production records in 2022 after being less impacted by seasonal weather events than in prior years. Lower energy coal from Indonesia is finding customers and appears to be competing with the coal sold against the API5 Index (on a value-adjusted basis).

Demand for thermal coal proved robust in 2022. According to the International Energy Agency, the global coal demand increased by 1.2% in 2022 and exceeded 8 billion tonnes in a calendar year for the first time. Seasonal demand factors such as 'wind droughts', surplus hydropower, or cold winters influence the coal markets periodically. On the supply side, structural shortfalls resulting from years of underinvestment may underpin the market.

Yancoal actively responds to prevailing market conditions and customer requirements to the best of its ability. Over the past several years, Yancoal has expanded and diversified its customer base, including shipping additional coal into Europe in 2022 following the dislocation in global energy markets that occurred following the invasion of Ukraine and the subsequent sanctions placed on Russian imports.

Reduced output from Yancoal in 2022 limited its attributable sales to 29.4 million tonnes, 20% less than the prior year. This trend of lower sales volumes was seen across the broader industry, with the reduced supply contributing to a positive pricing impact. Compared to 2021, a lower AUD:USD exchange rate also contributed to an increase in the Australian dollar-denominated realised price. The Group's overall average ex-mine selling price was A\$378/tonne, 168% higher than in 2021 due to the coal price strength.

### FINANCIAL PERFORMANCE

Revenue increased by 95% from \$5,404 million in 2021 to \$10,548 million in 2022, primarily due to the 168% increase in the realised coal price.

Operating EBITDA increased by \$4,428 million to \$6,959 million in 2022. The Operating EBITDA margin was 65% in 2022, compared to 46% in 2021.

The depreciation and amortisation expenses were stable at \$834 million in 2022. After including the depreciation and amortisation, \$459 million of finance costs and an income tax expense of \$1,505 million, the profit after tax was \$3,586 million — a notable improvement from the \$791 million reported in 2021.

The net operating cash flow was \$6,528 million. Capital Expenditure was \$548 million for equipment and activities required to sustain the operations and the ongoing mining fleet replacement program. Financing cash out flows were \$5,133 million as Yancoal made mandatory debt repayments and early debt repayments totalling US\$2,260 million and distributed dividends totalling A\$1,626 million through the year. The gearing ratio improved from 24% at 31 December 2021 to effectively 0% at 31 December 2022, as Yancoal had a net cash position at the year's end.

As at 31 December 2022, the Group had \$2,699 million in cash and cash equivalents.

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

# DIRECTORS' REPORT

## POTENTIAL GROWTH PROJECTS

At Moolarben, Yancoal has the required approvals to increase annual open-cut mine ROM coal production from 14Mtpa to 16Mtpa. Yancoal's ability to increase open-cut production depends on increasing the capacity at the Coal Handling and Preparation Plant (CHPP). This CHPP upgrade project is underway, with the final stage of modifications to increase capacity to 16Mtpa scheduled to be completed during 1Q 2023.

At Ashton, an agreement was reached with the adjoining Ravensworth Operation for the Ashton mine to access some of Ravensworth's underground coal resources. State Government planning approval was received, and the relevant tenements have now been transferred into Ashton's ownership, enabling access into this new mining area from 1 January 2023. Federal environmental approval is required before longwall extraction in November 2024 (based on the estimated timing). Securing a transfer of these tenements to Ashton's ownership will increase the longevity and efficiency of the Ashton operation by utilising its existing equipment to access additional mining locations with coal of similar or better coal quality than it currently produces.

The Mount Thorley Warkworth (MTW) underground mine concept remains subject to study and assessment, but we do not expect to reach a conclusion until after 2023.

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.

## CORPORATE ACTIVITIES

On 25 May 2022, Yancoal's majority shareholder, Yankuang Energy Group Company Limited, announced it was considering a transaction to acquire further shares in Yancoal by means of an acquisition structure to be determined by Yankuang Energy. On 8 September 2022, Yankuang Energy terminated the potential transaction.

On 30 June 2022, Yancoal announced its intention to make early debt repayments of about US\$801 million and these were completed in mid-July.

On 30 September 2022, Yancoal announced its intention to make early debt repayments of about US\$1.0 billion and these were completed on 4 October 2022.

On 9 December 2022, Yancoal announced its intention to make early debt repayments of about US\$459 million and these were completed in mid-December.

In conjunction with the US\$500 million early debt repayment completed in October 2021 Yancoal repaid US\$2,760 million ahead of schedule. The early debt repayments saved ~A\$119 million in finance costs during 2022, and will save ~A\$294 million in finance costs during 2023.

On 16 February 2023, the Company announced that it was subject to revised directions received from the New South Wales government compelling it to make available up to 310,000 tonnes of coal per quarter to domestic power generators from its attributable saleable production. The directions are effective for the fifteen months, from 1 April 2023 to 30 June 2024 with coal sold under the directions subject to a price cap of A\$125 per tonne delivered for 5,500 kcal/kg products, energy adjusted.

On 17 February 2023, the Company entered into facility documentation to refinance its existing A\$975 million syndicated bank guarantee facility due to expire on 2 June 2023 with three new contingent liability facilities, totalling A\$1.2 billion for a period of 3 years. The refinance is due to be completed in early March 2023.

During the year ended 31 December 2022, neither Yancoal nor any of its subsidiaries purchased, sold or redeemed Yancoal's listed securities. However, as noted in the Remuneration Report, Yancoal instructed CPU Share Plans Pty Ltd as trustee of the Yancoal Australia Limited Employee Share Trust to acquire and hold fully paid ordinary shares in the Company in on-market share transactions in late 2022.

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

On 27 February 2023, the Directors declared a fully franked final dividend of A\$924 million, A\$0.7000 per share, with a record date of 15 March 2023 and payment date of 28 April 2023.

# DIRECTORS' REPORT

## 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 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, and 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](http://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 2022, approximately 23.97% 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 2022 to 31 December 2022.

## 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 2022.

## TAX RELIEF

The Company is not aware of any taxation relief available to the shareholders because they hold 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.

# DIRECTORS' REPORT

## 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 APES 110 *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:

SW AUDIT	2022 \$'000	2021 \$'000
Audit and review of financial statements	1,178	1,233
Audit related services	31	35
Non-audit services	–	–
Other assurance services	59	50
Taxation compliance	–	–
<b>Total services remuneration of ShineWing Australia</b>	<b>1,268</b>	<b>1,318</b>

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

## 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 45.

## 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.

# DIRECTORS' REPORT

## INFORMATION ON CURRENT 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, joined Yankuang Energy (formerly known as Yanzhou Coal Mining Co Ltd) 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 Shandong Energy Group Company Limited (Shandong Energy Group) (formerly known as Yankuang Group) and a standing member of the CPC Shandong Energy Group Committee. In February 2018, he was appointed as the General Counsel of Shandong Energy. 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 2020 – current)  
**Chair of the Executive Committee** (20 Mar 2020 – current)  
**Co-Vice Chairman** (20 Mar 2020 – current)

Mr Zhang, 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 Shandong Energy Group (formerly known as Yankuang Group), 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 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 to enhance governance practices.

Since 2009 Mr Fletcher has taken on Board and Audit Committee roles. He has been Chairman of SMEG Australia Pty Limited and a Board Director of Yancoal SCN Limited, Railcorp, TAFE NSW and WDS Limited and is currently a Board Director of Saunders International Limited. Mr Fletcher is the current Audit and Risk Committee Chair for the NSW Electoral Commission and NSW HealthShare/eHealth and, in the past, has been 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.

### **XIANGQIAN WU** DE

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

Mr Wu joined Yankuang Energy (formerly known as Yanzhou Coal Mining Co Ltd) 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.

## DIRECTORS' REPORT

### **QINGCHUN ZHAO** EMBA

#### **Non-Executive Director (28 Apr 2017 – Current)**

Mr Zhao, is a senior accountant with an EMBA degree and is a Director and the Chief Financial Officer of Yankuang Energy (formerly known as Yanzhou Coal Mining Co Ltd).

Mr Zhao joined Yankuang Energy's predecessor in 1989 and was appointed as the Chief 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, 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 Strategic Fourth 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. He was appointed General Manager of Cinda Jilin Branch in 2022, where he is responsible for the overall work of the branch.

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

### **YAOMENG XIAO** M.ENG

#### **Non-Executive Director (30 May 2022 – Current)**

Mr Xiao, joined Yankuang Energy's predecessor in 1994. Mr Xiao was appointed as the director of the Safety Inspection Department of Dongtan Coal Mine of the Yankuang Energy in 2013, and the chairman and the general manager of Guizhou Wulunshan Coal Mining Company Limited in 2014. In 2016, he was appointed as the deputy general manager of Yankuang Guizhou Neng Hua Company Limited. In July 2018, he was appointed as the manager of Jining No. 3 Coal Mine of Yankuang Energy. In April 2020, he was appointed as the vice general manager of Yankuang Energy. In July 2021, he took office as the Secretary of the CPC Yankuang Energy Committee and the general manager of Yankuang Energy, and was appointed as the director of the Yankuang Energy in August 2021.

Mr. Xiao graduated from China University of Mining and Technology. He is a research fellow in applied engineering technology with a master's degree of engineering.

### **DR GEOFFREY WILLIAM RABY**

#### **BEC (HONS) MEC AND PHD (ECONOMICS)**

#### **Independent Non-Executive Director (26 Jun 2012 - Current)**

Dr Geoffrey Raby 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.



## DIRECTORS' REPORT

### HELEN JANE GILLIES

MBA, MCONSTR/LAW, 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 was appointed as a Non-Executive Director of the ASX listed company Monadelphous Group Limited ("MND") in 2016. She is the Chair of the Audit Committee of MND and a member of the Nomination Committee of MND and a member of the Remuneration Committee of MND. She was appointed as a Non-Executive Director of ASX listed Company Aurelia Metals Limited ("AMI") in January 2021, and is a member of the Nomination and Remuneration Committee of AMI and a member of the Sustainability and Risk Committee of AMI.

She was appointed a Non-Executive Director of Bankstown and Camden Airports in September 2017, an unlisted entity. She was appointed as a Non-Executive Director with Lexon Insurance Pte Ltd, an unlisted entity.

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. She also has completed the Advanced Management Program and the International Directors Programme at Insead, France. Ms Gillies is a Fellow of the Australian Institute of Company Directors.

## INFORMATION ON MANAGEMENT

### DAVID JAMES MOULT

C. ENG (MINING), MBA, FAUSIMM, FIMMM, MAICD

**Chief Executive Officer (9 Mar 2020 – Current)**

**Independent Non-Executive Director (30 Jan 2018 – 9 Mar 2020)**

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

Mr Moulton 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 Ltd, and a Director of Port Waratah Coal Services ("PWCS"). Mr Moulton is a member of the Coal Industry Advisory Board to the International Energy Agency.

Mr Moulton holds a Master of Business Administration and a Higher National Diploma in Mining. Mr Moulton 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 2020 – Current)**

Ning (Kevin) Su, 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 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
<b>Baocai Zhang (Director)</b>	Director of Shandong Energy Group Company Limited
<b>Ning Zhang (Director)</b>	Director of various subsidiaries of Yancoal Australia Ltd
<b>Gregory James Fletcher (Director)</b>	<sup>4</sup> Director of Saunders International Limited, Chairman Audit and Risk Committee and Member of the Remuneration and Nomination Committee (ASX:SND) (1 Jul 2015 – current) Member of the Audit and Risk Committee of TAFE NSW Chairman of NSW Electoral Commission Audit and Risk Committee Chairman of NSW HealthShare/eHealth Audit and Risk Committee Member of Audit and Risk Committee, NSW Health Infrastructure Member of Audit and Risk Committee NSW Police Force
<b>Qingchun Zhao (Director)</b>	<sup>4</sup> Director of Yankuang Energy Group Company Limited (1171 HK) (Jun 2016 – current) Director of Yancoal International (Holding) Co. Ltd Director of Yankuang Group Finance Co., Ltd Director of Qilu Bank Co., Ltd Director of Shanghai CIFCO Futures Director of Inner Mongolia Mineral (Group) Limited Liability Company Director of Zhongyin Financial Leasing Co., Ltd
<b>Yaomeng Xiao (Director)</b>	<sup>4</sup> Director of Yankuang Energy Group Company Limited (1171 HK) (August 2021 - Current) Chairman of Yankuang Donghua Heavy Industry Co., Ltd Director of Yancoal International (Holding) Co. Ltd.
<b>Xiangqian Wu (Director)</b>	Director of Yancoal International (Holding) Co. Ltd Director of Yancoal International Resources Development Co., Ltd Director of Yancoal International Technology Development Co., Ltd
<b>Xing Feng (Director)</b>	Director of China Broadcasting and Telecommunications Corporation Director of China Cinda (Hong Kong) Holdings Company Limited
<b>Dr Geoffrey William Raby (Director)</b>	<sup>4</sup> Director of Netlinkz Limited (ASX:NET) (8 Sept 2020 – current)
<b>Helen Jane Gillies (Director)</b>	<sup>4</sup> Director of Monadelphous Group Limited (ASX:MND) (5 Sept 2016 – current) Director of BAC Holdings Pty Ltd (since 2017) (Listed Company) Director of Aurelia Metals Limited (ASX:AMI) (21 Jan 2021 – current) Director with Lexon Insurance Pte Ltd (since 2022)
<b>David James Mout (CEO)</b>	Director of the Minerals Council of Australia Director of the New South Wales Minerals Council Director of Coal Services Pty Ltd Director of Coal Mines Insurance Pty Ltd Director of Mines Rescue Pty Ltd Director of Port Waratah Coal Services Ltd Director of Middlemount Coal Pty Ltd Director of Middlemount Mine Management Pty Ltd Director of Ribfield Pty Ltd

# DIRECTORS' REPORT

DIRECTOR/CEO	FORMER DIRECTORSHIPS IN LAST THREE YEARS
<b>Baocai Zhang (Director)</b>	Chairman and Director of Yankuang Group Finance Co., Ltd Director of Yanzhou Coal Yulin Neng Hua Co., Ltd Director of Inner Mongolia Haosheng Coal Mining Limited Director of Yancoal International (Holding) Co., Ltd Chairman of Shandong Yunding Technology Co.Ltd
<b>Ning Zhang (Director)</b>	Director of Shanghai Yankuang Energy Sources Technology Research & Development Co., Ltd Director of Yankuang Group (Hongkong) Co., Ltd
<b>Gregory James Fletcher (Director)</b>	None
<b>Qingchun Zhao (Director)</b>	Director of Qingdao Zhongyin International Trade Co., Ltd Chairman of Shanghai Jujiang Asset Management Co., Ltd Director of Inner Mongolia Haosheng Coal Mining Limited Executive Director of Qingdao Duanxin Asset Management Co., Ltd Director of Duanxin Investment Holding (Shenzhen) Co., Ltd Chairman of Duanxin Investment Holding (Beijing) Co., Ltd Director of Yanzhou Coal Yulin Neng Hua Co., Ltd
<b>Yaomeng Xiao (Director)</b>	None
<b>Xiangqian Wu (Director)</b>	<sup>5</sup> Director of Yanzhou Coal Mining Company Limited (1171 HK) (14 May 2014 – 20 Aug 2021) Director of Yancoal International Trading Co. Ltd
<b>Xing Feng (Director)</b>	None
<b>Dr Geoffrey William Raby (Director)</b>	<sup>5</sup> Chairman of Wiseway Group (ASX:WWG) (18 Jul 2018 – 30 Apr 2019) <sup>5</sup> Director of OceanaGold Corporation Limited (ASX:OGC) (5 Aug 2011 – 29 Jun 2021)
<b>Helen Jane Gillies (Director)</b>	Director of Red Flag Group (Holdings) Limited
<b>David James Moulton (CEO)</b>	Independent Non-Executive Director of Yancoal Australia Ltd (30 Jan 2018 – 9 Mar 2020) Director of the World Coal Association

## SPECIAL RESPONSIBILITIES AS AT 31-DECEMBER 2022:

DIRECTOR	AUDIT AND RISK MANAGEMENT COMMITTEE	NOMINATION AND REMUNERATION COMMITTEE	HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE	STRATEGY AND DEVELOPMENT COMMITTEE
<b>Baocai Zhang</b>	–	Member	–	<b>Chair</b>
<b>Ning Zhang</b>	–	–	Member	–
<b>Xiangqian Wu</b>	–	–	Member	–
<b>Yaomeng Xiao</b>	–	Member	–	–
<b>Qingchun Zhao</b>	Member	–	–	Member
<b>Xing Feng</b>	–	–	–	Member
<b>Gregory James Fletcher</b>	<b>Chair</b>	Member	–	–
<b>Dr Geoffrey William Raby</b>	–	Member	<b>Chair</b>	Member
<b>Helen Jane Gillies</b>	Member	<b>Chair</b>	–	–

## DIRECTORS' REPORT

### CURRENT DIRECTORSHIPS AND COMPANY SECRETARY POSITIONS WITHIN THE GROUP HELD BY CEO AND CFO:

COMPANY	CEO	CFO	COMPANY	CEO	CFO
1 ABAKK Pty Limited	Dir.	C.S.	36 Miller Pohang Coal Co Pty Ltd	–	Dir.
2 Ashton Coal Mines Pty Ltd	Dir.	C.S.	37 Minmi Land Pty Ltd	Dir.	Dir.
3 Ashton Coal Operations Pty Limited	Dir.	C.S.	38 Monash Coal Holdings Pty Ltd	Dir.	Dir.
4 Athena Coal Operations Pty Ltd	Dir.	Dir.	39 Monash Coal Pty Ltd	Dir.	Dir.
5 Athena Coal Sales Pty Ltd	Dir.	Dir.	40 Moolarben Coal Mines Pty Ltd	Dir.	Dir.
6 Austar Coal Mine Pty Limited	Dir.	C.S.	41 Moolarben Coal Operations Pty Ltd	Dir.	Dir.
7 Australian Coal Resources Pty Ltd	Dir.	Dir.	42 Moolarben Coal Sales Pty Ltd	Dir.	Dir.
8 Black Hill Land Pty Ltd	Dir.	Dir.	43 Mount Thorley Coal Loading Ltd	Dir.	Dir.
9 Catherine Hill Bay Land Pty Ltd	Dir.	Dir.	44 Mount Thorley Operations Pty Limited	Dir.	Dir.
10 CIM Duralie Pty Ltd	Dir.	Dir.	45 Namoi Valley Coal Pty Limited	Dir.	Dir.
11 CIM Mining Pty Ltd	Dir.	Dir.	46 Newcastle Coal Company Pty Ltd	Dir.	C.S.
12 CIM Services Pty Ltd	Dir.	Dir.	47 Nords Wharf Land Pty Ltd	Dir.	Dir.
13 CIM Stratford Pty Ltd	Dir.	Dir.	48 Northern (Rhondda) Collieries Pty Ltd	Dir.	Dir.
14 CNA Bengalla Investments Pty Limited	Dir.	Dir.	49 Novacoal Australia Pty Limited	Dir.	Dir.
15 CNA Resources Pty Ltd	Dir.	Dir.	50 Oaklands Coal Pty Limited	Dir.	Dir.
16 CNA Warkworth Australasia Pty Limited	Dir.	Dir.	51 Primecoal International Pty Ltd	Dir.	C.S.
17 CNA Warkworth Pty Ltd	Dir.	Dir.	52 Proserpina Coal Pty Ltd	Dir.	Dir.
18 Coal & Allied (NSW) Pty Limited	Dir.	Dir.	53 R.W.Miller (Holdings) Pty Ltd	Dir.	Dir.
19 Coal & Allied Industries Pty Ltd	Dir.	Dir.	54 Stratford Coal Marketing Pty Ltd	Dir.	Dir.
20 Coal & Allied Mining Services Pty Limited	Dir.	Dir.	55 Stratford Coal Pty. Ltd.	Dir.	Dir.
21 Coal & Allied Operations Pty Ltd	Dir.	Dir.	56 Warkworth Coal Sales Limited	–	Dir.
22 Donaldson Coal Finance Pty Limited	Dir.	C.S.	57 Warkworth Mining Limited	–	Dir.
23 Donaldson Coal Holdings Limited	Dir.	C.S.	58 Warkworth Pastoral Coal Pty Ltd	–	Dir.
24 Donaldson Coal Pty Ltd	Dir.	C.S.	59 Warkworth Tailings Treatment Pty Ltd	–	Dir.
25 Duralie Coal Marketing Pty Ltd	Dir.	Dir.	60 Watagan Mining Company Pty Ltd	Dir.	C.S.
26 Duralie Coal Pty Ltd	Dir.	Dir.	61 Westralian Prospectors Pty Ltd	Dir.	Dir.
27 Eucla Mining Pty Ltd	Dir.	Dir.	62 White Mining (NSW) Pty Limited	Dir.	C.S.
28 Felix NSW Pty Ltd	Dir.	Dir.	63 White Mining Pty Ltd	Dir.	C.S.
29 Gloucester (SPV) Pty Ltd	Dir.	Dir.	64 White Mining Services Pty Limited	Dir.	C.S.
30 Gloucester (Sub-Holdings 1) Pty Ltd	Dir.	C.S.	65 Yancoal Australia Sales Pty Ltd	Dir.	Dir.
31 Gloucester (Sub-Holdings 2) Pty Ltd	Dir.	Dir.	66 Yancoal CSR Pty Ltd	Dir.	Dir.
32 Gloucester Coal Pty Ltd	Dir.	Dir.	67 Yancoal Mining Services Pty Ltd	Dir.	Dir.
33 Gwandalan Land Pty Ltd	Dir.	Dir.	68 Yancoal Moolarben Pty Ltd	Dir.	Dir.
34 Kalamah Pty Ltd	Dir.	Dir.	69 Yancoal Resources Pty Ltd	Dir.	Dir.
35 Lower Hunter Land Holdings Pty Ltd	Dir.	Dir.	70 Yarrabee Coal Company Pty Ltd	Dir.	Dir.

### CURRENT DIRECTORSHIPS AND COMPANY SECRETARY POSITIONS OF SUBSIDIARIES OF SHANDONG ENERGY AND YANKUANG OUTSIDE THE GROUP HELD BY CEO AND CFO:

COMPANY	CEO	CFO	COMPANY	CEO	CFO
1 AMH (Chinchilla Coal) Pty Ltd	Dir.	Dir.	9 Tonford Pty. Ltd.	Dir.	Dir.
2 Athena Coal Mines Pty Ltd	Dir.	Dir.	10 UCC Energy Pty Limited	–	Dir.
3 Mountfield Properties Pty Ltd	Dir.	Dir.	11 Yancoal Technology Development Pty Ltd	–	Dir.
4 Ozstar Australia Pty Ltd	Dir.	Dir.	12 Yankuang (Australia) Metal Mining Pty Ltd	–	Dir.
5 Premier Coal Limited	–	Dir.	13 Yankuang Bauxite Resources Pty Ltd	–	Dir.
6 Syntech Holdings II Pty Ltd	Dir.	Dir.	14 Yankuang OzStar Pty Ltd	Dir.	Dir.
7 Syntech Holdings Pty Ltd	Dir.	Dir.	15 Yankuang Resources Pty Ltd	–	Dir.
8 Syntech Resources Pty Ltd	Dir.	Dir.			

# DIRECTORS' REPORT

## 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 2022, and the numbers of meetings attended by each Director were:

	GENERAL MEETINGS		MEETINGS OF THE BOARD		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 <sup>6</sup>	B <sup>7</sup>	A	B	A	B	A	B	A	B	A	B	
<b>Baocai Zhang</b>	1	1	8	8	–	–	–	–	5	5	1	1	Note
<b>Ning Zhang</b>	1	1	8	8	–	–	4	4	–	–	–	–	Note
<b>Cunliang Lai<sup>8</sup></b>	–	1	3	3	–	–	–	–	–	–	–	–	Note
<b>Yaomeng Xiao<sup>9</sup></b>	n/a	n/a	5	5	–	–	–	–	1	1	–	–	Note
<b>Xiangqian Wu<sup>10</sup></b>	–	1	8	8	–	–	4	4	4	4	–	–	Note
<b>Qingchun Zhao</b>	–	1	8	8	3	4	–	–	–	–	–	1	Note
<b>Gregory James Fletcher</b>	1	1	8	8	4	4	–	–	5	5	–	–	Note
<b>Geoffrey William Raby</b>	–	1	7	8	–	–	4	4	5	5	1	1	Note
<b>Helen Jane Gillies</b>	–	1	8	8	4	4	–	–	5	5	–	–	Note
<b>Xing Feng</b>	–	1	7	8	–	–	–	–	–	–	1	1	Note

Note: Each Director received continuous professional development training during the year ended 31 December 2022, which included training on workplace culture, HKEX disclosure requirements, updates on employment and industrial reforms, cybersecurity, ESG, privacy, competition laws and other relevant topics. The Directors are also continually updated on developments in applicable 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:

- No relevant changes occurred during 2022.

## DIRECTORS' CONFIRMATIONS

### DIRECTOR'S INTEREST IN COMPETING BUSINESS

Baocai Zhang, who is a non-executive Director, serves as a director of Shandong Energy Group. Qingchun Zhao, who is a non-executive Director, serves as a director of Yankuang Energy. Shandong Energy Group and Yankuang Energy Group are the controlling shareholders of the Company. As at 31 December 2022, Shandong Energy Group is, directly and indirectly, interested in approximately 54.81% of the shares in Yankuang Energy and Yankuang Energy is interested in approximately 62.26% of the shares in the Company.

Shandong Energy Group 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 Group located in Australia, other than through its interest in the Group, are managed and operated by the Company. Shandong Energy Group 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 2022.

6 A = Number of meetings attended

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

8 Mr Cunliang Lai resigned as a director of Yancoal Australia Ltd (Company) effective 30 May 2022.

9 Mr Yaomeng Xiao was appointed as a director the Company effective 30 May 2022. He was appointed as a member of the Nomination and Remuneration Committee (NRC) of the Company effective from the end of the Company's Board meeting on 28 October 2022.

10 Mr Xiangqian Wu resigned as a member of NRC of the Company effective from the end of the Company's Board meeting on 28 October 2022.

# DIRECTORS' REPORT

## 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.

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 2022 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 AND UNDERLYING SHARES	NATURE OF INTEREST	APPROXIMATE PERCENTAGE
Baocai Zhang	274,404	Beneficial owner	0.02078%
Gregory James Fletcher	2,100	Beneficial owner	0.00016%
Geoffrey William Raby	22,858	Beneficial owner	0.00173%
Ning Zhang	178,813	Beneficial owner	0.01354%
David James Moulton	4,446,438	Beneficial owner	0.33674%

# DIRECTORS' REPORT

## ASSOCIATED CORPORATIONS OF THE COMPANY

NAME OF DIRECTOR	NAME OF THE ASSOCIATED CORPORATION	NUMBER OF SHARES AND UNDERLYING SHARES	NATURE OF INTEREST	APPROXIMATE PERCENTAGE
Qingchun Zhao	Yankuang Energy Group Company Limited	420,000	Beneficial owner	0.00849%
Xiangqian Wu	Yankuang Energy Group Company Limited	122,000	Beneficial owner	0.00329%
Yaomeng Xiao	Yankuang Energy Group Company Limited	350,000	Beneficial owner	0.00707%

Save as disclosed above, as at 31 December 2022, 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.

## INTERESTS OF PERSONS OTHER THAN DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at 31 December 2022 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 <sup>11</sup>	Interest in controlled entity	822,157,715	62.26
Cinda International HGB Investment (UK) Limited	Beneficial interest	181,474,887	13.74
China Agriculture Investment Limited	Interest in controlled entity	181,474,887	13.74
International High Grade Fund B, L.P.	Interest in controlled entity	181,474,887	13.74
Cinda International GP Management Limited	Interest in controlled entity	181,474,887	13.74
China Cinda (HK) Asset Management Co., Ltd <sup>12</sup>	Interest in controlled entity	181,474,887	13.74
Cinda International Holdings Limited	Interest in controlled entity	181,474,887	13.74
Cinda Securities Co., Ltd	Interest in controlled entity	181,474,887	13.74
China Cinda (HK) Holdings Company Limited	Interest in controlled entity	181,474,887	13.74
China Cinda Asset Management Co., Ltd	Interest in controlled entity	181,474,887	13.74

Save as disclosed above, as at 31 December 2022, 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.

11 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.

12 Cinda International HGB Investment (UK) limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd, is interested in 181,474,887 Shares which are held via various accounts and nominees. China Cinda Asset Management Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Securities Co., Ltd, 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 181,474,887 Shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

# REMUNERATION REPORT - AUDITED

Dear Shareholder,

I am pleased to introduce the Group's 2022 Remuneration Report.

## 2022 REFLECTIONS AND PERFORMANCE

2022 saw 12 months of some of the most severe and erratic inclement weather ever experienced in NSW, combined with industry wide labour shortages that significantly disrupted operational activities. The impacts of the wet weather include not just ongoing rainfall disruptions but also several significant flooding events, with excess water being stored in active mining pits impacting mining schedules.

These saturated mining conditions also impacted equipment productivities significantly, due to wet and boggy conditions, further hampering recovery efforts. Significant impacts were also felt along the logistics chain including Rail and Port activities from these wet weather events.

Challenges of the current tight labour market have impacted maintenance activities due to shortage of skilled/semi- skilled labour, including availability of supplementary labour which in the past has been normally accessible. Further to this, underground operations have also faced challenges with manning shortages requiring prioritisation of operations from development onto Longwall operations, ultimately impacting continuity of operations. Yancoal has invested in additional mining equipment to assist with recovery in production should weather and labour market conditions improve.

Key operational highlights include:



**Strong Safety Culture:** 12-month rolling TRIFR of **8.1**, below the comparable industry average and down from 8.4 in 2021



**Saleable Production:** Achieved attributable saleable coal production of **29.4 Mt** after addressing the operational challenges



**Realised Coal Price:** Average realised coal price of **A\$378/t** up from A\$141/t in 2021

Beyond the weather events and overall labour shortages, Yancoal in 2022 faced ongoing workforce disruption from COVID-19-related absenteeism. The executive leadership team continues to prioritise the health and wellbeing of all Yancoal employees, contractors and service providers. Our colleagues continued to perform and be resilient throughout the challenges faced this year and we wish to thank them for all their efforts during difficult circumstances.

Continuing supply side constraints, combined with global energy uncertainty, has sustained elevated international thermal coal prices with Yancoal achieving an average realised coal price of A\$378/t in 2022. Yancoal focused on minimising the cost of demurrage, optimising its products, and capitalising on alternative market values to maximise sales.

As a result, Yancoal has delivered exceptional financial performance in 2022 which enabled the payment of over A\$1.6 billion of dividends in 2022 and debt repayments of USD\$2.3 billion over the last 12 months.

## 2022 EXECUTIVE REMUNERATION OUTCOMES

The 2022 Executive STIP Outcomes section of this report summarises this year's scorecard performance.

Our balanced scorecard approach reinforces the need for our Executive team to deliver across a range of both financial and non-financial priorities. Performance against production and cash costs was constrained as a result of operational challenges and uncontrollable factors (diesel prices, labour shortages and wet weather recovery works) experienced during the year. However, higher than expected coal prices contributed to a stretch Profit Before Tax outcome.

This report sets out remuneration information for the Group's Key Management Personnel ("KMP") for the 12 months ended 31 December 2022.

Yours sincerely,

**Helen Jane Gillies**

Chair of the Nomination and Remuneration Committee



# REMUNERATION REPORT - AUDITED

## 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.

During 2022 Cunliang Lai retired from the role of Director effective 30 May 2022 and Yaomeng Xiao was appointed to this role effective 30 May 2022.

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
<b>NON-EXECUTIVE DIRECTORS</b>		
<b>Baocai Zhang</b>	Director Chairman of the Board Chair of the Strategy and Development Committee Member of the Nomination and Remuneration Committee	Full year
<b>Cunliang Lai</b>	Director	Until 30 May 2022
<b>Qingchun Zhao</b>	Director Member of the Audit and Risk Management Committee Member of the Strategy and Development Committee	Full year
<b>Xiangqian Wu</b>	Director Member of the Health, Safety, Environment and Community Committee Member of the Nomination and Remuneration Committee	Full year Until 28 October 2022
<b>Xing Feng</b>	Director Member of the Strategy and Development Committee	Full year
<b>Yaomeng Xiao</b>	Director Member of the Nomination and Remuneration Committee	From 30 May 2022 From 28 October 2022
<b>Gregory James Fletcher</b>	Independent Director Co-Vice Chairman of the Board Chair of the Audit and Risk Management Committee Member of the Nomination and Remuneration Committee	Full year
<b>Geoffrey William Raby</b>	Independent Director Chair of the Health, Safety, Environment and Community Committee Member of the Strategy and Development Committee Member of the Nomination and Remuneration Committee	Full year
<b>Helen Jane Gillies</b>	Independent Director Chair of the Nomination and Remuneration Committee Member of the Audit and Risk Management Committee	Full year
<b>EXECUTIVE DIRECTORS</b>		
<b>Ning Zhang</b>	Director, Co-Vice Chairman of the Board Chair of the Executive Committee Member of the Health, Safety, Environment and Community Committee	Full year
<b>EXECUTIVE KMP</b>		
<b>David James Moulton</b>	Chief Executive Officer	Full Year
<b>Ning (Kevin) Su</b>	Chief Financial Officer	Full Year

# REMUNERATION REPORT - AUDITED

## 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:

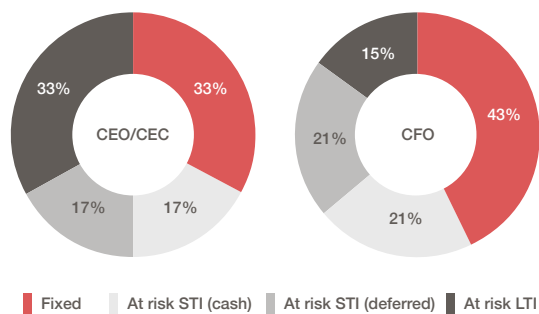
FIXED ANNUAL REMUNERATION ("FAR")	VARIABLE REMUNERATION (AT RISK)	
	SHORT-TERM INCENTIVE PLAN ("STIP")	LONG-TERM INCENTIVE PLAN ("LTIP")
<p>The FAR package provides market competitive remuneration to attract and retain high quality talent while reflecting role scope and accountabilities.</p> <p>The FAR package incorporates cash salary, superannuation benefits and may include a provision for a car benefit, together with various other benefits.</p> <p>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.</p>	<p>The STIP rewards Executives for the achievement of Group and individual goals that are aligned to the Group's financial, operational and strategic priorities.</p> <ul style="list-style-type: none"> <li>• 50% is paid as cash</li> <li>• 25% is deferred into rights (Deferred Share Rights) for one year</li> <li>• 25% is deferred into rights for two years</li> </ul> <p>Performance is assessed annually against profitability, health &amp; safety, strategic objectives and environment key performance indicators ("KPIs").</p> <p>For further information see the 'Short Term Incentive Plan' section in this Remuneration report.</p>	<p>The LTIP rewards and supports retention of participants who are in positions to influence the Group's long- term performance.</p> <p>Performance rights to shares with no dividend equivalent payments vest after a three-year period subject to performance assessed against a comparator group:</p> <ul style="list-style-type: none"> <li>• 60% Earnings Per Share Vesting Condition ("EPS Awards")</li> <li>• 40% Costs Target Vesting Condition ("Costs Target Awards").</li> </ul> <p>For further information see the 'Long Term Incentive Plan' section in this Remuneration report.</p>

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. Following an increase in the Company's public float, Yancoal instructed CPU Share Plans Pty Ltd as trustee of the Yancoal Australia Limited Employee Share Trust to acquire and hold fully paid ordinary shares in the Company in on-market share transactions in late 2022. Accordingly, in 2023, subject to Board approval, vested deferred STIP and LTIP may be settled, in whole or part, by way of fully paid ordinary shares in the Company, rather than by way of a cash equivalent payment only.

# REMUNERATION REPORT - AUDITED

## TARGET REMUNERATION MIX

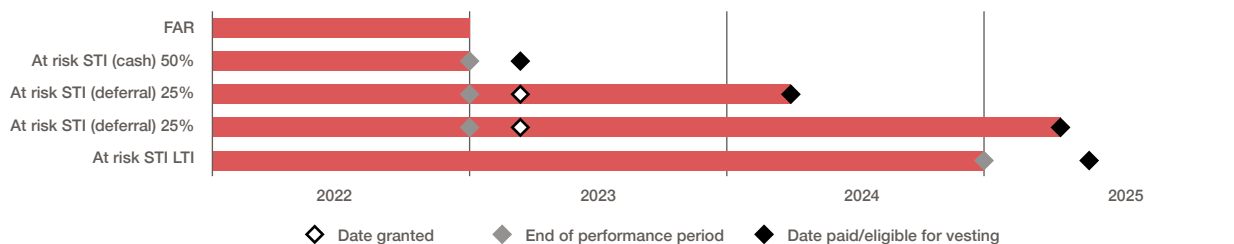
The chart below illustrates the relative proportion of 2022 remuneration for Executive KMPs which is fixed and that which is linked to individual and/or Group performance (STIP and LTIP) in the event that target performance for at-risk components is met.



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 TIMING

The chart below provides an indicative timing illustration of how the 2022 financial year remuneration will be delivered to Executive KMPs.



# REMUNERATION REPORT - AUDITED

## 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. The STIP structure for 2022 is outlined in the table below. No structural changes were proposed for 2022.


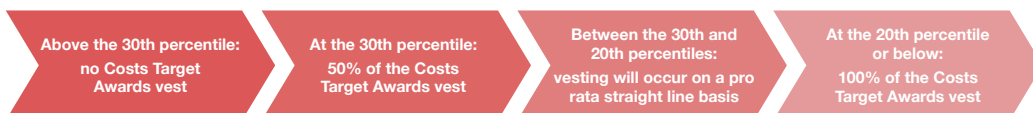
FEATURE	DESCRIPTION																					
<b>Eligibility</b>	Executives as well as other management and employees of the Group are eligible to participate in the STIP.																					
<b>Opportunity</b>	This is expressed as a percentage of each Executive's FAR. The STIP opportunity is reviewed annually. 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.																					
<b>Scorecard Performance Conditions</b>	<p>The STIP Scorecard consists of several KPIs.</p> <p>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.</p> <p>Assessment against these measures is determined following the end of each year.</p> <p>For Executives, all KPIs are measured at Group level. The STIP scorecard measures the Group's performance in respect of the following categories:</p> <table border="1"> <thead> <tr> <th>KPI</th> <th>MEASURE</th> <th>WEIGHTING</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Profitability</td> <td>Profit Before Tax ("PBT")</td> <td>30%</td> </tr> <tr> <td>Free On Board<sup>13</sup> ("FOB") Cash Costs (excluding royalties)</td> <td>20%</td> </tr> <tr> <td>Run Of Mine tonnes ("ROM")</td> <td>10%</td> </tr> <tr> <td rowspan="2">Health &amp; Safety</td> <td>Total Recordable Injuries and Disease Injuries ("TRI &amp; DI")</td> <td>10%</td> </tr> <tr> <td>Critical Controls Compliance</td> <td>5%</td> </tr> <tr> <td>Strategic Objectives</td> <td>Strategic measures may include special projects, capital management, growth and culture development.</td> <td>15%</td> </tr> <tr> <td>Environment</td> <td>Environmental incidents and complaints</td> <td>10%</td> </tr> </tbody> </table>	KPI	MEASURE	WEIGHTING	Profitability	Profit Before Tax ("PBT")	30%	Free On Board <sup>13</sup> ("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%
KPI	MEASURE	WEIGHTING																				
Profitability	Profit Before Tax ("PBT")	30%																				
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	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%																				
<b>Individual Performance Condition</b>	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.																					
<b>Outcome Formula</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Board can exercise discretion should the formula outcome generate an unintended reward.</p>																					
<b>Timing</b>	<p>Executive STIP awards are paid as follows:</p> <ul style="list-style-type: none"> <li>• 50% of the award is delivered as a cash payment around March each year.</li> <li>• 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 (1 March 2024 and 1 March 2025). 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").</li> </ul> <p>Deferred share rights will be granted for nil consideration following audited 2022 financial statements being released.</p>																					
<b>Settlement</b>	Following vesting, the Company will issue participants with a vesting notice confirming the number of deferred share rights that have vested and become exercisable. 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.																					

13 FOB cash costs are calculated on a management reporting basis

# REMUNERATION REPORT - AUDITED

## LONG TERM INCENTIVE PLAN

LTIP grants are delivered in performance share rights with vesting subject to performance conditions measured over a three-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 2022, however the EPS Awards comparator group was revised to include additional comparable coal mining-focused companies. The LTIP structure for 2022 is outlined in the table below.

FEATURE	DESCRIPTION
<b>Eligibility</b>	Executives and certain senior management are eligible to participate in the LTIP.
<b>Frequency</b>	Each year, eligible Executives and certain senior management are considered for an annual LTIP grant.
<b>LTIP opportunity</b>	The Chair of the Executive Committee and the Chief Executive Officer have an annual LTIP opportunity of up to 200% of FAR. The Chief Financial Officer has an annual LTIP opportunity of up to 50% of FAR.
<b>Allocation Methodology</b>	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 2021.
<b>LTIP instrument</b>	The LTIP is issued via a grant of performance share rights for nil consideration.
<b>LTIP performance conditions</b>	<p>The LTIP will vest subject to both service and performance measures:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul>
<b>LTIP performance conditions – why were they chosen?</b>	<p>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.</p> <p>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.</p>
<b>How will the performance condition be calculated for the EPS Awards?</b>	<p>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.</p> <p>Vesting is based on the ranking in accordance with the following schedule:</p>  <p>The 2022 comparator group consists of the following companies: Adaro Energy; Alliance Resources; Arch Resources; CONSOL Energy; Coronado Global Resources; Evolution Mining; New Hope Corp; Peabody; PT Bumi Resources TBK; Sandfire Resources; Sibanye Stillwater; South32; Teck Resources; and Whitehaven Coal.</p>
<b>How will the performance condition be calculated for the Costs Target Awards?</b>	<p>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.</p> <p>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.</p> 
<b>Performance Period</b>	<p>Subject to achieving vesting conditions, EPS awards can become exercisable after a three-year performance period with the performance period commencing on 1 January 2022.</p> <p>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 2024 with Costs Target Awards being tested at, or shortly after, the time of publication of Wood Mackenzie's independent expert report.</p> <p>Performance testing will occur within four months of the end of the performance period. All awards that do not vest following testing will lapse immediately. There is no re-testing. All vested awards are automatically exercised.</p>
<b>Settlement</b>	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.

## REMUNERATION REPORT - AUDITED

### ***Malus and Clawback of awards under equity plans***

The Board has discretion to clawback or adjust an award in certain circumstances to ensure no unfair benefit is derived by an equity plan participant.

The circumstances in which the Board may exercise this discretion include, but are not limited to, where, in the opinion of the Board, an equity plan participant has acted fraudulently or dishonestly, engaged in negligence or gross misconduct, there is a material misstatement or omission in the Company's financial statements, or the Company is required by, or entitled under, law or Company policy to reclaim remuneration from an equity plan participant or restrict the vesting or exercise of an equity plan participant's awards.

### ***Duration of the Equity Incentive Plan***

The Equity Incentive Plan sets no limit on its duration and will remain in force until it is terminated by the Board.

### ***LTIP awards granted to Executives in 2022***

A summary of the LTIP awards granted in 2022 is set out in the table below.

<b>NAME</b>	<b>FAIR VALUE AT DATE OF GRANT \$</b>	<b>NUMBER OF PERFORMANCE RIGHTS GRANTED<sup>14</sup></b>
Ning Zhang	–	–
David James Moulton	2,655,211	1,264,113
Ning (Kevin) Su	193,021	91,895
<b>Total</b>	<b>2,848,232</b>	<b>1,356,008</b>

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 21 February 2022, Mr Ning Zhang elected not to participate in the 2022 LTIP.

<sup>14</sup> The performance share rights noted above have been allocated and were issued on 23 September 2022 for David James Moulton 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 2021.

# REMUNERATION REPORT - AUDITED

## 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 REMUNERATION COMMITTEE

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 Company policy and regulations with regard to corporate governance; and
- diversity and inclusion.

### 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 the last holistic review of the framework completed in 2018, the Nomination and Remuneration Committee reviewed the Group's remuneration framework in 2022 to ensure remuneration arrangements continue to align management with shareholder interests. The NRC has reviewed the advice provided and determined that the existing remuneration arrangements continue to align management with shareholder interests, hence no material changes to the framework are required. No remuneration recommendations were obtained during 2022 as defined under the *Corporations Act 2001* (Cth).

## EXECUTIVE REMUNERATION

### PRINCIPLES AND FRAMEWORK



Equitable and aligned with the long-term interests of the Company and its shareholders



Compliant with relevant Group policies, including the Diversity Policy



Market competitive remuneration to attract and retain skilled and motivated employees



Linked with achievement of Group 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

# REMUNERATION REPORT - AUDITED

## 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<sup>15</sup>










15 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 - AUDITED

## 2022 EXECUTIVE STIP OUTCOMES

The table below outlines STIP scorecard achievement for Yancoal Australia Limited and Yancoal International Holdings Limited in 2022.

KPI	MEASURE	ACTUAL KPI RESULT	STIP OUTCOME			COMMENTS
			THRESHOLD	STIP OUTCOME TARGET	STRETCH	
Profitability <sup>16</sup>	PBT [\$Am]	5,405				Stretch PBT reflects higher than expected coal prices
	Adjusted FOB Cash Costs <sup>17</sup> (excluding royalties) [\$ per tonne]	70.49				Uncontrollable factors elevated cash costs including diesel prices, labour shortages and wet weather
	Adjusted ROM [Mt]	57.75				ROM tonnes were constrained as significant rainfall, COVID safe work protocols impacted production and truck availability
Health & Safety	TRI & DI	69				Threshold TFR & DI performance reflects a result similar in achievement from the prior year
	Critical Controls Compliance	99%				Target Critical Controls Compliance performance reflects a similar outcome to the prior year
Strategic Objectives	Strategic measures such as diversification and optimisation initiatives	105%				Results reflect the progress made across key strategic objectives which position Yancoal to improve both financial outcomes including capital management and operational outcomes such as diversification in the future
Environment	Environmental incidents and complaints (excluding serial complainants)	Various				Stretch reflects incidents and complaints remaining low
<b>OVERALL</b>					<b>151.3%</b>	

16 The NRC Committee has approved the use of adjusted outcomes for FOB Cash Costs and ROM in the FY22 STIP scorecard to ensure STIP outcomes provide a fair reflection of performance.

17 FOB cash costs are calculated on a management accounts basis.

# REMUNERATION REPORT - AUDITED

The table below outlines 2022 Individual Objectives achievement:

EXECUTIVE	OUTCOME	COMMENTS
CEC	The majority of goals have been achieved in full in 2022	<ul style="list-style-type: none"> <li>Improve the Company's operational performance and optimise Yancoal's Core Competitiveness</li> <li>Prioritise and identify ways to increase share liquidity</li> </ul>
CEO	The majority of goals have been achieved in full in 2022	<ul style="list-style-type: none"> <li>Continue to develop and enhance the Group's sustainability and ESG capabilities and credentials to deliver positive outcomes</li> <li>Implementation of a business strategy to enhance the resilience of the Tier 1 Mines.                             <ul style="list-style-type: none"> <li>Optimising the operations through a focus on improved equipment utilisation</li> <li>Maintain a continued focus on a robust and sustainable cost management approach</li> <li>Build further resilience into the Tier 1 Mines water management infrastructure in anticipation of changing weather extremes</li> </ul> </li> </ul>
CFO	The majority of goals have been achieved in full in 2022	<ul style="list-style-type: none"> <li>Assisted the CEC and CEO to implement strategic projects</li> <li>Lead Company's capital management strategy</li> <li>Effective stakeholder management across Australia and China</li> <li>Improved collaborations between functions to drive productivity</li> </ul>

The STIP 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 2022 STIP Outcome for the Executive KMP is equivalent to 78% (for the CEC and CEO) and 81% (for the CFO) of the maximum STIP opportunity.

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 \$ <sup>18</sup>	STIP DEFERRED \$ <sup>19</sup>	STIP TOTAL \$	% OF STIP OPPORTUNITY AWARDED	% OF STIP OPPORTUNITY NOT AWARDED
<b>Ning Zhang</b>	405,650	405,650	811,300	78%	22%
<b>David James Moulton</b>	1,379,450	1,379,450	2,758,900	78%	22%
<b>Ning (Kevin) Su</b>	413,650	413,650	827,300	81%	19%
<b>Total</b>	<b>2,198,750</b>	<b>2,198,750</b>	<b>4,397,500</b>	<b>79%</b>	<b>21%</b>

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). Since the introduction of the current executive remuneration framework in 2018, deferred STIP has been settled in cash. Following an increase in the Company's public float, Yancoal instructed CPU Share Plans Pty Ltd as trustee of the Yancoal Australia Limited Employee Share Trust to acquire and hold fully paid ordinary shares in the Company in on-market share transactions in late 2022. Accordingly, in 2023, subject to Board approval, vested deferred STIP may be settled, in whole or part, by way of fully paid ordinary shares in the Company, rather than by way of a cash equivalent payment only. 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.

## 2022 EXECUTIVE LTIP OUTCOMES

### 2020 LTIP

The close of 2022 signals the testing of the 2020 LTIP performance conditions. Because the condition for the EPS Awards is relative for the performance period from 1 January 2020 to 31 December 2022, and the condition for the Costs Target Awards is tested at (or shortly after) the time of publication of the independent expert's report; testing and any subsequent vesting of the 2020 LTIP will not take place until the relevant performance results have been released which is anticipated to be March 2023.

18 The 2022 STIP cash figures are to be paid around March 2023.

19 The "STIP Deferred" is the value of the deferred portion of the STIP awarded for the year.

## REMUNERATION REPORT - AUDITED

### 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.

EXECUTIVE	POSITION	TERM OF ESA	NOTICE PERIOD	TERMINATION BENEFIT
<b>Ning Zhang</b>	Executive Director, Co-Vice Chairman of the Board, Chair of the Executive Committee	Unlimited	6 months <sup>20</sup> / 12 months <sup>21</sup>	<ul style="list-style-type: none"> <li>Nil for cause or resignation.</li> <li>If ceasing employment for any other reason i.e. as a ‘Good Leaver’, a pro-rata payment in accordance with STIP or LTIP plan rules is at the Board discretion.</li> </ul>
<b>David James Moulton</b>	Chief Executive Officer	Unlimited	6 months / 12 months	
<b>Ning (Kevin) Su</b>	Chief Financial Officer	Unlimited	3 months / 6 months	

### EXECUTIVE STATUTORY REMUNERATION

#### EXECUTIVE REMUNERATION

The following table sets out the details of remuneration earned by Executives in 2022 and 2021, calculated in accordance with Australian Accounting Standards.

NAME	YEAR	SHORT-TERM BENEFITS \$		POST-EMPLOYMENT BENEFITS \$		LONG-TERM BENEFITS \$		SHARE-BASED PAYMENTS \$	TOTAL \$	% PERFORMANCE RELATED
		CASH SALARY	STI	NON-MONETARY BENEFITS	SUPERANNUATION BENEFITS	LONG SERVICE LEAVE	STI DEFERRED	LTI		
<b>Ning Zhang<sup>22</sup></b>	<b>2022</b>	<b>491,384</b>	<b>405,650</b>	<b>18,399</b>	<b>24,430</b>	<b>5,291</b>	<b>405,650</b>	–	<b>1,350,804</b>	<b>60%</b>
	2021	476,676	373,850	14,220	22,631	1,127	373,850	(111,081)	1,151,273	55%
<b>David James Moulton</b>	<b>2022</b>	<b>1,742,613</b>	<b>1,379,450</b>	<b>27,436</b>	<b>24,430</b>	<b>26,594</b>	<b>1,379,450</b>	<b>1,691,984</b>	<b>6,271,957</b>	<b>71%</b>
	2021	1,677,355	1,269,700	17,504	22,631	16,296	1,269,700	1,073,000	5,346,186	68%
<b>Ning (Kevin) Su</b>	<b>2022</b>	<b>489,397</b>	<b>413,650</b>	<b>7,778</b>	<b>24,430</b>	<b>13,946</b>	<b>413,650</b>	<b>123,491</b>	<b>1,486,342</b>	<b>64%</b>
	2021	472,340	383,600	7,592	22,631	13,456	383,600	78,494	1,361,713	62%
<b>Total</b>	<b>2022</b>	<b>2,723,394</b>	<b>2,198,750</b>	<b>53,613</b>	<b>73,290</b>	<b>45,831</b>	<b>2,198,750</b>	<b>1,815,475</b>	<b>9,109,103</b>	<b>68%</b>
	2021	2,626,371	2,027,150	39,316	67,893	30,879	2,027,150	1,040,413	7,859,172	65%

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 2022, 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.

20 Notice period applicable if the Executive resigns.

21 Notice period applicable if the Company terminates the Executive.

22 As Chair of the Executive Committee Mr Ning Zhang is entitled to participate in the LTIP. On 21 February 2022, Mr Ning Zhang elected not to participate in the 2022 LTIP.

# REMUNERATION REPORT - AUDITED

## 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 2022 was \$969,700.

During 2022, 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
  - Yaomeng Xiao
  - Baocai Zhang
  - Qingchun Zhao
  - Xing Feng

The table below outlines Board and Board Committee fees for 2022 and 2021.

	2022 AND 2021	
	\$	
<b>BOARD FEES PER ANNUM (INCLUDING ANY SUPERANNUATION)</b>		
Chairman of the Board		Not applicable
Independent Co-Vice Chairman of the Board (inclusive of Committee fees)		370,800
Director		169,950
<b>COMMITTEE FEES PER ANNUM (INCLUDING ANY SUPERANNUATION)</b>	<b>CHAIR</b>	<b>MEMBER</b>
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

## REMUNERATION REPORT - AUDITED

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 2022 and 2021 calculated in accordance with Australian Accounting Standards.

NAME	YEAR	SHORT TERM BENEFITS \$			POST-EMPLOYMENT BENEFITS \$		TOTAL \$
		FEES	STI OR BONUS	NON-MONETARY BENEFITS	SUPERANNUATION	LONG SERVICE LEAVE	
Gregory James Fletcher <sup>23</sup>	2022	414,970	–	–	24,430	–	439,400
	2021	348,169	–	–	22,631	–	370,800
Helen Jane Gillies	2022	232,487	–	–	22,363	–	254,850
	2021	211,163	–	–	20,587	–	231,750
Geoffrey William Raby	2022	251,662	–	–	23,788	–	275,450
	2021	230,033	–	–	22,318	–	252,351
<b>Total</b>	<b>2022</b>	<b>899,119</b>	<b>–</b>	<b>–</b>	<b>70,581</b>	<b>–</b>	<b>969,700</b>
	<b>2021</b>	<b>789,365</b>	<b>–</b>	<b>–</b>	<b>65,536</b>	<b>–</b>	<b>854,901</b>

### 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.

<sup>23</sup> Includes the following transaction-specific remuneration paid: Gregory James Fletcher – 2022: \$68,600, Helen Jane Gillies – 2022: \$23,100, Geoffrey William Raby – 2022: \$23,100

# REMUNERATION REPORT - AUDITED

## 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 2022.

NAME	HELD AT 1 JANUARY 2022	GRANTED AS COMPENSATION	PURCHASED / (DISPOSED)	HELD AT 31 DECEMBER 2022
Gregory James Fletcher	2,100	–	–	2,100
Geoffrey William Raby	22,858	–	–	22,858
Baocai Zhang	274,404	–	–	274,404
Ning (Kevin) Su <sup>24</sup>	45,573	–	–	45,573

The number of performance rights held by Executives under LTIP in 2022 is outlined in the table below.

NAME	HELD AT 1 JANUARY 2022	GRANTED AS COMPENSATION <sup>25</sup>	VESTED DURING THE YEAR	EXERCISED DURING YEAR	LAPSED / CANCELLED DURING YEAR <sup>26</sup>	HELD AT 31 DECEMBER 2022	OF WHICH EXERCISABLE	OF WHICH NOT VESTED & NOT EXERCISABLE
David James Moulton	<b>2,557,999</b>	1,264,113	–	–	–	<b>3,822,112</b>	–	<b>3,822,112</b>
Ning (Kevin) Su	<b>166,293</b>	91,895	–	–	–	<b>258,188</b>	–	<b>258,188</b>

As at 31 December 2022 there are 7,403,281 LTIP performance rights and 3,373,680 unvested deferred STIP rights in aggregate over unissued Group shares representing approximately 0.82% of the issued share capital of the Company as at the date of this Report. 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 (see Note E3). 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

27 February 2023

<sup>24</sup> In 2022, tranche 1 of the 2020 STIP Deferred Rights vested and the Board exercised its discretion to settle these awards by way of a cash equivalent payment, rather than by way of fully paid ordinary shares in the Company. As a result, Ning Zhang, David Moulton and Ning (Kevin) Su received cash payments in consideration for 45,090, 170,164 and 53,778 vested 2020 STIP Deferred Rights respectively.

<sup>25</sup> 2022 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 2021.

<sup>26</sup> As CEC Mr Ning Zhang is entitled to participate in the LTIP. On 21 February 2022, Mr Ning Zhang elected to not to participate in the 2022 LTIP.

# AUDITOR'S INDEPENDENCE DECLARATION



Take the lead

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

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 31 December 2022 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.

**SW Audit** (formerly ShineWing Australia)  
Chartered Accountants

Yang (Bessie) Zhang  
Partner

Sydney, 27 February 2023

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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<sup>27</sup>.

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 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 more localised supply impacts.

Our customers are located throughout the Asia-Pacific region with Japan, Taiwan and South Korea accounting for approximately 73% of our revenue from coal sales in the year ended 31 December 2022.

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 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 or a fixed price. Generally, lower ash products are priced relative to the GlobalCOAL Newcastle index and higher ash products are priced relative to the Argus/McCloskey All Published Index 5 (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 relevant quarterly benchmark.

Throughout the period, NSW and Queensland once again experienced persistent and heavy rainfall associated with the prolonged La Niña weather cycle that disrupted mining, rail and port activity and hampered the recovery from the floods and persistent wet weather experienced in 2021. With most of the NSW open cut mines already well above their water storage capacity, heavy rainfall and flooding in March resulted in decreased production from Moolarben, MTW, HVO and Stratford Duralie and led to increased vessel queues off the port at Newcastle. In May, Queensland suffered heavy rainfall with the Group's Yarrabee site having to be evacuated on several occasions. Heavy rainfall again in NSW at the start of July resulted in many of the open cut mines suspending operations for several days, with sites once again exceeding their water storage capacities with ongoing above average rainfall thereafter resulting in Moolarben, MTW and HVO having to sacrifice operating pits for water storage, significantly impacting production. Queensland again suffered heavy rainfall in October resulting in significant downtime at Yarrabee. The overall direct and indirect impact of the extreme wet weather was a loss of approximately 8.3Mt of ROM coal (equity) for the full year.

During the first half of the period, COVID-19 continued to escalate in regional areas resulting in an increased number of positive cases in our communities. Whilst sites continued to adopt Yancoal's COVID-19 protocols, our employees, as part of the broader community, were not immune and adherence to Government COVID-19 regulations resulted in the Group reporting its highest number of positive cases and proactive isolations since the start of the pandemic. This led to an increase in the number of workers unable to attend site impacting labour availability, particularly where a shortage of skilled labour including statutory and trades positions, limited the number of operating crews. During the second half of the period the number of positive cases decreased significantly with minimal cases currently being reported. Overall, the impact of COVID-19 on production was a loss of approximately 0.9Mt of ROM coal (equity) for the full year, noting that this impact would have been higher if not for the wet weather production delays.

<sup>27</sup> Includes Moolarben, MTW, HVO (jointly owned), Yarrabee, Ashton and Stratford Duralie with Donaldson currently on care and maintenance and Austar transitioning to mine closure.



## MANAGEMENT DISCUSSION AND ANALYSIS

Australia's unemployment rate fell to just 3.4% during the period and labour availability across all our sites continues to be challenging, particularly maintenance trade positions. Whilst the impact on our operations in 2022 was somewhat reduced by the wet weather interruptions, achieving the required headcount and skillset will be essential to delivering the Group's mine schedules. This remains a key focus for management with proactive initiatives being developed and rolled out across the business to attract and retain a highly skilled and motivated workforce.

During the period, coal price indices appreciated to record levels on the back of the growing concerns for energy security which commenced towards the end of 2021, Indonesia restricting exports in January 2022, supply issues caused by wet weather in Australia and Indonesia and the Russia/Ukraine crisis with energy associated restrictions and sanctions.

Despite some appreciation in the high-ash thermal market early in the period this plateaued as China increased domestic production easing imports of non-Australian coals, with displaced/sanctioned Russian coal also entering China, keeping the high-ash thermal index relatively flat. In contrast, the low-ash, high calorific, GlobalCOAL Newcastle index price, has appreciated substantially on the back of stable demand and weakening supply due to the wet weather impacts.

Subsequent to the period end, the Group has received increased inquiries from mainland China, and we understand customs clearance is restricted to some utilities and steel mills only. Two cargoes of coal were recently sold into China for February/March delivery.

In the metallurgical market, later in the period there was a weakening in the steel market due to China COVID-19 lockdowns with slower than expected spend on infrastructure. This resulted in a shift in the metallurgical market reversing its historic premium relative to thermal coal to trade at a discount. In early 2023 this trend reversed more in line with the historic position with metallurgical coal trading above thermal coal prices.

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 19.8% in 2022, will increase to approximately 23.9% by 2050<sup>28</sup>, and it will continue to play a critical role as a primary source of premium grade coals.

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 168% from A\$141 per tonne in 2021 to A\$378 per tonne in 2022 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\$225 per tonne (163%) during the same period; the weekly Argus/McCloskey API5 coal index price increasing by US\$92 per tonne (110%) during the same period; and the average semi-soft coking coal benchmark price increasing by US\$139 per tonne (101%) during the same period; and (ii) the Australian dollar weakening against the US dollar by 7.5% from an average of 0.7514 in 2021 to 0.6947 in 2022.

Internally, management actions were directed by the Group's "Key Tasks" initiative that focused on 40 workstreams across the Group, overseen by the Board of Directors ("Board"). Operationally, the workstreams focused on productivity improvement and cost reduction initiatives. Productivity and yield improvements, resulting in additional product tonnes, is estimated to deliver approximately \$75 million in profit before tax improvements during 2022, with these structural improvements to be 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\$67 per tonne in 2021 to A\$94 per tonne in 2022 with the increase primarily due to decreased production volumes resulting from the aforementioned wet weather, escalation in COVID-19 cases and a tight labour market and inflationary cost pressures, particularly the diesel price.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

	YEAR ENDED 31 DECEMBER		CHANGE (%)
	2022 MT	2021 MT	
<b>ROM PRODUCTION</b>			
Moolarben	16.9	20.4	(17%)
MTW	12.4	16.5	(25%)
HVO	11.9	14.4	(17%)
Yarrabee	2.6	3.0	(13%)
Ashton	2.1	2.6	(19%)
Stratford Duralie	1.0	1.5	(33%)
Middlemount	3.6	4.8	(25%)
<b>Total – 100% basis</b>	<b>50.5</b>	<b>63.2</b>	<b>(20%)</b>
<b>SALEABLE PRODUCTION</b>			
Moolarben	14.9	18.4	(19%)
MTW	8.1	11.2	(28%)
HVO	9.6	10.6	(9%)
Yarrabee	2.1	2.6	(19%)
Ashton	0.9	1.2	(25%)
Stratford Duralie	0.7	0.8	(13%)
Middlemount	2.6	3.7	(30%)
<b>Total – 100% basis</b>	<b>38.9</b>	<b>48.5</b>	<b>(20%)</b>

On a 100% basis, ROM coal production was down 20% from 63.2Mt in 2021 to 50.5Mt in 2022. This included a 20% decrease in the three tier-one assets (being Moolarben, MTW and HVO) from 51.3Mt in 2021 to 41.2Mt in 2022.

Saleable coal production was also down 20% from 48.5Mt in 2021 to 38.9Mt in 2022. This included a 19% decrease in the three tier-one assets from 40.2Mt in 2021 to 32.6Mt in 2022.

Moolarben's ROM production decreased by 3.5Mt (17%) and its saleable production decreased by 3.5Mt (19%). The decrease in ROM production was primarily due to wet weather and mine flooding, labour shortages resulting from both COVID-19 absenteeism and a general labour shortage and low opening inventories of blasted overburden, primarily due to wet weather interruptions in the prior period. 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 4.1Mt (25%) and its saleable production decreased by 3.1Mt (28%). The decrease in ROM production was also primarily due to wet weather and mine flooding, low opening inventories, COVID-19 and a delay in commissioning a new ultra class truck fleet. MTW has a congested mine footprint that affords limited water storage options resulting in increased interruptions from the persistent wet weather. The decrease in saleable production was primarily attributable to the decrease in ROM production.

HVO's ROM production decreased by 2.5Mt (17%) and saleable production decreased by 1.0Mt (9%). The decrease in ROM production was again primarily due to wet weather and mine flooding and COVID-19 however, with a larger footprint HVO had more water storage options. Production decreases were also partially offset by an increase in washing capacity including the restart of the second Howick wash plant in December 2021.

The table below 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 % <sup>29</sup>	YEAR ENDED 31 DECEMBER		CHANGE (%)
		2022 MT	2021 MT	
<b>SALEABLE PRODUCTION</b>				
Moolarben	95	14.1	17.4	(19%)
MTW	82.9	6.7	9.3	(28%)
HVO	51	4.9	5.4	(9%)
Yarrabee	100	2.1	2.6	(19%)
Ashton	100	0.9	1.2	(25%)
Stratford Duralie	100	0.7	0.8	(13%)
<b>Attributable</b>		<b>29.4</b>	<b>36.7</b>	<b>(20%)</b>
Middlemount (equity-accounted)	~50	1.3	1.9	(30%)
<b>Total – equity basis</b>		<b>30.7</b>	<b>38.6</b>	<b>(20%)</b>
Thermal		24.7	31.1	(21%)
Metallurgical		6.0	7.5	(20%)
		<b>30.7</b>	<b>38.6</b>	<b>(20%)</b>

The Group's attributable saleable coal production, excluding Middlemount, was down 20% from 36.7Mt in 2021 to 29.4Mt in 2022 and including Middlemount was down 20% from 38.6Mt in 2021 to 30.7Mt in 2022.

The attributable saleable production contribution of the Group's tier-one assets increased from 83% in 2021 to 84% in 2022.

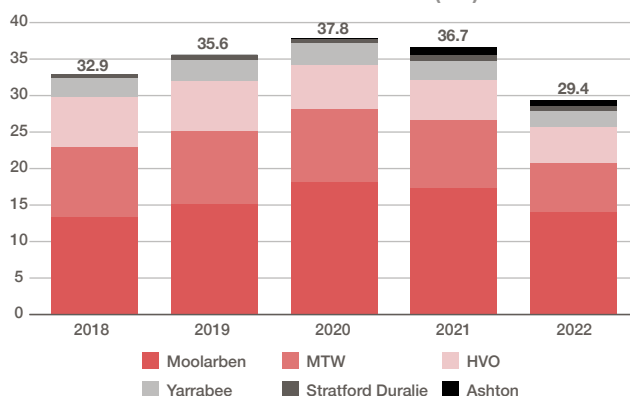
Thermal coal saleable production decreased by 21% from 31.1Mt in 2021 to 24.7Mt in 2022 and metallurgical coal saleable production decreased by 20% from 7.5Mt in 2021 to 6.0Mt in 2022. Thermal coal represented 80% of total saleable coal production in 2022 a decrease from 81% in 2021.

29 Ownership percentage stated as at 31 December 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

The chart below shows the longer-term trend in the Group's attributable saleable production.<sup>30</sup>

**ATTRIBUTABLE SALEABLE PRODUCTION (MT)**



From 2018 to 2020 the Group's attributable saleable production, excluding Middlemount, increased from 32.9Mt to 37.8Mt driven by the continued expansion of Moolarben, including increasing the Group's interest from 81% to 85% on 30 November 2018 and 95% on 31 March 2020.

In 2021, the Group's attributable saleable production decreased to 36.7Mt 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.

In 2022, the Group's attributable saleable production decreased to 29.4Mt primarily due to the continued severe and persistent wet weather encountered in NSW and Queensland and further impacts from labour availability including the escalation of COVID-19 throughout the first half of the year.

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.

## HEALTH AND SAFETY

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 and the Health, Safety, Environment and Community ("HSEC") 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.

Our 12-month rolling TRIFR<sup>31</sup> at 31 December 2022 was 8.1, representing a decrease from 8.4 at 31 December 2021 and below the comparable weighted average industry TRIFR of 8.4 at 31 December 2022.

During the period, Yancoal commenced rollout of "The Yancoal Safe Way Every Day" program which centres around the Yancoal "Safe Way" value and offers a range of training and interpersonal initiatives that are designed to enhance personal safety skill sets. The program implementation supports the integration of a new safety culture that demonstrates the "Safe Way Every Day" principles and encourages safety best practice performance on the ground.

Yancoal also commenced implementation of a four-year, four stage Mental Health Program in 2022. During the period, Stage 1 was completed which incorporated the provision of training to select site supervisors to help senior workers and leaders facilitate help seeking behaviours. Stage 2 has also commenced with employees being introduced to the program via a two and a half hour workshop for mental health awareness and education.

## 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 enhance compliance with 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

<sup>30</sup> The Group's quarterly report issued on 19 January 2021 included Attributable Saleable Coal Production for the year ended 31 December 2020 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.

<sup>31</sup> TRIFR includes Moolarben, MTW, Stratford Duralie, Yarrabee, Ashton, Donaldson, Astar and the Corporate offices; it excludes HVO and Middlemount (not operated by Yancoal). The weighted average industry TRIFR combines proportional components from the relevant New South Wales and Queensland Industry references.

# MANAGEMENT DISCUSSION AND ANALYSIS

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. In addition, Yancoal frequently monitors legislative and policy changes to allow sufficient time to implement environmental licensing and management changes in response to policy reform. During the period, independent environmental assurance audits were conducted at Austar, Ashton, Moolarben and MTW with opportunities for continuous improvement currently being implemented.

*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 Group’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. In April 2022, Yancoal donated \$500,000 to assist victims of floods in NSW and Queensland. This donation has been disbursed to 1,522 recipients through GIVIT Australia, the NSW and Queensland Government’s nominated disaster relief charity.

*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. The HSEC Charter includes oversight of compliance with modern slavery regulations as a responsibility of the HSEC Committee. This will increase the governance and supervision of Yancoal’s modern slavery aspirations.

*Climate Change Risk:* The transition to a lower carbon economy gathered pace in 2022, with the 2022 United Nations Climate Change Conference of Parties (“COP27”) in Sharm El-Sheik, Egypt. In addition, the new Australian federal government passed legislation committing Australia to reduce its emissions by 47% by 2030 (compared to 2005 emissions levels). The government has released draft legislation and accompanying draft rules to reform the operation of the National Greenhouse and Energy Reporting (NGER) scheme’s safeguard mechanism. Those reforms would seek to reset GHG emission baselines for designated large facilities and put those baselines on a declining trajectory to align with Australia’s mid-term emission reduction targets. Facilities that exceed their baseline will be required to purchase and surrender “Australian Carbon Credit Units” (ACCU’s) or a new

form of safeguard mechanism credit (SMC). This scheme is expected to commence on 1 July 2023 (subject to the passage of legislation). Yancoal’s managed operations fall within this legislation (Moolarben, MTW, Yarrabee and Ashton) with HVO and Middlemount also impacted by these changes. We are monitoring this closely and modelling various scenarios to assess the potential impact and timing.

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). Work has commenced to identify emissions reduction opportunities at key sites with an express aim at driving down Yancoal’s carbon footprint.

Yancoal is progressing two significant renewable energy projects – a pumped hydro power and solar facility at its Stratford mine, and an innovative project at Austar (in collaboration with Green Gravity) to utilise kinetic energy in old mine shafts to generate electricity during periods of peak demand. Both projects are at an early stage of investigation, but if proved up and developed, have the potential to both increase Yancoal’s self-sufficiency for power and diversify the business.

## COVID-19

The health and wellbeing of all Yancoal employees remains a key focus in response to the ongoing COVID-19 pandemic.

Sites had in place COVID-19 protocols aimed at minimising the transmission and disruption at site for much of the period, including the below, noting that some of these were eased in line with government announcements towards the end of the period:

- Site Incident Management teams
- Access restrictions for people with symptoms
- Use of Pre-Screening apps / forms
- Availability of RAT testing
- Crew separation measures – at some sites
- Social distancing
- Use of thermal cameras
- COVID-19 awareness signage

# MANAGEMENT DISCUSSION AND ANALYSIS

Whilst sites continued to adopt Yancoal's COVID-19 protocols, our employees, as part of the broader community, were not immune and adherence with Government COVID-19 regulations resulted in the Group recording positive cases across all sites and offices. The number of workers unable to attend site due to COVID-19 increased during the first half of the year to the highest levels since the start of the pandemic but declined significantly as the second half progressed with minimal cases currently being reported. Adherence to the Group's COVID-19 protocols helped ensure that whilst the number of cases escalated the Group did not incur any temporary shutdowns, as was the case in 2021.

In 2022, the most significant COVID-19 impact has been COVID-19 related absenteeism resulting in a loss of approximately 0.9Mt of ROM coal (equity) for the full year.

Overall, other than the aforementioned impact, 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.

- Wet weather preparedness such as emergency ROM stockpiles, contingent wet weather waste dumps and drainage works
- Continuing to build blasted inventory volumes
- Hiring additional pumps to maximise dewatering movements and provide sufficient contingency
- Daily wet weather planning meetings
- Using environmental approval windows to maximise the discharge of excess water
- Mine schedules revised to optimise equipment use and coal recovery in consideration of dewatering and storage in active mining pits
- Utilising wet weather down time to conduct training
- Approvals for emergency release of excess water stored across sites

## WATER MANAGEMENT

Diligent management of wet weather impacts and site-wide water management controls are an essential element in the performance of open cut coal mines. While large quantities of clean water are 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 or 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 or exceeding 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 continued to include:

- Review of water management strategies including longer term water modelling
- Prioritisation of investment in infrastructure including pumps and duplicating pipeline infrastructure
- The construction of additional water storage dams
- Increasing capacity of the Moolarben water treatment plant
- Sharing of pumps across the operations based on priority
- Crushing gravel and building stockpiles to improve road conditions during wet weather

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL RESULTS REVIEW

### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

For the management discussion and analysis, the Group's operating results for the year ended 31 December 2022 are compared with the operating results for the year ended 31 December 2021.

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

	YEAR ENDED 31 DECEMBER						CHANGE %
	2022			2021			
	IFRS REPORTED \$M	NON-OPERATING \$M	OPERATING \$M	IFRS REPORTED \$M	NON-OPERATING \$M	OPERATING \$M	
<b>Revenue</b>	<b>10,548</b>	<b>136</b>	<b>10,684</b>	<b>5,404</b>	<b>132</b>	<b>5,536</b>	<b>93%</b>
Other income	183	(12)	171	64	(4)	60	187%
Changes in inventories of finished goods and work in progress	35	–	35	(60)	–	(60)	158%
Raw materials and consumables	(969)	–	(969)	(757)	–	(757)	28%
Employee benefits	(662)	–	(662)	(578)	–	(578)	15%
Transportation	(678)	–	(678)	(642)	–	(642)	6%
Contractual services and plant hire	(457)	–	(457)	(410)	–	(410)	11%
Government royalties	(967)	–	(967)	(421)	–	(421)	130%
Coal purchases	(183)	–	(183)	(162)	–	(162)	13%
Impairment charge	(315)	315	–	(100)	100	–	–
Other operating expenses	(297)	136	(161)	(202)	110	(92)	75%
Share of profit of equity-accounted investees, net of tax	146	–	146	57	–	57	156%
<b>EBITDA</b>	<b>6,384</b>	<b>575</b>	<b>6,959</b>	<b>2,193</b>	<b>338</b>	<b>2,531</b>	<b>175%</b>
<b>EBITDA %</b>	<b>61%</b>	<b>–</b>	<b>65%</b>	<b>41%</b>	<b>–</b>	<b>46%</b>	<b>–</b>
Depreciation and amortisation	(834)	–	(834)	(831)	–	(831)	–%
<b>EBIT</b>	<b>5,550</b>	<b>575</b>	<b>6,125</b>	<b>1,362</b>	<b>338</b>	<b>1,700</b>	<b>260%</b>
<b>EBIT %</b>	<b>53%</b>	<b>–</b>	<b>57%</b>	<b>25%</b>	<b>–</b>	<b>31%</b>	<b>–</b>
Net finance costs <sup>32</sup>	(459)	50	(409)	(259)	(28)	(287)	43%
Non-operating items	–	(625)	(625)	–	(310)	(310)	–
<b>Profit before income tax</b>	<b>5,091</b>	<b>–</b>	<b>5,091</b>	<b>1,103</b>	<b>–</b>	<b>1,103</b>	<b>362%</b>
<b>Profit before income tax %</b>	<b>48%</b>	<b>–</b>	<b>48%</b>	<b>20%</b>	<b>–</b>	<b>20%</b>	<b>–</b>
Income tax expense	(1,505)	–	(1,505)	(312)	–	(312)	382%
<b>Profit after income tax</b>	<b>3,586</b>	<b>–</b>	<b>3,586</b>	<b>791</b>	<b>–</b>	<b>791</b>	<b>353%</b>
<b>Profit after income tax %</b>	<b>34%</b>	<b>–</b>	<b>34%</b>	<b>15%</b>	<b>–</b>	<b>14%</b>	<b>–</b>
Attributable to:							
- Owners of Yancoal	3,586	–	3,586	791	–	791	353%
- Non-controlling interests	–	–	–	–	–	–	–
<b>Profit per share attributable to the ordinary equity holders of the Company</b>							
Basic profit per share (cents)	271.6	–	271.6	59.9	–	59.9	353%
Diluted profit per share (cents)	270.2	–	270.2	59.7	–	59.7	353%

32 Includes the reclassification of interest income of \$103 million (2021: \$21 million) from revenue to net finance costs and bank fees and other charges of \$53 million (2021: \$49 million) from other operating expenses to net finance costs as these amounts are excluded from operating EBITDA.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

## PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit after income tax increased by 353% from \$791 million in 2021 to \$3,586 million in 2022 and was fully attributable to the owners of Yancoal with no non-controlling interests.

Profit attributable to the owners of Yancoal of \$3,586 million was impacted by a number of non-operating items in 2022. These totaled a net loss before tax impact of \$625 million comprising a \$239 million fair value loss recycled from the hedge reserve, a \$315 million impairment charge, \$23 million of contingent royalty payments together with a \$60 million contingent royalty remeasurement loss and a \$12 million royalty receivable remeasurement gain. These are discussed in more detail separately in the section "Overview of non-operating items" below and have been excluded from the operating commentary.

## OVERVIEW OF OPERATING RESULTS

The analysis in this section includes ex-mine sales tonnes, saleable production and ex-mine revenue comprising (i) 95% of the Moolarben unincorporated joint venture; (ii) 82.9% of the combined unincorporated Mount Thorley and Warkworth joint ventures (MTW); (iii) 51% of the unincorporated HVO joint venture; and (iv) 100% of Yarrabee, Ashton and Stratford Duralie.

The results of Middlemount are excluded from the line-by-line commentary below as its result, as an incorporated equity-accounted investment, is 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		CHANGE (%)
	2022 \$M	2021 \$M	
Ex-mine coal sales <sup>33</sup>	11,047	5,290	109%
Sale of purchased coal	(538)	98	(649%)
Other	8	21	(13%)
<b>Sale of coal</b>	<b>10,517</b>	<b>5,409</b>	<b>94%</b>
Sea freight	87	79	10%
Royalty revenue	53	28	89%
Other	27	20	35%
<b>Revenue</b>	<b>10,684</b>	<b>5,536</b>	<b>93%</b>

Total revenue increased by 93% from \$5,536 million in 2021 to \$10,684 million in 2022, primarily due to a 94% increase in coal sales revenue from \$5,409 million in 2021 to \$10,517 million in 2022. With respect to coal sales revenue, the key factors were:

	YEAR ENDED 31 DECEMBER		CHANGE (%)
	2022	2021	
<b>THERMAL COAL</b>			
Average selling price (A\$ per tonne)	372	134	178%
Sales volume (Mt)	24.6	31.7	(22%)
% of total ex-mine sales volume	84	85	(1%)
<b>Total ex-mine thermal coal revenue (A\$ million)</b>	<b>9,139</b>	<b>4,246</b>	<b>115%</b>
<b>METALLURGICAL COAL</b>			
Average selling price (A\$ per tonne)	405	180	125%
Sales volume (Mt)	4.7	5.8	(19%)
% of total ex-mine sales volume	16	15	7%
<b>Total ex-mine metallurgical coal revenue (A\$ million)</b>	<b>1,908</b>	<b>1,044</b>	<b>83%</b>
<b>TOTAL COAL</b>			
Average selling price (A\$ per tonne)	378	141	168%
Total ex-mine sales volume (Mt)	29.3	37.5	(22%)
<b>Total ex-mine coal revenue (A\$ million)</b>	<b>11,047</b>	<b>5,290</b>	<b>109%</b>

33 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.

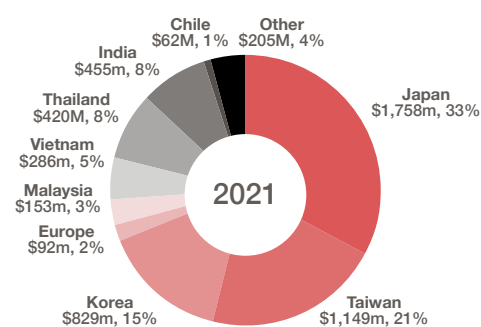
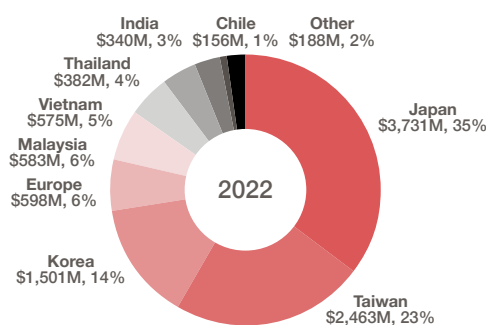
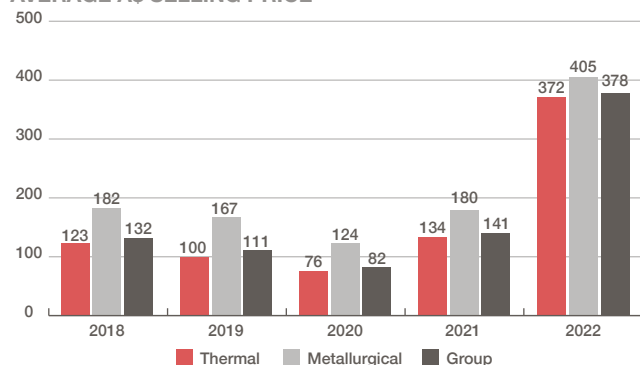
## MANAGEMENT DISCUSSION AND ANALYSIS

- The Group's overall average ex-mine selling price of coal increased by 168% from A\$141 per tonne in 2021 to A\$378 per tonne in 2022 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\$225 per tonne (163%) during the same period; the weekly Argus/McCloskey API5 coal index price increasing by US\$92 per tonne (110%) during the same period; and the average semi-soft coking coal benchmark price increasing by US\$139 per tonne (101%) during the same period; and (ii) the Australian dollar weakening against the US dollar by 7.5% from an average of 0.7514 in 2021 to 0.6947 in 2022.
- The Group's average selling price of thermal coal increased from A\$134 per tonne to A\$372 per tonne. The Group's average selling price of metallurgical coal increased from A\$180 per tonne to A\$405 per tonne.
- The Group's ex-mine sales volume decreased by 22% from 37.5Mt in 2021 to 29.3Mt in 2022, primarily due to the 20% decrease in saleable production partially offset by movements in coal inventories.
- A 649% decrease in the net revenue from the sale of purchased coal from \$98 million in 2021 to (\$538) million in 2022, primarily resulting from corporate sales made under a long-term fixed price contract acquired as part of the Coal & Allied acquisition that, with the current high market prices, effectively reduced Group revenue in 2022.

An 89% increase in royalty revenue from \$28 million in 2021 to \$53 million in 2022 recognised on the Group's Middlemount royalty where it receives a royalty of 4% of Free on Board Trimmed Sales on 100% of the Middlemount mine coal sales, with the increase in the period primarily attributable to the strengthening coal price.

The charts below show the longer-term trend in the Group's average realised A\$ selling price and the split of coal sales revenue by end user destination.<sup>34</sup>

### AVERAGE A\$ SELLING PRICE



Others includes Indonesia, Australia and Bangladesh (2021: Australia, Indonesia, UAE, Cambodia, Pakistan and Bangladesh)

Sales revenue to the primary Asian seaborne markets of Japan, Taiwan and South Korea, as a percentage of total coal sales revenue, remained relatively stable at 73% (2021: 69%).

Sales revenue to end users in Europe increased by 4% primarily through opportunities to further diversify sales due to the global energy crisis created from the current Russian/Ukraine conflict.

Sales to end users in Malaysia increased by 3%, primarily due to market development opportunities being realised; whilst sales to India decreased by 5% due to alternative markets providing better commercial returns.

Sales revenue to Thailand remained relatively stable at \$382 million (2021: \$420 million) but with these sales delivered under a long-term fixed price contract, the relative percentage of group sales decreased from 8% to 4%.

### OPERATING EBITDA AND OPERATING EBITDA MARGIN

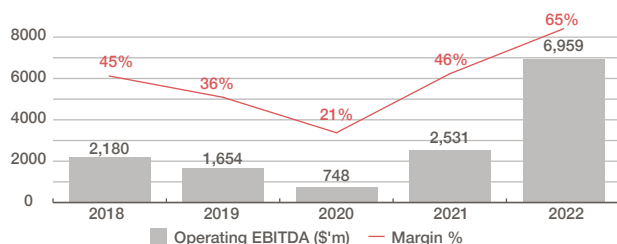
Operating EBITDA increased by 175% from \$2,531 million in 2021 to \$6,959 million in 2022. The \$4,428 million increase was primarily due to the \$5,148 million (93%) increase in revenue, noted above. Other factors included (i) a \$111 million increase in other income; (ii) a \$868 million increase in costs; (iii) a \$21 million decrease in coal purchases; and (iv) an \$89 million increase in the equity accounted profit. Operating EBITDA margin as a percentage of operating revenue increased from 46% in 2021 to 65% in 2022.

<sup>34</sup> In prior periods customer domicile was used to determine the primary geographical markets, however end user destination is considered to be more useful information. The 2021 numbers have been restated.



# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING EBITDA



## OTHER INCOME

	YEAR ENDED 31 DECEMBER		
	2022 \$M	2021 \$M	CHANGE (%)
Net gain on foreign exchange	164	52	215%
Sundry income	7	8	(13%)
<b>Other income</b>	<b>171</b>	<b>60</b>	<b>187%</b>

Other income increased from \$60 million in 2021 to \$171 million in 2022. This included a net gain on foreign exchange of \$164 million (2021: \$52 million) primarily recognised on holding USD cash balances as the Australian dollar weakened during 2022.

## CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS

Changes in inventories of finished goods and work in progress moved from a decrease of \$60 million in 2021 to an increase of \$35 million in 2022 as inventory levels were re-established during the period with production exceeding sales by 182kt.

## 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 and non-cash changes in rehabilitation provisions. It also includes indirect corporate costs, in particular, corporate employee costs, but excludes 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.

## PER EX-MINE SALES TONNE

	YEAR ENDED 31 DECEMBER	
	2022 \$/T	2021 \$/T
<b>CASH OPERATING COSTS</b>		
Raw materials and consumables used	33	20
Employee benefits	23	15
Transportation	20	17
Contractual services and plant hire	16	11
Other operating expenses	4	2
<b>Cash operating costs (excluding royalties)</b>	<b>95</b>	<b>66</b>
Royalties	33	11
<b>Cash operating costs</b>	<b>128</b>	<b>77</b>
<b>NON-CASH OPERATING COSTS</b>		
Depreciation and amortisation	29	22
<b>Total production costs</b>	<b>157</b>	<b>99</b>
<b>Total production costs (excluding royalties)</b>	<b>124</b>	<b>88</b>

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.

	YEAR ENDED 31 DECEMBER	
	2022 \$/T	2021 \$/T
<b>PER SALEABLE PRODUCTION TONNE</b>		
<b>CASH OPERATING COSTS</b>		
Raw materials and consumables used	33	21
Employee benefits	22	16
Transportation	20	17
Contractual services and plant hire	15	11
Other operating expenses	4	2
<b>Cash operating costs (excluding royalties)</b>	<b>94</b>	<b>67</b>
<b>NON-CASH OPERATING COSTS</b>		
Depreciation and amortisation	29	23
<b>Total production costs</b>	<b>123</b>	<b>90</b>
<b>Total production costs (excluding royalties)</b>		

The Group's cash operating costs, after capitalised development, per saleable tonne increased by \$27/t from \$67/t in 2021 to \$94/t in 2022 primarily due to (i) a 7.3Mt (20%) decrease in production volumes primarily impacted by the severe and ongoing wet weather and labour shortages including COVID-19, including the incurrance of unavoidable fixed costs in the short-term, that has the effect of increasing the cost per tonne produced; (ii) incurring additional preventative and remediation costs with respect to water management, including pumping and pit design; (iii) inflationary cost increases including labour, diesel, explosives, equipment parts and electricity; and (iv) increases in NCIG port

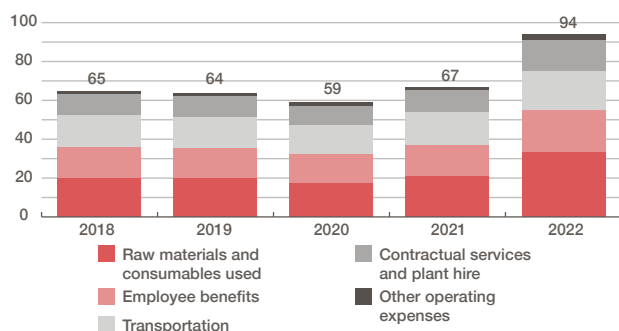
## MANAGEMENT DISCUSSION AND ANALYSIS

costs following the introduction of an additional coal price linked toll charge from 1 July 2022. 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 2022 this was led by the Group's "Key Tasks" initiative that focused on 40 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.

The chart below shows the longer-term trend in the Group's full year cash operating costs per product tonne.

**CASH OPERATING COSTS PER PRODUCT TONNE (A\$)**



The Group's cash operating costs, after capitalised development, decreased to \$59/t in 2020 primarily due to short-term cash saving measures introduced as a response to the decrease in the coal price following the initial wave of COVID-19. Cash operating costs then increased to \$67/t in 2021 as these measures unwound compounded by a decrease in production volumes due to the severe wet weather and COVID-19 impacts. The Group's cash operating costs increased to \$94/t in 2022 for the reasons noted above.

### RAW MATERIALS AND CONSUMABLES USED

Raw materials and consumables used increased by 28% from \$757 million in 2021 to \$969 million in 2022, primarily due to lower production volumes increasing the effective cost per tonne and inflationary cost pressures. Diesel costs increased by \$153 million, and explosive costs increased by \$24 million, due to price increases, despite the 20% decrease in saleable production. This contributed to an increase in per saleable product tonne raw materials and consumables used from \$21 to \$33 over the same period.

### EMPLOYEE BENEFITS

Employee benefits expense increased by 15% from \$578 million in 2021 to \$662 million in 2022, primarily due to an increase in headcount and wage and salary inflation together with a \$36 million increase in bonus accruals and share based payments including the impact of the Group's increasing share price on deferred bonuses for senior management, and an \$18 million increase in superannuation contribution and workers compensation premiums. This contributed to an increase in per saleable product tonne employee benefits from \$16 to \$22 over the same period.

### TRANSPORTATION

Transportation costs increased by 6% from \$642 million in 2021 to \$678 million in 2022, primarily due to an increase in NCIG port costs following the introduction of an additional coal price linked toll charge from 1 July 2022 and an \$8 million increase in sea freight incurred on a Cost and Freight contract due to increasing freight rates. Given the Group's long-term take or pay arrangements for rail and port, transportation costs did not decrease in line with the 20% decrease in saleable production. This contributed to an increase in per saleable product tonne transportation costs from \$17 to \$20 over the same period.

### CONTRACTUAL SERVICES AND PLANT HIRE

Contractual services and plant hire expenses increased by 11% from \$410 million in 2021 to \$457 million in 2022 primarily due to a \$35 million increase in contractors utilised as part of the wet weather recovery plans and to mitigate labour availability issues and an \$11 million increase in revenue-based marketing commissions. This contributed to an increase in per saleable product tonne contractual service and plant hire costs from \$11 to \$16 over the same period.

### GOVERNMENT ROYALTIES

Government royalty expenses increased by 130% from \$421 million in 2021 to \$967 million in 2022, primarily due to a 109% increase in ex-mine coal sales revenue and an increase in coal royalty rates introduced by the Queensland Government effective from 1 July 2022. 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-mine sales tonne government royalties from \$11 to \$33 over the same period.

### COAL PURCHASES

Coal purchases increased by 13% from \$162 million in 2021 to \$183 million in 2022, primarily due to the wet weather impacted reduction in supply across many other Australian producers creating limited opportunities to make coal purchases being offset by the increase in the purchase price driven by the general market increase.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OTHER OPERATING EXPENSES

Other operating expenses increased by 75% from \$92 million in 2021 to \$161 million in 2022 and included a \$30 million increase in the Duralie rehabilitation provision, recognised in the profit and loss due to mining having now ceased at Duralie, and a \$20 million increase in the Donaldson rehabilitation provision, recognised in the profit and loss, with both amounts based on the preliminary mine closure work completed to date. Excluding the provision increases, other operating expenses increased by \$20 million, including a \$5 million increase in IT costs that included an upgrade to the Group's ERP system. This contributed to an increase in per saleable product tonne other operating expenses from \$2 to \$3 over the same period.

## SHARE OF PROFIT OF EQUITY-ACCOUNTED INVESTEEES, NET OF TAX

Share of profit of equity-accounted investees, net of tax increased from \$57 million in 2021 to \$146 million in 2022 primarily due to the increasing profit after tax performance of the incorporated Middlemount joint venture positively impacted by a 143% increase in realised A\$ coal price partially offset by a 23% decrease in sales tonnes.

## DEPRECIATION AND AMORTISATION

Depreciation and amortisation expenses increased marginally from \$831 million in 2021 to \$834 million in 2022 primarily due to lower production being offset by an increase in equipment employed as part of the mine recovery plans together with the impact of additional depreciation at Stratford resulting from the increase in its rehabilitation asset. Per saleable production tonne depreciation and amortisation costs increased from \$23 to \$29 over the same period.

## OPERATING EBIT AND OPERATING EBIT MARGIN

Operating EBIT increased by 260% from \$1,700 million in 2021 to \$6,125 million in 2022 primarily due to a 175% increase in Operating EBITDA and a flat depreciation and amortisation charge as noted above. Operating EBIT margin as a percentage of operating revenue increased from 31% in 2021 to 57% in 2022.

## NET FINANCE COSTS

Net finance costs increased by 43% from \$287 million in 2021 to \$409 million in 2022 due to a \$204 million (66%) increase in interest expense and bank fees and charges and an \$82 million (388%) increase in interest income.

The \$204 million increase in interest expense and bank fees and charges included \$279 million (2021: \$30 million) of non-cash interest expense relating to the unwind of the discount recognised on the US\$775 million related party loan provided by Shandong Energy in 2020 that was determined to be provided at a below arms-length interest rate. The loan was fully repaid during 2022 resulting in all the remaining discount being expensed during the period. Excluding these amounts, the interest expense decreased from \$278 million in 2021 to \$233 million in 2022 primarily due to a decrease in interest-bearing liabilities in the period through

mandatory loan repayments of US\$25 million and voluntary debt prepayments of US\$2,260 million, partially offset by (i) an increase in the Group's LIBOR based debt facilities all-in interest rate from an average of 4.51% in 2021 to an average of 5.65% in 2022; and (ii) a decrease in the AUD:USD exchange rate from an average of 0.7514 in 2021 to 0.6947 in 2022, where the Group's loans are denominated in US dollars.

The \$82 million increase in interest income was primarily due to (i) \$63 million of non-cash interest income being recognised on the Middlemount shareholder loan due to voluntary prepayments; and (ii) a \$19 million increase in bank interest income due to an increase in cash on hand during the period. The Middlemount shareholder loan was previously converted to an interest free loan resulting in an accounting fair value discount being applied to the face value of the loan. The discount was being recognised through the profit and loss, as non-cash interest income, over the life of the loan with loan repayments based on Middlemount's forecast cash flows. With the significant increase in coal prices and cash flows, Middlemount has been able to fully repay the \$212 million shareholder loan from Yancoal during the period, ahead of forecast, resulting in the acceleration of the profit and loss recognition.

## 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 305% from \$1,413 million in 2021 to \$5,716 million in 2022. Operating profit before income tax margin as a percentage of operating revenue increased from 26% to 54% 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 362% from \$1,103 million in 2021 to a profit of \$5,091 million in 2022. Profit before income tax margin as a percentage of operating revenue increased from 20% to 48% over the same period.

## INCOME TAX EXPENSE

Income tax expense increased from \$312 million in 2021 to \$1,505 million in 2022. The effective tax rate was 28.3% and 29.6% in the same periods, respectively, compared to the Australian corporate income tax rate of 30%. The lower effective tax rate primarily resulted from the non-assessable equity-accounted profit of \$146 million (2021: \$57 million). During the period, the Group fully utilised its tax losses of \$63 million brought forward from 31 December 2021 such that the Group will now pay Australian corporate income tax on future taxable profits. Income tax on the Group's 2022 taxable profits will be payable in mid-2023 however, \$70 million of tax installments against this liability was paid in December 2022, with the outstanding \$1,542 million payable recognised on the balance sheet at 31 December 2022.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROFIT AFTER INCOME TAX AND PROFIT AFTER INCOME TAX MARGIN

As a result of the aforementioned reasons profit after income tax increased by 353% from \$791 million in 2021 to \$3,586 million in 2022. Profit after income tax margin as a percentage of operating revenue increased from 14% to 34% over the same period.

## PROFIT PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic earnings per share increased by 353% from 59.9 cents per share in 2021 to 271.6 cents per share in 2022 and diluted earnings per share increased by 353% from 59.7 cents per share in 2021 to 270.2 cents per share in 2022 primarily due to the aforementioned profit after income tax with no change in the number of ordinary shares on issue. In 2022 the diluted earnings per share was impacted by 6.8 million rights on issue to senior management (2021: 3.7 million).

## OVERVIEW OF NON-OPERATING ITEMS

Non-operating items in the year ended 31 December 2022 and 2021 included the following:

	YEAR ENDED 31 DECEMBER	
	2022 \$M	2021 \$M
<b>NON-OPERATING ITEMS</b>		
Fair value losses recycled from hedge reserve	(239)	(153)
Impairment charge	(315)	(100)
Contingent royalty expense	(23)	(28)
Re-measurement of contingent royalty	(60)	(33)
Re-measurement of royalty receivable	12	4
<b>Loss before tax impact</b>	<b>(625)</b>	<b>(310)</b>

Fair value losses recycled from the hedge reserve of \$239 million (2021: \$153 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 charge of \$315 million (2021: \$100 million) relates to a \$171 million impairment of the Donaldson thermal coal mining asset and a \$144 million impairment of the Monash thermal coal exploration asset. Management has continued its strategic review of its underperforming assets and with the prospect of re-commencing operations at Donaldson (currently on care and maintenance) considered unlikely, mining assets have been impaired to nil book value. Similarly, it was considered unlikely that the Monash exploration asset will be developed in the future

with the exploration asset impaired to nil book value. The 2021 impairment charge related to the impairment, to nil book value, of the Donaldson exploration asset.

Contingent royalty expense of \$23 million (2021: \$28 million) relates to the contingent coal price-linked royalty payable to Rio Tinto for the year ended 31 December 2022, as part of the contingent consideration on the Coal & Allied acquisition, due to the GlobalCOAL quarterly index price being above the 2022 threshold price for all four quarters.

Similarly, the re-measurement of contingent royalty up by \$60 million (2021: \$33 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 2023 to 31 August 2030 due to a strengthening of the thermal coal price forecasts.

Re-measurement of the royalty receivable up by \$12 million (2021: \$4 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.

## CASH FLOW ANALYSIS

	YEAR ENDED 31 DECEMBER		
	2022 \$M	2021 \$M	CHANGE \$M
Net operating cash flows	6,528	1,900	4,628
Net investing cash flows	(298)	(306)	8
Net financing cash flows	(5,133)	(761)	(4,372)
<b>Net increase in cash</b>	<b>1,097</b>	<b>833</b>	<b>264</b>

### NET OPERATING CASH FLOWS

Net operating cash inflows increased by \$4,628 million (244%) to \$6,528 million reflecting an increase in net receipts from customers over payments to suppliers primarily due to a \$5,144 million increase in revenue over the same period.

### NET INVESTING CASH FLOWS

Net investing cash outflows decreased by \$8 million (3%) to \$298 million. In 2022 investing cash outflows included \$548 million of capital expenditure partially offset by the \$212 million repayment, in full, of the shareholder loan provided to Middlemount. 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### NET FINANCING CASH FLOWS

Net financing cash outflows increased by \$4,372 million (575%) to an outflow of \$5,133 million, as set out in the table below.

	YEAR ENDED 31 DECEMBER		CHANGE \$M
	2022 \$M	2021 \$M	
Dividends paid	(1,626)	–	(1,626)
Mandatory loan repayments	(37)	(66)	29
Voluntary loan repayments	(3,405)	(705)	(2,700)
Lease payments	(40)	(35)	(5)
Purchase of treasury shares	(25)	–	(25)
Loan repayment on maturity	–	(419)	419
Proceeds from new loans	–	464	(464)
<b>Net financing cash flows</b>	<b>(5,133)</b>	<b>(761)</b>	<b>(4,372)</b>

In 2022 the net financing cash outflow included (i) \$1,626 million of dividend payments being the settlement of the 2021 final declared dividend of \$930 million and the 2022 interim dividend of \$696 million; (ii) \$37 million (US\$25 million) of mandatory loan repayments under the syndicated facility; (iii) A\$3,405 million (US\$2,260 million) of voluntary debt prepayments on both the syndicated and related party facilities; (iv) \$40 million of lease repayments; and (v) \$25 million for the purchase of Company shares for settlement of Executive STIP and LTIP obligations. In 2021 the net financing cash outflow included (i) A\$66 million (US\$50 million) of mandatory loan 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.

### FINANCIAL RESOURCES AND LIQUIDITY

	YEAR ENDED 31 DECEMBER		CHANGE \$M
	2022 \$M	2021 \$M	
Current assets	3,810	2,531	1,279
Current liabilities	(2,532)	(826)	(1,706)
<b>Net current assets</b>	<b>1,278</b>	<b>1,705</b>	<b>(427)</b>
Total assets	12,801	11,800	1,001
Total liabilities	(4,771)	(5,654)	883
<b>Total equity</b>	<b>8,030</b>	<b>6,146</b>	<b>1,884</b>

Current assets increased by \$1,279 million to \$3,810 million at 31 December 2022 mainly reflecting an increase in cash on hand of \$1,204 million.

Current liabilities increased by \$1,706 million to \$2,532 million at 31 December 2022 mainly reflecting the recognition of a \$1,542 million income tax payable as the Company fully utilised brought forward tax losses during the period.

Total assets increased by \$1,001 million to \$12,801 million at 31 December 2022 mainly reflecting the increase in current assets of \$1,279 million noted above and a \$254 million increase in property, plant and equipment partially offset by (i) a \$266 million decrease in exploration and evaluation assets primarily resulting from the \$144 million Monash impairment and a \$124 million transfer to mining tenements; (ii) a \$241 million decrease in mining tenements including \$36 million from the Donaldson impairment and \$329 million of amortisation partially offset by the \$124 million transfer in from exploration assets and (iii) a \$212 million decrease in the Middlemount shareholder loan receivable.

Total liabilities decreased by \$883 million to \$4,771 million at 31 December 2022 mainly reflecting (i) a \$2,762 million decrease in interest-bearing liabilities including a \$3,442 million decrease in loans due to the repayments made during the period partially offset by the \$279 million unwind of the discount recognised on the US\$775 million related party loan fully repaid during the period and a \$325 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 0.7256 at 31 December 2021 to a closing rate of 0.6775 at 31 December 2022; (ii) the recognition of a \$1,542 million income tax payable noted above; and (iii) a \$344 million increase in provisions including a \$294 million increase in rehabilitation provision and the \$60 million increase in the contingent royalty provision.

Total equity increased by \$1,884 million to \$8,030 million at 31 December 2022 reflecting the \$3,586 million profit after tax partially offset by (i) dividend payments of \$1,626 million; and (ii) a \$76 million reserve movement including a \$61 million movement in the hedge reserve, net of tax.

The Group's primary source of liquidity was operating cash flows that contributed \$6,528 million in the year ended 31 December 2022. Together with the opening cash position this enabled the payment for investing activities of \$298 million and financing activities of \$5,133 million.

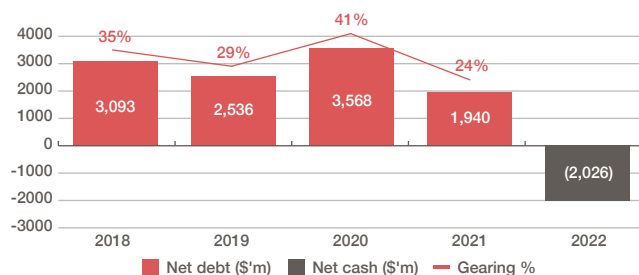
For the year ending 31 December 2023, the primary source of liquidity is expected to continue to be operating cash flows for ongoing business and potentially additional interest-bearing liabilities for any possible transactions. Historically, the Group's primary sources of liquidity have consisted of operating cash flows, interest-bearing liabilities, including shareholder loans, and new equity.

## MANAGEMENT DISCUSSION AND ANALYSIS

	YEAR ENDED 31 DECEMBER		CHANGE (%)
	2022 \$M	2021 \$M	
Interest-bearing liabilities	673	3,435	(2,762)
Less: cash and cash equivalents	(2,699)	(1,495)	(1,204)
<b>Net (cash) / debt</b>	<b>(2,026)</b>	<b>1,940</b>	<b>(3,966)</b>
Total equity	8,030	6,146	1,884
<b>Net debt + total equity</b>	<b>6,004</b>	<b>8,086</b>	<b>(2,082)</b>
Gearing ratio <sup>35</sup>	N/A	0.24	

The Group's objective when managing its capital structure is to provide capital towards sustaining capital expenditure, pay down interest-bearing liabilities to a supportable level whilst providing dividends to equity holders and pursuing organic and inorganic expansion opportunities when appropriate.

### NET DEBT AND GEARING



The gearing ratio decreased from 24% to nil during the period as the Group moved to a net cash position. This was primarily due to 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.

The Group's interest-bearing liabilities include (i) secured bank loans of A\$489 million (31 December 2021: A\$1,632 million); and (ii) unsecured loans from related parties of nil (31 December 2021: A\$1,672 million); all denominated in US dollars and lease liabilities of A\$184 million (31 December 2021: A\$131 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 2022 was 5.65% (2021: 4.51%).

The Group's cash and cash equivalents includes A\$2,176 million (31 December 2021: A\$970 million) and US\$354 million (31 December 2021: US\$381 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.

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 2022, the Group had the following available debt facilities.

\$34 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. On 17 February 2023, the Company entered into facility documentation to refinance this facility with three new contingent liability facilities, totalling A\$1.2 billion for a period of 3 years. The refinance is due to be completed in early March 2023.

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.

<sup>35</sup> 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.

## CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 December 2022, capital expenditure cash flows of the Group amounted to \$550 million (2021: \$269 million) comprising \$548 million (2021: \$269 million) of property, plant and equipment and \$2 million (2021: nil) of exploration.

Included in the capital expenditure of \$550 million is capitalised operating expenses, net of any applicable revenue, incurred on open-cut and underground development activities of \$71 million (2021: \$38 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 2022, commitments of the Group comprised capital commitments of \$222 million (2021: \$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. Yancoal's ability to increase open-cut production depends on increasing the capacity at the Coal Handling and Preparation Plant (CHPP). This CHPP upgrade project is underway, with the final stage of modifications to increase capacity to 16Mtpa scheduled to be completed during the first quarter of 2023.

At MTW, the underground mine concept remains subject to study and assessment, but we do not expect to reach a conclusion until after 2023.

At Ashton, an agreement was reached with the adjoining Ravensworth Operation for the Ashton mine to access some of Ravensworth's underground coal resources. State Government planning approval has been received, and the relevant tenements have now been transferred into Ashton's ownership, enabling access into this new mining area from 1 January 2023. Federal environmental approval is required prior to longwall extraction in November 2024 (based on current estimated timing). Securing a transfer of these tenements to Ashton's ownership will increase the longevity and efficiency of the Ashton operation by utilising its existing equipment to access additional mining locations with coal of similar or better coal quality than it currently produces.

At Stratford, Yancoal is progressing with plans for a renewable energy hub. Preliminary studies identified viable renewable energy options, and a feasibility study for the project has commenced. The centrepiece would be a Pumped-Hydro Energy Storage project that would provide dispatchable power into the grid at peak times or when the energy generated by other renewable sources (wind and solar) is unavailable. Given coal production at the Stratford mine is anticipated to end in 2024, this renewable energy hub provides an excellent opportunity for the beneficial re-use of land after the cessation of mining and does not impact water resources within the valley. The project could also allow Yancoal to maintain a commercially viable operation at the site and provide economic and social benefits to the Gloucester region. Project implementation remains subject to the feasibility study outcome, permitting requirements and relevant approval processes.

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 or developing renewable projects like that at Stratford. 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 2022, the Group had approximately 3,359 (2021: 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 \$662 million (2021: \$578 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 on an 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, complies with the diversity policy, provides market competitive remuneration to attract and retain skilled and motivated employees and structures 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 2022.

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, in 2022 Yancoal commenced the rollout of a frontline leadership development program called "Leading the Way". The program focuses on the development of the core leadership skills required of frontline leaders and is heavily built on Yancoal's cultural framework of beliefs, values and inclusive leadership behaviours. As the program continues to roll out across all sites it will contribute to improved leadership competencies, improved engagement of our frontline workers and assist in continuing to sustain Yancoal's workplace culture which in turn feeds into our employee value proposition in a constrained labour market. 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.

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 and Inclusion Policy was updated and approved by the Board in 2022 and seeks to actively facilitate a more diverse and representative management and leadership structure. During 2022 Yancoal made good progress against our measurable gender diversity targets and increased the proportion of the female workforce to 15%, noting that the mining sector is the most male dominated sector in the Australian economy.

In addition to this our Yancoal mine sites have been actively driving greater awareness of indigenous inclusion and offering opportunities for career pathways across the business. Yancoal also continues to be a long-term sponsor of the Clontarf Foundation which supports Indigenous youth education and career development, leading to positive outcomes in the communities where they operate.

## 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 16 February 2023, the Company announced that it was subject to revised directions received from the New South Wales government compelling it to make available up to 310,000 tonnes of coal per quarter to domestic power generators from its attributable saleable production. The directions are effective for the fifteen months, from 1 April 2023 to 30 June 2024 with coal sold under the directions subject to a price cap of A\$125 per tonne delivered for 5,500 kcal/kg products, energy adjusted.

On 17 February 2023, the Company entered into facility documentation to refinance its existing A\$975 million syndicated bank guarantee facility due to expire on 2 June 2023 with three new contingent liability facilities, totalling A\$1.2 billion for a period of three years. The refinance is due to be completed in early March 2023.

On 27 February 2023, the Directors declared a fully franked final dividend of A\$924 million, A\$0.7000 per share, with a record date of 15 March 2023 and a payment date of 28 April 2023.

## 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



# MANAGEMENT DISCUSSION AND ANALYSIS

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 2022, there were \$151 million of provisionally priced sales still to be finalised. If prices were to increase by 10%, provisionally priced sales would increase by \$15 million.

## CONTINGENT LIABILITIES

The contingent liabilities of the Group as at 31 December 2022 comprised (i) \$941 million (31 December 2021: \$875 million) of bank guarantees comprising \$395 million (31 December 2021: \$370 million) of performance guarantees provided to third parties and \$546 million (31 December 2021: \$505 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 2022 the facility was drawn to A\$941 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 2022 the facility was fully drawn.

The Syndicated Bank Guarantee and Term Loan facilities were 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 \$11,751 million as at 31 December 2022.

## FUTURE PROSPECTS

The decrease in production in 2022 was largely the culmination of several years of operational challenges primarily driven by external factors, including wet weather, COVID-19 and labour shortages, impacting the Australian coal industry. To capture the benefit of the record coal prices experienced in 2022, sites maximised coal production, where possible, an approach that resulted in the depletion of mining inventory across most mines.

Open-cut mines in NSW still have excess water on-site, with all mines at or above their water storage capacity. The Group has invested in additional mining equipment and dewatering capacity to bolster the recovery process and rebuild mining inventory.

As mining inventory rebuilds and productivity rates improve over the coming quarters, production rates should increase towards the levels experienced in prior years. The full recovery of production rates will depend on several factors, particularly rainfall levels. Yancoal's 2023 attributable saleable production is expected to be between 31 million tonnes and 36 million tonnes.

Unit cost reduction is likely to take longer to deliver than the production uplift, as the recovery plans incur additional costs, energy input costs are still elevated, and cost inflation from recent years is now embedded. Over time, increasing production rates are expected to contribute to lower unit costs. Yancoal's 2023 cash operating costs are expected to be between \$92 / tonne and \$102/tonne, with cash operating costs in the first half of the year expected to be higher than in the second half.

Capital expenditure in 2023 is expected to be between \$750-\$900 million as the fleet replacement cycle, that commenced in 2021, continues and additional equipment is secured to deliver the Group's near-term production.

Through 2023 and potentially into 2024, the Company will need to continually balance output volumes, product quality, efficiency metrics, operating costs and capital expenditure as it executes its mine recovery plans. In 2023, Yancoal aims to deliver the best possible financial performance for its shareholders, which requires flexibility on production volumes and operating cash costs.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Revenue	B2	10,548	5,404
Other income	B3	183	64
Changes in inventories of finished goods and work in progress		35	(60)
Raw materials and consumables used		(969)	(757)
Employee benefits	B4	(662)	(578)
Depreciation and amortisation		(834)	(831)
Transportation		(678)	(642)
Contractual services and plant hire		(457)	(410)
Government royalties		(967)	(421)
Coal purchases		(183)	(162)
Impairment charges	B1	(315)	(100)
Other operating expenses	B5	(297)	(202)
Finance costs	B5	(459)	(259)
Share of profit of equity-accounted investees, net of tax	E1	146	57
<b>Profit before income tax</b>		<b>5,091</b>	<b>1,103</b>
Income tax expense	B6	(1,505)	(312)
<b>Profit after income tax</b>		<b>3,586</b>	<b>791</b>
<b>PROFIT IS ATTRIBUTABLE TO:</b>			
Owners of Yancoal Australia Ltd		3,586	791
Non-controlling interests		-	-
		<b>3,586</b>	<b>791</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
<b>Cash flow hedges:</b>			
Fair value losses	D5	(326)	(232)
Fair value losses transferred to profit and loss	D5	239	153
Deferred income tax benefit	D5	26	24
<b>Other comprehensive income, net of tax</b>		<b>(61)</b>	<b>(55)</b>
<b>Total comprehensive income</b>		<b>3,525</b>	<b>736</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR IS ATTRIBUTABLE TO:</b>			
Owners of Yancoal Australia Ltd		3,525	736
Non-controlling interests		-	-
		<b>3,525</b>	<b>736</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY:</b>			
Basic earnings per share (cents per share)	B7	271.6	59.9
Diluted earnings per share (cents per share)	B7	270.2	59.7

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	NOTES	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C6	2,699	1,495
Trade and other receivables	C7	736	707
Inventories	C8	330	264
Royalty receivable	C9	20	23
Other current assets		25	42
<b>Total current assets</b>		<b>3,810</b>	<b>2,531</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	C7	97	239
Property, plant and equipment	C1	3,486	3,232
Mining tenements	C2	4,367	4,608
Exploration and evaluation assets	C4	275	541
Intangible assets	C5	133	138
Royalty receivable	C9	213	198
Interests in other entities	E1	413	303
Other non-current assets		7	10
<b>Total non-current assets</b>		<b>8,991</b>	<b>9,269</b>
<b>Total assets</b>		<b>12,801</b>	<b>11,800</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	C10	863	743
Interest-bearing liabilities	D1	48	66
Current tax liabilities		1,542	–
Provisions	C11	79	17
<b>Total current liabilities</b>		<b>2,532</b>	<b>826</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		14	8
Interest-bearing liabilities	D1	625	3,369
Deferred tax liabilities	B6	383	516
Provisions	C11	1,217	935
<b>Total non-current liabilities</b>		<b>2,239</b>	<b>4,828</b>
<b>Total liabilities</b>		<b>4,771</b>	<b>5,654</b>
<b>Net assets</b>		<b>8,030</b>	<b>6,146</b>
<b>EQUITY</b>			
Contributed equity	D2	6,698	6,698
Reserves	D5	(264)	(188)
Retained earnings / (accumulated losses)		1,594	(366)
<b>Capital and reserves attributable to owners of Yancoal Australia Ltd</b>		<b>8,028</b>	<b>6,144</b>
Non-controlling interests		2	2
<b>Total equity</b>		<b>8,030</b>	<b>6,146</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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
<b>Balance at 1 January 2021</b>	<b>6,482</b>	<b>(134)</b>	<b>(1,157)</b>	<b>5,191</b>	<b>2</b>	<b>5,193</b>
Profit after income tax	–	–	791	791	–	791
Other comprehensive expense	–	(55)	–	(55)	–	(55)
<b>Total comprehensive income</b>	<b>–</b>	<b>(55)</b>	<b>791</b>	<b>736</b>	<b>–</b>	<b>736</b>
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:</b>						
Movements in other contributed equity	D2 216	–	–	216	–	216
Movements in other reserves	–	1	–	1	–	1
	216	1	–	217	–	217
<b>Balance at 31 December 2021</b>	<b>6,698</b>	<b>(188)</b>	<b>(366)</b>	<b>6,144</b>	<b>2</b>	<b>6,146</b>
<b>Balance at 1 January 2022</b>	<b>6,698</b>	<b>(188)</b>	<b>(366)</b>	<b>6,144</b>	<b>2</b>	<b>6,146</b>
Profit after income tax	–	–	3,586	3,586	–	3,586
Other comprehensive expense	–	(61)	–	(61)	–	(61)
<b>Total comprehensive income</b>	<b>–</b>	<b>(61)</b>	<b>3,586</b>	<b>3,525</b>	<b>–</b>	<b>3,525</b>
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS:</b>						
Dividends paid	D4 –	–	(1,626)	(1,626)	–	(1,626)
Movements in other reserves	–	(15)	–	(15)	–	(15)
	–	(15)	(1,626)	(1,641)	–	(1,641)
<b>Balance at 31 December 2022</b>	<b>6,698</b>	<b>(264)</b>	<b>1,594</b>	<b>8,028</b>	<b>2</b>	<b>8,030</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTES	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		10,692	5,109
Payments to suppliers and employees		(3,857)	(3,036)
Interest paid		(278)	(180)
Interest received		41	7
Income tax paid		(70)	–
<b>Net cash inflow from operating activities</b>	F3	<b>6,528</b>	<b>1,900</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(548)	(269)
Payments for capitalised exploration and evaluation activities		(2)	–
Repayment of borrowing from joint venture		212	60
Dividend received		36	11
Proceeds from sale of property, plant and equipment		4	1
Receipts of non-contingent royalties		–	4
Payment of non-contingent royalties		–	(13)
Payments for acquisition of interest in joint operation (net of cash acquired)		–	(100)
<b>Net cash outflow from investing activities</b>		<b>(298)</b>	<b>(306)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of interest bearing liabilities - related entities	D1	(2,122)	(232)
Payment of dividends	D4	(1,626)	–
Repayment of interest-bearing liabilities	D1	(1,320)	(958)
Payment of lease liabilities		(40)	(35)
Payment for treasury shares		(25)	–
Proceeds from interest-bearing liabilities		–	464
<b>Net cash outflow from financing activities</b>		<b>(5,133)</b>	<b>(761)</b>
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		1,495	637
Effects of exchange rate changes on cash and cash equivalents		107	25
<b>Cash and cash equivalents at the end of the year</b>	C6	<b>2,699</b>	<b>1,495</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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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 27 February 2023.

The accounting policies adopted are consistent with those of the most recent Annual Financial Report except for as disclosed below under New and amended accounting standards adopted by the Group.

### (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 included 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 on 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

New and amended accounting standards and interpretations effective for the current reporting period include:

AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018 - 2020 and Other Amendments

Amendments to the property, plant and equipment accounting standard has required the entity to recognise the sales proceeds from selling items produced while preparing the assets for its intended use, instead of deducting the amounts received from the cost of the asset. This will affect the production stage underground development costs and the coal produced during a longwall move. Management assessed the impact to the Group on 1 January 2022 to be \$15 million which is not material. These amendments are adopted prospectively.

Except for the above mentioned amendment there were no further changes to the Group's accounting policies and no effect on the amounts reported for the current or prior periods.

### (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 2022 that have not been applied by the Group are disclosed in Note F8.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (ix) Early adoption of standards

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 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.

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 C9
Provisions	Note C11
Interests in other entities	Note E1

## 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 2022 is as follows:

31 DECEMBER 2022	COAL MINING			TOTAL \$M
	NSW \$M	QLD \$M	CORPORATE \$M	
Total segment revenue (i)	9,661	856	(239)	10,278
Add: Fair value losses recycled from hedge reserve	–	–	239	239
<b>Revenue from external customers</b>	<b>9,661</b>	<b>856</b>	<b>–</b>	<b>10,517</b>
Operating EBIT	5,605	295	225	6,125
Operating EBITDA	6,390	338	231	6,959



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022	COAL MINING		CORPORATE \$M	TOTAL \$M
	NSW \$M	QLD \$M		
<b>MATERIAL INCOME OR EXPENSE ITEMS</b>				
<b>Non-cash items</b>				
Depreciation and amortisation	(787)	(42)	(5)	(834)
Remeasurement of contingent royalty	–	–	(60)	(60)
Remeasurement of royalty receivable	–	–	12	12
Impairment charges	(315)	–	–	(315)
	<b>(1,102)</b>	<b>(42)</b>	<b>(53)</b>	<b>(1,197)</b>
<b>Total capital expenditure</b>	<b>831</b>	<b>60</b>	<b>6</b>	<b>897</b>
Segment assets	9,226	781	2,381	12,388
Investments in associates and joint ventures	175	–	238	413
<b>Total assets</b>	<b>9,401</b>	<b>781</b>	<b>2,619</b>	<b>12,801</b>

(i) 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 sea freight, rents and sub-lease rentals, interest income, dividend income and royalty income. Refer to Note B1(b) below.

Interest revenue by segment for 31 December 2022 is as follows: NSW \$nil (2021: \$1 million), QLD \$nil (2021: \$nil) and Corporate \$103 million (2021: \$20 million).

Finance costs by segment for 31 December 2022 is as follows: NSW \$32 million (2021: \$26 million), QLD \$2 million (2021: \$3 million) and Corporate \$425 million (2021: \$230 million).

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

31 DECEMBER 2021	COAL MINING		CORPORATE \$M	TOTAL \$M
	NSW \$M	QLD \$M		
Total segment revenue (i)	4,899	510	(153)	5,256
Add: Fair value losses recycled from hedge reserve	–	–	153	153
<b>Revenue from external customers</b>	<b>4,899</b>	<b>510</b>	<b>–</b>	<b>5,409</b>
Operating EBIT	1,597	70	33	1,700
Operating EBITDA	2,379	111	41	2,531
<b>MATERIAL INCOME OR EXPENSE ITEMS</b>				
<b>Non-cash items</b>				
Depreciation and amortisation	(782)	(41)	(8)	(831)
Remeasurement of contingent royalty	–	–	(33)	(33)
Remeasurement of royalty receivable	–	–	4	4
Impairment charges	(100)	–	–	(100)
	<b>(882)</b>	<b>(41)</b>	<b>(37)</b>	<b>(960)</b>
<b>Total capital expenditure</b>	<b>417</b>	<b>21</b>	<b>1</b>	<b>439</b>
Segment assets	9,133	662	1,701	11,496
Investment in associate and joint ventures	171	–	133	304
<b>Total assets</b>	<b>9,304</b>	<b>662</b>	<b>1,834</b>	<b>11,800</b>

There were no other significant non-cash items recognised during the year ended 31 December 2022 and 31 December 2021 other than those disclosed above.

(i) 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 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

## **(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 end-destination of coal sold. Refer to Note B2 for revenue from external customers split by geographical region.

Revenues from the top five external customers were \$3,489 million (2021: \$1,691 million) which in aggregate represent approximately 33% (2021: 31%) 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 2022 \$M	31 DECEMBER 2021 \$M
<b>Total segment revenue</b>	<b>10,278</b>	<b>5,256</b>
Interest income	103	21
Sea freight	87	79
Royalty revenue	53	28
Other revenue	27	20
<b>Total revenue (refer to Note B2)</b>	<b>10,548</b>	<b>5,404</b>

### **(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 or income from the operating segments such as restructuring costs, business combination related expenses and 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 2022 \$M	31 DECEMBER 2021 \$M
<b>Operating EBITDA</b>	<b>6,959</b>	<b>2,531</b>
Depreciation and amortisation	(834)	(831)
<b>Operating EBIT</b>	<b>6,125</b>	<b>1,700</b>
Interest income	103	21
Finance costs	(459)	(259)
Bank fees and other charges	(53)	(49)
Fair value losses recycled from hedge reserve	(239)	(153)
Impairment charges	(315)	(100)
Remeasurement of contingent royalty	(60)	(33)
Contingent royalty payments	(23)	(28)
Remeasurement of royalty receivable	12	4
<b>Profit before income tax</b>	<b>5,091</b>	<b>1,103</b>

Impairment charges of \$315m comprise a \$171m impairment of the Donaldson assets reducing the non-current operating assets to nil book value (refer Note C3) and a \$144m impairment recognised against the Monash exploration and evaluation assets (refer Note C4).

### **(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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.

#### (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) 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.

##### (iii) 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 2022 \$M	31 DECEMBER 2021 \$M
<b>FROM CONTINUING OPERATIONS</b>		
<i>Sales revenue</i>		
Sale of coal	10,517	5,409
Fair value losses recycled from hedge reserve	(239)	(153)
	<b>10,278</b>	<b>5,256</b>
<i>Other revenue</i>		
Interest income	103	21
Sea freight	87	79
Royalty revenue	53	28
Other items	27	20
	<b>270</b>	<b>148</b>
	<b>10,548</b>	<b>5,404</b>

At 31 December 2022 there are \$151 million (2021: \$143 million) of provisionally priced sales, still to be finalised, of which \$115 million is yet to be collected (2021: \$94 million). These amounts are included in the revenue recognised above.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### *Disaggregation of revenue*

In the following table, revenue from sale of coal is disaggregated by primary geographical market and major products/service lines, based on the end-destination of coal sold. Previously, customer domicile was used to determine the primary geographic market, however end-destination is considered more useful information. Accordingly, the 31 December 2021 table has been restated. 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 has no coal sales:

31 DECEMBER 2022	NSW \$M	QLD \$M	TOTAL \$M
<b>PRIMARY GEOGRAPHICAL MARKETS</b>			
Japan	3,562	169	3,731
Taiwan	2,463	–	2,463
South Korea	1,285	216	1,501
Europe	598	–	598
Malaysia	583	–	583
Vietnam	239	336	575
Thailand	382	–	382
India	212	128	340
Chile	156	–	156
Indonesia	115	–	115
Australia (Yancoal's country of domicile)	64	–	64
Bangladesh	9	–	9
<b>Total</b>	<b>9,668</b>	<b>849</b>	<b>10,517</b>
<b>PRODUCT MIX</b>			
Thermal coal	8,606	–	8,606
Metallurgical coal	1,062	849	1,911
<b>Total</b>	<b>9,668</b>	<b>849</b>	<b>10,517</b>
31 DECEMBER 2021	NSW \$M	QLD \$M	TOTAL \$M
<b>PRIMARY GEOGRAPHICAL MARKETS</b>			
Japan	1,633	125	1,758
Taiwan	1,149	–	1,149
South Korea	718	111	829
India	381	74	455
Thailand	420	–	420
Vietnam	86	200	286
Malaysia	147	6	153
Europe	92	–	92
Australia (Yancoal's country of domicile)	77	1	78
Indonesia	70	–	70
Chile	62	–	62
United Arab Emirates	24	–	24
Cambodia	17	–	17
Pakistan	11	–	11
Bangladesh	5	–	5
<b>Total</b>	<b>4,892</b>	<b>517</b>	<b>5,409</b>
<b>PRODUCT MIX</b>			
Thermal coal	4,382	25	4,406
Metallurgical coal	510	492	1,003
<b>Total</b>	<b>4,892</b>	<b>517</b>	<b>5,409</b>

In 2022 10% of coal sales were attributable to the largest customer and 33% to the top five customers (2021: 8% and 31% respectively).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **Contract balances**

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

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Receivables from contracts with customers	657	619

There are no other contract assets, liabilities or costs as at 31 December 2022 or 31 December 2021.

## **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 2022 \$M	31 DECEMBER 2021 \$M
Net gain on foreign exchange	164	52
Gain on remeasurement of royalty receivable	12	4
Sundry income	7	8
	<b>183</b>	<b>64</b>

## **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 10.5% (previously 10%) from 1 July 2022 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 2022 \$M	31 DECEMBER 2021 \$M
Employee benefits	609	532
Superannuation contributions	53	46
<b>Total employee benefits</b>	<b>662</b>	<b>578</b>

During 2022, \$23 million of employee benefits were capitalised (2021: \$16 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **(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 2022. The total remuneration paid to KMP of the Company and Group during the year is as follows:

	31 DECEMBER 2022 \$	31 DECEMBER 2021 \$
Short-term employee benefits	5,874,875	5,482,202
Post-employment benefits	143,872	133,429
Share-based payments	1,815,475	1,040,413
Other long-term benefits	2,244,580	2,058,029
	<b>10,078,802</b>	<b>8,714,073</b>

### **(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 (2021: four) highest paid individuals who are neither a Director or Chief Executive of the Company are as follows:

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Salaries, allowance and other benefits in kind	3	2
Retirement benefit scheme contributions	–	–
Discretionary bonuses	5	4
	<b>8</b>	<b>6</b>

Their emoluments were within the following bands:

	31 DECEMBER 2022 NUMBER	31 DECEMBER 2021 NUMBER
HK\$8,500,000 to HK\$9,000,000	2	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
HK\$11,000,000 to HK\$11,500,000	1	–

## **B5 EXPENSES**

### **(a) Finance costs**

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Lease charges	9	8
Unwinding of discount on provisions and deferred payables	26	22
Unwinding of discount on related party loan	279	30
Other interest expenses	145	199
<b>Total finance costs</b>	<b>459</b>	<b>259</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(b) Other operating expenses**

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Remeasurement of financial assets	60	33
Bank fees and other charges	53	48
Rehabilitation provision increase	50	–
Rates and other levies	30	28
Information technology	25	20
Contingent royalty payments	23	28
Insurance	22	19
Other operating expenses	19	15
Travel and accommodation	12	7
Rental expense	3	4
<b>Total other operating expenses</b>	<b>297</b>	<b>202</b>

## **(c) Largest suppliers**

In 2022 10% of total operating expenses related to one supplier and 29% to the top five suppliers (2021: 8% and 25% respectively).

## **B6 TAXATION**

### **Accounting policy**

The current tax expense or benefit for the period is the tax payable or receivable 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*

Yancoal Australia Ltd and its wholly-owned subsidiaries have formed a tax consolidated Group. The head entity, Yancoal Australia Ltd, and the members of 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 members of the tax consolidated group.

The members of the tax consolidated group have entered into a tax funding agreement under which the members fully compensate Yancoal Australia Ltd for any current tax liabilities 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.

### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (a) Income tax expense

### (i) Income tax expense

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Current tax expense	(1,612)	–
Deferred tax benefit / (expense)	107	(312)
<b>Income tax expense</b>	<b>(1,505)</b>	<b>(312)</b>
Current tax expense included in income tax expense comprises:		
Current year income tax liability	(1,612)	–
	<b>(1,612)</b>	<b>–</b>
Deferred tax benefit / (expense) included in income tax expense comprises:		
Net (under) / over provision in respect of prior years	(3)	5
Decrease in deferred tax assets (refer to Note B6(b)(ii))	(4)	(422)
Decrease in deferred tax liabilities (refer to Note B6(b)(iii))	114	105
	<b>107</b>	<b>(312)</b>

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

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Profit from continuing operations before tax	5,091	1,103
Tax expense at the Australian tax rate of 30% (2021 - 30%)	(1,527)	(331)
Tax effect of amounts which are not deductible / taxable in calculating taxable income:		
Share of profit of equity-accounted investees not assessable	44	17
(Under) / over provision in prior years	(3)	5
Other	(19)	(3)
<b>Income tax expense</b>	<b>(1,505)</b>	<b>(312)</b>

### (iii) Amounts recognised directly in equity

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$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	(26)	(24)
	<b>(26)</b>	<b>69</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (b) Deferred tax assets and liabilities

### (i) Deferred tax balances

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Deferred tax assets	570	539
Deferred tax liabilities	(953)	(1,055)
	<b>(383)</b>	<b>(516)</b>

### (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
<b>At 1 January 2021</b>	<b>480</b>	<b>232</b>	<b>37</b>	<b>37</b>	<b>59</b>	<b>45</b>	<b>890</b>
Over provision in prior year (Charged)/credited	45	–	2	–	–	–	47
- to profit or loss	(462)	32	(1)	2	–	7	(422)
- directly to equity	–	–	–	–	24	–	24
<b>At 31 December 2021</b>	<b>63</b>	<b>264</b>	<b>38</b>	<b>39</b>	<b>83</b>	<b>52</b>	<b>539</b>
<b>At 1 January 2022</b>	63	264	38	39	83	52	539
Over / (under) provision in prior year (Charged)/credited	15	–	4	(10)	–	–	9
- to profit or loss	(78)	112	–	16	–	(54)	(4)
- directly to equity	–	–	–	–	26	–	26
<b>At 31 December 2022</b>	<b>–</b>	<b>376</b>	<b>42</b>	<b>45</b>	<b>109</b>	<b>(2)</b>	<b>570</b>

The Group has unrecognised capital tax losses (tax effected) of \$8.5 million (2021: capital tax losses \$12 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
<b>At 1 January 2021</b>	<b>39</b>	<b>17</b>	<b>35</b>	<b>831</b>	<b>62</b>	<b>41</b>	<b>1,025</b>
Under provision in prior year Charged/(credited)	28	–	–	12	–	2	42
- to profit or loss	14	(1)	–	(80)	(40)	–	(105)
- directly to equity	–	–	–	–	–	93	93
<b>At 31 December 2021</b>	<b>81</b>	<b>16</b>	<b>37</b>	<b>763</b>	<b>22</b>	<b>136</b>	<b>1,055</b>
<b>At 1 January 2022</b>	81	16	37	763	22	136	1,055
Under / (over) provision in prior year Charged/(credited)	14	–	(1)	–	(1)	–	12
- to profit or loss	4	(2)	8	(100)	60	(84)	(114)
<b>At 31 December 2022</b>	<b>99</b>	<b>14</b>	<b>44</b>	<b>663</b>	<b>81</b>	<b>52</b>	<b>953</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B7 EARNINGS PER SHARE

### Accounting policies

#### (a) Basic earnings per share

Calculated as net earnings 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 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 2022	31 DECEMBER 2021
Total basic earnings per share (cents)	271.6	59.9
Total diluted earnings per share (cents)	270.2	59.7

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

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<i>Basic and diluted earnings per share</i>		
Earnings used in calculating the basic and diluted earnings per share:		
From continuing operations	3,586	791

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

	31 DECEMBER 2022 NUMBER	31 DECEMBER 2021 NUMBER
Ordinary shares on issue at start on the period	1,320,439,437	1,320,439,437
Weighted average number of ordinary shares used in basic earnings per share	1,320,439,437	1,320,439,437
Adjusted for rights and options on issue	6,786,623	3,677,102
<b>Weighted average shares used in diluted earnings per share</b>	<b>1,327,226,060</b>	<b>1,324,116,539</b>

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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.

	ASSETS UNDER CONSTRUCTION \$M	FREEHOLD LAND AND BUILDINGS \$M	MINE DEVELOPMENT \$M	PLANT AND EQUIPMENT \$M	RIGHT OF USE ASSETS \$M	TOTAL \$M
<b>YEAR ENDED 31 DECEMBER 2021</b>						
Opening net book amount	202	400	1,389	1,199	101	3,291
Transfers	(194)	–	86	102	–	(6)
Additions	249	–	104	25	59	437
Disposals	–	–	–	(1)	–	(1)
Depreciation charge	–	(11)	(177)	(263)	(38)	(489)
<b>Closing net book amount</b>	<b>257</b>	<b>389</b>	<b>1,402</b>	<b>1,062</b>	<b>122</b>	<b>3,232</b>
<b>AT 31 DECEMBER 2021</b>						
Cost or fair value	257	484	2,237	3,463	211	6,652
Accumulated depreciation	–	(95)	(835)	(2,401)	(89)	(3,420)
<b>Net book amount</b>	<b>257</b>	<b>389</b>	<b>1,402</b>	<b>1,062</b>	<b>122</b>	<b>3,232</b>

# 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
<b>YEAR ENDED 31 DECEMBER 2022</b>						
Opening net book amount	257	389	1,402	1,062	122	3,232
Transfers	(222)	2	44	172	–	(4)
Additions	481	–	247	72	97	897
Disposals	–	–	–	(1)	(2)	(3)
Impairment	–	–	(70)	(32)	(27)	(129)
Depreciation charge	–	(11)	(210)	(243)	(43)	(507)
<b>Closing net book amount</b>	<b>516</b>	<b>380</b>	<b>1,413</b>	<b>1,030</b>	<b>147</b>	<b>3,486</b>
<b>AT 31 DECEMBER 2022</b>						
Cost	516	484	2,438	3,617	245	7,300
Accumulated depreciation	–	(104)	(1,025)	(2,587)	(98)	(3,814)
<b>Net book amount</b>	<b>516</b>	<b>380</b>	<b>1,413</b>	<b>1,030</b>	<b>147</b>	<b>3,486</b>

During the year ended 31 December 2022 an impairment of \$129 million was recognised against the Donaldson property, plant and equipment assets. Depreciation and amortisation of \$5 million was capitalised during the year (2021: \$7 million).

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

Refer to Note D1(a) 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.

### **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.

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Opening net book amount	4,608	4,883
Transfers from exploration and evaluation	124	69
Impairment	(36)	–
Amortisation	(329)	(344)
<b>Closing net book amount</b>	<b>4,367</b>	<b>4,608</b>

During the year ended 31 December 2022 an impairment of \$36 million was recognised against the Donaldson mining tenement assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C3 IMPAIRMENT OF ASSETS

### Accounting policies

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 Note 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 Stratford Duralie 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 its operating assets have been fully impaired and Austar is progressing toward closure and therefore these sites are 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(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 (13 - 45 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
<b>Coal prices</b>	<p>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\$69 – US\$239 per tonne (2021: US\$57 – US\$105 per tonne) for thermal and US\$136 – US\$249 per tonne (2021: US\$103 – US\$180 per tonne) for metallurgical coal.</p> <p>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.</p> <p>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 during the subsequent COP meetings, including phasing down of coal fired power generation. This contemplates the global seaborne demand for thermal coal will remain relatively consistent to 2024 and then range between remaining relatively consistent or declining to 33% 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.</p> <p>The Group has considered the impacts of a more rigorous international response to climate change under the Paris Agreement incorporating updated pledges for COP27 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 4,6 and 8 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.</p> <p>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.</p> <p>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 following the current market disruptions which include the Russian-Ukraine conflict and weather events impacting supply, the market will take longer to rebalance with continued supply disruptions. The forecast is based on global coal demand growing marginally until 2024 whilst 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.</p>
<b>Foreign exchange rates</b>	<p>The long term AUD/USD forecast exchange rate of \$0.75 (2021: \$0.75) is based on external sources. The year-end AUD/USD exchange rate was \$0.6775 per the Reserve Bank of Australia.</p>
<b>Production and capital costs</b>	<p>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.</p> <p>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.</p>
<b>Coal reserves and resources</b>	<p>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.</p>
<b>Discount rate</b>	<p>The Group has applied a post-tax discount rate of 11% (2021: 10.5%) to discount the forecast future attributable post-tax cash flows.</p> <p>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. External consultants were engaged to consider the Group's discount rate, in particular the effect of ESG concerns on coal asset risk premiums, with 11% assessed as the middle of the range.</p> <p>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.</p>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Based on the above assumptions at 31 December 2022 the recoverable amount is determined to be above book value for all CGU's except Donaldson, resulting in no additional impairment.

Having continued its review of underperforming assets management now considers the prospect of recommencing operations at the Donaldson mine to be unlikely. As such, an impairment provision of \$171 million has been recognised, comprising \$129 million of property, plant and equipment, \$36 million of mining tenements and \$6 million of intangible assets, reducing the non-current operating assets to nil book value.

Impairment provisions recorded in previous years as at 31 December 2022 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.

### **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:

	2022		
	NSW \$M	YARRABEE \$M	MIDDLEMOUNT \$M
<b>Book Value</b>	5,606	359	254
Recoverable Amount	12,393	840	410
Head Room	6,787	481	156
<b>USD COAL PRICE (i)</b>			
+10%	2,349	276	165
-10%	(2,351)	(281)	(171)
<b>EXCHANGE RATE (ii)</b>			
+5 cents	(1,466)	(174)	(106)
-5 cents	1,676	197	119
<b>DISCOUNT RATE (iii)</b>			
+50 bps	(360)	(34)	(15)
-50 bps	385	36	16

(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 \$15 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 all three CGU's. If the WACC was 11.5%, or 0.5% higher, the recoverable amount would exceed book value for all three CGU's.

### **(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 2022 \$M	31 DECEMBER 2021 \$M
Opening net book amount	541	709
Other additions	2	1
Transfers to mining tenements	(124)	(69)
Impairment	(144)	(100)
<b>Closing net book amount</b>	<b>275</b>	<b>541</b>

During the year ended 31 December 2022 an impairment of \$144 million was recognised against the Monash exploration and evaluation assets.

## 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
<b>YEAR ENDED 31 DECEMBER 2021</b>					
Opening net book amount	60	7	57	11	135
Transfers - assets under construction	–	1	5	–	6
Amortisation charge	–	(3)	–	–	(3)
<b>Closing net book amount</b>	<b>60</b>	<b>5</b>	<b>62</b>	<b>11</b>	<b>138</b>
<b>AT 31 DECEMBER 2021</b>					
Cost	60	36	62	16	174
Accumulated amortisation	–	(31)	–	(5)	(36)
<b>Net book amount</b>	<b>60</b>	<b>5</b>	<b>62</b>	<b>11</b>	<b>138</b>

	GOODWILL \$M	COMPUTER SOFTWARE \$M	WATER RIGHTS \$M	OTHER \$M	TOTAL \$M
<b>YEAR ENDED 31 DECEMBER 2022</b>					
Opening net book amount	60	5	62	11	138
Transfers - assets under construction	–	4	–	–	4
Amortisation charge	–	(2)	–	(1)	(3)
Impairment	–	–	(6)	–	(6)
<b>Closing net book amount</b>	<b>60</b>	<b>7</b>	<b>56</b>	<b>10</b>	<b>133</b>
<b>AT 31 DECEMBER 2022</b>					
Cost	60	39	56	16	171
Accumulated amortisation	–	(32)	–	(6)	(38)
<b>Net book amount</b>	<b>60</b>	<b>7</b>	<b>56</b>	<b>10</b>	<b>133</b>

During the year ended 31 December 2022 an impairment of \$6 million was recognised against the Donaldson water rights asset.

The goodwill at 31 December 2022 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 2022. 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 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 2022 \$M	31 DECEMBER 2021 \$M
Cash at bank and in hand	650	621
Deposits at call	1,739	769
Share of cash held in joint operations	310	105
	<b>2,699</b>	<b>1,495</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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.

## C7 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 2022 \$M	31 DECEMBER 2021 \$M
<b>CURRENT</b>		
Trade receivables from contracts with customers	657	619
Other trade receivables	79	88
	<b>736</b>	<b>707</b>
<b>NON-CURRENT</b>		
Receivables from joint venture (i)	–	149
Receivables from other entities (ii)	21	14
Long service leave receivables	76	76
	<b>97</b>	<b>239</b>

- (i) Receivables from joint venture included a loan provided to Middlemount with a face value of \$212 million, which was revalued using the effective interest rate method (to \$149 million at 31 December 2021). This loan has been fully repaid by Middlemount as at 31 December 2022.
- (ii) 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. It also included \$7 million restricted cash paid to Department of Regional NSW.

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 2022 \$M	31 DECEMBER 2021 \$M
0-90 days	633	591
91-180 days	22	5
181-365 days	2	10
Over 1 year	–	13
<b>Total</b>	<b>657</b>	<b>619</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(a) Past due but not impaired**

The ageing analysis of the Group's trade receivables based on the invoice dates, that were past due but not yet impaired as at 31 December 2022 and 2021, is as follows:

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
0-90 days	1	3
91-180 days	–	5
181-365 days	2	10
Over 1 year	–	13
<b>Total</b>	<b>3</b>	<b>31</b>

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.

## **C8 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 2022 \$M	31 DECEMBER 2021 \$M
Coal - at lower of cost or net realisable value	183	142
Tyres and spares - at cost	141	118
Fuel - at cost	6	4
	<b>330</b>	<b>264</b>

## **(a) Inventory expense**

Write downs of inventories to net realisable value recognised as a provision at 31 December 2022 amounted to \$3 million (2021: \$8 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.

## **C9 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Opening balance	221	217
Remeasurement of royalty receivable	12	4
	<b>233</b>	<b>221</b>
Split between:		
Current	20	23
Non-current	213	198
<b>Total</b>	<b>233</b>	<b>221</b>

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.

### **C10 TRADE AND OTHER PAYABLES**

#### **Accounting policy**

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

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 2022 \$M	31 DECEMBER 2021 \$M
Trade payables	669	458
Payroll costs payable	150	136
Interest payable	3	127
Other payables	41	22
	<b>863</b>	<b>743</b>

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

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
0-90 days	663	453
91-180 days	6	5
181-365 days	–	–
Over 1 year	–	–
<b>Total</b>	<b>669</b>	<b>458</b>

The average credit period for trade payable is 60 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C11 PROVISIONS

### Accounting policies

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.

2022	EMPLOYEE BENEFITS \$M	REHABILITATION \$M	TAKE OR PAY \$M	SALES CONTRACT PROVISIONS \$M	OTHER PROVISIONS \$M	TOTAL \$M
At 1 January	93	727	14	43	75	952
Charged / (credited) to profit or loss						
- unwinding of discount	-	22	1	3	-	26
- release of the provision	-	-	(5)	(11)	-	(16)
- utilisation of provisions	-	(25)	-	-	-	(25)
- rehabilitation provision increase	-	50	-	-	-	50
Increase of provisions	2	247	-	-	-	249
Re-measurement of provisions	-	-	-	-	60	60
<b>At 31 December</b>	<b>95</b>	<b>1,021</b>	<b>10</b>	<b>35</b>	<b>135</b>	<b>1,296</b>
Split between:						
Current	6	62	4	7	-	79
Non-current	89	959	6	28	135	1,217
<b>Total</b>	<b>95</b>	<b>1,021</b>	<b>10</b>	<b>35</b>	<b>135</b>	<b>1,296</b>

PROVISION	DESCRIPTION
<b>Employee benefits</b>	<p>The provision for employee benefits represents long service leave entitlements and other incentives accrued by employees.</p> <p>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.</p>
<b>Rehabilitation costs</b>	<p>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.</p> <p><b>Key estimate and judgement:</b></p> <p>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.</p> <p>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), 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.</p>
<b>Take or pay</b>	<p>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.</p> <p><b>Key estimate and judgement:</b></p> <p>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.</p>
<b>Sales contract</b>	<p>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.</p> <p><b>Key estimate and judgement:</b></p> <p>The provision is recognised and estimated based on management's assessment of future market prices.</p>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROVISION	DESCRIPTION
<b>Other provisions</b>	<p>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 &amp; Allied Industries Ltd ("Coal &amp; Allied") acquisition in 2017 which will be amortised over the contract terms ending on 31 August 2030, 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.</p> <p><b>Key estimate and judgement:</b></p> <p>The provision is recognised and estimated based on management's assessment of future market prices of coal.</p>

## 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 policies

##### (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 2022 \$M	31 DECEMBER 2021 \$M
<b>CURRENT</b>		
Lease liabilities	48	32
Bank loans	–	34
	<b>48</b>	<b>66</b>
<b>NON-CURRENT</b>		
Lease liabilities	136	99
Bank loans	489	1,598
Unsecured loans from related parties (i)	–	1,672
	<b>625</b>	<b>3,369</b>
<b>Total interest-bearing liabilities</b>	<b>673</b>	<b>3,435</b>

(i) Included were unsecured interest bearing loans from majority shareholder Yankuang Energy and ultimate parent Shandong Energy. Both were fully repaid during the period (2021: \$883 million and \$789 million). 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
Opening balance at 1 January 2022	131	1,672	1,632
Additions	97	–	–
Repayments	(49)	(2,122)	(1,320)
Disposals	(2)	–	–
Unwind of interest expenses and costs	8	279	22
Foreign exchange movements	(1)	171	155
<b>Closing balance at 31 December 2022</b>	<b>182</b>	<b>–</b>	<b>489</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (a) Bank loans

The bank loans are made up of the following facilities:

	31 DECEMBER 2022			31 DECEMBER 2021	
	FACILITY US \$M	FACILITY \$M	UTILISED \$M	FACILITY \$M	UTILISED \$M
<b>SECURED BANK LOANS</b>					
Syndicated Facility (i)*	–	–	–	1,198	1,198
Syndicated Term Loan (ii)*	333	492	492	459	459
<b>UNSECURED BANK LOAN</b>					
Working capital facility (iii)	–	–	–	69	–
	<b>333</b>	<b>492</b>	<b>492</b>	<b>1,726</b>	<b>1,657</b>

\* Facility balance excludes transaction costs of AU\$3 million (31 December 2021: AU\$24 million).

(i) Syndicated Facility

During 2022, US\$869 million was repaid reducing the facility to nil (31 December 2021 facility amounted to US\$869 million). The facility was fully repaid as at 31 December 2022 and cannot be redrawn.

There was no breach of covenants at 31 December 2022.

(ii) Syndicated Term Loan

On 23 August 2021, the Syndicated Term Loan was 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 a total assets carrying value of \$11,751 million as at 31 December 2022.

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

The Group's general purpose working capital facility with an international bank lapsed on 29 June 2022 and was not renewed. The drawn balance at 31 December 2021 was nil. There was no breach of covenants at 31 December 2022.

## (b) Bank guarantee facilities

Yancoal are party to a bank guarantee facility that has been issued for operational purposes in favour of port, rail, government departments and other operational functions:

PROVIDER	FACILITY AU \$M	UTILISED AU \$M	SECURITY
Syndicate of nine Australian and international banks	975	941	Secured by the assets of the consolidated groups of Yancoal Resources Ltd and Coal & Allied Industries Ltd with carrying value of \$11,751 million. Facility expires on 2 June 2023.
<b>Total</b>	<b>975</b>	<b>941</b>	

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

There was no breach of covenants at 31 December 2022.

## (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 was fund working capital and capital expenditure. The facility could be drawn in both AUD and USD. During the year, US\$398 million has been repaid (31 December 2021: US\$175 million). At 31 December 2022, nil was drawn (31 December 2021: US\$398 million (AU\$548 million)). This facility cannot be redrawn.
- 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 year US\$243 million has been repaid reducing the facility balance to nil (31 December 2021: US\$243 million (AU\$335 million)). This facility cannot be redrawn.

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

On 31 March 2021 Shandong Energy provided the Group a US\$775 million unsecured and subordinated loan. The loan matures on 16 December 2026. During the period, this loan has been early repaid in full.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A revaluation to fair value of the loan was performed at inception. This loan had 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) of 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. During the period, \$279 million was released through interest expense as a result of the early full repayment.

## 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 2022 NUMBER	31 DECEMBER 2021 NUMBER	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<i>(i) Share capital</i>				
Ordinary shares	1,320,439,437	1,320,439,437	6,219	6,219
<i>(ii) Other contributed equity</i>				
Contingent value right shares			263	263
Related party loan contribution			216	216
			<b>479</b>	<b>479</b>
<b>Total contributed equity</b>			<b>6,698</b>	<b>6,698</b>

### 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 was 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. The loan was fully repaid by 31 December 2022.

### 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(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.

The gearing ratios at the reporting dates were as follows:

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Total interest-bearing liabilities	673	3,435
Less: cash and cash equivalents	(2,699)	(1,495)
<b>(Net cash position) / Net debt</b>	<b>(2,026)</b>	<b>1,940</b>
Total equity	8,030	6,146
Total capital	6,004	8,086
<b>Gearing ratio</b>	<b>–</b>	<b>24.0%</b>

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 2021 and 31 December 2022.

DETAILS	DATE OF MEASUREMENT / GRANT	NUMBER OF RIGHTS	DATE OF EXPIRY	CONVERSION PRICE (\$)
<b>MANAGEMENT PERFORMANCE RIGHTS</b>				
2019 LTIP	1 January 2019	591,960	1 January 2022	Nil
2020 LTIP (i)	1 January 2020	2,115,455	1 January 2023	Nil
2021 LTIP	1 January 2021	2,870,651	1 January 2024	Nil
<b>Balance at 31 December 2021</b>		<b>5,578,066</b>		
2020 LTIP (i)	1 January 2020	2,058,080	1 January 2023	Nil
2021 LTIP	1 January 2021	2,802,634	1 January 2024	Nil
2022 LTIP	1 January 2022	2,542,567	1 January 2025	Nil
<b>Balance at 31 December 2022</b>		<b>7,403,281</b>		

	2022 NO. OF RIGHTS	2021 NO. OF RIGHTS
Balance at beginning of the year	5,578,066	3,434,940
Granted during the year	2,542,567	2,870,651
LTIP paid in cash	(236,783)	(153,254)
LTIP rights lapsed	(355,177)	(229,881)
Forfeited during the year	(125,392)	(344,390)
<b>Balance at the end of year</b>	<b>7,403,281</b>	<b>5,578,066</b>

(i) 2020 LTIP is still on issue and expected to vest in first half 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Fair value of performance rights granted

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

	2022 LTIP	2021 LTIP	2020 LTIP
Number of performance rights issued	2,542,567	2,870,651	2,591,655
Number of performance right on issue	2,542,567	2,802,634	2,058,080
Grant date	1 January 2022	1 January 2021	1 January 2020
Average share price at grant date (\$)	2.80	2.45	2.86
Expected dividend yield	10%	10%	8%
Vesting conditions	(a)	(a)	(a)
<b>Value per performance right (\$)</b>	<b>2.10</b>	<b>1.94</b>	<b>2.23</b>

There are a maximum of 7,403,281 shares available for issue, which, if issued as new shares, would represent 0.6% of share capital on issue at 31 December 2022 (31 December 2021: 5,578,066 shares representing 0.4% 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.

	UNVESTED AS AT 1 JANUARY 2022	GRANTED DURING THE YEAR	DATE OF GRANT <sup>(i)</sup>	VESTING PERIOD <sup>(ii)</sup>	CLOSING PRICE OF THE SHARES IMMEDIATELY BEFORE THE GRANT OF AWARDS (\$)	FAIR VALUE OF AWARDS AT THE DATE OF GRANT <sup>(iii)</sup> (\$)	VESTED/ EXPIRED/ LAPSED/ CANCELLED DURING THE YEAR <sup>(iv)</sup>	OUTSTANDING AS AT 31 DECEMBER 2022
David Moult	2,557,999	1,264,113	1 Jan 22	1 Jan 22 to 31 Dec 24	2.80	2,655,211	–	3,822,112
Four highest paid individuals <sup>(v)</sup>	1,077,349	471,471	1 Jan 22	1 Jan 22 to 31 Dec 24	2.80	990,303	223,786	1,325,034
Other Grantees	1,942,718	806,983	1 Jan 22	1 Jan 22 to 31 Dec 24	2.80	1,695,030	493,566	2,256,135
<b>Total</b>	<b>5,578,066</b>	<b>2,542,567</b>				<b>5,340,544</b>	<b>717,352</b>	<b>7,403,281</b>

- (i) 2022 LTIP were allocated to participants on 26 September 2022 however for accounting purposes, the grant date was taken to be 1 January 2022.
- (ii) 2022 LTIP vest subject to two performance conditions: 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 (EPS Awards); and 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 (Costs Target Awards).
- (iii) The fair value as determined under AASB2 is calculated as the number of performance rights granted multiplied by the Volume Weighted Average Price 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 2021; less future estimated dividends during the vesting period.
- (iv) During 2022: From the 2019 LTIP grant 236,784 performance rights vested and 355,176 rights lapsed. Further, an aggregate 125,392 LTIP performance rights lapsed as a result of resignation.
- (v) Five highest paid individuals include the CEO, David Moult, outlined separately in the table above.

LTIP performance share rights are granted for nil consideration. All vested LTIP awards are automatically exercised.

As these LTIP awards have not vested yet, they do not have a weighted average closing price immediately before the date on which these awards were vested.

## D4 DIVIDENDS

### (a) Dividends

	2022		2021	
	CENTS PER SHARE	TOTAL \$M	CENTS PER SHARE	TOTAL \$M
Final dividend for 2021 paid on 29 April 2022	70.40	930	–	–
Interim dividend for 2022 paid on 20 September 2022	52.71	696	–	–
		<b>1,626</b>		–

On 28 February 2022, the Board elected to declare a 2021 dividend allocation of \$930 million, comprising a A\$0.5000 per share final dividend and a A\$0.2040 per share special dividend, both unfranked with a record date of 16 March 2022 and payment date of 29 April 2022.

On 17 August 2022, the Board elected to declare a 2022 interim dividend allocation of \$696 million, A\$0.5271 per share (unfranked), with a record date of 6 September 2022 and payment date of 20 September 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (b) Franking credits

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
Franking credits available for subsequent reporting periods based on an income tax rate of 30% (2021 - 30%)	1,642	25

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

- (a) franking credits that will arise from the settlement of the provision for income tax that are reflected in the current tax payable balance at the reporting date; and
- (b) franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date.

Dividends may be franked from the above balance and from franking credits arising from income tax payments during 2023.

## 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 2022 \$M	31 DECEMBER 2021 \$M
Hedging reserve	(253)	(192)
Treasury shares reserve	(25)	-
Employee compensation reserve	14	4
	<b>(264)</b>	<b>(188)</b>

## (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 2022 \$M	31 DECEMBER 2021 \$M
<i>Hedging reserve - cash flow hedges</i>		
Opening balance	(192)	(137)
Fair value losses recognised on USD interest bearing liabilities	(326)	(232)
Fair value losses recycled to profit or loss	239	153
Deferred income tax benefit	26	24
<b>Closing balance</b>	<b>(253)</b>	<b>(192)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2022:

	2023 \$M	2024 \$M	2025 \$M	2026 \$M	TOTAL \$M
Hedge loss to be recycled in future periods	1	169	4	188	362
Of which:					
Hedges related to loans repaid prior to designated repayment date	1	144	4	185	334
Hedges related to loans yet to be repaid	-	25	-	3	28
					<b>362</b>
<b>Deferred income tax benefit</b>					<b>(109)</b>
<b>Closing balance</b>					<b>253</b>

### (c) Employee compensation reserve

During the period the movements related to any 2022 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 2022 in respect of:

#### (i) Bank guarantees

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>PARENT ENTITY AND GROUP</b>		
Performance guarantees provided to external parties	83	133
Guarantees provided to government departments as required by statute	110	108
	<b>193</b>	<b>241</b>
<b>JOINT VENTURES (EQUITY SHARE)</b>		
Performance guarantees provided to external parties	231	151
Guarantees provided to government departments as required by statute	432	393
	<b>663</b>	<b>544</b>
<b>GUARANTEES HELD ON BEHALF OF RELATED PARTIES (REFER TO NOTE E2(F) FOR DETAILS OF BENEFICIARIES)</b>		
Performance guarantees provided to external parties	81	86
Guarantees provided to government departments as required by statute	4	4
	<b>85</b>	<b>90</b>
	<b>941</b>	<b>875</b>

Refer to Note E1(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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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 2022 \$M	31 DECEMBER 2021 \$M
<b>FINANCIAL ASSETS</b>		
<i>Cash, loans and receivables - amortised cost</i>		
Cash and cash equivalents	2,699	1,495
Trade and other receivables	833	946
<i>Assets at fair value through profit and loss</i>		
Royalty receivable	233	221
	<b>3,765</b>	<b>2,662</b>
<b>FINANCIAL LIABILITIES</b>		
<i>Amortised cost</i>		
Trade and other payables	877	751
Interest-bearing liabilities	673	3,435
	<b>1,550</b>	<b>4,186</b>

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(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.

### **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 C9).

The Group's exposure to US dollar currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	<b>31 DECEMBER 2022 \$M</b>	<b>31 DECEMBER 2021 \$M</b>
Cash and cash equivalents	523	525
Trade and other receivables	626	565
Royalty receivable	233	221
Trade and other payables	(199)	(237)
Interest-bearing liabilities	(492)	(3,608)
<b>Net Exposure</b>	<b>691</b>	<b>(2,534)</b>

### **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	10% DEPRECIATION OF AUD/USD		10% APPRECIATION OF AUD/USD	
	PROFIT AFTER INCOME TAX \$M	EQUITY \$M	PROFIT AFTER INCOME TAX \$M	EQUITY \$M
<b>2022</b>				
Cash and cash equivalents	41	–	(33)	–
Trade and other receivables	49	–	(40)	–
Royalty receivable	18	–	(15)	–
<b>Total increase / (decrease) in financial assets</b>	<b>108</b>	<b>–</b>	<b>(88)</b>	<b>–</b>
Trade and other payables	(15)	–	13	–
Interest-bearing liabilities	–	(38)	–	31
<b>Total (increase) / decrease in financial liabilities</b>	<b>(15)</b>	<b>(38)</b>	<b>13</b>	<b>31</b>
<b>Total increase / (decrease) in profit after tax and equity</b>	<b>93</b>	<b>(38)</b>	<b>(75)</b>	<b>31</b>
<b>2021</b>				
Cash and cash equivalents	41	–	(33)	–
Trade and other receivables	44	–	(36)	–
Royalty receivable	19	–	(16)	–
<b>Total increase / (decrease) in financial assets</b>	<b>104</b>	<b>–</b>	<b>(85)</b>	<b>–</b>
Trade and other payables	(18)	–	15	–
Interest-bearing liabilities	–	(281)	–	230
<b>Total (increase) / decrease in financial liabilities</b>	<b>(18)</b>	<b>(281)</b>	<b>15</b>	<b>230</b>
<b>Total (decrease) / increase in profit after tax and equity</b>	<b>86</b>	<b>(281)</b>	<b>(70)</b>	<b>230</b>

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(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 2022 there are \$151 million of provisionally priced sales (31 December 2021: \$143 million). If coal prices were to increase by 10.0% provisionally priced sales would increase by \$15 million (31 December 2021: \$14 million).

## (iii) Interest rate risk

The Group is subject to interest rate risk that arises from borrowings and cash and cash equivalents. 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 2022, the US\$ bank facility (the Syndicated Term Loan) is subject to USD LIBOR-linked 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 2022. Extensive discussions with internal and external stakeholders are ongoing to manage the risks with the market evolution.

The Group's exposure to interest rate risk and the weighted average interest rate is set out as below:

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2022		31 DECEMBER 2021	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$M
Cash and cash equivalents	3.7	2,699	0.4	1,495
Bank loans and other borrowings	4.8	492	3.3	1,657

## Sensitivity

A 50 bps movement in interest rates would cause an immaterial impact on profit and loss of approximately \$9 million.

## **(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 2022 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 2022 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.

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 2022 \$M	31 DECEMBER 2021 \$M
Cash and cash equivalents	2,699	1,495
Trade and other receivables	833	946
	<b>3,532</b>	<b>2,441</b>

Included in trade and other receivables are significant customers located in Japan, Australia and Taiwan that account for 46%, 17% and 15% of trade receivables respectively (2021: Japan 26%, Australia 19% and Taiwan 18%).

The top five customers included in trade receivables with the largest gross receivable balance as at 31 December 2022 account for 56% of trade receivables (2021: 34%).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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

	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
<b>AT 31 DECEMBER 2022</b>						
Non-derivatives						
Trade and other payables	863	–	–	–	863	863
Lease liabilities	57	43	96	13	209	184
Other interest-bearing liabilities	38	473	54	–	565	489
<b>Total non-derivatives</b>	<b>958</b>	<b>516</b>	<b>150</b>	<b>13</b>	<b>1,637</b>	<b>1,536</b>
<b>AT 31 DECEMBER 2021</b>						
Non-derivatives						
Trade and other payables	743	–	–	–	743	743
Lease liabilities	39	33	60	21	153	131
Other interest-bearing liabilities	213	212	3,833	194	4,452	3,304
<b>Total non-derivatives</b>	<b>995</b>	<b>245</b>	<b>3,893</b>	<b>215</b>	<b>5,348</b>	<b>4,178</b>

## 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 2022 and 2021. 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 2022:

	31 DECEMBER 2022 ROYALTY RECEIVABLE \$M	31 DECEMBER 2021 ROYALTY RECEIVABLE \$M
Opening balance	221	217
Remeasurement of the royalty receivable recognised in profit and loss	12	4
	<b>233</b>	<b>221</b>

#### 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 9.3%.

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 2022 FAIR VALUE INCREASE/ (DECREASE) \$M	31 DECEMBER 2021 FAIR VALUE INCREASE/ (DECREASE) \$M
<b>COAL PRICE</b>		
+10%	20	19
-10%	(20)	(18)
<b>EXCHANGE RATES</b>		
+5 cents	(13)	(13)
-5 cents	15	15
<b>DISCOUNT RATES</b>		
+50 bps	(8)	(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 Wiggins 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 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 and its share of, liabilities, revenues and expenses. 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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **(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% (2021: 95%) 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% (2021: 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% (2021: 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% (2021: 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% (2021: 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (c) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2022 and 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.

NAME OF ENTITY	PLACE OF BUSINESS / COUNTRY OF INCORPORATION	% OF OWNERSHIP INTEREST		NATURE OF RELATIONSHIP	MEASUREMENT METHOD	CARRYING AMOUNT OF INVESTMENT	
		2022 %	2021 %			2022 \$M	2021 \$M
Port Waratah Coal Services Ltd	Australia	30	30	Associate	Equity method	175	171
WICET Holdings Pty Ltd	Australia	25	25	Associate	Equity method	–	–
Middlemount Coal Pty Ltd	Australia	49.9997	49.9997	Joint Venture	Equity method	238	132
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	–	–
<b>Total</b>						<b>413</b>	<b>303</b>

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>AMOUNT RECOGNISED IN PROFIT OR (LOSS):</b>		
Middlemount Coal Pty Ltd	131	52
Port Waratah Coal Services Ltd	15	5
	<b>146</b>	<b>57</b>

## (i) Investment in associates

### Port Waratah Coal Services Ltd

The Group holds a direct shareholding in Port Waratah Coal Services Ltd ("PWCS") of 30% (2021: 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% (2021: 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.

## Movements in carrying amounts

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>MOVEMENTS IN PWCS CARRYING AMOUNTS</b>		
Opening balance	171	177
Share of profit of equity-accounted investees, net of tax	15	5
Dividends received	(11)	(11)
<b>Closing net book amount</b>	<b>175</b>	<b>171</b>

## (ii) Interest in joint ventures

### Middlemount Coal Pty Ltd

Gloucester (SPV) Pty Ltd, has a 49.9997% (2021: 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## HVO Entities

The Group holds a 51% (2021: 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.

## Newcastle Coal Infrastructure Group Pty Ltd

The Group holds 27% (2021: 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.

## 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 2022 \$M	31 DECEMBER 2021 \$M
Opening net book amount	132	80
Share of profit / (loss) of equity-accounted investees, net of tax	131	52
Dividends received	(25)	–
<b>Closing net book amount</b>	<b>238</b>	<b>132</b>

## (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 2022 as 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.

## E2 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.

### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (c) Associates and joint ventures

Refer to Note E1 for details on the associates and joint ventures.

## (d) Transactions with other related parties

The following transactions occurred with related parties:

NOTES	31 DECEMBER 2022 \$'000	31 DECEMBER 2021 \$'000
<b>SALES OF GOODS AND SERVICES</b>		
Sales of coal to Yancoal International Trading Co. Ltd (i)	132,772	21,446
Sales of coal to Yankuang Hainan (i)	26,201	27,019
Sales of coal to Shandong Energy (Qingdao) Intelligent Industry Technology Co. Ltd (i)	22,130	18,647
Provision of marketing and administrative services to Yancoal International Group (ii)	11,601	8,556
Provision of marketing and administrative services to Shandong Energy Group	105	–
	<b>192,809</b>	<b>75,668</b>
<b>PURCHASES OF GOODS AND SERVICES</b>		
Purchases of coal from Syntech Resources Pty Ltd (i)	–	(9,862)
	<b>–</b>	<b>(9,862)</b>
<b>ADVANCES AND LOANS</b>		
Repayment of loans from Middlemount	211,802	60,000
	<b>211,802</b>	<b>60,000</b>
<i>Equity subscription, debt repayment and debt provision</i>		
Repayment of loans from Shandong Energy	(1,181,973)	–
Repayments of loan from Yankuang Energy (ii)	(940,113)	(233,023)
	<b>(2,122,086)</b>	<b>(233,023)</b>
<b>FINANCE COSTS</b>		
Unwinding of discount on loan from Shandong Energy	D1 (279,136)	(29,706)
Interest on loan from Shandong Energy	(37,844)	(34,936)
Interest expenses on loans from Yankuang Energy (ii)	(19,226)	(59,781)
Interest expenses on loans from Yancoal International Resources Development Co., Ltd (ii)	(677)	(9,220)
Interest expenses on loans from Yancoal International (Holding) Co., Ltd (ii)	–	(3,693)
Interest on bond from Yankuang Group (Hong Kong) Ltd	–	(2,718)
	<b>(336,883)</b>	<b>(140,054)</b>
<b>OTHER COSTS</b>		
Port charges to NCIG	(177,443)	(121,375)
Port charges to WICET	(53,653)	(47,845)
Port charges to PWCS	(30,187)	(21,389)
Corporate guarantee fee to Yankuang Energy (ii)	(14,375)	(23,962)
	<b>(275,658)</b>	<b>(214,571)</b>
<b>FINANCE INCOME</b>		
Interest income received from loan receivable with Middlemount	62,910	14,114
Interest income released from loan receivable with Middlemount	–	5,096
	<b>62,910</b>	<b>19,210</b>
<b>OTHER INCOME</b>		
Royalty income charged to Middlemount	28,433	28,270
Dividend income received from Middlemount	25,000	–
Dividend income received from PWCS	12,709	13,058
Bank guarantee fee charged to Yancoal International Group (ii)	2,431	2,216
	<b>68,573</b>	<b>43,544</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **(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 2022 \$'000	31 DECEMBER 2021 \$'000
<b>CURRENT ASSETS</b>		
<i>Trade and other receivables</i>		
Royalty receivable from Middlemount	7,120	46,390
Receivable from Yancoal International Group in relation to cost reimbursement	1,126	4,001
<b>LOANS RECEIVABLE</b>		
Other receivable from Shandong Energy	13	1
Interest income receivable from Middlemount	–	155
	<b>8,259</b>	<b>50,547</b>
<b>NON-CURRENT ASSETS</b>		
<i>Advances to joint venture and associate</i>		
Receivable from Middlemount being an unsecured, non-interest bearing advance	–	148,892
	–	148,892
<b>Total assets</b>	<b>8,259</b>	<b>199,439</b>
<b>CURRENT LIABILITIES</b>		
<i>Other payables</i>		
Payables to Yankuang Energy	–	110,714
Payables to Shandong Energy	–	12,518
Payables to Yancoal International Resources Development Co., Ltd	–	647
	–	<b>123,879</b>
<b>NON-CURRENT LIABILITIES</b>		
<i>Other payables</i>		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan (ii)	–	22,046
Payable to Yankuang Energy being an unsecured, interest-bearing loan (ii)	–	860,913
Payable to Shandong Energy, interest-bearing loan (ii)	–	788,946
	–	<b>1,671,905</b>
<b>Total liabilities</b>	–	<b>1,795,784</b>

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 HK Listing Rules.
- (ii) Fully exempt continuing connected transaction under Chapter 14A of HK 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 2022 \$'000	31 DECEMBER 2021 \$'000
<b>YANCOAL INTERNATIONAL GROUP</b>		
Syntech Resources Pty Ltd	55,727	60,899
AMH (Chinchilla Coal) Pty Ltd	29	29
Premier Coal Ltd	29,062	29,062
Tonford Holdings Pty Ltd	10	10
Athena Joint Venture	3	3
<b>OTHER YANKAUNG ENTITY</b>		
Yankuang Resources Pty Ltd	-	45
	<b>84,831</b>	<b>90,048</b>

## **(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.

## **(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.

## **E3 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 2022 \$M	31 DECEMBER 2021 \$M
Current assets	6,306	3,661
Non-current assets	8,679	8,659
<b>Total assets</b>	<b>14,985</b>	<b>12,320</b>
Current liabilities	8,627	3,786
Non-current liabilities	1,845	4,240
<b>Total liabilities</b>	<b>10,472</b>	<b>8,026</b>
<b>Net assets</b>	<b>4,513</b>	<b>4,294</b>
<i>Shareholders' equity</i>		
Contributed equity	6,698	6,698
Reserves		
Other reserves	(264)	(188)
Accumulated losses	(1,921)	(2,216)
<b>Capital and reserves attributable to the owners of Yancoal Australia Ltd</b>	<b>4,513</b>	<b>4,294</b>
Profit / (loss) for the year	1,921	(54)
Other comprehensive income	(61)	(55)
<b>Total comprehensive income / (expense)</b>	<b>1,860</b>	<b>(109)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Dividends

Subsequent to year end, controlled subsidiaries have declared dividends sufficient to enable the parent to declare a final dividend from accounting profits.

### **(b) Guarantees entered into by the parent entity**

As at 31 December 2022, the parent entity had contingent liabilities in the form of bank guarantees amounting to \$941 million (2021: \$875 million) in support of the operations of the parent entity, its subsidiaries and related parties (refer to Note D6).

### **(c) Contingent liabilities of the parent entity**

There are cross guarantees given by Yancoal Australia Ltd and certain subsidiaries as described in Note E4.

The parent entity did not have any contingent liabilities as at 31 December 2022, except for those described in Note D6 and E5.

## E4 CONTROLLING INTERESTS

### **(i) 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	
			2022 %	2021 %
<b>THE COMPANY</b>				
Yancoal Australia Ltd (i)			100	100
<b>CONTROLLED ENTITIES</b>				
Yancoal Australia Sales Pty Ltd (i) (ii)	Coal sales	100	100	100
Yancoal Resources Pty Ltd (formerly Yancoal Resources Limited) (ii)	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 Insurance Company Limited (iii)	Provision of captive insurance to the Group	19,000,000	100	–
Yancoal Moolarben Pty Ltd (i) (ii)	Coal business development	100	100	100
Moolarben Coal Mines Pty Ltd (ii)	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
Yarrabee Coal Company Pty. Ltd. (ii)	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 resource Coal Ltd) (i) (ii)	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 (i)	Holding company	665	100	100
Duralie Coal Marketing Pty Ltd (i)	Holding company	2	100	100
Duralie Coal Pty Ltd (i) (ii)	Coal mining	2	100	100
Gloucester (SPV) Pty Ltd (ii)	Holding company	2	100	100
Gloucester (Sub Holdings 2) Pty Ltd (i)	Holding company	2	100	100
CIM Mining Pty Ltd (i)	Holding company	30,180,720	100	100
Monash Coal Holdings Pty Ltd (i)	Holding company	100	100	100
CIM Stratford Pty Ltd (i)	Holding company	21,558,606	100	100
CIM Services Pty Ltd (i)	Holding company	8,400,002	100	100

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NAME OF ENTITY	PRINCIPAL ACTIVITIES	ISSUED AND FULLY PAID SHARE CAPITAL \$	EQUITY HOLDING	
			2022 %	2021 %
Monash Coal Pty Ltd (i) (ii)	Coal exploration	100	100	100
Stratford Coal Pty Ltd (i) (ii)	Coal mining	10	100	100
Stratford Coal Marketing Pty Ltd (i)	Coal sales	10	100	100
Coal & Allied Industries Pty Ltd (formerly Coal & Allied Industries Ltd) (ii)	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 (ii)	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	1	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) (ii)	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
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 (ii)	Coal mining	2	100	100
CNA Bengalla Investments Pty Ltd	Holding company	12	100	100
Mount Thorley Operations Pty Ltd (ii)	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	85	85
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
White Mining Pty Ltd (formerly White Mining Limited) (i)	Holding company and mine management	3,300,200	100	100
Watagan Mining Company Pty Ltd (i)	Holding company	100	100	100
Austar Coal Mine Pty Limited (i)	Coal mining and sales	64,000,000	100	100
White Mining Services Pty Limited (i)	Holding company	2	100	100
White Mining (NSW) Pty Limited (i)	Coal mining and sales	10	100	100
Ashton Coal Operations Pty Limited (i)	Mine management	5	100	100
Ashton Coal Mines Pty Ltd (formerly Ashton Coal Mines Ltd) (i)	Coal sales	100	100	100
Donaldson Coal Holdings Pty Ltd (formerly Donaldson Coal Holdings Ltd) (i)	Holding company	204,945,942	100	100
Gloucester (Sub Holdings 1) Pty Ltd (i)	Holding company	2	100	100
Donaldson Coal Pty Ltd (i)	Coal mining and sales	6,688,782	100	100
Donaldson Coal Finance Pty Ltd (i)	Finance company	10	100	100

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NAME OF ENTITY	PRINCIPAL ACTIVITIES	ISSUED AND FULLY PAID SHARE CAPITAL \$	EQUITY HOLDING	
			2022 %	2021 %
Abakk Pty Ltd (i)	Holding company	6	100	100
Newcastle Coal Company Pty Ltd (i)	Coal mining	2,300,999	100	100
Primecoal International Pty Ltd (i)	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 E5.

(ii) 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.

(iii) All subsidiaries included in the table above are incorporated and operate in Australia, except for Yancoal Insurance Company Limited which is incorporated in Guernsey.

No subsidiaries have been deregistered / dissolved during 2022.

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.

## E5 DEED OF CROSS GUARANTEE

Yancoal Australia Ltd and certain subsidiaries (refer to Note E4), 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 2022 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 E4.

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>Revenue</b>	<b>3,172</b>	<b>852</b>
Other income	79	105
Changes in inventories of finished goods and work in progress	24	(3)
Raw materials and consumables used	(94)	(81)
Employee benefits	(188)	(147)
Depreciation and amortisation	(319)	(276)
Coal purchase	(182)	(162)
Impairment charges	(315)	(100)
Transportation	(154)	(140)
Contractual services and plant hire	(68)	(91)
Government royalties	(75)	(41)
Other operating expenses	(495)	(79)
Finance costs	(399)	(228)
<b>Profit / (loss) before income tax</b>	<b>986</b>	<b>(391)</b>
Income tax benefit	569	201
<b>Profit / (loss) after income tax</b>	<b>1,555</b>	<b>(190)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges:		
Fair Value losses taken to equity	(326)	(232)
Fair value losses transferred to profit or loss	239	153
Deferred income tax benefit	26	24
<b>Other comprehensive expense, net of tax</b>	<b>(61)</b>	<b>(55)</b>
<b>Total comprehensive income / (expense)</b>	<b>1,494</b>	<b>(245)</b>
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(1,374)	(1,184)
Dividends paid	(1,626)	–
Profit / (Loss) after income tax	1,555	(190)
<b>Accumulated losses at the end of the financial year</b>	<b>(1,445)</b>	<b>(1,374)</b>

### **(b) Consolidated balance sheet**

Set out below is a Consolidated Balance Sheet as at 31 December 2022 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 2022 \$M	31 DECEMBER 2021 \$M
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,550	959
Trade receivables	6,222	1,679
Inventories	63	34
Other current assets	8	49
<b>Total current assets</b>	<b>7,843</b>	<b>2,721</b>
<b>NON-CURRENT ASSETS</b>		
Trade and other receivables	15	14
Other financial assets	6,791	6,791
Property, plant and equipment	591	746
Exploration and evaluation assets	16	70
Mining tenements	1,071	1,364
Intangible assets	26	29
Deferred tax assets	171	–
Other non-current assets	19	21
<b>Total non-current assets</b>	<b>8,700</b>	<b>9,035</b>
<b>Total assets</b>	<b>16,543</b>	<b>11,756</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	9,609	3,319
Interest-bearing liabilities	13	47
Current tax liabilities	1,542	–
Provisions	5	4
<b>Total current liabilities</b>	<b>11,169</b>	<b>3,370</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing liabilities	48	2,891
Trade and other payable	13	7
Deferred tax liabilities	–	87
Provisions	345	266
<b>Total non-current liabilities</b>	<b>406</b>	<b>3,251</b>
<b>Total liabilities</b>	<b>11,575</b>	<b>6,621</b>
<b>Net assets</b>	<b>4,968</b>	<b>5,135</b>
<b>EQUITY</b>		
Contributed equity	6,416	6,698
Reserves	(3)	(189)
Accumulated losses	(1,445)	(1,374)
<b>Total equity</b>	<b>4,968</b>	<b>5,135</b>

## 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 2022 \$M	31 DECEMBER 2021 \$M
<i>Property, plant and equipment</i>		
Not later than one year		
Share of joint operations	213	187
Other	9	1
Later than one year but not later than five years	–	5
<i>Exploration and evaluation</i>		
Not later than one year		
Share of joint operations	–	1
	<b>222</b>	<b>194</b>

### F2 REMUNERATION OF AUDITORS

#### (a) SW Audit (formerly known as ShineWing Australia)

	31 DECEMBER 2022 \$'000	31 DECEMBER 2021 \$'000
Audit and review of financial statements	1,178	1,233
Audit-related services	31	35
Other assurance services	59	50
<b>Total remuneration of SW Audit</b>	<b>1,268</b>	<b>1,318</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (b) ShineWing China CPA / ShineWing (HK) CPA Ltd

	31 DECEMBER 2022 \$'000	31 DECEMBER 2021 \$'000
Audit and review of financial statements	10	10
	<b>10</b>	<b>10</b>

## (c) Other audit providers

During the year ended 31 December 2022 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 2022 \$'000	31 DECEMBER 2021 \$'000
Deloitte	Hunter Valley Operations	68	65
Ernst & Young	Middlemount	24	36
PwC	PWCS	–	8

## F3 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 DECEMBER 2022 \$M	31 DECEMBER 2021 \$M
<b>Profit after income tax</b>	3,586	791
<i>Non-cash flows in profit or loss:</i>		
Depreciation and amortisation of non-current assets	834	831
Impairment of property, plant and equipment, intangible and exploration assets	315	100
Unwind of non-substantial loan refinance	279	30
Fair value losses recycled from hedge reserve	239	153
Loss on remeasurement of contingent royalty	60	33
Rehabilitation provision increase	50	–
Unwinding of discount on provisions and deferred payables	26	22
Net (gain) / loss on disposal of property, plant and equipment	(5)	1
Gain on remeasurement of royalty receivables	(12)	(4)
Release of provisions	(41)	(44)
Interest income release from joint venture loan	(63)	(14)
Foreign exchange gains	(109)	(61)
Share of profit of equity-accounted investees, net of tax	(146)	(57)
<i>Changes in assets and liabilities:</i>		
Increase in tax provision	1,542	–
Increase in operating payables	93	194
Decrease / (increase) in operating receivables	36	(423)
Decrease / (increase) in prepayments	17	(12)
(Increase) / decrease in inventories	(66)	48
(Increase) / decrease in deferred tax	(107)	312
<b>Net cash inflow from operating activities</b>	<b>6,528</b>	<b>1,900</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## F4 HISTORICAL INFORMATION

The revenue, profit / (loss) after tax, assets and liabilities for the last five years at 31 December are:

	2022 \$M	2021 \$M	2020 \$M	2019 \$M	2018 \$M
Revenue	10,548	5,404	3,473	4,459	4,850
Profit / (loss) before income tax	5,091	1,103	(1,143)	767	1,172
Income tax (expense) / benefit	(1,505)	(312)	103	(48)	(320)
<b>Profit / (loss) after tax</b>	<b>3,586</b>	<b>791</b>	<b>(1,040)</b>	<b>719</b>	<b>852</b>
Profit / (loss) is attributable to:					
Owners of Yancoal Australia Ltd	3,586	791	(1,040)	719	852
Non-controlling interests	–	–	–	–	–
<b>ASSETS AND LIABILITIES</b>					
Current assets	3,810	2,531	1,343	1,773	1,922
Non-current assets	8,991	9,269	9,712	9,320	10,486
<b>Total assets</b>	<b>12,801</b>	<b>11,800</b>	<b>11,055</b>	<b>11,093</b>	<b>12,408</b>
Current liabilities	2,470	826	1,199	2,112	913
Non-current liabilities	2,301	4,828	4,663	2,818	5,657
<b>Total liabilities</b>	<b>4,771</b>	<b>5,654</b>	<b>5,862</b>	<b>4,930</b>	<b>6,570</b>
<b>Net assets</b>	<b>8,030</b>	<b>6,146</b>	<b>5,193</b>	<b>6,163</b>	<b>5,838</b>

## 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 16 February 2023, the Company announced that it was subject to revised directions received from the New South Wales government compelling it to make available up to 310,000 tonnes of coal per quarter to domestic power generators from its attributable saleable production. The directions are effective for the fifteen months, from 1 April 2023 to 30 June 2024 with coal sold under the directions subject to a price cap of A\$125 per tonne delivered for 5,500 kcal/kg products, energy adjusted;
- On 17 February 2023, the Company entered into facility documentation to refinance its existing A\$975 million syndicated bank guarantee facility due to expire on 2 June 2023 with three new contingent liability facilities, totalling A\$1.2 billion for a period of 3 years. The refinance is due to be completed in early March 2023;
- On 27 February 2023, the Directors declared a fully franked final dividend of A\$924 million, A\$0.7000 per share, with a record date of 15 March 2023 and a payment date of 28 April 2023.

## 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(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;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **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.

## **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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018 - 2020 and Other Amendments

Amendments to property, plant and equipment accounting standard has required the entity to recognise the sales proceeds from selling items produced while preparing the assets for its intended use, instead of deducting the amounts received from the cost of the asset. This will affect the production stage underground development costs and the coal produced during

the longwall move. Management assessed the impact to the Group on 1 January 2022 to be \$15 million which is not material. These amendments are adopted prospectively.

Except for the above mentioned amendment there were no further changes to the Group's accounting policies and 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 2022 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	<p>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – deferral of effective date</p> <ul style="list-style-type: none"> <li>• This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. For example, the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified.</li> <li>• 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.</li> <li>• 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.</li> <li>• The amendments clarify the situations that are considered settlement of a liability.</li> </ul> <p>Impact: 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.</p>	1 January 2023
AASB 2022-5	<p>Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</p> <ul style="list-style-type: none"> <li>• This Standard amends AASB 16 to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 Revenue from Contracts with Customers, to be accounted for as a sale.</li> <li>• AASB 16 already requires a seller-lessee to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The amendments made by this Standard ensure that a similar approach is applied by also requiring a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss related to the right of use it retains.</li> </ul> <p>Impact: These amendments are not expected to have a material impact on the Group unless a sale and lease back transaction would occur.</p>	1 January 2024
AASB 2014-10, AASB 2021-7c	<p>AASB 2014-10: Sale or contribution of Assets between an Investor and its Associate or Joint Venture</p> <p>AASB 2021-7c: Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</p> <ul style="list-style-type: none"> <li>• The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</li> <li>• The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</li> <li>• AASB 2021-7c defers the effective date of AASB 2014-10 to 1 January 2025.</li> </ul> <p>Impact: This will only have impact where there has been a sale or contribution of assets between the entity and its investor. In the current period no such material transactions have occurred.</p>	1 January 2025

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE	DETAILS OF NEW STANDARD/AMENDMENT/INTERPRETATION	APPLICATION DATE FOR THE GROUP
AASB 2021-2	<p>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2)</p> <p>This Standard amends a number of standards as follows:</p> <ul style="list-style-type: none"> <li>• AASB 7: Financial Instruments: Disclosures to clarify that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements;</li> <li>• AASB 101: Presentation of Financial Statements to require entities to disclose their material accounting policy information rather than their significant accounting policies;</li> <li>• AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;</li> <li>• AASB 134: Interim Financial Reporting to identify material accounting policy information as a component of a complete set of financial statements; and</li> <li>• AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</li> </ul> <p>Impact:</p> <p>No impact on reported financial performance or position. Reductions in the quantum of accounting policies disclosures to focus on key decision areas and material policies only.</p>	1 January 2023
AASB 2021-5	<p>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (AASB 1 and AASB 112)</p> <ul style="list-style-type: none"> <li>• This Standard amends AASB 112 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.</li> <li>• In addition, AASB 2021-5 amends AASB 1 to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to Australian Accounting Standards, despite the exemption set out in AASB 112.</li> </ul> <p>Impact:</p> <p>The Group is currently adhering to this standard and there is no material impact on the Group’s financial report.</p>	1 January 2023

# DIRECTORS' DECLARATION

## For the year ended 31 December 2022

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 64 to 123 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 2022 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 E5 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 E5.

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

27 February 2023

# INDEPENDENT AUDITOR'S REPORT



Take the lead

## 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 2022, 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 are 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 2022 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards and the Corporations Regulations 2001.

##### 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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**1. Recoverability of long-life assets (Note C3)**

Area of focus	How our audit addressed the area of focus
<p>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 <i>Impairment of Assets</i>.</p> <p>These assets represent 89% of the Group's non-current assets which includes property, plant and equipment (note C1), mining tenements (note C2) and intangible assets (note C5).</p> <p>Significant judgement is required to assess the recoverable amount of these assets. We have determined this to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• considering the assessment of the existence of impairment indicators</li> <li>• assessing the basis for determining the Cash-Generating Units (CGUs)</li> <li>• obtaining an understanding and assessing key controls over the preparation of the fair value models</li> <li>• obtaining an understanding of the methods, assumptions and data used in the fair value models</li> <li>• testing the accuracy of the fair value models</li> <li>• assessing whether the methods, assumptions and data were appropriate</li> <li>• obtaining the assistance of valuation experts in assessing whether certain key assumptions are appropriate</li> <li>• assessing the adequacy of the Group's impairment disclosures relating to the recoverability of long-life assets.</li> </ul>

**2. Rehabilitation provision (Note C11)**

Area of focus	How our audit addressed the area of focus
<p>The Group has closure and rehabilitation obligations to restore and rehabilitate environmental disturbances created by its operations sites.</p> <p>The rehabilitation provision has been created based on management's internal estimates and assumptions relating to the current economic environment, which management believes is a reasonable basis upon which to estimate the future liability. Significant judgement is required to assess the completeness of the provisions.</p> <p>The rehabilitation provision is an accounting estimate which is subject to estimation uncertainty. We have determined this to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• evaluating the Group's legal and regulatory obligations for closure and rehabilitation</li> <li>• obtaining an understanding and assessing key controls over the preparation of rehabilitation provision</li> <li>• obtaining an understanding of the methods, assumptions and data used in the rehabilitation provision</li> <li>• testing whether the future rehabilitation costs were consistent with the closure plans prepared by the Group's internal experts for relevant sites</li> <li>• testing the mathematical accuracy of the closure and rehabilitation provision calculations</li> <li>• assessing the qualifications, competence and objectivity of the internal and external experts and that the information provided by the Group's</li> </ul>



experts has been appropriately reflected in the calculation of the closure and rehabilitation provisions

- assessing the key assumptions used by management, including benchmarking to comparable market data
- assessing the adequacy of the Group's disclosures relating to the rehabilitation and closure cost provision

### 3. Taxation (Note B6)

#### 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.

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 tax laws and regulations.

Significant judgement is required to calculate taxation balances. Due to the size of the current and deferred tax balances, we consider this a key audit matter.

#### How our audit addressed the area of focus

Our audit procedures included:

- checking the accuracy of the taxation work papers provided by the Group
- engaging the use of our tax experts to assist with:
  - reviewing the tax calculations
  - assessing transfer pricing documentation
  - considering the prior period tax returns
- assessing the adequacy of the Group's taxation related disclosures.

#### 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 financial report for the year ended 31 December 2022 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.
- 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 30 to 44 of the directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Yancoal Australia Ltd for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

### 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.



**SW Audit** (formerly ShineWing Australia)  
Chartered Accountants



Yang (Bessie) Zhang  
Partner



Rami Eltchelebi  
Partner

Sydney, 27 February 2023

# 2022 CORPORATE GOVERNANCE STATEMENT

## 2022 CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The Board and management of the Company are committed to good 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 Part 2 of 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 2022. 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 2022, the Board composition was:

#### EXECUTIVE DIRECTORS

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Ning Zhang

#### NON-EXECUTIVE DIRECTORS

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Baocai Zhang (Chairman)

Cunliang Lai (from 1 January to 30 May 2022)

Yaomeng Xiao (from 30 May 2022)

Qingchun Zhao

Xiangqian Wu

Xing Feng

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

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Gregory James Fletcher

Geoffrey William Raby

Helen Jane Gillies

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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 21.

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 2022 and each director's attendance at these meetings is set out in the Directors' Report on page 27.

# 2022 CORPORATE GOVERNANCE STATEMENT

## 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 Moulton. 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. 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	<ul style="list-style-type: none"> <li>Executive experience in mining, engineering or resources companies</li> <li>Experience in engineering, exploration and production projects both domestically and internationally</li> </ul>
Capital projects	<ul style="list-style-type: none"> <li>Experience in assessing commercial viability of major capital projects</li> <li>Experience in the delivery of large-scale capital projects</li> </ul>
Trading / marketing	<ul style="list-style-type: none"> <li>Relevant experience in marketing and trading of coal</li> </ul>
Strategy	<ul style="list-style-type: none"> <li>Experience in developing and implementing successful business strategy, including appropriately overseeing management on the delivery of agreed strategic planning objectives</li> </ul>
Leadership	<ul style="list-style-type: none"> <li>Experience at a senior executive level working in a large organisation</li> </ul>
Board experience	<ul style="list-style-type: none"> <li>Experience in serving on Boards of varying size and composition, in varying industries and for a range of organisations</li> </ul>

Corporate governance	<ul style="list-style-type: none"> <li>Experience in governance within large organisations and multi-jurisdictional compliance environments</li> <li>Publicly listed company experience</li> </ul>
Accounting / audit / risk management	<ul style="list-style-type: none"> <li>Experience in financial accounting, reporting and corporate finance, including recognising and evaluating financial risks and maintaining effective risk management and internal controls</li> </ul>
Government / policy	<ul style="list-style-type: none"> <li>Experience in government affairs, and public and regulatory policy</li> </ul>
Legal / regulatory	<ul style="list-style-type: none"> <li>Experience in compliance and knowledge of legal and regulatory requirements</li> </ul>
Health, safety and environment	<ul style="list-style-type: none"> <li>Experience in health, safety and environment, including controlling risks and implementing and monitoring health, safety and environment strategies and procedures</li> </ul>
Human resources	<ul style="list-style-type: none"> <li>Experience in remuneration, workplace culture, people management and succession planning</li> </ul>
International business expertise	<ul style="list-style-type: none"> <li>Experience in and exposure to political, cultural, regulatory and business environments in a range of global locations</li> <li>Experience with doing business in China, including with government agencies, regulators and customers</li> </ul>

## 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. 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;

## 2022 CORPORATE GOVERNANCE STATEMENT

- 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. Further information regarding the Nomination and Remuneration Committee is outlined under the Board committees section below.

The Board recognises that people are its most important asset and is committed to the maintenance and promotion of diversity and inclusion in the workplace at all levels of the organisation. The Company's Diversity and Inclusion Policy, approved by the Board, seeks to actively facilitate a more diverse and representative management and leadership structure. The Company has a strong commitment to gender diversity including to ensure the adequate representation of women in senior executive positions and on the Board.

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.

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 or are likely to affect, or could appear to affect, their independent judgement.

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 its holding company or any of their respective child entities;

## 2022 CORPORATE GOVERNANCE STATEMENT

- 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 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 with any person who falls within any of the categories described above;
- has not been a Director of the Company, for such a period that his or her independence from management and substantial holders may have been compromised; and
- 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 Company 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 Company 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 Non-Executive Director must regularly, and at least annually, 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 with assistance from the Nomination and Remuneration Committee on a regular basis and at least annually at or around the time that the Board or the Nomination and Remuneration Committee considers candidates for re-election to the Board.

The independent Non-Executive Directors have confirmed their independence in accordance with Rule 3.13 of the HK Listing Rules, the ASX Listing Rules and the Board Charter 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, the ASX Listing Rules and the Board Charter. Accordingly, the Company considers that the independent Non-Executive Directors continue to be independent.

The Company has established the following mechanisms to ensure independent views and input are available to the Board:

- A sufficient number of three Independent Non-executive Directors representing one-third of the Board have been appointed and all of them continue to devote adequate time contribution to the Company;
- All Independent Non-Executive Directors are required to confirm in writing annually their compliance of independence requirements as set out under Rule 3.13 of the Listing Rules;
- Annual meeting between the Chairman and all Independent Non-executive Directors without presence of other Directors providing an effective platform for the Chairman to listen to independent views on various issues concerning the Company;

## 2022 CORPORATE GOVERNANCE STATEMENT

- Independent professional advice would be provided to Independent Non-executive Directors upon reasonable request to assist them to perform their duties to the Company;
- Non-executive Directors receive fixed fee(s) for their role as members of the Board and Board Committee(s) as appropriate;
- Non-executive Directors' independence is assessed upon appointment, annually, and at any other time where the circumstances warrant reconsideration;
- All Directors are encouraged to express freely their independent views and constructive challenges during the Board / Board Committees meetings; and
- An Independent Board Committee consisting of independent Non-Executive Directors is established by the Board as and when required to manage any related party transactions.

The Board will review the implementation and effectiveness of such mechanisms on an annual basis.

### 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 Party 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 briefings on workplace culture, HKEX disclosure requirements, updates on employment and industrial reforms, cybersecurity, ESG, privacy and competition 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.

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:



## 2022 CORPORATE GOVERNANCE STATEMENT

- 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 and last revised 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.

#### Board committees

On a periodic basis, Directors will provide written feedback in relation to the performance of the Board, its committees and individual Directors against a set of agreed criteria. At such time, each committee of the Board will also be required to provide feedback in terms of a review of its own performance and the feedback is discussed by the Board, with consideration of whether any steps for improvement are required. Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

#### 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.

Periodically a performance review 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 six 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 the last review of the Board and its committees was conducted internally in 2021.

The Company has not undertaken a review of the performance of the Board and its committees for the financial year ending 31 December 2022 and accordingly the Company has not complied with Recommendation 1.6(b) of the ASX Recommendations. However, the Board considers that in light of the changes in the composition of the Board and in the Nomination and Remuneration Committee this year, the Australia-China geopolitical situation and the inability of Directors to travel to have face to face meetings given Covid restrictions, it was not appropriate to conduct board performance evaluations in respect of 2022.

#### 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 evaluations for the CEC, CEO and senior Executives will take place in 2023 (in respect of 2022), and will be carried out 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 2022, the Nomination and Remuneration Committee engaged consulting firm PwC to conduct an independent review of the remuneration framework.

### 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 2022, no changes were made to the structure of senior Executive contracts. 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 30 to 44.

## 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:



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.

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## AUDIT AND RISK MANAGEMENT COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p><b>Independent Non-Executive Directors:</b> Gregory James Fletcher – Chair Helen Jane Gillies</p> <p><b>Non-Executive Directors:</b> Qingchun Zhao</p> <p>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 of three Non- Executive Directors for the audit committee, 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.</p>	<p>The committee's objectives are to:</p> <ul style="list-style-type: none"><li>• help the Board in relation to the reporting of financial information;</li><li>• advise on the appropriate application and amendment of accounting policies;</li><li>• make evaluations and recommendations to the shareholders of the Company regarding the external auditor;</li><li>• recommend to the Board the remuneration of the external auditor for shareholder approval as required in accordance with the Constitution;</li><li>• provide a link between the Board and the external auditor and management;</li><li>• ensure that the Board, Directors and management are aware of material risks facing the business;</li><li>• ensure the systems in place to identify, monitor and assess risk are appropriate and operating effectively; and</li><li>• assess the independence of the external auditor.</li></ul> <p>During the financial year ended 31 December 2022, work performed by the committee included, but was not limited to:</p> <ul style="list-style-type: none"><li>• review and endorsement of the Company's Interim and Annual Financial Results;</li><li>• consideration of external audit reports and approval of external auditor's audit plan;</li><li>• engagement of non-audit services;</li><li>• consideration of the Company's asset impairment assessments;</li><li>• review of the Company's related party and connected transactions;</li><li>• annual review of Enterprise Risk Management Framework;</li><li>• regular updates on cyber-security matters;</li><li>• in-camera sessions with external auditors and internal auditors;</li><li>• regular updates on potential speak-up facility matters maintained by an independent third party;</li><li>• 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</li><li>• evaluation of the Company's debt facilities.</li></ul> <p>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.</p>

## HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p><b>Independent Non-Executive Directors:</b> Geoffrey William Raby – Chair</p> <p><b>Non-Executive Directors:</b> Xiangqian Wu</p> <p><b>Executive Directors:</b> Ning Zhang</p> <p>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.</p>	<p>The committee assists the Board to:</p> <ul style="list-style-type: none"><li>• fulfil its responsibilities in relation to the health, safety, environment, and community (collectively "HSEC") matters arising out of the activities of the Company;</li><li>• 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</li><li>• provide necessary focus and guidance on HSEC matters across the Company.</li></ul> <p>During the financial year ended 31 December 2022, work performed by the committee included, but was not limited to:</p> <ul style="list-style-type: none"><li>• monitoring the Company's ongoing health and safety and environmental performance, including significant incidents and regulatory investigations;</li><li>• overseeing major initiatives;</li><li>• endorsing the Company's Modern Slavery Action Plan;</li><li>• considering independent environmental assurance audits for various Company mine sites;</li><li>• reviewing and endorsing the Company's 2021 Environmental, Social and Governance Report; and</li><li>• overseeing community initiatives and health, safety and environmental legal and compliance matters.</li></ul> <p>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.</p>

# 2022 CORPORATE GOVERNANCE STATEMENT

## NOMINATION AND REMUNERATION COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p><b>Independent Non-Executive Directors:</b></p> <p>Helen Jane Gillies – Chair Gregory James Fletcher Geoffrey William Raby</p> <p><b>Non-Executive Directors:</b></p> <p>Baocai Zhang Yaomeng Xiao (from 28 October 2022)</p> <p>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.</p>	<p>The committee assists the Board of the Company by making recommendations in relation to:</p> <ul style="list-style-type: none"><li>• Board composition and succession planning for the Board and the CEO and oversight of succession planning for the Executive Committee;</li><li>• 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;</li><li>• the public reporting of remuneration for Directors and key management personnel and other members of the Executive Committee;</li><li>• oversight of the performance assessment of the Executive Committee;</li><li>• designing Company remuneration policy and regulations with regard to corporate governance; and</li><li>• oversight of the progress of the diversity and inclusion strategy, as well as diversity metrics at the organisation and operation level.</li></ul> <p>During the financial year ended 31 December 2022, work performed by the committee included, but was not limited to:</p> <ul style="list-style-type: none"><li>• consideration of re-election of Directors;</li><li>• undertaking a review of the Company's organisational structure, succession planning and composition of the Executive Committee;</li><li>• undertaking an external, independent review of the executive remuneration structure to ensure it still meets its objectives;</li><li>• endorsed amendments to the Diversity and Inclusion Policy and the Nomination and Remuneration Committee Charter regarding diversity and inclusion matters;</li><li>• review of the 2021 Corporate Governance Statement, including diversity and measurable objectives;</li><li>• finalisation and endorsement of Company short-term and long-term incentive plans and Company salary indexation and performance assessment implementation;</li><li>• monitoring workplace culture with a focus on Yancoal's efforts to prevent, and respond to, inappropriate workplace conduct, including sexual harassment, bullying and racism; and</li><li>• keeping abreast of the current labour market conditions, the risks the tight labour market creates for talent attraction and retention and Yancoal's response to managing those risks.</li></ul> <p>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.</p>

# 2022 CORPORATE GOVERNANCE STATEMENT

## STRATEGY AND DEVELOPMENT COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p><b>Independent Non-Executive Directors:</b> Geoffrey William Raby</p> <p><b>Non-Executive Directors:</b> Baocai Zhang – Chair Qingchun Zhao Xing Feng</p> <p>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.</p>	<p>The committee assists the Board in its oversight and review of the Company's strategic initiatives, including:</p> <ul style="list-style-type: none"><li>• merger and acquisition proposals;</li><li>• major capital markets transactions;</li><li>• significant investment opportunities; and</li><li>• proposals to dispose of significant Company assets.</li></ul> <p>During the financial year ended 31 December 2022, work performed by the committee included, but was not limited to:</p> <ul style="list-style-type: none"><li>• consideration of capital management issues for projects; and</li><li>• evaluation of various acquisition opportunities and organic growth opportunities.</li></ul> <p>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.</p>

## INDEPENDENT BOARD COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p>An Independent Board Committee is composed of independent Non-Executive Directors who do not have a material interest in the relevant transactions.</p>	<p>An Independent Board Committee is established by the Board as and when required to manage any related party transactions.</p> <p>During the financial year ended 31 December 2022, the Independent Board Committee met for the purposes of considering transactions between or involving the Company and its majority shareholder, Yankuang Energy.</p>

### Meetings and attendance

The number of meetings held by the Board and each committee during 2022 and each member's attendance at these meetings is set out in the Directors' Report on page 27.

## 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.

# 2022 CORPORATE GOVERNANCE STATEMENT

Our beliefs are underpinned by our core values which drive our daily behaviour. Our five core values are:



## **PATH WAY PEOPLE**

We value involvement from everyone. Full engagement is encouraged. 99% of what we need to know is already within the Yancoal workforce.



## **SAFE WAY SAFETY**

Safety is not optional. It is considered in everything we do to eliminate harm to our people.



## **HIGH WAY EXCELLENCE**

We identify and implement best practice and operate above the line in the 'can do' zone with courage, trust and pride.



## **BETTER WAY INNOVATION**

We seek to continuously improve all aspects of our business.



## **RIGHT WAY INTEGRITY**

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 policies, which are approved by the Board. The Code of Conduct and other key governance policies 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 policies.

### **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 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 Company has in place processes for protecting, supporting and monitoring the welfare of anyone who makes a disclosure under 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 2022, 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. 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 2022 to 31 December 2022.

## 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 major shareholder, Yankuang Energy, to ensure that Yankuang Energy can comply with its disclosure obligations in relation to Company information.

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Similarly, 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 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.

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 2022, 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 2022 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. 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 -



## 2022 CORPORATE GOVERNANCE STATEMENT

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 and wider business 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.

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 2021 Environmental, Social and Governance Report published on the ASX and HKEx platforms and available on the Company's website. The 2022 Environmental, Social and Governance Report will be published later in 2023.

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 or transferred. 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	✓	✓
Overlapping tenement	✓	✓
Transition to a lower carbon economy	✓	✓
Technological change	✓	
Fraud or misconduct		✓
Changes in government policy, legislation or regulation	✓	
Geopolitical Environment		✓
Environment	✓	✓
Litigation	✓	✓
Native Title / Aboriginal Cultural Heritage	✓	✓

### Operational and coal production risks

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.

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The Company's coal production can be impacted by a number of factors, including (but not limited to) for example unforeseen geological or geotechnical issues, inappropriate mine design / plans, underground mine roof falls changes or variations in coal quality, high-wall or low-wall failures, cave-ins or other failures relating to mine infrastructure, including tailings dams, hydrologic or other conditions, 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 Heavy Mining Equipment), unforeseen delays or complexities in installing and operating mining longwall systems, fires and explosions from methane gas or coal dust, adverse weather including abnormal weather conditions (including prolonged wet weather, flooding and draught), bushfire events, discontinuity caused by poor mining conditions in underground development, inability to dispose of tailings and rejects, insufficient water supply, industrial action, labour shortages, supply chain interruptions, power interruption, damage to third party infrastructure, accidental and mine water discharges, protracted breakdown of rail and port infrastructure. Regulatory factors and the occurrence of other operating risks can also limit production.

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; logistics services were potentially severed; and excess water in active open-cut operations restricted mining access, particularly when onsite water storage limits exceeded capacity. Sites are managing such risks at an operational level, including water conservation initiatives and flood mitigation measures.

The Company reviews the risks and controls at each site on a regular basis. It validates that related information remains up to date, and applicable controls are in place to minimise or mitigate the occurrence and impact of the risk to the extent practicably possible.

### **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, handling of tyres, ground or strata instability, fires and explosions, explosives, inrush and inundation, stockpile and reclaim tunnels, integrity of structures and fixed plant, coal or gas bursts, lifting and working with suspended loads, working

at heights or in confined spaces as well as manual handling and slip, trip and fall events. 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 maintains an Occupational Health and Safety Management System Framework that sets out the minimum requirements across the operations. It also 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 periodically reviewed at each site to mitigate the core hazard and associated health and safety risks. Management has also performed a risk assessment around psychosocial risks outlined within the Safe Work NSW Code of Practice – Managing Psychosocial Hazards in the Workplace, and the new ISO 45003 Occupational health and safety management — Psychological health and safety at work — Guidelines for managing psychosocial risks. This risk assessment covers common psychosocial risks across all operational sites and corporate offices and identified controls/mitigants to target the hazards identified and risks assessed. During the year, Yancoal commenced implementation of its four stage / year Mental Health Program. During 2022, Yancoal launched the "Safe Way Every Day" program, a five-year program that has been designed to provide a consistent approach to Health, Safety and Training management across all Yancoal operations, and support the integration of a safety culture across the business.

The company remains exposed to pandemic related risks, including COVID-19. 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 continues to strongly encourage vaccinations across its workforce and to maintain a scalable COVID-19 control program across mine sites and offices.

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## 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 planned production increases or changes to mine plans) 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 introduced state government policies and guidelines 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)*, NSW Extraction Plan Guideline (October 2022) and the *State Environmental Planning Policy (Resources and Energy) 2021 (NSW)*. Each of these policies is relevant to the areas in which the Company has mining operations. Regulations and policies 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 2018, the QLD Government revised the process by which mining companies are required to calculate and provide security for their rehabilitation liability. Companies 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.

## 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.

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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. Claims to protect areas of Aboriginal cultural heritage significance may be brought by Aboriginal parties. In addition, 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 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.

The transition to a lower carbon economy gathered pace in 2022, with the 2022 United Nations Climate Change Conference of Parties (COP27) in Sharm El-Sheik, Egypt.

The federal government recently passed legislation to target a 43% reduction in emissions by 2030. As such, there is an increased focus on high emitting industries such as coal mining. The government is working on changes to legislation and regulations to progressively step down "baselines" under the safeguard mechanism within the National Greenhouse and Energy Reporting Act. Such changes are likely to require safeguard facilities to purchase and retire "Australian Carbon Credit Units" (ACCU's) or new "Safeguard Mechanism Credits" (SMC's) for emissions in excess of their baselines.

Details of these changes are being developed by government. Currently it is not possible to estimate the quantity or price of ACCU's or SMC's the Company may be required to acquire. Nonetheless, we expect these changes to impact financial returns from July 2023.

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 GHG 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.

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. In terms of physical risks, sites are consistently managing these at an operational level, including water conservation initiatives and flood mitigation measures.

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

## 2022 CORPORATE GOVERNANCE STATEMENT

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.

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. The Company's marketing team is constantly developing a more diversified customer base to improve revenue resilience.

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 factors, 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. Within this context, 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 its business into the future.

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.

Additional details relating to the transition to a lower carbon economy is provided in the Company's 2021 Environmental, Social and Governance Report published on the ASX and HKEx

platforms and available on the Company's website. The 2022 Environmental, Social and Governance Report will be published by the end of April 2023.

### **ESG and supply chain**

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. ESG considerations are 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.

### **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 (including cyber fraud), misrepresentation, money laundering, corruption 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, the domestic coal reservation policy as proposed by NSW government, 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.

### **Taxation**

The Company is subject to a range of taxation obligations, which is managed under its Tax Policy. Tax risks arise from business systems, operations and development, as well as external factors including regulatory assurance activities, changes in tax and industry legislation and regulations.

The Company publishes a Tax Transparency Report annually, covering its approach to tax, and tax governance and tax risk management framework.

### **Royalties**

Royalties are payable to the NSW and QLD state governments on coal produced in NSW and QLD. In both states, the royalties are payable on an ad valorem basis as they are calculated as a percentage of the value for which the coal is sold. There is a risk when the NSW and QLD state governments increase these royalties or their method of calculation; as done recently by QLD state government. Any future impost of any new royalty related state tax or increase in royalty rates has an adverse effect on the Company's financial position and/or financial performance.

While the Company maintains active engagement with all stakeholders such as the government, industry forums and peer-groups, the risk mitigation is limited as the risk impact is influenced by external factors.

### **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.

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 maintains regular corporate oversight and management reporting on compliance to company policies and regulatory requirements. It 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, with a primary focus on the identification and management of environmental risks.

## 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.

Breach of contractual obligations to key clients such as delayed or non-delivery of coal can expose the Company to financial loss and reputational impact. 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 coal prices and demand, foreign exchange rates, insurance, transport and infrastructure, technology and cyber vulnerabilities, estimates of coal resources and reserves, business development risks, funding, impairments, NCIG and WICET debt, people and talent management and Joint Ventures and reliance on third parties. These are further outlined below.

### 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.

### 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's 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 also 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 addition, insurance may not be available or continue to be available at economically acceptable premiums and therefore require a form of self-insurance. Yancoal established a wholly owned captive insurance company in FY22 that retained some initial risk during the financial year and over time seeks to build up risk capital and help off-set future reductions in external insurance capacity. However, in the absence of external insurance coverage and therefore external risk transfer, major losses could adversely affect the future financial performance of the Company.

### **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.

Risk exposures are managed by a dedicated team of experts, of both Yancoal assets as well as the greater supply chains used. Mitigating activities undertaken includes actively monitoring previously experienced, current and emerging risks by analysis of automated data capture from supply chain operations, as well as information shared with all other supply chain intermediaries.

The Company also performs an active role in key industry forums, including government bodies, as well as incident management and critical response groups.

### **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. The Company is enforcing the cyber defensive measures by deploying tools and technologies related (but not limited) to remote vendor access, multi-factor authentication, intrusion protection and other monitoring systems.

### **Estimates of Coal Resources and Reserves and geology**

The volume and quality of the coal that the Company recovers may be less than the Coal Resource and Reserve estimates reported to date. Coal 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.



## 2022 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.

### 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 an other NCIG or WICET shipper was to default on its contractual obligations and was unable to pay its share of the NCIG or WICET debt respectively, 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.

### People and talent management

The retention and attraction of talent will remain a key risk as the labour market constraints in the Australian coal industry are expected to remain for the foreseeable future. The key to ongoing success and sustainability as a business is maintaining and upholding company culture, which is underpinned by the Yancoal values and beliefs. During 2022, after engaging with the staff, the Company developed a purpose statement and set of inclusive leadership behaviours. These resources serve to reinforce and safeguard Company culture for the future. The Company workplace culture and employee value proposition are

crucial in the ability to attract and retain people. This combined with a review of allowances, retention payments and more flexible rostering arrangements has meant that the Company has done particularly well to retain employees, with 88% of workforce choosing to remain during the year.

The Company also recognises the need to grow future leaders from within the organisation, and during 2022 an additional 17 high potential participants were included in the Company's high potential leadership development program, Ignite. The Company has also developed a Front Line Leadership program called "Lead the Way" and roll out of the program commenced in Q4 2022. It is expected that by the end of 2023 more than 30% of front line leaders will have attended this program. In 2023 the Company also plans to roll out a suite of soft skill training courses which will contribute to employee development journey.

### 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.

## 2022 CORPORATE GOVERNANCE STATEMENT

### 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 2022 and the full year ended 31 December 2022, 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 SW Audit (formerly ShineWing Australia). Consistent with the requirements of the Corporations Act 2001 (Cth) for listed entities, SW Audit 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, SW Audit, 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 2022 are set out in the Directors' Report.

### 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 executives. 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".

# 2022 CORPORATE GOVERNANCE STATEMENT

## 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 and Inclusion Policy, approved by the Board, seeks to actively facilitate a more diverse and representative management and leadership structure. The Diversity and Inclusion 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 and Inclusion Policy.

The measurable objectives adopted for 2022 and the Company's performance against the measurable objectives are outlined in the table below:

OBJECTIVE	PERFORMANCE
1. To promote 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	<p>The Yancoal Diversity, Equity and Inclusion Strategy ("DE&amp;I Strategy") was initially presented in detail to the Yancoal human resources team ("HR team") at a forum held in July 2022. An action item from the presentation was for site human resource leads to communicate the strategy with their Site Leadership Team (SLT).</p> <p>The DE&amp;I Strategy is aligned to Yancoal's Diversity and Inclusion Policy which underwent an external review in 2022. The document was updated to reflect industry best practice and encompass Yancoal's evolving efforts in promoting a diverse and inclusive environment.</p> <p>To further incorporate ownership and improve the ongoing governance of the DE&amp;I Strategy a DE&amp;I committee will be established in 2023 consisting of nominees representing each of our sites.</p>
2. To promote appropriate gender balance in interview selection panels	<p>Increasing gender balance in our interview and selection panels reduces the risk of unconscious bias playing a part in candidate selection. Our HR teams comprising a majority of female employees attend site-based interviews providing balanced and unbiased recommendations.</p> <p>In 2022 Yancoal recruited 101 new female employees to the business which represents 20% of all new hire engagement. This is 6% greater than our female to male ratio of 14%.</p>
3. To 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	<p>NSW Mining hosts the annual NSW Women in Mining Awards to acknowledge and highlight the achievements of women in mining. Yancoal submitted five nominations for the 2022 awards across two award categories: Exceptional Woman, and Outstanding Woman Trade, Operator or Technician. Yancoal was successful with Rebecca Jackson (Exploration Manager) being recognised as a finalist in the Exceptional Woman category.</p>
4. To provide development support and mentoring for women to progress into leadership positions, particularly in areas affected by gender imbalance	<p><b>Mentoring</b></p> <p>NSW: Yancoal is a Silver Sponsor for the 2022 NSW Women in Mining Mentorship program. This year we have eight female employees from Moolarben, MTW, Stratford and Sydney, and from a range of roles including operators, mining engineers, specialists, support staff and a manager. Yancoal also has four mentors accepted in the program inclusive of one Executive.</p> <p>QLD: Yancoal has employees participating in the WIMARQ (Women in Mining and Resources Queensland) mentoring program. There are 2 mentees participating in the program, one from Yarrabee and the other from Cameby.</p> <p>Yancoal is also in the process of establishing an internal mentoring program open to all female employees. The initiative has been developed and led by the 2022 Ignite leadership group. The program will commence in February 2023 with 12 female mentor and mentee partnerships established. The program will run for 9 months with monthly mentoring sessions scheduled.</p> <p><b>Leadership Development</b></p> <p>The Ignite program is Yancoal's flagship talent program which has continued to develop high potential and high performing females into leadership positions over the last three years.</p> <p>Since 2020, Ignite has had 57 participants in total with 14 (25%) of the participants being female leaders. 5 females have successfully been promoted to more senior roles in the business since completing the Ignite program.</p> <p>The Women in Energy &amp; Resources Leadership Summit features Australia's foremost senior female leaders in our industry sharing their leadership journey and shaping strategies to help participants increase self-confidence and establish a leadership presence. In 2022 Yancoal sponsored three talented females to attend. Feedback from the event was extremely positive.</p>
5. To promote days of significance such as International Women's Day	<p>International Women's day was celebrated at every site and office across Yancoal in March 2022. The event provided an opportunity to celebrate the achievement of our female nominees and female employees more broadly.</p>
6. To evaluate our gender balance and set a target to increase the proportion of women in the Yancoal workforce from 12% to 13%	<p>The proportion of women in the workforce has increased by 1% from 14% in 2021 to 15% in 2022.</p> <p>Significant improvements across all sites have been made with the female representation in our wage's workforce. Of note were the recent efforts achieved at Premier Coal increasing female representation to 18%. An additional 50 females were recruited to the site in the last 12 months via targeted campaigns and networking activity.</p>
7. To encourage career planning conversations and achievable and structured development plans to be put in place as part of the annual Performance Review & Development cycle	<p>During the 2022 goal setting process, 39% of our salaried staff recorded formalised development plans in their annual Performance Review &amp; Development Plan. Coincidentally, it is the same percentage rate for both men and women. The 39% also provides a baseline number on which to build to raise development planning as an important aspect of the annual process.</p>

## 2022 CORPORATE GOVERNANCE STATEMENT

The Board has set the following measurable objectives in relation to gender diversity for 2023:

1. We will establish a D&I committee representing each of our sites to improve our structure of governance and accountability for diversity and inclusion across the whole business.
2. We will provide development support and mentoring programs for women to progress their careers with Yancoal. Target greater than 30 female employees being mentored in 2023.
3. We will evaluate our gender balance and set a target to maintain and/or improve the proportion of women in the Yancoal workforce at 17% or higher.
4. We will encourage career planning conversations and development plans to be put in place as part of the annual Performance Review & Development cycle. Target > 80% salaried females have development plans in place.
5. We will aim to continually reduce the gender pay gap through conducting and actioning annual gender pay reviews.
6. We will provide all employees with a workplace environment and culture that supports inclusivity including creating awareness of the negative impacts associated with bullying, harassment and sexual harassment.

In considering the Board's succession, the Remuneration and Nomination Committee would identify and select the potential candidates for Directors in accordance with the Committee's Charter and may engage independent professional search firms to identify potential candidates for Independent Non-executive Directors as and when appropriate. The Board will continue to strive to increase the proportion of female members over time in line with any measurable objectives set by the Board for gender diversity.

According to the Australian Workplace Gender & Equality Agency (**WGEA**) in 2021/22 the proportion of women to men in the Australian workforce was roughly 50:50. However, WGEA also reported that the mining sector is the top male dominated sector with approximately 80% male participation. The coal industry sub-division is even more challenging with a female participation rate of 17.6%. The lower number of female participants in the coal mining sector make it challenging to achieve increased levels of gender diversity.

### 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 2022, the proportion of women who were directly engaged as employees and contractors was 15%: 473 direct employees and 123 Managed Contractors. The proportion of women in Executive Committee roles within the Company during 2022 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 'Investors', 'Sustainability', '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 company presentations made to analysts or investors on the ASX and HKEx platforms within the Investor section of the Company's website.

## 2022 CORPORATE GOVERNANCE STATEMENT

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 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 2022 AGM was held at 11.00am (AEST) (being 9.00am (HKT)) on Monday, 30 May 2022 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 provides an effective means of communication with shareholders.

The Company's Shareholder Communications Policy sets out the Company's commitment of maintaining an ongoing dialogue with shareholders and the investment community. This Policy is reviewed by the Board on a regular basis as required to ensure its effectiveness. 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 - Investor Relations, including at [shareholder@yancoal.com.au](mailto:shareholder@yancoal.com.au). Upon receipt of the enquiries, the General Manager - Investor Relations will forward the shareholders' enquiries and concerns to the Board, Board committees or management as appropriate.

### 7. AMENDMENTS TO THE COMPANY'S CONSTITUTION

At a general meeting of Shareholders held on 30 May 2022, Shareholder approval to amend the Constitution was sought and obtained. The Constitution was amended by:

- a) replacing the references to "Yanzhou" and "Yanzhou Coal Mining Company Limited" with "Yankuang" and "Yankuang Energy Group Company Limited"; and
- b) inserting "at the Company's general meetings or creditors meetings" to Rule 7.9(u) to provide for the right of a recognised clearing house or its nominee(s) to appoint or authorise proxies, attorneys or representatives to attend the Company's general meetings and creditors meetings to cast votes attaching to voting shares that it holds in the Company.

This Corporate Governance Statement has been approved by the Board and is current as at 27 February 2023.

## 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 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 Coal Sales Agreement") 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 2022, no sales to Yankuang Energy and/or its subsidiaries (excluding the Group) were made.

### 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 "YIT Framework Coal Sales Agreement") 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 (as amended on 5 October 2022) was not to exceed US\$87.5 million, US\$155 million and US\$155 million, respectively. During the year ended 31 December 2022, the transaction amount received by the Group was approximately US\$123.0 million, which was below the annual cap.

### PURCHASE OF COAL BY THE GROUP FROM YANKUANG ENERGY

The Group has purchased and may, from time to time, purchase coal from Yankuang Energy and/or its subsidiaries (excluding the Group), in particular Australian based subsidiaries of Yankuang Energy (excluding the Group) 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 "Yankuang Energy 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 Yankuang Energy 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.

On 16 December 2020, the Board resolved to renew the Yankuang Energy 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 2022, no purchases from Yankuang Energy and/or its subsidiaries (excluding the Group) were made.

### 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 Coal Limited 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, on 22 June 2012, pursuant to which the Company has agreed to provide to the Existing Recipients certain services in respect of certain assets owned by the Existing Recipients. Each of the Existing Recipients is a wholly

## CONTINUING CONNECTED TRANSACTIONS

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 to 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 54.81% 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, as amended pursuant to a deed of variation to the Management and Transitional Services Agreement on 12 November 2021, are set out below.

### **Services**

The services provided to each Recipient and each of their respective subsidiaries 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 the 5% margin is applied is determined on the basis of management’s reasonable estimate of such costs as may be defined in the budget of each calendar year having regard to certain principles, including: (i) in respect of coal-mining operations, the allocated portion of the Company’s corporate administration costs based on the Company’s corporate budget in respect of those corporate administration costs; and (ii) in respect of non- mining operations, the estimated management time likely to be incurred in providing the Services and the allocated portion of the Company’s corporate administration costs based on the Company’s corporate budget in respect of those corporate administration costs. The above costs are subject to re-calibration at the start of every year on the basis of the previous year’s actuals and any anticipated changes.

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 each month for services provided.

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 2022, the transaction amount charged by the Group was approximately \$11.7 million, which was below the annual cap.

### **LOAN FACILITY PROVIDED BY THE COMPANY TO PREMIER COAL**

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 a \$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

## CONTINUING CONNECTED TRANSACTIONS

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, representing the maximum daily drawn-down principal of the loan under the Premier Coal Loan Agreement (including the interest accrued thereon), 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 2022, no amount remained drawn down under the Premier Coal Loan Agreement.

### **BANK GUARANTEES PROVIDED IN FAVOUR OF CERTAIN YANKUANG ENERGY 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 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 was for a period of three years commencing 1 January 2020 and expiring on 31 December 2022. On 23 December 2022, the Framework Bank Guarantee Agreement was extended for one further year from 1 January 2023.

The Company manages certain mines, which are located in Australia, on behalf of the Yankuang Energy Entities and/or their subsidiaries. In the ordinary and usual course of business, the Yankuang Energy Entities and/or their subsidiaries 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 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 2022, the aggregate maximum daily outstanding principal and the bank guarantee fees was approximately \$84.8 million, which was below the annual cap.

### **SALE OF COAL BY THE GROUP TO GLENCORE**

From time to time, Glencore Coal Pty Ltd ("Glencore") and/or its subsidiaries and/or related entities 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 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 2022, the transaction amount received by the Group was approximately US\$188.5 million, which was below the annual cap.

### **SALE OF COAL BY THE GROUP TO POSCO**

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 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



## CONTINUING CONNECTED TRANSACTIONS

coal from the Group during the three years ending 31 December 2024. 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 (as amended on 1 September 2022) will not exceed US\$450 million, US\$300 million and US\$300 million, respectively. During the year ended 31 December 2022, the transaction amount received by the Group was US\$337.1 million, which was below the annual cap.

### **PURCHASE OF COAL BY THE GROUP 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 associates.

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: (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 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 2022, the transaction amount paid by the Group was approximately US\$78.7 million, which was below the annual cap.

### **PURCHASE OF COAL BY SALESCO 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 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.

The original maximum annual transaction amounts to be paid by SalesCo for Anotero's entitled portion of finished coal product in saleable form that is produced by the tenements held by the HVO JV (other than coal product to be sold to Glencore and/or its subsidiaries) pursuant to the HVO Sales Agreement for the three years ending 31 December 2021, 2022 and 2023 was US\$750 million, US\$750 million and US\$750 million, respectively. On 9 November 2022, the maximum annual transaction amounts for the year ending 31 December 2022 and 2023 were amended to US\$1.9 billion and US\$1.9 billion, respectively. The transaction distributed by the SalesCo to Anotero up to 9 November 2022 has exceeded the original maximum annual transaction amount while the transaction distributed by the SalesCo to Anotero for the year ended 31 December 2022 of approximately US\$1.56 billion was below the revised 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, sell coal through Miller Pohang Coal Co. Pty Limited (the "MT SalesCo"). 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

## CONTINUING CONNECTED TRANSACTIONS

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.

POSCO and MT Operations sell all of their entitled portions of finished coal product in saleable form to which they are entitled through the MT JV to the MT SalesCo only. 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. Payment by the MT SalesCo to POSCO and MT Operations occurs after receipt by the MT SalesCo of payment from its customers.

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 maximum annual transaction amounts for the purchase of POSCO's portion of finished coal product by MT SalesCo for three years, and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years.

The original maximum annual transaction amounts to be paid by MT SalesCo for POSCO's portion of finished coal product for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$90 million, US\$90 million and US\$90 million, respectively. On 26 September 2022, the maximum annual transaction amounts for the year ending 31 December 2022 and 2023 were amended to US\$200 million and US\$350 million, respectively. The transaction distributed by the MT SalesCo to POSCO up to 26 September 2022 has exceeded the original maximum annual transaction amount while the transaction distributed by the MT SalesCo to POSCO for the year ended 31 December 2022 of approximately US\$172.2 million was below the revised 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 expired on 31 October 2022. Accordingly, on 13 October 2022, HV Operations and GAO agreed to extend the term of the 2019 Diesel Fuel Supply Agreement by one year, pursuant to which HV Operations has agreed to purchase diesel fuel from GAO during the period from 1 November 2022 to 31 October 2023 (the "2022 Diesel Fuel Supply Agreement"). Pursuant to the 2019 Diesel Fuel Supply Agreement and the 2022 Diesel Fuel Supply Agreement, HV Operations agrees to purchase, and GAO agrees to sell diesel fuel 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 or with reference to the price assessment published in the S&P Global Platts Oilgram Price Report for 10ppm Sulphur Gasoil FOB Singapore, and in accordance with the 2022 Diesel Fuel Supply Agreement.

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; and the maximum transaction amount to be paid by HV Operations to GAO for the purchase of diesel fuel for the period from 1 November 2022 to 31 December 2022, and the period from 1 January 2023 to 31 October 2023 will not exceed \$43 million and \$186 million, respectively. During the year ended 31 December 2022, the transaction amount paid by the Group was approximately \$177.0 million, which was below the aggregate cap for the year.

### **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.

## CONTINUING CONNECTED TRANSACTIONS

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 an 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. All leases have been recognised during the year of 2022.

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 maximum annual transaction amount for Leases 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 will not exceed US\$70 million. During the year ended 31 December 2022, the recognised right-of-use asset at inception of the lease amounted to US\$61.2 million, which was below the cap for the transaction and the period.

### **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 2022. 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 (as amended) for the financial year ended 31 December 2022 set out in the announcements of the Company.

The independent auditor noted the two instances where original caps were revised during the year in relation to the purchase of coal by SalesCo from Anotero, and the purchase of coal from POSCO, as further described above.

In accordance with paragraph 14A.57 of the Listing Rules, a copy of the independent auditor's letter will be provided to the HK Stock Exchange.

The Company confirms that, taking into consideration all steps taken by the Company, including announcements made by the Company in relation to the increases of annual caps for certain continuing connected transactions, 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 2022. Please refer to Note E2 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 2022. 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 RESOURCES AND COAL RESERVES

The Coal Resources and Coal Reserves presented in this report are extracted from an announcement made on 27 February 2023. 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.

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 totals are coal resources or coal reserves when Yancoal's ownership percentage (as at 31 December 2022) 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 2022 position is as follows:

CATEGORY <sup>1</sup>	31-DEC-2022	31-DEC-2021	% CHANGE
Measured, Indicated and Inferred Coal Resources	5,201Mt	6,013Mt	-13.5%
Recoverable Proved and Probable Coal Reserves <sup>2</sup>	989Mt	1,137Mt	-13.0%
Marketable Proved and Probable Coal Reserves <sup>3</sup>	731Mt	819Mt	-22.8%

The following abbreviations are used throughout this section of the report.

<b>AusIMM</b>	Australasian Institute of Mining and Metallurgy
<b>JORC</b>	Joint Ore Reserves Committee
<b>Met</b>	Metallurgical coal
<b>Semi</b>	Semi-soft coking coal
<b>Thermal</b>	Thermal coal
<b>PCI</b>	Pulverised coal injection
<b>Mt</b>	Million tonnes
<b>OC</b>	Open Cut
<b>UG</b>	Underground

1 2022 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.

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 2022.

3 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 2022.

# COAL RESOURCES AND COAL RESERVES

## COAL RESOURCES FOR YEAR ENDING 31 DECEMBER 2022

PROJECT	YANCOAL OWNERSHIP %	COAL TYPE	MOISTURE BASIS %	MEASURED COAL RESOURCES (MT)		INDICATED COAL RESOURCES (MT)		INFERRED COAL RESOURCES (MT)		TOTAL COAL RESOURCES (MT)
			2022	2022	2021	2022	2021	2022	2021	2022
Moolarben (OC & UG)	95%	Thermal	6.0%	670	700	160	170	200	200	1030
Mt Thorley (OC & UG)	80%	Semi/Thermal	6 to 8%	200	203	150	150	75	75	425
Warkworth (OC & UG)	84.47%	Semi/Thermal	6 to 8%	490	497	260	260	175	175	925
HVO (OC)	51%	Semi/Thermal	6 to 8%	770	780	1300	1300	2400	2400	4470
Yarrabee (OC)	100%	PCI/Thermal	5.5%	60	60	60	60	13	13	133
Gloucester (OC) <sup>4</sup>	100%	Met/Thermal	6.0%	8	8	195	195	110	110	313
Middlemount (OC)	50%	Met/Thermal	5.0%	79	83	55	56	21	19	155
Ashton (OC & UG)	100%	Semi/Thermal	6.5%	83	85	95	95	90	90	268
Ashton RUMEx (UG) <sup>5</sup>	100%	Semi/Thermal	6.5%	5	0	25	0	0	0	30
Donaldson (OC & UG) <sup>6</sup>	100%	Semi /Thermal	4.0%	0	190	0	400	0	100	0
Monash (UG) <sup>7</sup>	100%	Met/Thermal	6.0%	0	0	0	17	0	80	0
<b>Total Coal Resources (100% Basis)</b>				<b>2,365</b>	<b>2,606</b>	<b>2,300</b>	<b>2,703</b>	<b>3,084</b>	<b>3,262</b>	<b>7,749</b>
<b>Yancoal Attributable Share</b>										<b>5,201</b>

## COAL RESERVES FOR YEAR ENDING 31 DECEMBER 2022

PROJECT	YANCOAL OWNERSHIP %	COAL TYPE	RECOVERABLE COAL RESERVE				
			PROVED COAL RESERVES (MT)		PROBABLE COAL RESERVES (MT)		TOTAL COAL RESERVES (MT)
			2022	2021	2022	2021	2022
Moolarben (OC)	95%	Thermal	150	162	5	5	155
Moolarben (UG)	95%	Thermal	26	32	13	13	39
Mount Thorley (OC)	80.0%	Semi/Thermal	1.8	1.9	16	16	18
Warkworth (OC)	84.47%	Semi/Thermal	139	151	92	92	231
HVO (OC)	51%	Semi/Thermal	390	400	460	460	850
Yarrabee (OC)	100%	PCI/Thermal	36	39	42	42	78
Gloucester (OC)	100%	Met/Thermal	0	0	1.4	2.4	1.4
Middlemount (OC)	50%	Met/Thermal	69	74	19	19	88
Ashton RUMEx (UG)	100%	Semi/Thermal	0	0	18	0	18
Ashton (UG)	100%	Semi/Thermal	14	14	7	8	21
Donaldson (UG)	100%	Semi/Thermal	0	0	0	110	0
<b>Total Coal Reserves (100% Basis) - Rounded</b>			<b>826</b>	<b>874</b>	<b>673</b>	<b>766</b>	<b>1,499</b>
<b>Yancoal Attributable Share</b>							<b>989</b>

4 Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits.

5 Following the acquisition of the Rumex leases from Glencore Australia to Yancoal Australia Ashton Coal Operations, the Coal Resources are reported under the Ashton Rumex project.

6 In recognition of the Company's downward revisions in the carrying values of Donaldson and Monash, no Coal Resources and Coal Reserves have been reported given the lack of a foreseeable economic pathway to their developments.

7 In recognition of the Company's downward revisions in the carrying values of Donaldson and Monash, no Coal Resources and Coal Reserves have been reported given the lack of a foreseeable economic pathway to their developments.

# COAL RESOURCES AND COAL RESERVES

PROJECT	YANCOAL OWNERSHIP % COAL TYPE		MARKETABLE COAL RESERVE						
			PROVED COAL RESERVES (MT)		PROVED COAL RESERVES (MT)		TOTAL COAL RESERVES (MT)	MOISTURE BASIS, %	ASH %
			2022	2021	2022	2021	2022	2022	2022
Moolarben (OC)	95%	Thermal	125	133	4	4	129	9%	21%
Moolarben (UG)	95%	Thermal	27	32	13	13	40	9%	16%
Mount Thorley (OC)	80.0%	Semi/Thermal	1.2	1.3	11	11	12	10%	13.9%
Warkworth (OC)	84.47%	Semi/Thermal	96	104	61	61	157	10%	13.3%
HVO (OC)	51%	Semi/Thermal	280	290	330	330	610	10%	12.9%
Yarrabee (OC)	100%	PCI/Thermal	27	29	32	32	59	10%	10%
Gloucester (OC) <sup>8</sup>	100%	Met/Thermal	0	0	0.8	1	0.8	8%	19%
Middlemount (OC) <sup>9</sup>	50%	Met/Thermal	49	53	18	16	67	10% Coking 10.5% PCI	10% Coking 10.5% PCI
Ashton RUMEx (UG) <sup>10</sup>	100%	Semi/Thermal	0	0	12	0	12	8.5%	9.5%
Ashton (UG)	100%	Semi/Thermal	8	8	4	5	12	8.5%	9.5%
Donaldson (UG) <sup>11</sup>	100%	Semi/Thermal	0	0	0	62	0		
<b>Total Coal Reserves (100% Basis) - Rounded</b>			<b>613</b>	<b>651</b>	<b>486</b>	<b>535</b>	<b>1,099</b>		
<b>Yancoal Attributable Share</b>							<b>731</b>		

## YANCOAL 2022 EXPLORATION DRILLING

Total payments for capitalised exploration and evaluation activities in 2022 was \$1.8 million. There were no development activities related to mining structures or infrastructure undertaken in 2022. The reporting period is from 1 January to 31 December 2022. 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	7	817	0	0	2
Core Holes	10	707	0	0	0	0

8 Gloucester comprises the Stratford, Duralie and Grant & Chainey deposits.

9 The project has two product types for Marketable Coal Reserves each with a different Moisture basis, Coking at 10%, PCI at 10.5% and Ash% of 10% for Coking & 10.5% for PCI.

10 Following the acquisition of the Rumex leases from Glencore Australia to Yancoal Australia, the Coal Reserves are reported under the Ashton Rumex project.

11 In recognition of the Company's downward revisions in the carrying values of Donaldson and Monash, no Coal Resources and Coal Reserves have been reported given the lack of a foreseeable economic pathway to their developments.

# YANCOAL AUSTRALIA TENEMENTS

As at 31 December 2022

PROJECT	TITLE TENEMENT	TENEMENT TYPE	PROJECT	TITLE TENEMENT	TENEMENT TYPE
Moolarben	EL 6288	Exploration Licence		ML 1465	Mining Lease
	EL 7073	Exploration Licence		ML 1474	Mining Lease
	EL 7074	Exploration Licence		ML 1482	Mining Lease
	ML 1605	Mining Lease		ML 1500	Mining Lease
	ML 1606	Mining Lease		ML 1526	Mining Lease
	ML 1628	Mining Lease		ML 1560	Mining Lease
	ML 1691	Mining Lease		ML 1589	Mining Lease
	ML 1715	Mining Lease		ML 1622	Mining Lease
Mount Thorley/ Warkworth (MTW)	CCL 753	Consolidated Coal Lease		ML 1634	Mining Lease
	CL 219	Coal Lease		ML 1682	Mining Lease
	EL 7712	Exploration Licence		ML 1704	Mining Lease
	EL 8824	Exploration Licence		ML 1705	Mining Lease
	ML 1412	Mining Lease		ML 1706	Mining Lease
	Part ML 1547 (sublease)	Sublease		ML 1707	Mining Lease
	ML 1590	Mining Lease		ML 1710	Mining Lease
	ML 1751	Mining Lease		ML 1732	Mining Lease
	ML 1752	Mining Lease		ML 1734	Mining Lease
ML 1828	Mining Lease	ML 1748		Mining Lease	
HVO	AL 32	Assessment Lease		ML 1753	Mining Lease
	AL 33	Assessment Lease		ML 1810	Mining Lease
	AL 34	Assessment Lease		ML 1811	Mining Lease
	Auth 72	Authorisation		ML 1840	Mining Lease
	Part CCL 708 (sublease)	Sublease	ML 1841	Mining Lease	
	CCL 714	Consolidated Coal Lease	MLA 495	Mining Lease Application	
	CCL 755	Consolidated Coal Lease	MLA 496	Mining Lease Application	
	CL 327	Coal Lease	MLA 520	Mining Lease Application	
	CL 359	Coal Lease	MLA 535	Mining Lease Application	
	CL 360	Coal Lease	MLA 562	Mining Lease Application	
	CL 398	Coal Lease	Yarrabee/Wilpeena	EPC 1684	Exploration Permit for Coal
	CL 584	Coal Lease		EPC 717	Exploration Permit for Coal
	CML 4	Consolidated Mining Lease		EPC 1177	Exploration Permit for Coal
	EL 5291	Exploration Licence		EPC 1429	Exploration Permit for Coal
	EL 5292	Exploration Licence		EPC 1668	Exploration Permit for Coal
	EL 5417	Exploration Licence		EPC 621	Exploration Permit for Coal
	EL 5418	Exploration Licence		MDL 160	Mineral Development Licence
	EL 5606	Exploration Licence		ML 1770	Mining Lease
	EL 8175	Exploration Licence		ML 80049	Mining Lease
	EL 8821	Exploration Licence		ML 80050	Mining Lease
	ML 1324	Mining Lease		ML 80096	Mining Lease
	ML 1337	Mining Lease		ML 80104	Mining Lease
	ML 1359	Mining Lease		ML 80172	Mining Lease
	ML 1406	Mining Lease		ML 80195	Mining Lease
	ML 1428	Mining Lease		ML 80196	Mining Lease
				ML 80197	Mining Lease
				ML 80198	Mining Lease

# YANCOAL AUSTRALIA TENEMENTS

As at 31 December 2022

PROJECT	TITLE TENEMENT	TENEMENT TYPE	PROJECT	TITLE TENEMENT	TENEMENT TYPE
Gloucester Basin (Stratford/Duralie)	ALA 74	Assessment Lease Application	Ashton	EL 4918	Exploration Licence
	Auth 311	Authorisation		EL 5860	Exploration Licence
	Auth 315	Authorisation		ML 1529	Mining Lease
	EL 6904	Exploration Licence		ML 1533	Mining Lease
	ELA 5910	Exploration Licence Application		ML 1623	Mining Lease
	ML 1427	Mining Lease		ML 1696	Mining Lease
	ML 1646	Mining Lease		ML 1834	Mining Lease
	ML 1360	Mining Lease		ML 1835	Mining Lease
	ML 1409	Mining Lease		ML 1836	Mining Lease
	ML 1447	Mining Lease		ML 1837	Mining Lease
	ML 1521	Mining Lease		MLA 351	Mining Lease Application
	ML 1528	Mining Lease		MLA 394	Mining Lease Application
	ML 1538	Mining Lease		MLA 500	Mining Lease Application
	ML 1577	Mining Lease			
	ML 1733	Mining Lease	Donaldson	ALA 70	Assessment Lease Application
	ML 1787	Mining Lease		ALA 71	Assessment Lease Application
				ALA 72	Assessment Lease Application
	Middlemount	MDL 282	Mineral Development Licence		EL 5337
ML 700014		Mining Lease		EL 5497	Exploration Licence
ML 700027		Mining Lease		EL 5498	Exploration Licence
ML 70379		Mining Lease		EL 6964	Exploration Licence
ML 70417		Mining Lease		ML 1461	Mining Lease
Austar	CCL 728	Consolidated Coal Lease		ML 1555	Mining Lease
	CCL 752	Consolidated Coal Lease		ML 1618	Mining Lease
	CML 2	Coal Mining Lease		ML 1653	Mining Lease
	DSL 89	Dam Site Lease		ML 1703	Mining Lease
	EL 6598	Exploration Licence		ML 1756	Mining Lease
	ML 1157	Mining Lease	Monash	ALA 73	Assessment Lease Application
	ML 1283	Mining Lease		EL 6123	Exploration Licence
	ML 1345	Mining Lease		EL 7579	Exploration Licence
	ML 1388	Mining Lease	Rhondda	CCL 774	Consolidated Coal 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				



# SHAREHOLDER STATISTICS

Yancoal Australia Limited – Ordinary Fully Paid as of 6 March 2023

## COMBINED ASX AND HKEX TOP 20 SHAREHOLDERS

RANK	NAME	UNITS	% UNITS
1	YANKUANG ENERGY GROUP COMPANY LIMITED	822,157,715	62.26
2	HKG REGISTER CONTROL A/C/C	216,154,420	16.37
3	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	112,859,940	8.55
4	CITICORP NOMINEES PTY LIMITED	23,840,512	1.81
5	EVERCHARM INTERNATIONAL INVESTMENT LIMITED	14,285,715	1.08
6	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	13,936,418	1.06
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	11,336,543	0.86
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,548,345	0.72
9	BNP PARIBAS NOMS PTY LTD <DRP>	5,293,411	0.40
10	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	4,410,222	0.33
11	CPU SHARE PLANS PTY LTD <YAL EST UNALLOCATED A/C>	4,193,496	0.32
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,168,873	0.24
13	ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>	3,061,546	0.23
14	BKI INVESTMENT COMPANY LIMITED	3,000,000	0.23
15	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	2,170,725	0.16
16	NATIONAL NOMINEES LIMITED	2,102,653	0.16
17	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,933,099	0.15
18	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,894,658	0.14
19	MR QINGNAN WEN	1,470,000	0.11
20	BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	1,316,535	0.10
<b>Totals: Top 20 holders of ORDINARY SHARES (Total)</b>		<b>1,258,134,826</b>	<b>95.28</b>
<b>Total Remaining Holders Balance</b>		<b>62,304,611</b>	<b>4.72</b>
<b>Total Shares on issue</b>		<b>1,320,439,437</b>	

# SHAREHOLDER STATISTICS

## RANGE OF UNITS

### ORDINARY SHARES AS OF 6 MARCH 2023

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	4,963	1,850,464	0.14
1,001 - 10,000	3,871	14,794,542	1.12
10,001 - 100,000	880	25,061,094	1.90
100,001 - 1,000,000	85	19,392,321	1.47
1,000,001 Over	21	1,259,341,016	95.37
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>9,820</b>	<b>1,320,439,437</b>	<b>100.00</b>

## UNMARKETABLE PARCELS

### ORDINARY SHARES AS OF 6 MARCH 2023

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum \$ 500.00 parcel at \$ 6.1400 per unit	82	1,052	19,259

### 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

AAS	Australian Accounting Standards
ACCC	Australian Competition & Consumer Commission
ACCU	Australian Carbon Credit Units
AMI	Aurelia Metals Ltd
AGM	Annual General Meeting
Aon	Aon Hewitt
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
AusIMM	Australasian Institute of Mining and Metallurgy
Board	Yancoal's board of directors
CEC	Chair of the Executive Committee
CEO	Chief Executive Officer
CER	Clean Energy Regulator
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.  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
COP27	2022 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
DE&I	The Yancoal Diversity, Equity and Inclusion strategy
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
GILTS	Gladstone Island Long Term Securities
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
HKEx	The Stock Exchange of Hong Kong

## GLOSSARY

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
HVO Entities	HVO Coal Sales Pty Ltd, HV Operations Pty Ltd and HVO Services Pty Ltd
IASB	International Accounting Standards Board
IFRSs	International Financial Reporting Standards
JORC	Joint Ore Reserves Committee
KMP	Key Management Personnel comprise the Directors of the Company and nominated members of the Executive Committees.
KPIs	Key Performance Indicators
LOM	Life of Mine
LPR	Loan Prime Rate
LTJ/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
MND	Monadelphous Group Ltd
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 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
Period	The 12 months ending 31 December 2022
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.
Services	IT services, which comprise the granting of the permission to use the Company's hardware or software and the provision of IT support services.
SFO	Hong Kong Securities and Futures Ordinance
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.

## GLOSSARY

tCO <sub>2</sub> -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
YIT	Yancoal International Trading Company Limited

# C O R P O R A T E   D I R E C T O R Y

## **DIRECTORS**

Baocai Zhang  
Ning Zhang  
Gregory Fletcher  
Xing Feng  
Helen Gillies  
Dr Geoffrey Raby  
Yaomeng Xiao  
Xiangqian Wu  
Qingchun Zhao

## **COMPANY SECRETARY:**

Laura Ling Zhang

## **AUDITOR:**

SW Audit  
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)**

Stock code: YAL

## **STOCK EXCHANGE OF HONG KONG LIMITED (HKEX)**

Stock code: 3668

## **SHARE REGISTRY:**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000  
Australia  
T: +61 2 8234 5000  
Computershare Hong Kong Investor Services Limited  
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183 Queens Road East  
Wan Chai  
Hong Kong  
T: +852 2862 8555

## **COUNTRY OF INCORPORATION:**

Incorporated in Victoria, Australia with limited liability

## **WEB ADDRESS:**

[www.yancoal.com.au](http://www.yancoal.com.au)

## **SHAREHOLDER ENQUIRIES:**

[shareholder@yancoal.com.au](mailto:shareholder@yancoal.com.au)



