

FOUNDED ON SHARED VALUES



*Focused on Australian futures*

ANNUAL REPORT 2020



JOSIE

King Gee

**YANCOAL**  
先鋒澳大利亞有限公司

**YANCOAL**  
**AUSTRALIA LTD**

(INCORPORATED IN VICTORIA, AUSTRALIA WITH LIMITED LIABILITY)

ASX STOCK CODE: YAL HKEX STOCK CODE: 3668 ACN 111 859 119



## WE VALUE

*A future we  
can plan for*



Mining is what we do. But mining is about much more than just the coal we produce or how it is used. Mining creates rewarding careers. Mining allows regional towns to thrive. Mining underpins government budgets.

Mining provides people, communities and societies with a future. When done responsibly and ethically, mining can have beneficial impacts for generations. Mining spans 165 years of Josie's family. Three generations have worked in the

mining industry. They grew up around mining. They have 'lived' mining, with all its challenges. Mining has provided the family with opportunities, careers and a future. You could say that mining is in their blood. Yancoal's story goes

well beyond coal. Yancoal's story is about the positive impact we have on people's lives and livelihoods: trainees getting a foot in the door; the people who serve us our morning coffee on the way to work; the local businesses

we support; the environment we regenerate; the communities we nurture; the workplace culture we create; the mateship we foster; and the families that rely on us for a future. We value these stories.

**~4,300**  
FULL TIME EQUIVALENT ROLES  
ACROSS ALL OPERATIONS  
(OWNED/MANAGED/JVS)



## I VALUE



*My first set of wheels*

Yancoal is committed to developing talent in the mining sector and invests in trainee programmes that provide entry-level opportunities across our sites. Jaxon commenced as a trainee mining operator at Yancoal in September 2020. His traineeship was unique: having

resulted from an internationally focused community initiative in 2020 jointly sponsored by Yancoal and POSCO (a Yancoal customer and joint venture partner), which was made possible by our ongoing partnership with the Clontarf

Foundation – an organisation that improves the education, life skills and employment prospects of young Indigenous men. Jaxon is now qualified to operate a haul truck and has his 'first set of wheels'.

## WE VALUE



*Our morning regulars*

Mudgee Bakery & Cafe is an institution that has been serving the town and the surrounding region for over 30 years. It is a thriving business employing up to 45 people, keeping local workers fed and caffeinated. It has a special connection with the mining sector,

servicing hundreds of daily regulars, who drop by on their way to and from work at the local mines. The bakery also has a connection with Yancoal, with family members employed at the Moolarben mine located around 40 kilometres outside of the town.

**~38,200**  
JOBS DIRECTLY AND INDIRECTLY SUPPORTED BY YANCOAL



**WE VALUE**

*The possibilities of  
land regeneration*

Lake Kepwari at Collie in Western Australia was an open-cut mine for almost 30 years and has now been transformed into a popular attraction for water sports. Starting in the 1980s, progressive rehabilitation transformed the former

mining pit into a landmark attraction for tourists and visitors, which will assist in diversifying Collie's economy and providing jobs. Land rehabilitation is about returning previously mined land to an environmental condition

that is safe, stable and sustainable. One of the objectives of the Lake Kepwari rehabilitation was to create a functioning, self-sustaining ecosystem that would integrate into the surrounding bushland and landscape.

As a temporary steward of the land during the mining process – a critical part of responsible mining – Yancoal is committed to rehabilitating mined land and creating an asset that will benefit future generations

long after mining has ended. Lake Kepwari is a prime example of how this can be achieved.

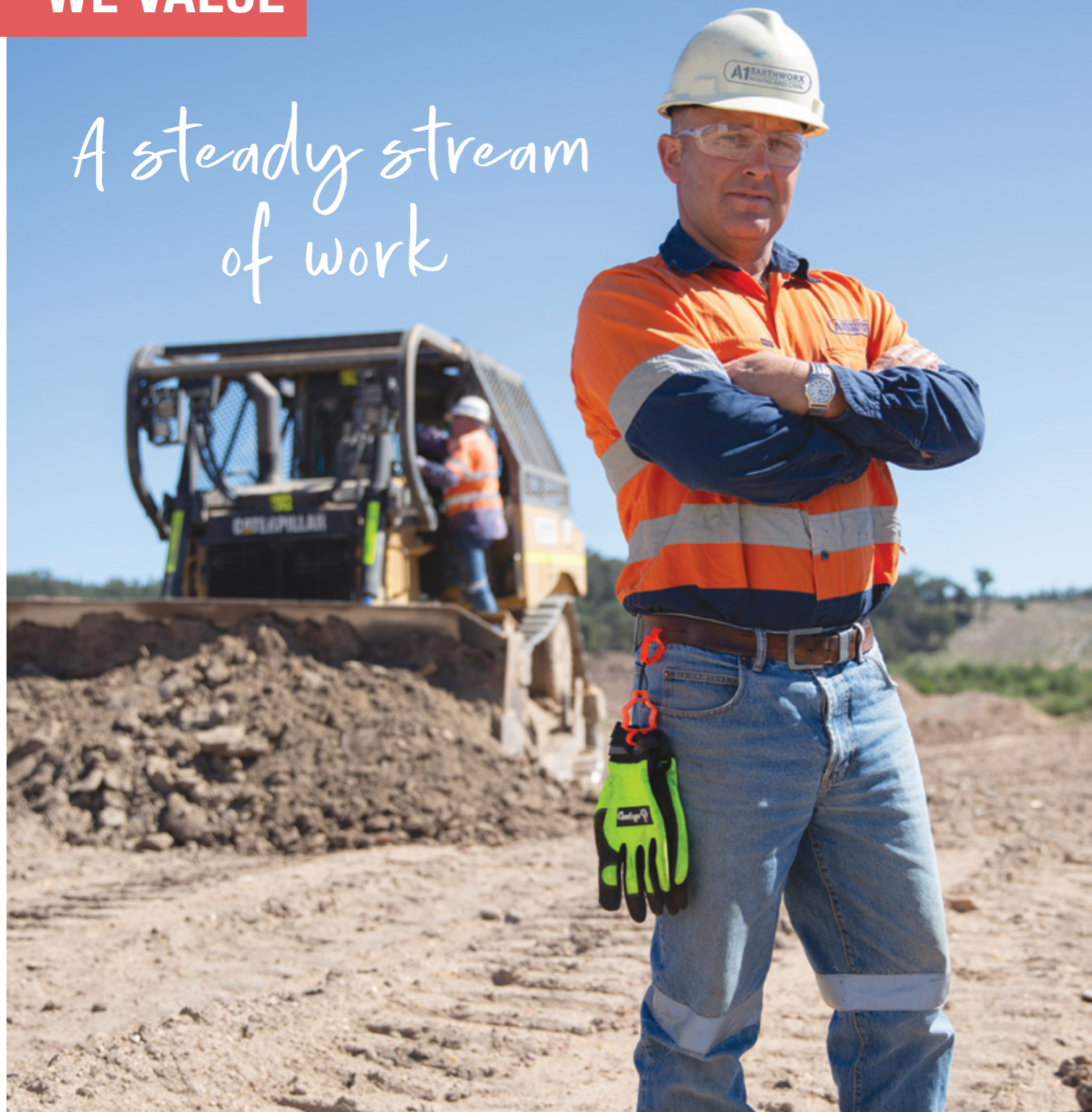
**3,900 hectares**

OF PREVIOUSLY DISTURBED  
LAND HAVE BEEN REHABILITATED  
AT YANCOAL MANAGED MINES



## WE VALUE

*A steady stream  
of work*



A1 Earthworx Mining & Civil has partnered with Yancoal at the Moolarben mine since its construction phase. Guidance and support from Yancoal has helped the business grow, and also assisted in improving its systems and procedures.

Chris, A1 Earthworx's General Manager, is proud that the business has been involved throughout the full-mining cycle at Moolarben, from exploration to rehabilitation, and he sees a bright future for sustainable mining practices.

Yancoal's contribution to businesses and the local community has been wide-reaching and has added to the region's prosperity.

## I VALUE



*A company that is focused  
on workers' safety*

Some years test the resilience of a Company and its workforce and 2020 was one of these. The real character of a company is how it performs through difficult periods, especially whether it can maintain a focus on the wellbeing of its staff. On this front, Yancoal achieved some outstanding results in 2020.

Highlights included: a 23% decrease in all recorded incidents across Yancoal-operated mines; the lowest annual TRIFR rate since 2015; and the lowest number of annual injuries recorded at Ashton, Austar, Moolarben Underground, Cameby Downs and Premier mines.

# 28%

DECREASE IN LOST TIME  
INJURIES DURING 2020



## WE VALUE



Premium  
steelmaking  
coal supplied  
by Yancoal

**39.3** million tonnes

OF SALEABLE COAL  
PRODUCTION IN 2020  
(EQUITY BASIS)

Yancoal has a diverse range of customers and in 2020 our coal was sold to 19 different countries. POSCO is one of the world's largest steelmakers. Yancoal's relationship with POSCO was forged over a decade ago and we are now POSCO's second largest supplier of coal, with product exported to South

Korea from four of our operations. The strength of this relationship is reflected in our joint sponsorship of the GEM Fund, which invests globally in community enhancement programs: an Indigenous mining traineeship in the Hunter Valley in 2020; and an environment project in Korea in 2021.

## I VALUE



A team of solid mates  
I can trust

Yancoal makes every effort to ensure our workforce is inclusive, harmonious and motivated. We have a reputation as a great place to work and a strong desire to live up to these expectations. We want a workplace culture where employees look to each other for support, advice

and encouragement, and where training and development foster positive future careers. This builds an environment in which our workers often forge strong and lasting connections, with many of our employees viewing their colleagues as friends and not just workmates.

YANCOAL  
VALUES

**People**  
**Safety**  
**Innovation**  
**Excellence**  
**Integrity**



## WE VALUE

*A solid foundation  
for us to grow*



Simone and Simon have a growing family in Singleton, a town located in the heart of the Hunter Valley coal region. Simon grew up in Singleton and followed his father by pursuing a successful career in mining. He started as a trainee operator

at Yancoal's MTW operation in 2007 and, having worked in multiple roles across the site, is currently an acting Production Superintendent in the mining team. He was Trainee of the Year in 2008 and a Model Employee finalist in 2020.

Simone also has a successful career and followed her passion, now owning a dance school in Singleton with over 200 students. They are strongly connected to the Singleton community. Simon is a long-standing and active

member of the State Emergency Service (SES). Having joined the SES in 1999 and having assisted those impacted by storms and floods, he is now the Commander of the Central Hunter cluster. But family is their primary focus.

With a two-year old daughter and another on the way, building a solid foundation for the family's future is their priority. With all the support and opportunities that Singleton and Yancoal have to offer, Simone and Simon are off to a great start.



## WE VALUE

# How Yancoal is an example of cooperation between China and Australia

Some years test the resilience of a Company and its workforce, and I would not be the only Chairman of a coal mining company to state that 2020 has been a truly testing year. There were three issues in particular that presented challenges during 2020: the COVID-19 pandemic; cyclical coal market lows; and disruptions to trade flows in the Asian basin coal market.

The real character of a company is how it performs through difficult periods – whether it can remain true to its values; whether it can maintain a focus on the wellbeing of its staff; and whether it can effectively adapt to change, both daily and into the future.

Yancoal succeeded in meeting the challenges of 2020, as outlined throughout this Annual Report, and has started 2021 with a firm

focus on continuing to achieve operational efficiencies and to meet strategic objectives.

Despite our ability to achieve notable improvements in those areas of the business that we control, such as lowering operating costs per unit and growing our sales volumes, Yancoal was inevitably impacted by weaker coal prices throughout 2020. We recorded lower sales revenue, which flowed through our financial results, and also incurred a one-off, non-cash, non-operating item related to the Watagan reconsolidation that impacted profit.

Yancoal has a 16-year track record of resilience and overcoming challenges: it has demonstrated this by growing from a single mine operation in 2004 to becoming one of Australia's largest coal exporters.

In 2020, Yancoal-associated operations produced 74 million ROM tonnes (on a 100% basis) and we generated \$3.5 billion of revenue.

Our operations directly support around 4,300 full-time equivalent roles in Australia, with well over 90% of these workers living in regional areas. On a direct and value-add basis, Yancoal is estimated to support around 38,200 jobs. Our contribution to the local and state economies in which we operate is considerable. In 2020, total government contributions in Australia were \$506 million.

During 2020, Yancoal increased contributions and funding to community groups and organisations by 38% to \$2.2 million. Despite the difficulties presented throughout the year, this was a clear demonstration of how Yancoal

remained true to its objective to be a responsible and valued corporate member of society. Yancoal's ongoing support of local communities and organisations, which provide a range of services and facilities, was an excellent outcome for all our stakeholders.

Some notable examples of support included funding for the GP COVID-19 clinic in Mudgee and ongoing funding of the Clontarf Foundation (assisting young Indigenous men) – both these initiatives are highlighted in this Annual Report. Yancoal will always remain committed to making a genuine and positive contribution to the communities in which we operate, especially on those initiatives with the potential to make a lasting and long-term difference.

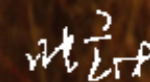
Yancoal has been an ASX listed company since 2012, offering

investors access to an exclusively Australian portfolio of owned or operated mines in New South Wales and Queensland. We dual-listed on the Stock Exchange of Hong Kong (HKEx) in 2018, becoming the first Australian mining company to achieve a primary listing on both exchanges. At present we have over 3,400 shareholders, with our major shareholder being Yanzhou Coal Mining Company (62%), itself listed on the HKEx and majority owned by Shandong Energy, a Fortune 500 company based in Shandong Province, China.

Yancoal is a positive example of Chinese-Australian cooperation and collaboration, and an example of successful Chinese investment in the Australian resources sector.

Our strategy continues to be one of future expansion. A future that could include Yancoal diversifying beyond its existing coal-focused asset portfolio into other minerals, and energy or renewable energy projects, should appropriate opportunities arise.

Our business remains strong. We have the right assets, the right people and the right strategy to continue to deliver value for our shareholders over the medium and long terms. On behalf of the Board, I would like to thank shareholders for their ongoing support.



**Baocai Zhang**  
Chairman of the Board



## WE VALUE

# The dedication of our workers through difficult times

It gives me great pleasure to present Yancoal Australia's Annual Report for 2020.

2020 was an unprecedented year. Yancoal and its people endured severe bush fire and flood events, the global COVID-19 pandemic, weakened macroeconomic conditions, cyclically low coal prices and disrupted trade flows. Despite these challenges, Yancoal recorded a solid performance and achieved all of its operating objectives. It did this by remaining focused on operational elements within our control and through the hard work and dedication of our employees.

The health and safety of all our employees is of primary importance to Yancoal, and the work practices and measures we implemented to mitigate COVID-19 related risks have proven successful with minimal disruption to the organisation this year. We remain vigilant to the continued risks posed by the pandemic, as well as broader health and safety issues. Yancoal's safety performance remained below the comparable industry average throughout 2020.

Yancoal has always focused on the controllable elements of the business and this operational approach becomes even more critical when the coal price weakens. In 2020, our average realised coal price declined by 26% to \$82 tonne.

We optimised production (achieving guidance at 39.3 million saleable tonnes on an equity basis) and lowered operating cash costs to \$59/tonne.

Despite our financial results being impacted by large non-cash,

one-off items, we generated positive operating cash flow of \$605 million and ended the year with a cash balance of \$637 million.

Comparing Yancoal's performance in 2020 with 2016, a year in which the average coal price we received was \$80/tonne, demonstrates the extent of our growth, strength and the improvement in efficiency over five years. In 2016 Yancoal's EBITDA was \$172 million and the EBITDA margin was 14%, compared to \$748 million and 21% respectively in 2020.

Demand for our high-quality coal held up well during 2020, with Yancoal increasing its sales volumes compared to 2019. However, we could not avoid the downturn in coal prices that negatively affected all key energy commodities, and this is reflected in the 2020 financial statements. In addition to softer coal prices in 2020, there were other market challenges that we had to manage throughout the year.

The disruption to Asian basin trade flows for coal during 2020 required Yancoal to expand our diversification strategy and to further broaden our already wide range of customers and markets. As new regional trade patterns evolved in 2020, we were able to redirect sales and develop exposure in new and burgeoning markets such as India, Vietnam, Pakistan and South America.

In 2020, Yancoal exported coal to 19 different countries and our major markets included Japan, South Korea, China, Thailand and India.

Our markets remain diverse – since 2016, no single country market has contributed

over 26% of Yancoal's revenue – and this allows us to manage downside risk when there are export disruptions to a particular country.

An important element of our success has been the continued support of our shareholders, especially our Chinese shareholders who have been consistently committed to Yancoal and our Australian operations.

Since 2004, Yancoal has generated over \$10 billion of Foreign Direct Investment. Even through several cyclical downturns in the industry, when the profitability of coal companies was under pressure, Yancoal continued to operate, to employ a production workforce, to generate export revenue and, importantly, to actively invest in coal assets. During a tumultuous 2020, examples of our ongoing commitment to Australia and its coal industry included: our acquisition of an additional 10% of Moolarben (our lowest cost operation); and Yankuang and Yancoal agreeing to execute a US\$775 million finance arrangement as part of the Watagan reconsolidation.

In closing, I would like to thank all our people for their hard work and dedication during what has been a very difficult year. I know they are already focused on the objectives and goals we have set for 2021. On behalf of the management team, I also extend my thanks to our shareholders for their continued support, and I look forward to a stronger and more prosperous 2021



**David Moulton**  
CEO





## WE VALUE

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



CHIEF COMMERCIAL OFFICER (CCO)

### MR MICHAEL NGO

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



EXECUTIVE GENERAL MANAGER – MARKETING

### MR MARK SALEM

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



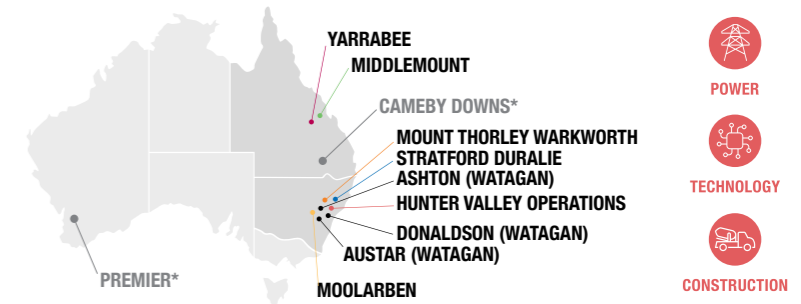
COMPANY SECRETARY, CHIEF LEGAL, COMPLIANCE, AND CORPORATE AFFAIRS OFFICER

### MS LAURA LING ZHANG

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



# REVIEW OF OPERATIONS



	MOOLARBEN NSW	MOUNT THORLEY WARKWORTH NSW	HUNTER VALLEY OPERATIONS NSW	YARRABEE QLD
ECONOMIC INTEREST	95%	82.9%	51%	100%
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.	Truck and shovel open-cut mine producing ultra low volatile pulverised coal injection (PCI) coal; operated by Yancoal.
HEAD COUNT	~780 EMPLOYEES & CONTRACTORS	~1,275 EMPLOYEES & CONTRACTORS	~1,370 EMPLOYEES & CONTRACTORS	~380 EMPLOYEES & CONTRACTORS
2020 SALEABLE COAL OUTPUT (100%)	19.7 MILLION TONNES	11.9 MILLION TONNES	12.0 MILLION TONNES	3.0 MILLION TONNES
MARKETABLE RESERVES (AS AT 31 DEC 2020)	201 MILLION TONNES	188 MILLION TONNES	640 MILLION TONNES	37 MILLION TONNES
IMPLIED MINE LIFE**	10 YEARS	16 YEARS	53 YEARS	12 YEARS

STRATFORD-DURALIE NSW	WATAGAN NSW	MIDDLEMOUNT QLD	CAMEBY DOWNS* QLD	PREMIER* WA
100%	100%	~50%	0% (MANAGED BY YANCOAL)	0% (MANAGED BY YANCOAL)
Truck and shovel open-cut mine producing thermal coal; operated by Yancoal.	The Ashton longwall mine produces a semi-soft coking coal. The Austar mine has begun a closure process and the Donaldson mine is on 'care and maintenance'.	Truck and shovel open-cut mine producing low volatility pulverised coal injection (PCI) coal; operated by Middlemount Joint Venture.	Yancoal operates the truck and shovel operation on behalf of Yanzhou Coal Mining Company. The mine produces low-ash thermal coal.	Yancoal operates the truck and shovel operation on behalf of Yanzhou Coal Mining Company. The mine produces sub-bituminous coal.
~100 EMPLOYEES & CONTRACTORS	~205 EMPLOYEES & CONTRACTORS	~510 EMPLOYEES & CONTRACTORS	~180 EMPLOYEES & CONTRACTORS	~370 EMPLOYEES & CONTRACTORS
0.5 MILLION TONNES	1.8 MILLION TONNES	2.9 MILLION TONNES	2.0 MILLION TONNES	3.1 MILLION TONNES
10 MILLION TONNES	11 <sup>^</sup> MILLION TONNES	60 MILLION TONNES	122 MILLION TONNES	28 MILLION TONNES
20 YEARS	6 YEARS	21 YEARS	61 YEARS	9 YEARS

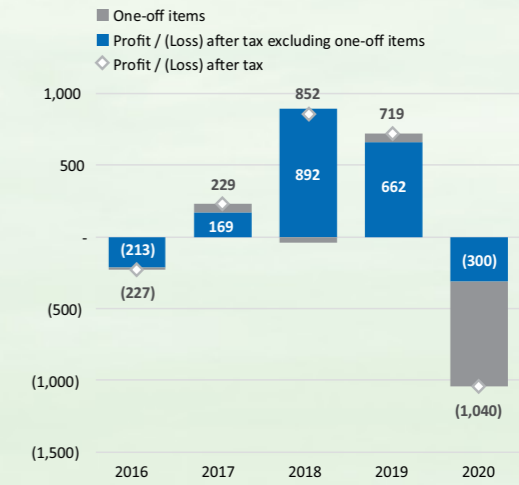
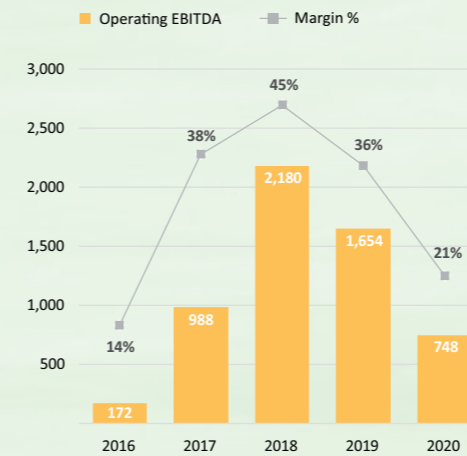
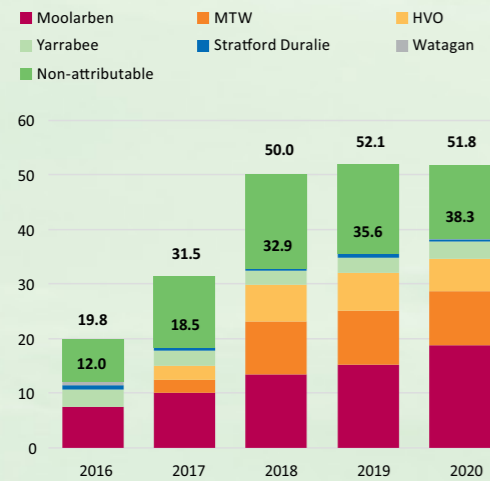
\*Managed by Yancoal

<sup>^</sup>Reserve figure is only the Ashton underground.

\*\*Implied mine life is the Marketable reserve at 31-Dec-2020 divided by the 2020 Output, rounded to the nearest whole number.



# FINANCIAL SUMMARY



## COAL PRODUCTION

Attributable saleable coal production, Million tonnes

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

## REVENUE AND AVERAGE SELLING PRICE

A\$ Millions / A\$ per tonne

All coal is sold on a 'free-on-board' basis linked to relevant coal price indices.

## OPERATING EBITDA

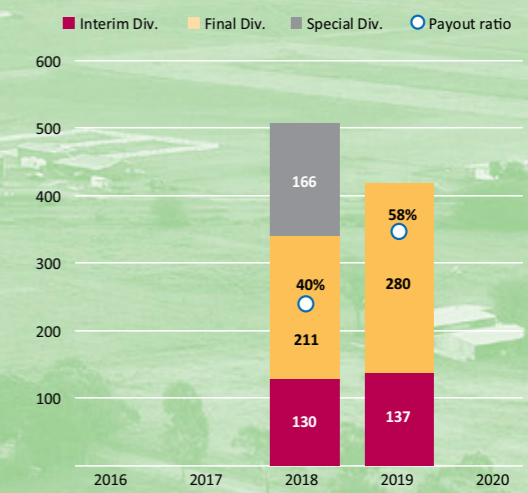
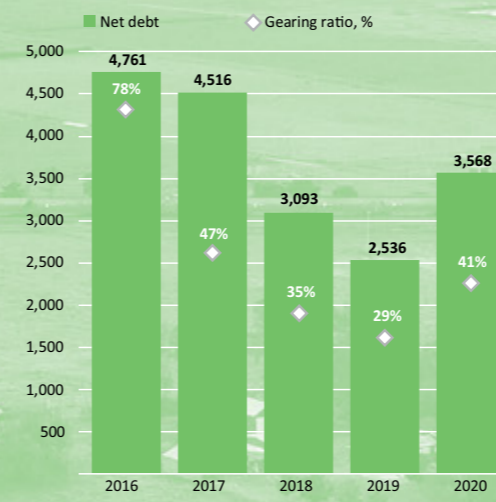
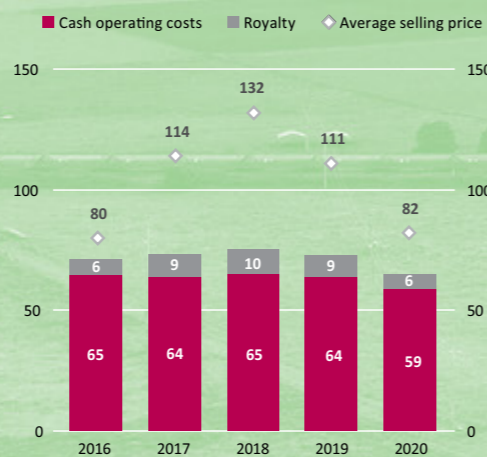
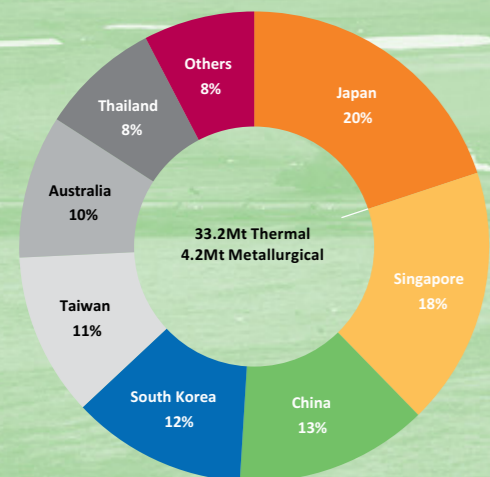
A\$ Millions / Margin %

EBITDA and margin are more robust than five years ago when coal prices were at a similar level.

## NET PROFIT/(LOSS) AFTER TAX

A\$ Millions

2020 Net loss includes two notable one-off, non-cash, non-operating items.



## SALES SPLIT

2020 Total revenue

Segment revenue split is based on domicile of the initial buyer rather than the end destination.

## CASH OPERATING COSTS

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

Yancoal reduced its operating cash costs in 2020, preserving the implied operating margin as much as possible.

## NET DEBT AND GEARING

A\$ Millions / %

Net debt position now includes items that were previously off balance sheet.

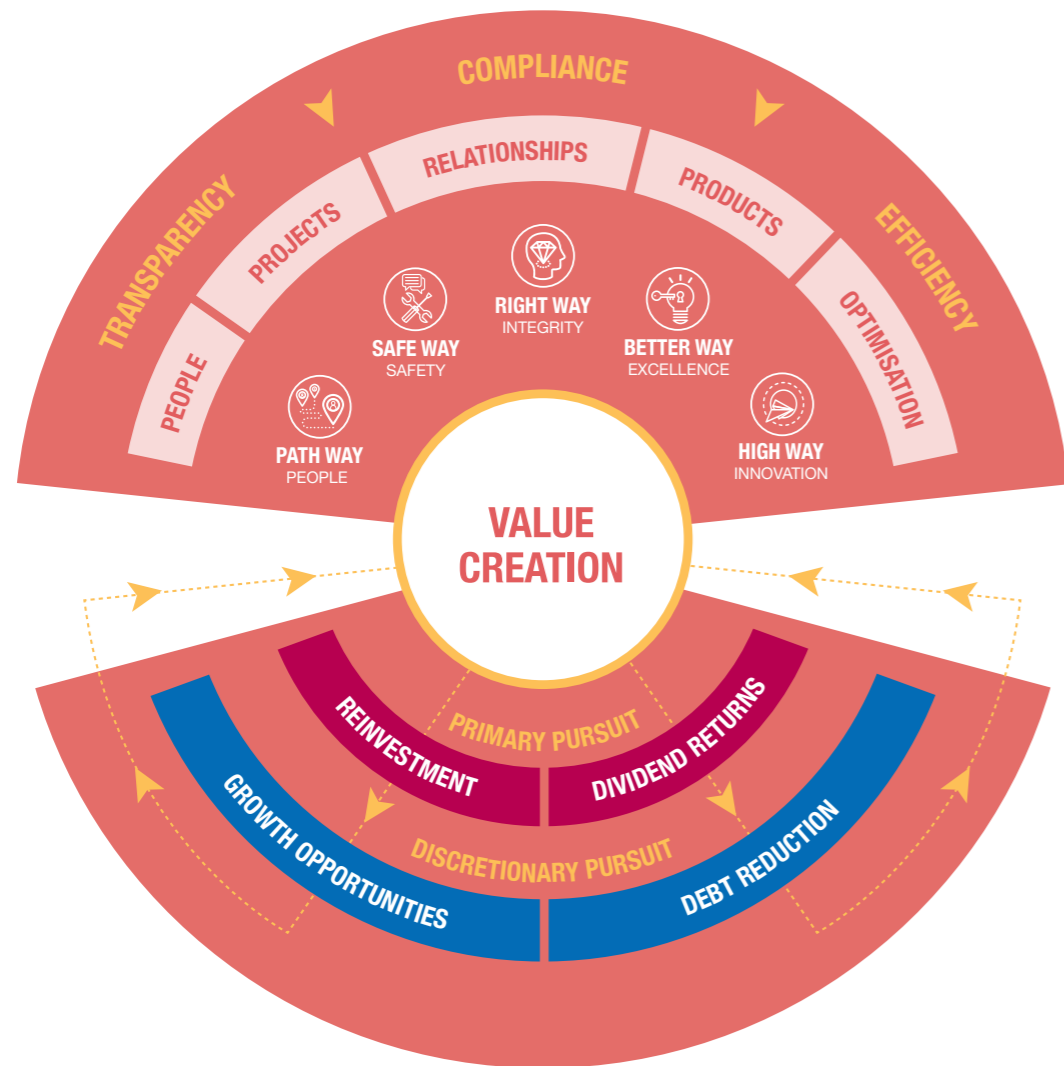
## TOTAL DIVIDEND AND PAYOUT RATIO

A\$ Millions / %

After returning over \$900 million in the prior two years, a prudent approach to circumstances was taken in 2020.



# OUR STRATEGY



Leveraging the competitive and strategic advantage of our portfolio of tier-one assets, and applying Yancoal's core beliefs and values to our decisions and behaviours, enable us to sustain effective and efficient operations that are able to generate healthy revenues and cash-flow.

When healthy revenues and cash-flows are generated, this allows us to pursue investment funding for organic and acquisitive growth opportunities, to reduce debt and to pay dividends to our shareholders (when appropriate).

Disciplined capital allocation ensures continued growth, a healthy balance sheet and returns for our shareholders.

**Future growth could include diversifying beyond the existing coal-focused asset portfolio into other minerals, and energy or renewable energy projects.**

## WE VALUE



*Essential equipment in times of need*

The Mudgee GP Respiratory Clinic was partially funded by Yancoal and other coal miners in the region and has treated over 10,000 people since operations commenced in May 2020. The clinic allows people with respiratory illnesses, who would otherwise need to see a GP or attend a hospital, to manage their

conditions and get screened for COVID-19. The clinic plays a critical role in protecting frontline workers at local General Practices and hospitals in the region from possible exposure to COVID-19. It will likely operate until the end of 2021 and play a role in administering COVID-19 vaccinations.

**\$2.2 million**

FUNDING FOR A RANGE OF COMMUNITY GROUPS AND ORGANISATIONS IN 2020



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES



Yancoal can only achieve financial and operational success if we effectively address our Environmental, Social and Governance (ESG) responsibilities. Our annual ESG Report outlines how we manage the risks and opportunities associated with our material ESG issues. Aligned to our objectives of operating our Company efficiently and profitably, our ESG objectives include:

- Operating in a responsible, safe and ethical manner;
- Contributing to positive community and economic outcomes; and
- Identifying and managing ESG risks and opportunities critical to our ongoing business resilience.

In 2020, we refreshed our material ESG issues, which included the identification of a set of strategic ESG topics that are growing in

significance to our stakeholders and offer potential value creation opportunities. These include:

- Business resilience in the transition to a lower carbon economy;
- Mental health and wellbeing; and
- Indigenous cultural heritage.

The table opposite outlines Yancoal's material ESG topics that will be addressed in our 2020 ESG Report (to be published in June/July).

MATERIAL TOPIC AND DEFINITION	CONNECTION TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS*	RELEVANT STAKEHOLDER GROUPS
<b>CORPORATE GOVERNANCE</b> Operating with integrity and in line with responsible corporate governance principles and ethics. Compliance with laws and regulations.	16	Shareholders and partners; Customers; Employees; Local Communities; Government agencies and regulators; Financiers; Suppliers; Industry Associations
<b>TRUST &amp; TRANSPARENCY</b> Stakeholder perceptions and trust in Yancoal's disclosures, strategic objectives, governance processes and activities related to taxes and revenues.	16	All Stakeholders
<b>TRANSITION TO A LOWER CARBON ECONOMY</b> Identification and management of business resilience in the transition to a lower carbon economy, including climate-related risks and opportunities and energy efficiency.	7 8 12	Shareholders and partners; Customers; Government agencies and regulators; Financiers; Industry Associations
<b>INDIGENOUS CULTURAL HERITAGE</b> Effective engagement and management of knowledge and lore, practices and people, objects and places that are valued, culturally meaningful and connected to identity and Country for Indigenous peoples.	11	Shareholders and partners; Employees; Indigenous Groups; Local Communities; Government agencies and regulators; Industry Associations
<b>WATER STEWARDSHIP</b> Effective use and management of water resources across the lifecycle of our business activities, including the potential impacts of finite water supply.	8 12	Local Communities; Government agencies and regulators; Industry Associations
<b>MINE CLOSURE</b> Responsible and fit for purpose site closure of our assets and to drive subsequent land uses that benefit local communities post-mining.	12 15	Local Communities; Shareholders and partners; Employees; Government agencies and regulators
<b>OUR PEOPLE</b> Attracting, retaining and developing our people through our employee value proposition, promoting a diverse workplace and inclusive workplace, and investing in our current and future talent.	3 8	Employees; Local Communities; Shareholders and partners
<b>HEALTH, SAFETY AND MENTAL WELLBEING</b> Management of the health and safety of our employees and contractors through our commitment to zero fatalities, investment in safety culture and the mental health and wellbeing of our people.	3 8	Employees; Shareholders; Suppliers; Industry associations; Government agencies and regulators
<b>COMMUNITY INVESTMENT</b> Investment in local and regional economic development, including procurement from local suppliers, and engagement with local stakeholders and communities to positively impact the wellbeing of our communities.	8 11 15	Local Community; Indigenous Groups; Employees; Government agencies and regulators; Shareholders and partners
<b>AIR AND NOISE IMPACTS</b> Management of material exposures to air quality and noise arising from our operations.	11	Local Community; Government agencies and regulators
<b>LAND STEWARDSHIP</b> Planning for rehabilitation of environmental impacts over the short and long term, and the management and conservation of biodiversity in operating areas.	12 15	Local Communities; Government agencies and regulators; Indigenous Groups; Shareholders and partners
<b>WASTE MANAGEMENT (INCLUDING TAILINGS STORAGE FACILITIES)</b> Safe storage and management of waste, including tailings storage facilities.	11 12	Local Communities; Government agencies and regulators; Shareholders and partners; Employees; Industry Associations
<b>SUSTAINABLE SUPPLY CHAINS</b> Managing our supply chain to reduce risk of modern slavery and unethical practices, prioritise local procurement and build supplier capacity to ensure resilience.	8	Suppliers; Customers; Government agencies and regulators; Industry Associations; Shareholders



\*The UN's Sustainable Development Goals (SDGs) provide a universal framework to address the world's most significant ESG challenges. The SDGs provide a meaningful foundation upon which we can drive our positive impact, reduce our negative impact and strive towards sustainable development. Informed by our material topics, we have identified seven SDGs that most closely align to our values and strategic objectives.

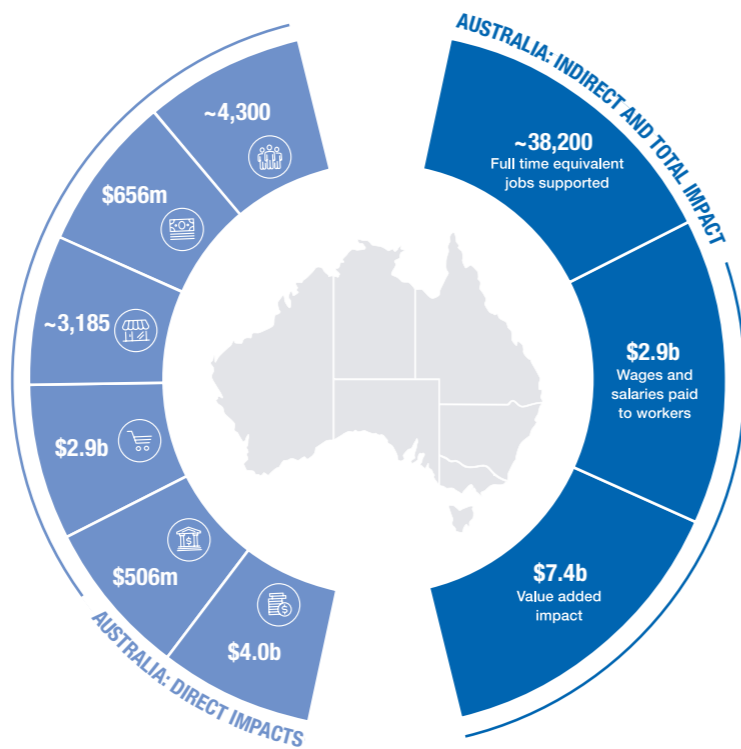


# OUR 2020 CONTRIBUTIONS

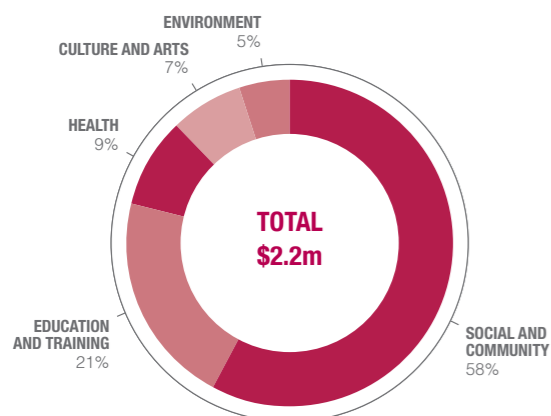
Yancoal significantly contributes to Australian communities and the economy. When producing our high-quality coal for global customers, Yancoal operations directly employ thousands of people and engage thousands of businesses across three states: indirectly, the flow-on impacts are considerable. In addition, we sponsor and support groups and organisations at the community level, and make substantial contributions to all levels of government in the form of rates, taxes and royalties.

- Fulltime Employees
- Wages and Salaries
- Local Businesses Supported
- Purchases of Goods and Services
- Government Tax Contributions
- Direct Economic Impact

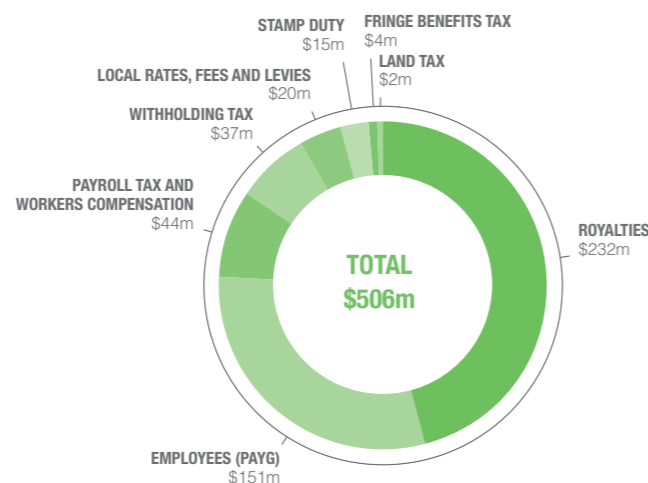
## OUR DIRECT AND INDIRECT ECONOMIC CONTRIBUTION<sup>1</sup>



## COMMUNITY SUPPORT PROGRAM CONTRIBUTIONS<sup>2</sup>



## GOVERNMENT TAX CONTRIBUTIONS<sup>3</sup>



<sup>1</sup> Economic contribution is assessed by including inputs from operations: in which Yancoal has an ownership interest and operates; that Yancoal operates on behalf of Yanzhou; or in which Yancoal has an ownership interest but managed by a Joint Venture arrangement. Tax contributions only relate to Yancoal Australia Ltd group operations.

<sup>2</sup> Community support contributions are included for operations: in which Yancoal has an ownership interest and operates; and that Yancoal operates on behalf of Yanzhou.

<sup>3</sup> Tax contributions relate to Yancoal Australia Ltd group operations for the period 1 January 2020 to 31 December 2020.



## I VALUE

Supporting all levels of the community

Uncle Warren Taggart is an elder of the Wonnarua people, the traditional land-owners of the Hunter Valley. He is a tireless supporter of Indigenous education in schools, as well as a prolific documenter and chronicler of the rich Indigenous culture and sacred sites of the Hunter Valley region.

He is a mentor and role model for many in the Indigenous community. Uncle Warren has been employed at Yancoal's Ashton mine for 15 years as a mining operator on the underground crew. We are proud of Warren and proud to support the important contribution he makes to the local community.

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COMMUNITY GROUPS AND ORGANISATIONS FUNDED IN 2020



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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 2020.

### DIRECTORS

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

Baocai Zhang  
 Ning Zhang (commenced 20 March 2020)  
 Cunliang Lai  
 Xiangqian Wu  
 Qingchun Zhao  
 Xing Feng  
 Gregory James Fletcher  
 Geoffrey William Raby  
 Helen Jane Gillies  
 Fucun Wang (resigned 20 March 2020)  
 Fuqi Wang (resigned 5 June 2020)  
 David James Moulton (resigned 9 March 2020)

### Company Secretary

The Company Secretary for the financial year was Laura Ling Zhang.

### REVIEW OF ACTIVITIES

#### Safety

Yancoal remains committed to operating safely and transparently to achieve its objective of zero harm. Yancoal operates its mines not only to meet legislative and safety standards but to be an industry leader in this aspect of its business.

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

Yancoal's Total Recordable Injury Frequency Rate ("TRIFR") at the end of the reporting period was 7.4, similar to the 7.4 recorded at the end of 2019<sup>1</sup>. The Company's efforts delivered a reported TRIFR that is below the comparable weighted average TRIFR<sup>2</sup> of 8.4 for the industry at the end of December.

### Community and Environment

Yancoal's Health, Safety, Environment and Community Committee sets the direction for the Company's continued commitment to operating its mines to the highest

environmental standards. Each mine implements proactive strategies to update and monitor its environmental management systems and practices to meet its mine plan approvals and individual licenses to operate.

Operating to stringent environmental management conditions, including the on and off-site management and monitoring of potential dust and noise impacts, Yancoal continues to work with State and Federal Government departments to ensure full transparency in its environmental reporting.

In 2020, Yancoal contributed \$2.2 million via its Community Support Program into local and regional health, environmental, education, arts, culture and community initiatives capable of making a positive difference in the regions in which it operates.

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

### Greenhouse gas and energy data reporting requirements

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

We also understand the elevated interest from stakeholders regarding the potential risks and opportunities posed to our business and the broader sector due to the ongoing global shift towards a lower-carbon economy. Yancoal's 2020 ESG Report is due to be published in the middle of 2021; it will provide a detailed review of companies progress in these matters.

### Governance

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

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

### Reporting on our emissions

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

The Group has implemented systems and processes to collect and calculate the data required and submitted its 2019/2020 S19 Energy and Emissions Report to the Federal Clean Energy Regulator on 31 October 2020.

The majority of scope 1 emissions relate to fugitive emissions associated with the underground and open-cut mines. Scope 2 emissions stem from the consumption of electricity purchased from the grid. Overall, on an operational control basis, our total scope 1 and scope 2 emissions for the period ended 30 June 2020 were 1.89 million tCO<sub>2</sub>-e, a 3% change from the year prior<sup>3</sup>. The 1% reduction in scope 2 emissions mirrors the 1% reduction in the ROM coal production on a 100% basis. The 4% increase in scope 1 emissions is attributable to increased fugitive emissions as some mines accessed new mining locations or seams with more inherent gas content.

### Summary of Greenhouse Emissions

Year	Scope 1 emissions (tCO <sub>2</sub> -e)	Scope 2 emissions (tCO <sub>2</sub> -e)
2019/2020	1,533,700	337,977
2018/2019	1,494,133	340,788

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

### Operations

Yancoal owns, operates or has a joint-venture stake in nine active coal mines. The 'Management Discussion and Analysis' provides a review of the year's operational and financial performance.

Yancoal's product is railed to ports on the east coast of Australia and exported to the Asian market. Current infrastructure allocations are sufficient to meet our existing, and potential brownfield expansion needs.

Yancoal owns a 30.0% stake in Port Waratah Coal Services ("PWCS") at Newcastle; and has a port allocation of approximately 35.1Mt per annum (100% basis).

Yancoal also owns a 27.0% stake in Newcastle Coal Infrastructure Group ("NCIG") at Newcastle and has a port allocation of approximately 19.6Mt per annum (100% basis) under normal operating conditions.

In New South Wales the Hunter Valley Coal Chain supports the Moolarben, Mount Thorley Warkworth ("MTW"), Hunter Valley Operations ("HVO"), Ashton, and Stratford Duralie mines, with coal railed to the Port of Newcastle.

Yancoal is one of four Wiggins Island Coal Export Terminal ("WICET") owners at Gladstone, Queensland, and has contracted capacity of 1.5Mt per annum (100% basis), which is allocated to Yarrabee.

In Queensland, the Blackwater System transports coal from Yarrabee to WICET; and the Goonyella and Newlands Systems transport coal from Middlemount to the Dalrymple Bay Coal Terminal or the Abbot Point Coal Terminal.

## DIRECTORS' REPORT

### Potential growth projects

Yancoal has brownfield expansion and extension projects; including a conceptual underground mine at MTW. The initial concept study shows a potential annual production output of saleable coal of around 5Mt. Work is progressing on a Pre-Feasibility Study for submission to the Board.

At Moolarben, Yancoal has the required approvals to increase annual ROM production from 21Mt to 24Mt (16Mt from the open cut mine and 8Mt from underground). Studies under review incorporate work to assess the optimal production profile and address the various licensing requirements. Yancoal's ability to increase open-cut production to 16Mtpa depends on a decision to invest in increasing the capacity at the Coal Handling and Preparation Plant.

Beyond the Company's organic growth opportunities, it is open to acquiring additional assets, such as the Coal & Allied transaction; 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.

### 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 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.

Yancoal paid a 2019 unfranked final dividend of \$280 million in April 2020. The Board elected not to make an interim dividend payment in 2020 to preserve the Company's financial position as coal prices deteriorated. After deferring non-essential capital expenditure during the year, the Board elected to maintain a prudent approach to the balance sheet and decided not to declare a final dividend for 2020.

### CORPORATE ACTIVITIES

During 2020 Yancoal purchased an additional 10% stake in the Moolarben Coal Complex for \$300 million. The acquisition triggered a \$653 million gain resulting from a remeasurement of the 95% interest in Moolarben. The remeasurement is detailed in Note E1 of this report.

Yancoal's Board was reduced from 12 to nine people during the year. The reorganisation of the Board coincided with new appointments to several executive roles. The reorganisation sees the Company well placed to pursue its next phase after two years of consolidation.

<sup>1</sup> Attributable TRIFR includes Moolarben, Mount Thorley Warkworth, Stratford Duralie, Yarrabee and Corporate; it excludes Joint venture operated Middlemount and Hunter Valley Operations as well as Watagan. Prior periods may be revised for reclassification of past events.

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

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



## DIRECTORS' REPORT

On 16 December 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd ("Yankuang"), its wholly owned subsidiary Yankuang Group (Hong Kong) Limited ("Yankuang HK") and the other two holders of bonds previously issued by Watagan Mining Company Pty Ltd which resulted in Yancoal regaining accounting control of Watagan Mining Company Pty Ltd and its subsidiaries (together "Watagan") and the financial results of Watagan being consolidated in the Yancoal group financial statements ("Watagan reconsolidation"). The operational and financial performance of Watagan, including saleable production, operating costs and capital expenditure, is reported as part of Yancoal's overall operational and financial performance from 17 December 2020 onwards. Further detail is available in the 'Management Discussion and Analysis' section of this report and note E1 and E2 of the Financial Statements.

During the year ended 31 December 2020, neither Yancoal nor any of its subsidiaries purchased, sold or redeemed Yancoal's listed securities.

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

### COMMUNICATION WITH SHAREHOLDERS

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

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

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

Shareholders can access all of the Company's announcements published on the ASX and HKExnews on the Company's website at [www.yancoal.com.au](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 2020, approximately 15.41% of the issued ordinary shares of the Company are held by the public. Accordingly, the Company has complied with the waiver granted by The Stock Exchange of Hong Kong Limited under Rule 8.08(1) of The Rules Governing the Listing of Securities as part of the Company's listing in Hong Kong. Rule 8.08(1) (a) of the HK Listing Rules requires that at least 25% of an issuer's total issued share capital must at all times be held by the public.

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

### FULFILMENT OF CONDITIONS AND UNDERTAKINGS

The Company confirms that it has complied with the conditions and undertakings imposed by The Stock Exchange of Hong Kong Limited during the period from 1 January 2020 to 31 December 2020.

### USE OF IPO PROCEEDS

In connection with the global offering in Hong Kong, which was completed on 3 January 2019 (the "Global Offering"), the Company allotted and issued 59,441,900 new shares on 6 December 2018, 563,881 new shares on 28 December 2018 and 4,361,900 new shares on 3 January 2019 at HK\$23.48 per share and raised HK\$1,511 million (\$268 million) in total gross proceeds. The Global Offering's net proceeds amounted to approximately HK\$1,305 million after deduction of related expenses of approximately HK\$206 million (the "Net Proceeds").

The following table sets out the breakdown of the use of proceeds from the HK Listing as at the date of this report:

PURPOSE OF NET PROCEEDS	AMOUNT ALLOCATED, HK\$ '000	AMOUNT UTILISED, HK\$ '000	BALANCE, HK\$ '000
Debt Repayment (48%)	626,507	626,507	–
Future M&A (30%)	391,567	391,567	–
Moolarben JV Acquisition (12%)	156,627	156,627	–
General Working Capital (10%)	130,522	130,522	–
<b>Total (Net Proceeds)</b>	<b>1,305,223</b>	<b>1,305,223</b>	<b>–</b>

The above utilisations are in accordance with the intended use of the net proceeds and percentage allocated, as stated in the Company's prospectus for the Global Offering dated 26 November 2018.

### 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 2020.

## DIRECTORS' REPORT

### TAX RELIEF

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

### MAJOR CUSTOMERS AND SUPPLIERS

Information regarding the Group's sales to the major customers and purchases from the major suppliers can be found in Notes B2 and B5 to the consolidated financial statements.

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. The details of the customer/sales agreements are provided in this 'Continuing Connected Transactions' section of this report.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

### INSURANCE OF OFFICERS OR AUDITORS

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* 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 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:

SHINewing AUSTRALIA	2020 \$	2019 \$
Audit and review of financial statements	1,585,000	1,355,300
Audit related services	26,600	17,700
Non-audit services:	–	18,500
Other assurance services	45,500	–
Taxation compliance	–	50,000
<b>Total services remuneration of ShineWing Australia</b>	<b>1,657,100</b>	<b>1,441,500</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 54.

### 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 DIRECTORS**

**Baocai Zhang** EMBA

**Non- Executive Director (26 Jun 2012 – 19 Jan 2014, and 8 Jun 2018 – current),**

**Co-Vice Chairman (20 Dec 2013 – 8 Jun 2018)**

**Executive Director (20 Jan 2014 – 8 Jun 2018)**

**Chairman of the Board (8 Jun 2018 – current)**

Mr Zhang, aged 53, joined Yanzhou Coal Mining Co Ltd's ("Yanzhou") predecessor in 1989 and was appointed as the Head of the Planning and Finance department of Yanzhou in 2002. He was appointed as a Director and Company Secretary of Yanzhou in 2006 and Deputy General Manager in 2011. Mr Zhang was appointed as Non-Executive Director of Yancoal on 26 June 2012, and subsequently appointed a Co-Vice Chairman of Yancoal on 20 December 2013. He became the Chair of the Executive Committee of Yancoal on 20 January 2014. In October 2015, he became a director of Yankuang Group and a standing member of the CPC Yankuang Group Committee. In February 2018, he was appointed as the General Counsel of Yankuang Group. 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.

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 Yanzhou'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, aged 52, holds a master's degree from Tianjin University of Finance and Economics. He is professionally accredited as Professorate Senior Accountant and International Finance Manager.

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

**Cunliang Lai** DE EMBA

**Executive Director (18 Nov 2004 – 19 Jan 2014)**

**Co-Vice Chairman (26 Jun 2012 – 6 Jun 2018)**

**Non-Executive Director (20 January 2014 – Current)**

Mr Lai, aged 60, joined Yanzhou's predecessor in 1980. He was appointed as the Head of Xinglongzhuang Coal Mine of Yanzhou in 2000. In 2005, he was appointed as the Deputy General Manager of Yanzhou. Before the merger with Gloucester Coal Ltd, Mr Lai was an Executive Director of Yancoal and was appointed the Co-Vice Chairman and Chair of the Executive Committee in 2012. Mr Lai successfully

completed the acquisition of the Astar Coal Mine and the establishment of an appropriate corporate governance structure for Yancoal. Mr Lai has also successfully applied the Longwall Top Coal Caving technology in Australia and has gained considerable experience in Australian coal business management.

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

**Xiangqian Wu** DE

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

Mr Wu, aged 55, joined Yanzhou's predecessor in 1988.

In 2003, he was appointed as the Deputy Head and Deputy Chief Engineer of Jining No.3 Coal Mine of Yanzhou.

In 2004, he was appointed as the Deputy Head and Chief Engineer of Jining No.3 Coal Mine of Yanzhou. In 2006, he was appointed as the Head of Jining No.3 Coal Mine of Yanzhou. 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 the Yanzhou Coal Mining Company Limited. In January 2016, he was appointed as the General Manager and Deputy Chief Engineer of Yanzhou. In April 2020, he was appointed as the Production Director Yankuang Group Co., Ltd. In August 2020, he was appointed as the Chief Health and Safety Officer of Shandong Energy Group Co. Ltd. Mr Wu graduated from Shandong University of Science and Technology and China University of Mining and Technology.

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

**Qingchun Zhao** EMBA

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

Mr Zhao, aged 52, is a senior accountant with an EMBA degree and is a Director and the Chief Financial Officer of Yanzhou.

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

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

**Xing Feng** EMBA

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

Mr Feng, aged 47, 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.

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

**Gregory James Fletcher** BCom, CA

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

**Co-Vice Chairman (1 Mar 2018 – Current)**

Mr Fletcher, aged 64, was a Director of Gloucester Coal Ltd from June 2009. He was appointed a Director of Yancoal after the merger of Yancoal and Gloucester Coal Ltd in June 2012. Mr Fletcher was elected a Co-Vice Chairman of Yancoal in 2018.

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

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

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

**Dr Geoffrey William Raby** BEc (Hons), MEd and PhD (Economics)

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

Dr Geoffrey Raby, aged 67, was appointed a Director of Yancoal in 2012.

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

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

**Helen Jane Gillies** MBA, MConstrLaw, LLB(Hons), BCom, FAICD

**Independent Non-Executive Director (30 Jan 2018 – Current)**

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

## DIRECTORS' REPORT

Ms Gillies, aged 56, was appointed as a Non-Executive Director of Bankstown and Camden Airports in September 2017 and a Non-Executive Director of ASX-listed company Monadelphous Group Limited. 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 the general manager (risk) and general counsel of Sinclair Knight Merz from 1995 to 2013, and a Non-Executive Director of Civil Aviation Safety Authority from 2009 to 2014.

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

**INFORMATION ON MANAGEMENT**

**David James Moul**

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 Moul, aged 64, was an Independent Director of Yancoal from January 2018 to March 2020 when he was then appointed 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 Moul has worked with Joy Mining Machinery in the USA and Australia, RJB Mining PLC and British Coal in the UK.

Mr Moul 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 Service Pty Ltd, and a Director of Port Waratah Coal Services (PWCS). Mr Moul is a Member of the University of NSW Education Trust Advisory Committee.

Mr Moul holds a Master of Business Administration and a Higher National Diploma in Mining. Mr Moul 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. Mr Moul was awarded the NSWMC award for Outstanding Contribution to Mining in 2017.

Mr Moul became an Independent Director of Yancoal in January 2018, then assumed the role of Chief Executive Officer in March 2020.

**Ning (Kevin) Su** FCPA

**Chief Financial Officer (1 June 2020 – Current)**

Ning (Kevin) Su, aged 44, a Fellow of CPA Australia (FCPA), joined Yancoal as General Manager Treasury in June 2014. He has over 20 years accounting, financial, treasury experiences across manufacturing and mining industries in



## DIRECTORS' REPORT

both China and Australia. Mr Su was previously the financial controller of Acer's Oceanic Region, acting in various accounting and finance positions in the Company from 2003 to 2014. Mr Su holds a Master of Commerce Degree from the University of Sydney and a Bachelor of Commerce Degree from the University of International Business and Economics in China.

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

Laura Ling Zhang, aged 43, 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 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 2013. 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 Governance Institute of Australia and since June 2018, is a Fellow member of the Hong Kong Institute of Chartered Secretaries. Ms Zhang has been a member of the Australian Institute of Company Directors since 2009.

**Reinhold Schmid** ME (Mining Engineering), MSc (Mineral Economics), BE (mining)

**Chief Executive Officer (26 Aug 2013 – 8 Mar 2020)**

Mr Schmidt, aged 55, has over 20 years' experience in the mining industry. Prior to joining the Group, he served as the Executive General Manager of Wandoan Project for Xstrata Coal Pty Ltd from February 2008 to February 2009 and the Chief Operating Officer there from March 2009 to June 2013. He was also formerly the president of the Colombian coal assets of Glencore International.

Mr Schmidt graduated with a Bachelor degree in Engineering (Mining) (cum laude) from the University of Pretoria in South Africa in March 1989, a Master of Engineering (Mining Engineering) degree and Master of Science in Engineering (Mineral Economics) degree from the University of Witwatersrand, Johannesburg, South Africa in June 1991 and December 1991, respectively.

**Lei Zhang** PhD, MBA, CPA

**Chief Financial Officer (31 Mar 2014 - 20 Mar 2020)**

Dr Lei Zhang, aged 48, served as the senior vice president and managing director of SK Great China private equity fund & principal investment from February 2013 to March 2014, general manager of mergers and acquisitions and commercial finance at Shell Far East from July 2012 to March 2013, executive director and Chief Financial Officer of Chinalco Mining Corp. International from September 2010 to June 2012, vice president and Chief Financial Officer of Chinalco Overseas Holdings from September 2010 to June 2012, and was with Siemens from April 1997 to September 2010 including serving as vice president of Siemens Ltd. China and cluster Chief Financial Officer of Siemens Real Estate North East Asia from September 2008 to September 2010.

Dr Zhang graduated with a Doctor of Economics from Graduate School of Chinese Academy of Social Sciences in Beijing, China in June 2010, and a Master of Business Administration degree from Peking University in China in June 2005, respectively. Dr Zhang is a qualified Certified Practising Accountant (CPA) and China Inter-bank Market Dealer and also holds a China Bond Custody Qualifying Certificate.

## DIRECTORS' REPORT

DIRECTOR/CEO	OTHER CURRENT KEY DIRECTORSHIPS
<b>Baocai Zhang (Director)</b>	Director of Yankuang Group Company Limited Chairman and Director of Yankuang Group Finance Co., Ltd Chairman of Shandong Geo-Mineral Co.Ltd
<b>Ning Zhang (Director)</b>	Director of various subsidiaries of Yancoal Australia Ltd
<b>Cunliang Lai (Director)</b>	None
<b>Qingchun Zhao (Director)</b>	<sup>4</sup> Director of Yanzhou Coal Mining Company Limited (1171 HK) (June 2016 – current) Director of Duanxin Investment Holding (Shenzhen) Co., Ltd Director of Duanxin Investment Holding (Beijing) Co., Ltd Director of Yancoal International (Holding) Co.Ltd Director of Yancoal International Resources Co., Ltd Director of Yancoal International Technology Development Co., Ltd Chairman of Shanghai Jujiang Asset Management Co., Ltd Director of Yanzhou Coal Yulin Neng Hua Co., Ltd Director of Inner Mongolia Haosheng Coal Mining Limited Director of Yankuang Group Finance Co., Ltd Director of Qilu Bank Co., Ltd Director of Shanghai Mid-Term Futures Co., Ltd
<b>Xiangqian Wu (Director)</b>	Director of Yanzhou Coal Mining Company Limited (1171 HK) (14 May 2014 – current) Director of Yancoal International (Holding) Co. Ltd Director of Yancoal International Trading Co. Ltd Director of Yancoal International Resources 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>Gregory James Fletcher (Director)</b>	Chairman of SMEG Australia Pty Ltd <sup>4</sup> Director of Saunders International Limited, Chairman Audit and Risk Committee and Member of the Remuneration and Nomination Committee (ASX:SND) (1 July 2015 – current) Director of TAFE NSW and Member of the Audit and Risk Committee Chairman of NSW Electoral Commission Audit and Risk Committee Chairman of NSW HealthShare/eHealth Audit and Risk Committee Member of Audit, Risk and Committee, NSW Health Infrastructure Member of Audit and Risk Committee NSW State Transit Authority
<b>Dr Geoffrey William Raby (Director)</b>	Director of OceanaGold Corporation Limited (ASX:OGC) (5 Aug 2011 – current) Chair of Sustainability Committee of OceanaGold <sup>4</sup> Director of Netlinkz Limited (ASX:NET) (8 September 2020 – current)
<b>Helen Jane Gillies (Director)</b>	<sup>4</sup> Director of Monadelphous Group Limited (ASX:MND) (5 September 2016 – current) Director of BAC Holdings Pty Ltd <sup>4</sup> Director of Aurelia Metals Limited (ASX:AMI) (21 January 2021 – current)
<b>David James Moulton (CEO)</b>	Director of Coal Services Pty Ltd Director of Coal Mines Insurance Pty Ltd Director of Mines Rescue Pty Ltd Director of Middlemount Coal Pty Ltd Director of Middlemount Mine Management Pty Ltd Director of Ribfield Pty Ltd Director of Port Waratah Coal Services Ltd
DIRECTOR/CEO	FORMER DIRECTORSHIPS IN LAST THREE YEARS
<b>Baocai Zhang (Director)</b>	Director of Yanzhou Coal Yulin Neng Hua Co., Ltd Director of Inner Mongolia Haosheng Coal Mining Limited Director of Yancoal International (Holding) Co., Ltd
<b>Ning Zhang (Director)</b>	Director of Shanghai Yankuang Energy Sources Technology Research & Development Co., Ltd; Director of Yankuang Group Co., Ltd
<b>Cunliang Lai (Director)</b>	None
<b>Qingchun Zhao (Director)</b>	Director of Qingdao Zhongyin International Trade Co., Ltd Director of Zhongyin Financial Leasing Co., Ltd
<b>Xiangqian Wu (Director)</b>	None
<b>Xing Feng (Director)</b>	None
<b>Gregory James Fletcher (Director)</b>	Director of Yancoal SCN Limited (ASX:YCN) (21 Nov 2014 – 30 Aug 2018)
<b>Dr Geoffrey William Raby (Director)</b>	<sup>4</sup> Director of iSentia Group Ltd (ASX:ISD) (9 May 2014 – 20 Jul 2018) <sup>4</sup> Chairman of Wiseway Group (ASX:WWG) (18 Jul 2018 – 30 Apr 2019)
<b>Helen Jane Gillies (Director)</b>	Director of Red Flag Group (Holdings) Limited
<b>David James Moulton (CEO)</b>	<sup>4</sup> Independent Non-Executive Director of Yancoal Australia Ltd (30 Jan 2018 – 9 Mar 2020) Non-Executive Director of Centennial Coal Company Limited Managing Director and CEO of Centennial Coal Company Limited Director of the Minerals Council of Australia Chairman and Director of the Australian Coal Association Low Emissions Technology Ltd Director of the New South Wales Minerals Council



## DIRECTORS' REPORT

## Special responsibilities as at 31-December 2020:

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

## Current Directorships and Company Secretary positions within the Group held by CEO and Chief Financial Officer ("CFO"):

COMPANY	CEO	CFO	COMPANY	CEO	CFO
1. Abakk Pty Ltd	Dir.	C.S.	39. Monash Coal Holdings Pty Ltd	Dir.	Dir.
2. AMH (Chinchilla Coal) Pty Ltd	Dir.	Dir.	40. Monash Coal Pty Ltd	Dir.	Dir.
3. Ashton Coal Mines Ltd	Dir.	C.S.	41. Moolarben Coal Mines Pty Ltd	Dir.	Dir.
4. Ashton Coal Operations Pty Ltd	Dir.	C.S.	42. Moolarben Coal Operations Pty Ltd	Dir.	Dir.
5. Athena Coal Operations Pty Ltd	Dir.	Dir.	43. Moolarben Coal Sales Pty Ltd	Dir.	Dir.
6. Athena Coal Sales Pty Ltd	Dir.	Dir.	44. Mount Thorley Coal Loading Ltd	Dir.	Dir.
7. Astar Coal Mine Pty Ltd	Dir.	C.S.	45. Mount Thorley Operations Pty Ltd	Dir.	Dir.
8. Australian Coal Resources Ltd	Dir.	Dir.	46. Namoi Valley Coal Pty Ltd	Dir.	Dir.
9. Black Hill Land Pty Ltd	Dir.	Dir.	47. Newcastle Coal Company Pty Ltd	Dir.	C.S.
10. Catherine Hill Bay Land Pty Ltd	Dir.	Dir.	48. Nords Wharf Land Pty Ltd	Dir.	Dir.
11. CIM Duralie Pty Ltd	Dir.	Dir.	49. Northern (Rhondda) Collieries Pty Ltd	Dir.	Dir.
12. CIM Mining Pty Ltd	Dir.	Dir.	50. Novacoal Australia Pty Ltd	Dir.	Dir.
13. CIM Services Pty Ltd	Dir.	Dir.	51. Oaklands Coal Pty Ltd	Dir.	Dir.
14. CIM Stratford Pty Ltd	Dir.	Dir.	52. Parallax Holdings Pty Ltd	Dir.	Dir.
15. CNA Bengalla Investments Pty Ltd	Dir.	Dir.	53. Premier Coal Ltd		Dir.
16. CNA Resources Ltd	Dir.	Dir.	54. Primecoal International Pty Ltd	Dir.	C.S.
17. CNA Warkworth Australasia Pty Ltd	Dir.	Dir.	55. Proserpina Coal Pty Ltd	Dir.	
18. CNA Warkworth Pty Ltd	Dir.	Dir.	56. R.W. Miller (Holdings) Ltd	Dir.	Dir.
19. Coal & Allied (NSW) Pty Ltd	Dir.	Dir.	57. SASE Pty Ltd	Dir.	Dir.
20. Coal & Allied Industries Ltd	Dir.	Dir.	58. Stratford Coal Marketing Pty Ltd	Dir.	Dir.
21. Coal & Allied Mining Services Pty Ltd	Dir.	Dir.	59. Stratford Coal Pty. Ltd.	Dir.	Dir.
22. Coal & Allied Operations Pty Ltd	Dir.	Dir.	60. Warkworth Coal Sales Ltd		Dir.
23. Donaldson Coal Finance Pty Ltd	Dir.	C.S.	61. Warkworth Mining Ltd		Dir.
24. Donaldson Coal Holdings Ltd	Dir.	C.S.	62. Warkworth Pastoral Co Pty Ltd		Dir.
25. Donaldson Coal Pty Ltd	Dir.	C.S.	63. Warkworth Tailings Treatment Pty Ltd		Dir.
26. Duralie Coal Marketing Pty Ltd	Dir.	Dir.	64. Watagan Mining Company Pty Ltd	Dir.	C.S.
27. Duralie Coal Pty Ltd	Dir.	Dir.	65. Westralian Prospectors N.L.	Dir.	Dir.
28. Eucla Mining N.L.	Dir.	Dir.	66. White Mining (NSW) Pty Ltd	Dir.	C.S.
29. Felix NSW Pty Ltd	Dir.	Dir.	67. White Mining Ltd	Dir.	C.S.
30. Gloucester (SPV) Pty Ltd	Dir.	Dir.	68. White Mining Services Pty Ltd	Dir.	C.S.
31. Gloucester (Sub Holdings 1) Pty Ltd	Dir.	C.S.	69. Yancoal Australia Sales Pty Ltd	Dir.	Dir.
32. Gloucester (Sub Holdings 2) Pty Ltd	Dir.	Dir.	70. Yancoal Mining Services Pty Ltd	Dir.	Dir.
33. Gloucester Coal Ltd	Dir.	Dir.	71. Yancoal Moolarben Pty Ltd	Dir.	Dir.
34. Gwandalan Land Pty Ltd	Dir.	Dir.	72. Yancoal Resources Ltd	Dir.	Dir.
35. Kalamah Pty Ltd	Dir.	Dir.	73. Yancoal SCN Ltd	Dir.	Dir.
36. Lower Hunter Land Holdings Pty Ltd	Dir.	Dir.	74. Yarrabee Coal Company Pty. Ltd	Dir.	Dir.
37. Miller Pohang Coal Co Pty Ltd		Dir.			
38. Minmi Land 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 2020, and the numbers of meetings attended by each Director were:

	GENERAL MEETINGS		MEETINGS OF THE BOARD OF DIRECTORS		MEETINGS OF COMMITTEES							
	ANNUAL GENERAL MEETING		FULL MEETINGS OF DIRECTORS		AUDIT AND RISK MANAGEMENT		HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY		NOMINATION AND REMUNERATION		STRATEGY AND DEVELOPMENT	
	A <sup>5</sup>	B <sup>6</sup>	A	B	A	B	A	B	A	B	A	B
Baocai Zhang	1	1	17	17					4	5	2	2
Ning Zhang <sup>7</sup>	1	1	10	10			4	4				
Cunliang Lai	0	1	17	17								
Xiangqian Wu <sup>8</sup>	0	1	16	17			4	4	4	5		
Qingchun Zhao	0	1	15	17	4	4					2	2
Gregory James Fletcher	1	1	17	17	4	4			4	5		
Geoffrey William Raby <sup>9</sup>	1	1	17	17			5	5	4	4	2	2
Helen Jane Gillies	1	1	17	17	4	4			5	5		
Xing Feng	0	1	17	17							2	2
Fucun Wang <sup>10</sup>	n/a	n/a	2	7			n/a	n/a				
David James Moul <sup>11</sup>	n/a	n/a	6	6	1	1	n/a	n/a	1	1		
Fuqi Wang <sup>12</sup>	n/a	n/a	10	10			1	1			n/a	n/a

## 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:

- **Dr Geoffrey William Raby. Independent Non-Executive Director**  
Appointed as a director of Netlinkz Limited (ASX:NET) with effect from 8 September 2020.
- **Helen Jane Gillies. Independent Non-Executive Director**  
Appointed as a director of Aurelia Metals Limited (ASX:AMI) with effect from 21 January 2021.
- **David James Moul. Independent Non-Executive Director**  
Resigned as Director to become Chief Executive Officer of the Company (ASX: YAL; HKE: 03668) with effect from 9 March 2020.
- **Fucun Wang. Executive Director**  
Resigned as a director to pursue new career opportunities with effect from 20 March 2020.
- **Fuqi Wang. Non-Executive Director**  
Resigned as a director to pursue new career opportunities with effect from 5 June 2020.

## DIRECTORS' CONFIRMATIONS

## Director's Interest in Competing Business

Baocai Zhang, who is a Non-Executive Director, serves as a director of Yankuang. Xiangqian Wu and Qingchun Zhao, who are Non-Executive Directors, serve as the directors of Yanzhou. Yankuang and Yanzhou are the controlling shareholders of the Company. As at 31 December 2020, Yankuang is, directly and indirectly, interested in approximately 56.01% of the shares in Yanzhou and Yanzhou is interested in approximately 62.26% of the shares in the Company. Yankuang is principally engaged in the production and sale of coal, coal chemicals and aluminium, power generation, machinery manufacturing and financial investments. During 2020, Yankuang Group Co. Ltd. and Shandong Energy Group Co. Ltd. merged and Yankuang Group was renamed as Shandong Energy Co. Ltd on or around 31 March 2021. The merger did not result in any change in the controlling shareholder or the actual controller of Yanzhou (the immediate controlling shareholder of the Group), which remained as Yankuang Group

5 A = Number of meetings attended.

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

7 Mr Ning Zhang was appointed as the Chair of the Executive Committee of Yancoal, Co-Vice Chair of the Board, Executive Director and a member of the Health Safety Environment and Community Committee of the Company effective 20 March 2020.

8 Mr Xiangqian Wu was appointed as a member of the HSEC of the Company effective 5 June 2020.

9 Mr Geoffrey William Raby was appointed as the Chair of the HSEC and a member of the Nomination and Remuneration Committee (NRC) of the Company effective 9 March 2020.

10 Mr Fucun Wang resigned as the Chair of the Executive Committee of the Company, Co-Vice Chair of the Board, Executive Director and a member of the HSEC of the Company effective 20 March 2020.

11 Mr David James Moul resigned as a director of the Company, the chair of the HSEC and a member of the NRC and a member of the Audit and Risk Management Committee of the Company effective 9 March 2020.

12 Mr Fuqi Wang resigned as a director of the Company and a member of the HSEC and a member of the Strategy and Development Committee of the Company effective 5 June 2020.



## DIRECTORS' REPORT

(now renamed as Shandong Energy Co. Ltd.). Yanzhou 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 Yanzhou located in Australia, other than through its interest in the Group, are managed and operated by the Company. Yankuang does not have any interests in mines in Australia other than through its interests in Yanzhou 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 2020.

### 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 AND LOANS

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

As at 31 December 2020 the interests or short positions (as applicable) of the Directors and the Chief Executive of the Company in the Shares and debentures of the Company and any interests or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (1) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the HK Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, are as follows:

#### The Company

NAME OF EXECUTIVE OR DIRECTOR	NUMBER OF SHARES	INTEREST IN UNDERLYING SHARES <sup>13</sup>	COMBINED TOTAL	NATURE OF INTEREST	APPROXIMATE PERCENTAGE
Baocai Zhang	274,404	–	274,404	Beneficial owner	0.02078%
Gregory James Fletcher	2,100	–	2,100	Beneficial owner	0.00016%
Geoffrey William Raby	22,858	–	22,858	Beneficial owner	0.00173%

<sup>13</sup> These represent the number of shares underlying the performance share rights which were granted pursuant to the Company's Equity Incentive Plan approved by shareholders. The terms of the Equity Incentive Plan governing the grant of performance share rights are not subject to the provisions of Chapter 17 of the HK Listing Rules as it does not involve the grant of options by the Company to subscribe for new shares of the Company.

## DIRECTORS' REPORT

### Associated corporations of the Company

NAME OF DIRECTOR	NAME OF THE ASSOCIATED CORPORATION	NUMBER OF SHARES	INTEREST IN UNDERLYING SHARES	COMBINED TOTAL	NATURE OF INTEREST	APPROXIMATE PERCENTAGE
Qingchun Zhao	Yanzhou Coal Mining Company Limited	–	260,000	260,000	Beneficial owner	0.00535%
Xiangqian Wu	Yanzhou Coal Mining Company Limited	10,000	320,000	330,000	Beneficial owner	0.00679%

Save as disclosed above, as at 31 December 2020, 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 2020 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 (%)
Yanzhou	Beneficial interest	822,157,715	62.26
Yankuang <sup>14</sup>	Interest in controlled entity	822,157,715	62.26
Cinda International HGB Investment (UK) Limited	Beneficial interest	209,800,010	15.89
China Agriculture Investment Limited	Interest in controlled entity	209,800,010	15.89
International High Grade Fund B, L.P.	Interest in controlled entity	209,800,010	15.89
Cinda International GP Management Limited	Interest in controlled entity	209,800,010	15.89
China Cinda (HK) Asset Management Co., Ltd <sup>15</sup>	Interest in controlled entity	209,800,010	15.89
Cinda Strategic (BVI) Limited	Interest in controlled entity	209,800,010	15.89
Cinda International Holdings Limited	Interest in controlled entity	209,800,010	15.89
Cinda Securities Co., Ltd	Interest in controlled entity	209,800,010	15.89
China Cinda (HK) Holdings Company Limited	Interest in controlled entity	209,800,010	15.89
China Cinda Asset Management Co., Ltd	Interest in controlled entity	209,800,010	15.89
Glencore Coal Pty Ltd	Beneficial interest	84,497,858	6.40
Glencore Holdings Pty Limited	Interest in controlled entity	84,497,858	6.40
Glencore plc <sup>16</sup>	Interest in controlled entity	84,497,858	6.40
CSIL <sup>17</sup>	Beneficial interest	71,428,571	5.41
Shandong Lucion Investment Holdings Group Co., Ltd	Interest in controlled entity	71,428,571	5.41

Save as disclosed above, as at 31 December 2020, 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.

<sup>14</sup> Yankuang is deemed to be interested in the 822,157,715 Shares which Yanzhou 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 Yanzhou.

<sup>15</sup> Cinda International HGB Investment (UK) limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd, is interested in 209,800,010 Shares which are held by J P Morgan Nominees Australia Limited as nominee. China Cinda Asset Management Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Securities Co., Ltd, Cinda Strategic (BVI) Limited, China Cinda (HK) Asset Management Co., Ltd, Cinda International GP Management Limited, International High Grade Fund B, L.P. and China Agriculture Investment Limited are each deemed to be interested in the 209,800,010 Shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

<sup>16</sup> Glencore plc and Glencore Holdings Pty Limited are deemed to be interested in the 84,497,858 Shares which Glencore Coal Pty Ltd is interested in as beneficial owner. Glencore plc wholly owns Glencore Holdings Pty Ltd which in turn wholly owns Glencore Coal Pty Ltd.

<sup>17</sup> CSIL, a wholly owned subsidiary of Shandong Lucion Investment Holdings Group Co., Ltd, is interested in 71,428,571 Shares which are held by HSBC Custody Nominees (Australia) Limited – A/C 2 as nominee.



## REMUNERATION REPORT

Dear Shareholder,

I am pleased to introduce the Group's 2020 Remuneration Report.

### 2020 REFLECTIONS AND PERFORMANCE

2020 was a challenging year that saw decreasing coal prices and operational activities being impacted through Australia's bushfires and inclement weather in early 2020, shortly followed by the global impact of COVID-19. Yancoal rapidly implemented its pandemic response plan, prioritising the safety of our workforce. As a result, all mines continued to operate with no material impact on production, and Yancoal continued to improve its safety performance.

In response to difficult market conditions, partly attributable to the geopolitical challenges between Australia and China, Yancoal continually optimised its product to maximise sales and further diversified its customer base with sales made into India, Pakistan and South America.

Further, Yancoal also operated a prudent approach in relation to financial management. As a result, the Group did not access any of the Australian Government's fiscal programs including JobKeeper.

In navigating these operational challenges and ensuring compliance with government guidelines, Yancoal has also taken its direction from our people. As the impact of COVID-19 continues, Yancoal aims to continue focussing our beliefs of compliance, transparency and efficiency in our physical and human capital operations.

Key operational highlights include:



**Increased Production:**  
Attributable saleable coal production increased by **8%** on the prior year



**Strong Safety Culture:**  
12-month rolling TRIFR of **7.4**, below the comparable industry average



**Reduced Costs:** Operating cash costs<sup>18</sup> of **\$59/t** (excluding royalties), down from \$64/t in 2019

In 2020 Yancoal completed a structural change of the executive leadership team, detailed later in this Remuneration Report. The Board believes that with the strength of its people-centric operating model and ongoing focus on robust cost management, the Group is well positioned to continue to improve its performance.

### 2020 EXECUTIVE REMUNERATION OUTCOMES

Consistent with Yancoal's financial outcomes in 2020, Executive total remuneration is down relative to 2019. Specifically, the below threshold PBT outcome has contributed to reduced STIP payouts. The 2020 Executive STIP Outcomes section of this report summarises this year's scorecard performance, including strong results throughout a number of operational areas, such as safety, production and environment. Improvements have been realised across the various underlying quantitative measures, for instance a reduction in recordable injuries and a reduction in environmental complaints. Our balanced scorecard approach reinforces the need for our Executive team to deliver across a range of both financial and non-financial priorities.

### 2021 REMUNERATION FRAMEWORK

The NRC continues to review the Yancoal remuneration framework on an annual basis to ensure it remains fit for purpose for the years ahead. Two changes to the remuneration framework will apply in FY21:

- For Executives, Yancoal will introduce an individual performance weighting to determine the FY21 STIP outcome with the objective of driving increased individual accountability.
- For the broader organisation, Yancoal is also introducing a Yancoal-wide KPI across each site scorecard.

The NRC believes these changes support Yancoal's strategic objectives and are also closely aligned to Yancoal's values of Innovation, Excellence and Integrity.

During the course of FY20, shareholders queried the length of the LTIP performance period and whether this should be extended beyond the current 3-year period. Yancoal conducted a review of both the STIP and LTIP frameworks in FY20 which included insights from independent remuneration consultants. Following this review, Yancoal determined that the LTIP performance period of 3 years remains appropriate to our circumstances and consistent with prevalent market practice.

We will continue to monitor the market to ensure all aspects of Yancoal's remuneration framework remain market relevant and fit for purpose.

This report sets out remuneration information for the Group's KMP for the 12 months ended 31 December 2020.

Yours sincerely,

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

<sup>18</sup> Operating cash costs are calculated on an annual financial reporting basis.

## REMUNERATION REPORT

### KEY MANAGEMENT PERSONNEL

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

Consistent with the Constitution, the Company's majority shareholder Yanzhou 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 2020 the Company appointed Mr Ning Zhang as the new Executive Director following the resignation of Mr Fucun Wang. Mr Zhang takes over the Board and Board Committee responsibilities previously held by Mr Fucun Wang. Also during 2020, Mr Fuqi Wang stepped down from his role as Non-Executive Director.

Following the resignation of Mr Reinhold Hans Schmidt as Chief Executive Officer, Mr David James Moulton stepped down as Independent Non-Executive Director and was appointed Chief Executive Officer. Dr Geoffrey William Raby has been appointed Chairman of the Health, Safety, Environment and Community Committee and Member of the Nomination and Remuneration Committee, and Mr Xiangqian Wu has been appointed Member of the Health, Safety, Environment and Community Committee. Following the changes outlined above, the Board has reduced in size from 11 Directors to 9 Directors, including 3 Independent Non-Executive Directors.

Yancoal has appointed Mr Ning (Kevin) Su to Chief Financial Officer following the resignation of Mr Lei Zhang in 2020.

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	Full year
	Chairman of the Board	
	Chairman of the Strategy and Development Committee	
	Member of the Nomination and Remuneration Committee	
<b>Cunliang Lai</b>	Director	Full year
<b>Fuqi Wang</b>	Director	Until 5 June 2020
	Member of the Health, Safety, Environment and Community Committee Member of the Strategy and Development Committee	
<b>Qingchun Zhao</b>	Director	Full year
	Member of the Audit and Risk Management Committee Member of the Strategy and Development Committee	
<b>Xiangqian Wu</b>	Director	Full year
	Member of the Nomination and Remuneration Committee Member of the Health, Safety, Environment and Community Committee	
<b>Xing Feng</b>	Director	Full year
	Member of the Strategy and Development Committee	
<b>Gregory James Fletcher</b>	Independent Director	Full year
	Co-Vice Chairman	
	Chairman of the Audit and Risk Management Committee Member of the Nomination and Remuneration Committee	
<b>Geoffrey William Raby</b>	Independent Director	Full year
	Member of the Strategy and Development Committee	
	Member of the Health, Safety, Environment and Community Committee	
	Chairman of the Health, Safety, Environment and Community Committee Member of the Nomination and Remuneration Committee	
<b>Helen Jane Gillies</b>	Independent Director	Full year
	Chairman of the Nomination and Remuneration Committee Member of the Audit and Risk Management Committee	
<b>David James Moulton</b>	Independent Director	Until 9 March 2020
	Chairman of the Health, Safety, Environment and Community Committee Member of the Nomination and Remuneration Committee	
	Member of the Audit and Risk Management Committee	



## REMUNERATION REPORT

### EXECUTIVE DIRECTORS

<b>Fucun Wang</b>	Director, Co-Vice Chairman Chairman of the Executive Committee Member of the Health, Safety, Environment and Community Committee	Until 20 March 2020
<b>Ning Zhang</b>	Director, Co-Vice Chairman Chairman of the Executive Committee Member of the Health, Safety, Environment and Community Committee	From 20 March 2020

### EXECUTIVE KMP

<b>Reinhold Hans Schmidt</b>	Chief Executive Officer	Until 8 March 2020
<b>Lei Zhang</b>	Chief Financial Officer	Until 20 March 2020
<b>Paul Stringer</b>	Chief Operating Officer	Until 27 July 2020
<b>David James Moulton</b>	Chief Executive Officer	From 9 March 2020
<b>Ning (Kevin) Su</b>	Chief Financial Officer <sup>19</sup>	From 20 March 2020

### 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 Company’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;
- Director remuneration (subject to any shareholder approval that is required in accordance with the ASX and HK 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;
- 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.

#### External advice

From time to time, the NRC seeks and considers advice from external advisors who are engaged by and report directly to the NRC. Such advice will typically cover remuneration levels, independent benchmarking data and information regarding best practice, trends and regulatory developments. Following a substantial revamp of the remuneration framework in 2018, no remuneration recommendations were obtained during 2020 as defined under the *Corporations Act 2001* (Cth).

19 As of 20 March 2020 Ning (Kevin) Su took on additional responsibilities within the finance function and was appointed Chief Financial Officer as at 1 June 2020

## REMUNERATION REPORT

### EXECUTIVE REMUNERATION

#### Remuneration Principles and Framework



#### REMUNERATION FRAMEWORK OBJECTIVES

The executive remuneration framework is structured to be market competitive and to reflect the reward strategy of the Company. Through this framework the Company 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 company 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”)
The FAR package provides market competitive remuneration to attract and retain high quality talent while reflecting role scope and accountabilities. The FAR package incorporates cash salary, superannuation benefits and may include a provision for a car benefit, together with various other benefits. Executive FAR is reviewed annually against equivalent roles among companies of similar size in the mining/resources industry. No Executives are guaranteed an annual increase in FAR.	The STIP rewards Executives for the achievement of Company and individual goals that are aligned to the Company’s financial, operational and strategic priorities. <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> Performance is assessed annually against profitability, health & safety, strategic objectives and environment key performance indicators (“KPIs”). For further information see the ‘Short Term Incentive Plan’ section in this Remuneration report.	The LTIP rewards and supports retention of participants who are in positions to influence the Company’s long-term performance. Performance rights to shares with no dividend equivalent payments vest over a three-year period subject to performance assessed against a comparator group: <ul style="list-style-type: none"> <li>• 60% Earnings Per Share (EPS) Vesting Condition (“EPS Awards”)</li> <li>• 40% Costs Target Vesting Condition (“Costs Target Awards”).</li> </ul> For further information see the ‘Long Term Incentive Plan’ section in this Remuneration report.

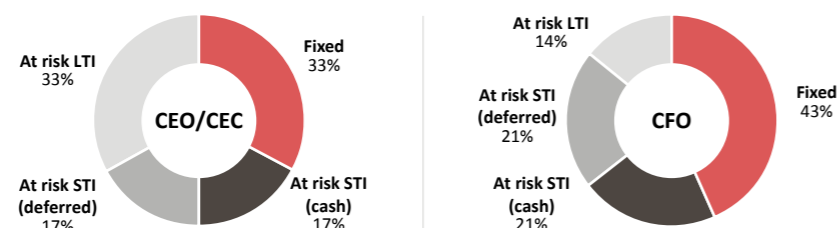
The executive remuneration framework has been structured to align participants to the long-term interests of the Company and its shareholders through the use of equity components in the annual remuneration package: deferred share rights in the STIP and performance share rights in the LTIP. Restrictions are in place regarding to whom equity can be issued and/or transferred under the HK 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 HK 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.



## REMUNERATION REPORT

### Target Remuneration Mix

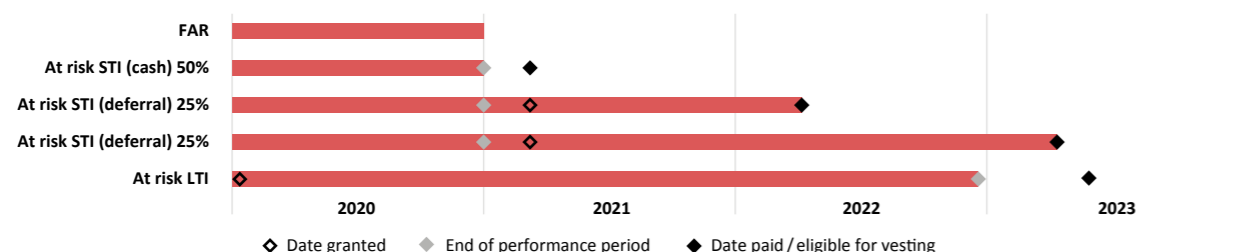
The chart below illustrates the relative proportion of 2020 remuneration for Executive KMPs which is fixed and that which is linked to individual and/or Company performance (STIP and LTIP) in the event that target performance for at-risk components is met.



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 illustration of how the 2020 financial year remuneration will be delivered to Executive KMPs.



### Short Term Incentive Plan

The STIP aims to strengthen shareholder alignment and encapsulates various company 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. No structural changes were proposed for 2020. The STIP structure for 2020 is outlined in the table below.

FEATURE	DESCRIPTION																					
<b>Eligibility</b>	Executives as well as other management and employees of the Company 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, Chairman 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</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. Assessment against these measures is determined following the end of each year.</p> <p>For Executives, all KPIs are measured at Company level. The STIP scorecard measures the Company'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 ("FOB") Cash Costs (excluding royalties)<sup>20</sup></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 ("FOB") Cash Costs (excluding royalties) <sup>20</sup>	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%																				
	Free On Board ("FOB") Cash Costs (excluding royalties) <sup>20</sup>	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%																				
<b>Outcome Formula</b>	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). The payout multiplier (0% to 200%) is 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 Company KPIs.																					

The Board reserves the right to exercise discretion should the scorecard generate unintended outcomes.

<sup>20</sup> FOB cash costs are calculated on a management reporting basis.

## REMUNERATION REPORT

<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. 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>
<b>Settlement</b>	Vested rights will be equity settled, unless the Board exercises discretion to settle in cash. 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.

### Long Term Incentive Plan

LTIP grants are delivered in performance share rights with vesting subject to performance conditions measured over a 3-year period. The Board maintains discretion to reduce or waive the conditions outlined below if the results generate any unintended outcomes. No structural changes were proposed for 2020. The LTIP structure for 2020 is outlined in the table below.

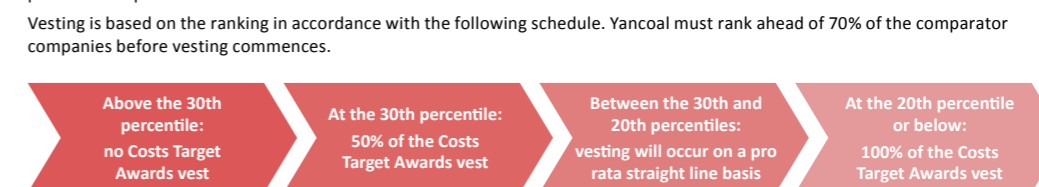
FEATURE	DESCRIPTION
<b>Eligibility</b>	Executives and certain senior management are eligible to participate in the LTIP.
<b>Frequency</b>	Each year, eligible Executives and certain senior management are considered for an annual LTIP grant.
<b>LTIP opportunity</b>	The Chairman of the Executive Committee 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 2019.
<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 Company relative to performance of a comparator group of companies operating in the Australian resources sector 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 Company 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:</p> <p>a) It allows for an objective external assessment of the shareholder value created by the Company relative to a group of peers over a sustained period in view of the low liquidity and limited float of Yancoal shares; and</p> <p>b) It is well understood by markets.</p> <p>The Costs Target Awards was chosen because it provides a structural incentive to LTIP participants to ensure that the Company remains positioned in the best cost quartile of Australian coal producers. The best quartile costs protects and preserves shareholder value in difficult times and supports enhanced returns when the commodity cycle recovers.</p>

**How will the performance condition be calculated for the EPS Awards?** For the EPS Awards, the EPS growth of the Company (based on the Company'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 operating in the Australian resources sectors. Vesting is based on the ranking in accordance with the following schedule:



The 2020 comparator group consists of the following companies: Whitehaven Coal; BHP Billiton; Rio Tinto; Newcrest Mining; South32; Fortescue Metals Group; Iluka Resources; New Hope Corp; Northern Star Resources; OZ Minerals; Evolution Mining; Mineral Resources; St Barbara; Regis Resources and Coronado Global Resources.

**How will the performance condition be calculated for the Costs Target Awards?** For the Costs Target Awards, the Company's weighted average FOB cost per tonne is measured as a percentile ranking compared to the estimated coal industry cost curve (as advised by an independent expert) for Australian export mines at the end of the performance period.



**Performance Period** Subject to achieving vesting conditions, EPS awards can become exercisable after a three-year performance period with the performance period commencing on 1 January 2020.

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 2022 with Costs Target Awards being tested at, or shortly after, the time of publication of Wood Mackenzie's independent expert report.

All awards that do not vest following testing will lapse immediately. There is no re-testing. All vested awards are automatically exercised.

**Settlement** Exercisable rights will be equity settled, unless the Board exercises discretion to settle in cash. 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

## LTIP awards granted to Executives in 2020

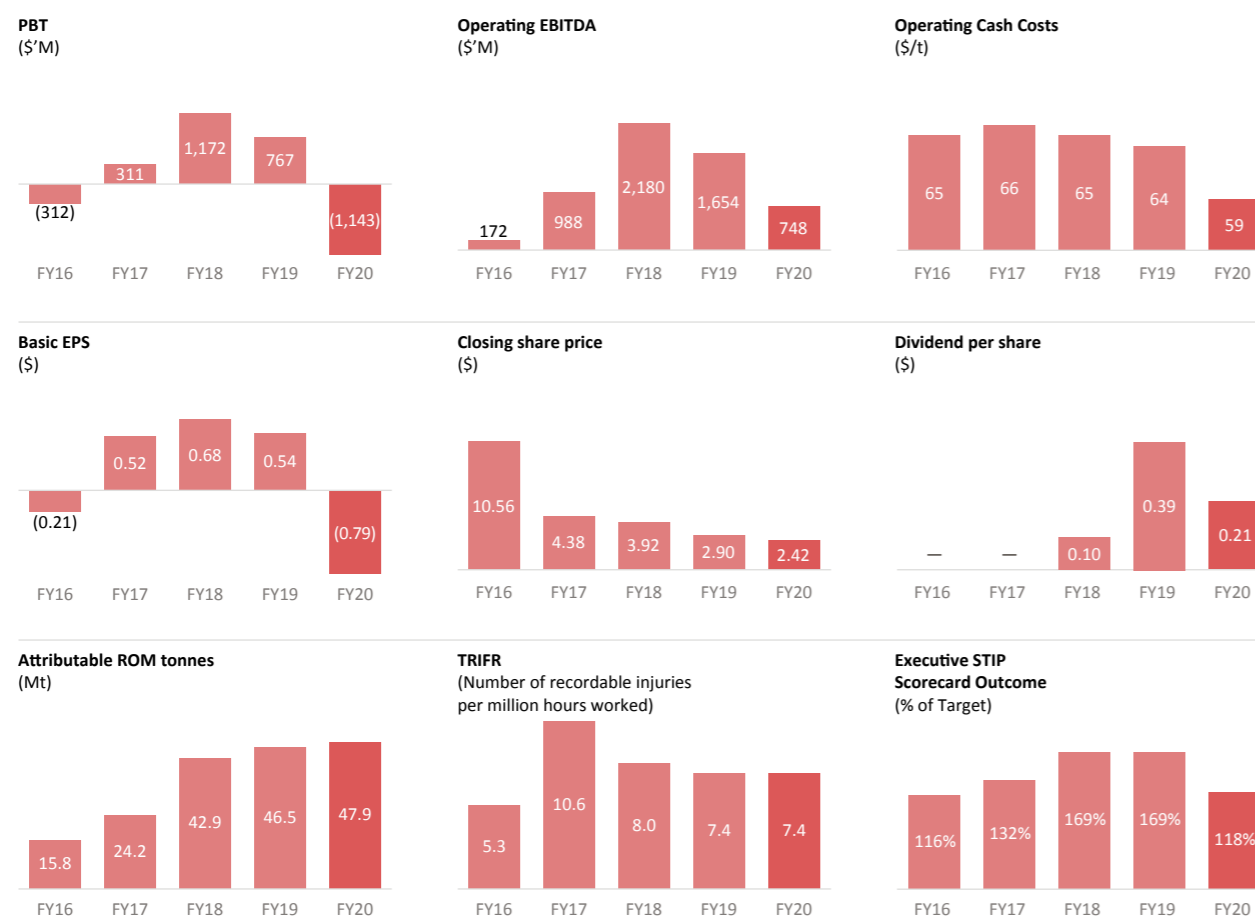
A summary of the LTIP awards granted in 2020 is set out in the table below.

NAME	FAIR VALUE AT DATE OF GRANT \$	NUMBER OF PERFORMANCE RIGHTS GRANTED <sup>21</sup>
Ning Zhang	563,726	344,390
David James Moulton	1,917,182	1,171,240
Ning (Kevin) Su	150,601	65,351
Total	2,631,509	1,580,981

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

## LINKING EXECUTIVE REMUNERATION TO COMPANY PERFORMANCE

The Company's remuneration principles include rewarding based on performance and this is primarily achieved through the Company's STIP and LTIP. Cash and equity awards under these plans are impacted by the overall performance of the Company in order to maintain a link between performance and shareholder value. The Company'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.

Overview of Yancoal's historical performance and Executive STIP Outcomes<sup>22</sup>

21 The performance share rights noted above have been allocated and were issued on 20 August 2020 for David James Moulton and Ning Zhang, and 15 June 2020 for other Executive KMP. 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 2019.

22 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

## 2020 Executive STIP Outcomes

The table below outlines STIP scorecard achievement for Yancoal Australia Limited and Yancoal International Holdings Limited in 2020.

KPI	MEASURE	ACTUAL KPI RESULT	STIP OUTCOME			COMMENTS
			THRESHOLD	TARGET	STRETCH	
Profitability	PBT [Am]	(1,228)	●	●	●	Below threshold PBT reflects the loss on reconsolidation of Watagan and the lower than expected coal prices.
	FOB Cash Costs <sup>23</sup> (excluding royalties) [\$ per tonne]	59.78	●	●	●	Cost reductions were realised in 2020, following a strong focus on operational efficiencies.
	ROM [Mt]	53.44	●	●	●	Increased production at Moolarben was offset by lower production at HVO, Stratford and Watagan.
Health & Safety	TRI & DI	58	●	●	●	Target performance reflects achievement similar to prior year.
	Critical Controls Compliance	96%	●	●	●	
Strategic Objectives	Strategic measures: • Watagan resolution • Growth initiatives • COVID	108%	●	●	●	Stretch reflects the significant progress made across key strategic objectives which position Yancoal to improve both financial and operational outcomes in the future.
Environment	Environmental incidents and complaints (excluding serial complainants)	Various	●	●	●	Stretch reflects a 20% reduction in complaints year to year, and decreased number of environmental incidents, including zero Category 3 – 5 incidents.
<b>OVERALL</b>			<b>117.8%</b>			

The STI outcomes are a reflection of the balanced scorecard approach that considers not only the business results but the accomplishment of strategic priorities that are crucial to our long term shareholder returns. Whilst the PBT measure has not been achieved, management have managed the controllable items effectively and achieved stretch or target across the remainder of the scorecard items. The STI Outcome for the KMP is equivalent to 58.9% 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>24</sup> \$	STIP DEFERRED <sup>25</sup> \$	STIP TOTAL \$	% OF STIP OPPORTUNITY AWARDED	% OF STIP OPPORTUNITY NOT AWARDED
Ning Zhang	221,100	221,100	442,200	59%	41%
David James Moulton	834,400	834,400	1,668,800	59%	41%
Ning (Kevin) Su	239,178	239,178	478,356	59%	41%
Fucun Wang <sup>26</sup>	-	-	-	0%	100%
Reinhold Hans Schmidt <sup>26</sup>	-	-	-	0%	100%
Lei Zhang <sup>26</sup>	-	-	-	0%	100%
Paul Stringer <sup>26</sup>	-	-	-	0%	100%
<b>Total</b>	<b>1,294,678</b>	<b>1,294,678</b>	<b>2,589,356</b>	<b>23%</b>	<b>77%</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). Given the low float of the Company's shares, it is anticipated that, at the time of vesting, the Board may exercise discretion to settle the 2020 STIP Deferred Rights with a cash equivalent payment. See section 'Short Term Incentive Plan' for Settlement details.

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

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

24 The 2020 STIP cash figures are to be paid around March 2021.

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

26 Executives ceasing employment during 2020 were not eligible to receive 2020 STIP awards.



## REMUNERATION REPORT

## Company Performance against LTIP Performance Conditions

The close of 2020 signals the testing of the 2018 LTIP performance conditions. Because the EPS condition is relative for the performance period 1 January 2018 to 31 December 2020, and the Costs Target is tested at (or shortly after) the time of publication of the independent expert's report; testing and any subsequent vesting of the 2018 LTIP will not take place until the relevant performance results have been released which is anticipated to be March 2021.

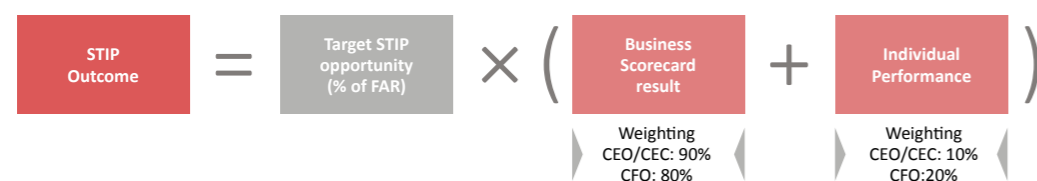
Yancoal's estimated performance against these measures at the end of 2020 is as follows:

- EPS Measure (60% of the LTIP award): Yancoal is expected to be ranked 18th against a comparator group of 22, which would result in nil vesting for this measure.
- Costs Target Measure (40% of the LTIP award): Yancoal is expected to be ranked below the 20th percentile against comparators, as Cost is currently better managed than 80% of the comparator group, which would result in 100% vesting of this measure.

The Board retains the right to exercise discretion in regards to final vesting outcomes per the LTIP plan rules.

## Looking forward to 2021

In FY20 the NRC undertook a review of the Executive remuneration structure. With the objective of driving increased individual accountability, an individual performance weighting will be introduced to the STIP outcome determination in FY21 as follows:



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 Chairman of the Executive Committee, while objectives for other executives will be set and assessed in collaboration with the Chief Executive Officer and Chairman of the Executive Committee.

## 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.

New ESAs have been put in place for those Executives commencing new roles with Yancoal in 2020.

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

EXECUTIVE	POSITION	TERM OF ESA	NOTICE PERIOD	TERMINATION BENEFIT
Ning Zhang	Executive Director,	Unlimited	6 months <sup>27</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>
	Co-Vice Chairman, Chairman of the Executive Committee		12 months <sup>28</sup>	
David James Moul	Chief Executive Officer	2 years with option to convert to a permanent position	6 months <sup>27</sup> 12 months <sup>28</sup>	
Ning (Kevin) Su	Chief Financial Officer	Unlimited	3 months <sup>27</sup> 6 months <sup>28</sup>	

<sup>27</sup> Notice period applicable if the Executive resigns.

<sup>28</sup> Notice period applicable if the Company terminates the Executive.

## REMUNERATION REPORT

## EXECUTIVE STATUTORY REMUNERATION

## Executive Remuneration

The following table sets out the details of remuneration earned by Executives in 2020 and 2019, 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 <sup>29</sup>	STI <sup>30</sup>	NON- MONETARY BENEFITS	SUPERANNUATION BENEFITS	LONG SERVICE LEAVE	STI DEFERRED <sup>30</sup>			LTIP <sup>31</sup>
Ning Zhang <sup>32</sup>	2020	371,485	221,100	16,459	16,098	147	221,100	111,081	957,470	58%
	2019	-	-	-	-	-	-	-	-	-
David James Moul <sup>32</sup>	2020	1,367,008	834,400	20,594	17,450	6,831	834,400	388,103	3,468,786	59%
	2019	-	-	-	-	-	-	-	-	-
Ning (Kevin) Su <sup>32</sup>	2020	333,371	239,178	9,753	16,740	21,568	239,178	35,204	894,992	57%
	2019	-	-	-	-	-	-	-	-	-
Fucun Wang <sup>33</sup>	2020	402,929	-	2,648	10,674	208	-	(617,979)	(201,520)	n/a
	2019	478,860	-	6,042	20,767	1,260	-	432,064	938,993	46%
Reinhold Hans Schmidt <sup>33</sup>	2020	1,272,993	-	18,724	10,674	1,889	-	(2,082,934)	(778,654)	n/a
	2019	1,629,226	-	70,864	20,767	172,602	-	1,451,019	3,344,478	43%
Lei Zhang <sup>33</sup>	2020	584,527	-	14,489	9,721	867	-	(148,480)	461,124	n/a
	2019	457,015	-	15,176	20,767	43,554	-	103,435	639,947	16%
Paul Stringer <sup>33</sup>	2020	1,222,048	-	117,366	15,925	3,710	-	(222,955)	1,136,094	n/a
	2019	700,350	440,885	167,873	20,767	27,000	440,885	155,888	1,953,648	53%
Total	2020	5,554,361	1,294,678	200,033	97,282	35,220	1,294,678	(2,537,960)	5,938,292	59%
	2019	3,265,451	440,885	259,955	83,068	244,416	440,885	2,142,406	6,877,066	44%

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 2020, 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. Termination payments made to Executives ceasing employment during 2020 were in line with contractual agreements e.g. such as FAR payable in lieu of notice and accrued leaves (see footnote 29 below).

## 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, Yanzhou. The total Board and Committee fees paid by the Company to Non-Executive Directors in 2020 was \$894,209.

During 2020, 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. Following an independent review of Non-Executive Director fees including independent advice on market movements, Board and Board Committee fees were increased in 2020.

<sup>29</sup> For those ceasing employment in 2020 Cash Salary includes termination benefits such as FAR payable in lieu of notice and accrued leaves. Termination benefits paid in FY20 were as follows: Reinhold Hans Schmidt \$966,004; Lei Zhang \$480,813; Fucun Wang \$328,017 and Paul Stringer \$815,836.

<sup>30</sup> Reinhold Hans Schmidt, Lei Zhang, Fucun Wang and Paul Stringer were not eligible for STI awards in 2020 following cessation of employment during 2020.

<sup>31</sup> On cessation of employment all unvested LTIP awards were forfeited and lapsed.

<sup>32</sup> Commencing as Executive KMP during 2020: David James Moul on 9 March 2020, Ning Zhang and Ning (Kevin) Su on 20 March 2020. This table represents remuneration for FY20 or part thereof during which a person was a KMP.

<sup>33</sup> Executives ceasing employment during 2020: Reinhold Hans Schmidt on 8 March 2020, Lei Zhang and Fucun Wang on 20 March 2020; and Paul Stringer on 27 July 2020.



## REMUNERATION REPORT

No Board or Board Committee fees were paid to:

- Executive Directors Fucun Wang and 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 Yanzhou and Cinda, as the responsibilities of Board or Board Committee membership were considered part of their role and remuneration arrangements with Yanzhou and Cinda. The Directors of Yanzhou and Cinda were as follows:
  - Cunliang Lai
  - Xiangqian Wu
  - Baocai Zhang
  - Fuqi Wang (until 5 June 2020)
  - Qingchun Zhao
  - Xing Feng

The table below outlines Board and Board Committee fees for 2020 and 2019.

BOARD FEES PER ANNUM (INCLUDING ANY SUPERANNUATION)	2020 \$	2019 \$
Chairman of the Board	Not applicable	Not applicable
Independent Co-Vice Chairman of the Board (inclusive of Committee fees)	370,800	360,000
Director	169,950	165,000

COMMITTEE FEES PER ANNUM (INCLUDING ANY SUPERANNUATION)	2020 \$	2019 \$
Audit and Risk Management Committee – Chair	Not applicable	Not applicable
Audit and Risk Management Committee – Member	20,600	20,000
Health, Safety, Environment and Community Committee – Chair	41,200	40,000
Health, Safety, Environment and Community – Member	20,600	20,000
Nomination and Remuneration Committee – Chair	41,200	40,000
Nomination and Remuneration Committee – Member	20,600	20,000
Strategy and Development Committee – Chair	Not applicable	Not applicable
Strategy and Development Committee – Member	20,600	20,000

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 2020 and 2019 calculated in accordance with Australian Accounting Standards.

NAME	YEAR	SHORT TERM BENEFITS \$		POST-EMPLOYMENT BENEFITS \$		LONG SERVICE LEAVE	TOTAL \$
		FEES	STI OR BONUS	NON-MONETARY BENEFITS	SUPERANNUATION		
Gregory James Fletcher	2020	349,452	-	-	21,348	-	370,800
	2019	339,233	-	-	20,767	-	360,000
Helen Jane Gillies	2020	211,644	-	-	20,106	-	231,750
	2019	205,479	-	-	19,521	-	225,000
David James Moul <sup>34</sup>	2020	42,939	-	-	3,898	-	46,837
	2019	224,233	-	-	20,767	-	245,000
Geoffrey William Raby	2020	223,853	-	-	20,969	-	244,822
	2019	187,215	-	-	17,785	-	205,000
Total	2020	827,888	-	-	66,321	-	894,209
	2019	956,160	-	-	78,840	-	1,035,000

## SHARE TRADING POLICY

The Company's Share Trading Policy prohibits dealing in Company securities or Yanzhou securities by Directors of the Group, all officers of the Company and other relevant employees, 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 a listed company where he or she is in possession of inside information in relation to those securities.

<sup>34</sup> Fees for David James Moul reflect the period to 9 March 2020 when he ceased as a Non-Executive Director and commenced as Chief Executive Officer.

## REMUNERATION REPORT

Subject to compliance with the Company's Share Trading Policy, employees are permitted to deal in Company securities or Yanzhou 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.

## 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 2020.

NAME	HELD AT 1 JANUARY 2020	GRANTED AS COMPENSATION	PURCHASED / (DISPOSED)	HELD ON CEASING EMPLOYMENT	HELD AT 31 DECEMBER 2020
Reinhold Hans Schmidt	312,278	-	-	312,278	n/a
Lei Zhang	68,894	-	-	68,894	n/a
Ying Zhang <sup>35</sup>	28,233	-	-	28,233	n/a
Paul Stringer	56,131	-	-	56,131	n/a
Gregory James Fletcher	2,100	-	-	n/a	2,100
Geoffrey William Raby	22,858	-	-	n/a	22,858
Baocai Zhang	274,404	-	-	n/a	274,404

The number of performance rights held by Executives in 2020 is outlined in the table below.

NAME	HELD AT 1 JANUARY 2020	GRANTED AS COMPENSATION <sup>36</sup>	VESTED DURING THE YEAR	EXERCISED DURING YEAR	(LAPSED/ CANCELLED DURING YEAR) <sup>37</sup>	HELD AT 31 DECEMBER 2020	OF WHICH EXERCISABLE	OF WHICH NOT VESTED & NOT EXERCISABLE
Ning Zhang	-	344,390	-	-	-	344,390	-	344,390
David James Moul	-	1,171,240	-	-	-	1,171,240	-	1,171,240
Ning (Kevin) Su	-	65,351	-	-	-	65,351	-	65,351
Fucun Wang	495,085	-	-	-	(495,085)	-	-	-
Reinhold Hans Schmidt	1,654,447	-	-	-	(1,654,447)	-	-	-
Lei Zhang	117,936	-	-	-	(117,936)	-	-	-
Paul Stringer	178,638	131,810	-	-	(310,448)	-	-	-

## 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 declaration is made in accordance with a resolution of the Directors.



**Gregory James Fletcher**  
Director

26 February 2021

<sup>35</sup> Mrs Ying Zhang is a related party of Mr Lei Zhang.

<sup>36</sup> 2020 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 2019.

<sup>37</sup> On cessation of employment all unvested LTIP awards were forfeited and lapsed.



## AUDITOR'S INDEPENDENCE DECLARATION

## MANAGEMENT DISCUSSION AND ANALYSIS



Take the lead

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Yancoal Australia Ltd**

I declare that to the best of my knowledge and belief, during the year ended 31 December 2020 there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

**ShineWing Australia**  
Chartered Accountants

R Blayney Morgan  
Partner  
Sydney, 26 February 2021

Brisbane Level 14 12 Creek Street Brisbane QLD 4000 T + 61 7 3085 0888	Melbourne Level 10 530 Collins Street Melbourne VIC 3000 T + 61 3 8635 1800 F + 61 3 8102 3400	Sydney Level 8 167 Macquarie Street Sydney NSW 2000 T + 61 2 8059 6800 F + 61 2 8059 6899
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**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>38</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 largely dependent on the demand for thermal and metallurgical coal, which in turn depends on macroeconomic trends, including regional and global economic activity, and the price and availability of alternative forms of energy production.

Our customers are located throughout the Asia-Pacific region with Japan, Singapore, China, Taiwan and South Korea accounting for approximately 74% of our revenue from coal sales in the year ended 31 December 2020.

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

The Group's export thermal coal is generally priced on either an index price, an annual fixed price or on a spot price basis. Generally, lower ash products are priced relative to the GlobalCOAL Newcastle index and higher ash products are priced relative to the Argus/McCloskey API5 index. Annual fixed price contracts are mostly priced against the Japanese Power Utility Reference Price, which is the contract price agreed between major Australian suppliers and Japanese power utilities. The balance of our sales are priced on a fixed spot price negotiated at the time of settlement that also reflect the term of the contractual arrangement.

The Group's export metallurgical coal is either priced on a benchmark or a 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 the time and are mostly transacted on a fixed price basis. The large majority of the Group's semi-soft coking coal out of Newcastle and low volatile PCI coal out of Queensland is priced relative to the quarterly benchmark.

During 2020 coal price indices deteriorated as global economic conditions negatively affected the demand for thermal and metallurgical coals. The indices reached their lows in the third quarter, before rallying through the final quarter as supply-side curtailments took effect. A colder than usual winter in Asia increased demand for thermal coal late in the year, while prices for lower-grade metallurgical coals benefitted from an appreciation in the high-grade thermal coal indices.

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.

In 2021, it is currently expected that Australia's share of the world seaborne thermal coal supply market, of 21% in 2020, will increase to approximately 27% by 2050, and it will continue to play a critical role as a primary source of premium grade coals. Ongoing challenges associated with obtaining development approvals for greenfield projects has the potential to support premium coal prices and domestic exporters with brownfield expansion opportunities, such as Yancoal, should benefit from such conditions.

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

The Group's overall average ex-mine selling price of coal decreased by 26% from A\$111 per tonne in 2019 to A\$82 per tonne in 2020, mainly as a result of (i) a decrease in global USD coal prices; and (ii) a higher proportion of thermal coal sales being Moolarben's higher ash product; partially offset by the Australian dollar weakening against the US dollar from an average of 0.6952 in 2019 to 0.6906 in 2020. The Group's average selling price of thermal coal decreased from A\$100 per tonne to A\$76 per tonne and the average selling price of metallurgical coal decreased from A\$167 per tonne to A\$124 per tonne.

The Group's overall average cash operating cost per product tonne, excluding government royalties, decreased from A\$64 per tonne in 2019 to A\$59 per tonne in 2020.

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

	YEAR ENDED 31 DECEMBER		
	2020 MT	2019 MT	CHANGE %
<b>ROM production</b>			
Moolarben	21.7	20.5	6%
MTW	17.6	17.6	-%
HVO	16.9	19.2	(12%)
Yarrabee	3.3	3.4	(3%)
Stratford Duralie	1.0	1.2	(17%)
Middlemount	4.0	3.4	18%
Watagan	3.6	3.7	(3%)
<b>Total – 100% basis</b>	<b>68.1</b>	<b>69.0</b>	<b>(1%)</b>
<b>Saleable production</b>			
Moolarben	19.7	17.8	11%
MTW	11.9	12.1	(2%)
HVO	12.0	13.7	(12%)
Yarrabee	3.0	2.8	7%
Stratford Duralie	0.5	0.8	(38%)
Middlemount	2.9	2.7	7%
Watagan	1.8	2.2	(18%)
<b>Total – 100% basis</b>	<b>51.8</b>	<b>52.1</b>	<b>(1%)</b>

<sup>38</sup> Includes Moolarben, MTW, HVO (jointly owned), Yarrabee, Stratford Duralie and Ashton (from 17 December 2020) with Austar and Donaldson (both from 17 December 2020) currently on care and maintenance.



## MANAGEMENT DISCUSSION AND ANALYSIS

On a 100% basis, ROM coal production was down 1% from 69.0Mt in 2019 to 68.1Mt in 2020. This included a decrease in the three tier-one assets (being Moolarben, MTW and HVO) of 2% from 57.3Mt in 2019 to 56.2Mt in 2020.

Saleable coal production was down 1% from 52.1Mt in 2019 to 51.8Mt in 2020. This included consistent production from the three tier-one assets of 43.6Mt during both periods.

Moolarben's ROM production increased by 1.2Mt (6%) and its saleable production increased by 2.1Mt (11%). The increase in ROM was due to a 1.2Mt increase in the underground due to favourable mining conditions. The increase in saleable production was primarily attributable to an increased proportion of bypass coal from the increased underground production.

MTW's ROM production was flat at 17.6Mt and its saleable production decreased by 0.2Mt (2%) primarily due to the mine scheduling impacts of wet weather and lower bypass coal.

HVO's ROM production decreased by 2.3Mt (12%) and its saleable production decreased by 1.7Mt (12%). The decrease in ROM and saleable production was the result of a planned reduction in production and sales as a response to the coal market.

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

	OWNERSHIP % <sup>39</sup>	YEAR ENDED 31 DECEMBER		
		2020 MT	2019 MT	CHANGE %
<b>Saleable production</b>				
Moolarben <sup>40</sup>	95	18.2	15.2	19%
MTW	82.9	9.9	9.9	(2%)
HVO	51	6.1	6.9	(12%)
Yarrabee	100	3.0	2.8	7%
Stratford Duralie	100	0.5	0.8	(38%)
Watagan <sup>41</sup>	100	0.1	-	NA
		<b>37.8<sup>42</sup></b>	<b>35.6</b>	<b>6%</b>
Middlemount (equity-accounted)	~50	1.5	1.3	7%
<b>Total – equity basis</b>		<b>39.3</b>	<b>36.9</b>	<b>7%</b>
Thermal		<b>33.6</b>	<b>30.2</b>	<b>11%</b>
Metallurgical		<b>5.7</b>	<b>6.7</b>	<b>(15%)</b>
		<b>39.3</b>	<b>36.9</b>	<b>7%</b>

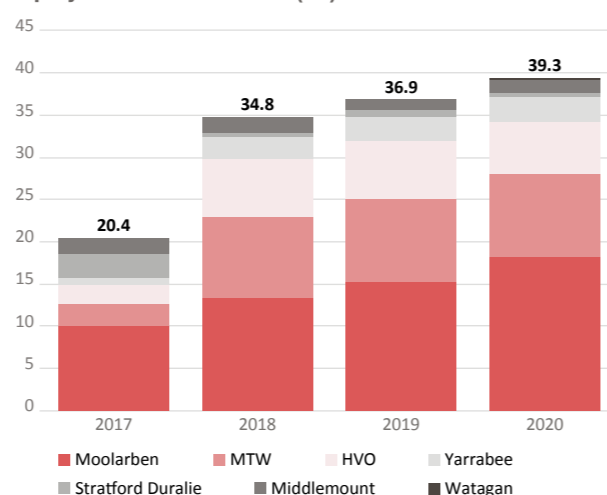
The Group's saleable coal production, excluding Middlemount, was up 6% from 35.6Mt in 2019 to 37.8Mt in 2020 and including Middlemount was up 7% from 36.9Mt in 2019 to 39.3Mt in 2020. This included an increase in the three tier-one assets of Moolarben, MTW and HVO of 7% from 32.0Mt in

2019 to 34.2Mt in 2020, including the impact of the additional Moolarben 10% from 1 April 2020.

The saleable production contribution of the Group's tier-one assets remained flat at 87%.

Thermal coal saleable production increased by 11% from 30.2Mt in 2019 to 33.6Mt in 2020 and metallurgical coal saleable production decreased by 15% from 6.7Mt in 2019 to 5.7Mt in 2020. Thermal coal represented 85% of total saleable coal production in 2020 an increase from 82% in 2019.

## Equity Saleable Production (Mt)



The Group's equity saleable production increased from 20.4Mt in 2017 to 39.3Mt in 2020. 2017 represented a transformative year with the acquisition of Coal & Allied on 1 September 2017, including interests in MTW and HVO from that date. Further growth in equity saleable production tonnes has been driven by the continued expansion of Moolarben including increasing the Group's interest from 81% on 1 January 2017 to 85% on 30 November 2018 and 95% on 31 March 2020.

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.

## COVID-19 IMPACT

The health and wellbeing of all Yancoal employees remains a key focus in response to the ongoing COVID-19 pandemic. Pleasingly, the work practices and measures implemented to mitigate COVID-19 related risks have so far proven successful, with no known COVID-19 cases across our workforce.

Our 12-month rolling TRIFR<sup>43</sup> at the end of Q4 2020 was 7.4; consistent with the end of Q4 2019 but below the comparable

weighted average industry TRIFR of 8.4 at the end of December 2020.

Our operations continued to operate with minimal disruption throughout 2020 with the Group achieving its full year saleable production, operating cash cost per tonne and capital expenditure guidance including the deferral of some maintenance costs and non-essential capital expenditure, assisted by the regional location of our mines and robust pit-to-port supply chain.

The most significant impact of COVID-19 has been the decline in both the thermal and metallurgical USD coal price resulting in a significant decline in the Group's financial performance and cash flows during the year ended 31 December 2020.

The Group's ex-mine coal sales revenue decreased by \$881 million (26%) from \$3,932 million in 2019 to \$3,051 million in 2020 primarily due to a 26% decrease in the Group's average ex-mine selling price from A\$111 per tonne in 2019 to A\$82 per tonne in 2020 primarily due to the decrease in USD global seaborne coal prices.

This \$881 million decrease in ex-mine coal sales revenue was primarily responsible for the \$906 million decrease in Operating EBITDA from \$1,654 million in 2019 to \$748 million in 2020 and for the \$943 million decrease in operating cash inflows from \$1,548 million in 2019 to \$605 million in 2020.

Despite the decrease in profitability, the Group recorded a net cash inflow, before financing activities, of \$14 million for the year ended 31 December 2020, with financing cash outflows of \$314 million largely the result of the payment of the 2019 final dividend of \$280 million.

Supply and demand dynamics resulting from COVID-19 continue to influence both thermal and metallurgical USD coal prices. The recent improvement in coal price indices is encouraging, with an increase in demand, associated with the northern hemisphere winter, one of the factors leading to higher prices.

Given the ongoing uncertain economic and market conditions, where the Group's financial performance and cash flows for the year ending 31 December 2021 will continue to be heavily influenced by the global economy's response to COVID-19, we continue to adopt a cautious capital management approach. Our focus continues to be on the controllable elements of our business; particularly optimising production, reducing operating costs, wherever possible, and managing capital expenditure.

## WATAGAN RECONSOLIDATION

On 16 December 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd ("Yankuang"), its wholly owned subsidiary Yankuang Group (Hong Kong) Limited ("Yankuang HK") and the other two holders of bonds previously issued by Watagan Mining Company Pty Ltd which resulted in Yancoal regaining accounting control of Watagan Mining Company Pty Ltd and its subsidiaries (together "Watagan") and the financial results of Watagan being consolidated in the Yancoal group financial

statements ("Watagan reconsolidation"). The effective date of the reconsolidation was 16 December 2020.

Simultaneous with the agreement for the US\$575 million bonds being put to Yankuang, Yancoal and Yankuang executed a new US\$775 million loan facility ("New Yankuang Loan") whereby Yankuang will provide the loan facility to Yancoal which will be used to refinance all the Watagan bonds on or about 31 March 2021 (or, if the completion of the transfer of the Bonds to Yankuang HK occurs on an earlier date, that date). The all-in interest rate on the existing Bonds is a minimum of 7.0% whereas the interest rate on the New Yankuang Loan will be 4.65% for the first three years (equivalent to the current 5-year Loan Prime Rate ("LPR")) and at the prevailing 5-year LPR<sup>44</sup> or, if the LPR is not available, an appropriate substitute rates negotiated by Yancoal and Yankuang, for the final three years.

The New Yankuang Loan has a six-year duration and will be repayable on 31 March 2027, which is longer than the duration of the existing Bonds which were repayable in January 2025. After the reconsolidation Yancoal included the Watagan group entities in its ASIC Deed of Cross Guarantee.

Yancoal will account for the reconsolidation of Watagan as an acquisition in accordance with AASB 3 *Business Combinations* and be required to consolidate the assets acquired and liabilities assumed of the Watagan group at their fair value at the date of acquisition. This resulted in the recognition of a one-off, non-cash loss in Yancoal's 2020 financial result of \$1,383 million.

Upon reconsolidation and the subsequent refinance of the Watagan Bonds, Yancoal will:

- Profit and loss impact: cease to recognise interest income on the Watagan loan provided by Yancoal ("Yancoal loan"); recognise an interest expense on the Bonds from the date of acquisition up to 31 March 2021 and on the New Yankuang Loan thereafter; forego the margin recognised under the various service agreements, and recognise the operating results of Watagan, including the three Watagan mines; in the Group's statement of profit and loss.
- Balance Sheet impact: de-recognise the Watagan loan receivable, which as at 16 December 2020 was drawn to A\$819 million, and a net intercompany payable of \$29 million, as these amounts will become intercompany balances and will be eliminated on consolidation; recognise the fair value of the Bonds at the date of acquisition which as at 16 December 2020 had a face value of US\$775 million (A\$1,025 million); recognise the fair value of the assets and liabilities of Watagan (including the Bonds) on the Group's balance sheet at the date of acquisition; recognise the fair value of the New Yankuang Loan when the existing Bonds are repaid.
- Operational impact: recognise the operational performance of the Watagan mines in the Group's reported attributable measures including safety, production, operating costs and capital expenditure.

<sup>39</sup> Ownership percentage stated as at 31 December 2020.

<sup>40</sup> Includes saleable production of i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter and ii) 0% of Watagan's mines up to and including 16 December 2020 and 100% thereafter.

<sup>41</sup> Includes saleable production of i) 85% of the Moolarben unincorporated joint venture up to and including 31 March 2020 and 95% thereafter and ii) 0% of Watagan's mines up to and including 16 December 2020 and 100% thereafter.

<sup>42</sup> The Group's quarterly report issued on 19 January 2021 included Attributable Saleable Coal Production of 38.3Mt with this amount including an additional 0.5Mt attributable to the additional 10% interest acquired in Moolarben in the first quarter of 2020. The difference arises as the economic effective date of the acquisition was 1 January 2020 but for accounting purposes the transaction completion date was 31 March 2020.

<sup>43</sup> TRIFR includes Moolarben, MTW, Stratford Duralie, Yarrabee, Watagan (from 17 December 2020) and the Corporate office; it excludes Middlemount (not operated by Yancoal), HVO (not operated by Yancoal) and Watagan (before 16 December 2020). The weighted average industry TRIFR combines proportional components from the relevant New South Wales and Queensland Industry references.

<sup>44</sup> The Loan Prime Rate (LPR) is the new reference rate for lending in China. The People's Bank of China announced the reform in August 2019. The LPR is the interest rate banks charge their most creditworthy customers.



## MANAGEMENT DISCUSSION AND ANALYSIS

The table below provides a summary of the Watagan financial performance for the period 31 March 2016 to 16 December 2020.

	YEAR ENDED 31 DECEMBER					TOTAL \$'M
	31 MAR 2016 TO 31 DEC 2016 \$'M	2017 \$'M	2018 \$'M	2019 \$'M	1 JAN 2020 TO 16 DEC 2020 \$'M	
Operating loss (including finance costs)	(151)	(136)	(204)	(241)	(180)	(912)
Unrealised foreign exchange gain / (loss)	(59)	77	(104)	(8)	82	(12)
Impairments	-	-	(100)	(873)	-	(973)
<b>Loss before tax</b>	<b>(210)</b>	<b>(59)</b>	<b>(408)</b>	<b>(1,122)</b>	<b>(98)</b>	<b>(1,897)</b>
Income tax benefit	48	1	120	337	26	532
<b>Loss after tax</b>	<b>(162)</b>	<b>(58)</b>	<b>(288)</b>	<b>(785)</b>	<b>(72)</b>	<b>(1,365)</b>

## FINANCIAL RESULTS REVIEW

## RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

For the management discussion and analysis, the Group's operating results for the year ended 31 December 2020 are compared with the operating results for the year ended 31 December 2019.

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 %
	2020			2019 <sup>45</sup>			
	IFRS REPORTED \$M	NON- OPERATING \$M	OPERATING \$M	IFRS REPORTED \$M	NON- OPERATING \$M	OPERATING \$M	
<b>Revenue</b>	<b>3,473</b>	<b>110</b>	<b>3,583</b>	<b>4,459</b>	<b>85</b>	<b>4,544</b>	<b>(21%)</b>
Other income	680	(676)	4	102	(94)	8	(50%)
Changes in inventories of finished goods and work in progress	12	-	12	39	-	39	(69%)
Raw materials and consumables	(666)	-	(666)	(707)	-	(707)	(6%)
Employee benefits	(568)	-	(568)	(525)	-	(525)	8%
Transportation	(556)	-	(556)	(562)	-	(562)	(1%)
Contractual services and plant hire	(364)	-	(364)	(388)	-	(388)	(2%)
Government royalties	(232)	-	(232)	(310)	-	(310)	(25%)
Coal purchases	(302)	-	(302)	(332)	-	(332)	(9%)
Loss on reconsolidation	(1,383)	1,383	-	-	-	-	-
Other operating expenses	(183)	79	(104)	(145)	56	(89)	17%
Share of (loss)/profit of equity-accounted investees, net of tax	(59)	-	(59)	(24)	-	(24)	(146%)
<b>EBITDA</b>	<b>(148)</b>	<b>896</b>	<b>748</b>	<b>1,607</b>	<b>47</b>	<b>1,654</b>	<b>(55%)</b>
<b>EBITDA %</b>	<b>(104%)</b>		<b>21%</b>	<b>36%</b>		<b>36%</b>	
Depreciation and amortisation	(804)	-	(804)	(607)	-	(607)	32%
<b>EBIT</b>	<b>(952)</b>	<b>896</b>	<b>(56)</b>	<b>1,000</b>	<b>47</b>	<b>1,047</b>	<b>(105%)</b>
<b>EBIT %</b>	<b>(127%)</b>		<b>(102%)</b>	<b>22%</b>		<b>23%</b>	
Net finance costs	(191)	29 <sup>46</sup>	(162)	(233)	42 <sup>46</sup>	(171)	(5%)
Non-operating items	-	(925)	(884)	-	(89)	(90)	-
<b>(Loss) / Profit before income tax</b>	<b>(1,143)</b>		<b>(1,143)</b>	<b>767</b>		<b>767</b>	<b>(249%)</b>
<b>(Loss) / Profit before income tax %</b>	<b>(132%)</b>		<b>(132%)</b>	<b>17%</b>		<b>17%</b>	
Income tax benefit / (expense)	103	-	103	(48)	(219)	(267)	139%
Income tax one-off	-	-	-	-	219	219	-
<b>(Loss) / Profit after income tax</b>	<b>(1,040)</b>		<b>(1,040)</b>	<b>719</b>		<b>719</b>	<b>(249%)</b>
<b>(Loss) / Profit after income tax %</b>	<b>(132%)</b>		<b>(132%)</b>	<b>16%</b>		<b>16%</b>	
Attributable to:							
- Owners of Yancoal	(1,040)	-	(1,040)	719	-	719	(249%)
- Non-controlling interests	-	-	-	-	-	-	-
<b>(Loss) / Profit per share attributable to the ordinary equity holders of the Company</b>							
Basic (loss) / profit per share (cents)	(78.8)	-	(78.8)	54.5	-	54.5	(245%)
Diluted (loss) / profit per share (cents)	(78.8)	-	(78.8)	54.4	-	54.4	(245%)

45 In 2020 the accounting presentation of the Middlemount royalty was changed to better reflect the substance of the royalty income. This required the reclassification of certain prior year income statement items but with no change in profit before tax or the balance sheet. The reclassifications comprised the recognition of \$19 million of royalty revenue, the de-recognition of \$20 million of interest income and a \$1 million increase in the remeasurement of royalty receivable within other income.

46 Includes the reclassification of interest income of \$84 million (2019: \$105 million) from other income to net finance costs and bank fees and other charges of \$55 million (2019: \$56 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 decreased by 249% from \$719 million in 2019 to a loss of \$1,040 million in 2020 and was fully attributable to the owners of Yancoal with no non-controlling interests.

Loss attributable to the owners of Yancoal of \$1,040 million was impacted by a number of non-operating items during 2020. These totaled a net loss before tax impact of \$925 million comprising a \$653 million gain on bargain purchase recognised on the acquisition of an additional 10% interest in the Moolarben unincorporated joint venture, a \$1,383 million loss on the Watagan reconsolidation, \$15 million of stamp duty also on the Moolarben 10% acquisition, a \$194 million fair value loss recycled from the hedge reserve, a \$23 million contingent royalty revaluation gain and a \$9 million royalty revaluation loss. These are discussed in more detail separately below, refer "Overview of non-operating items", and have been excluded from the operating commentary.

## OVERVIEW OF OPERATING RESULTS

The below comparison of the financial results for the years ended 31 December 2020 and 2019 is impacted by changes in the Group's portfolio of assets, most significantly the acquisition of a further 10% interest in the Moolarben joint venture from 1 April 2020 and the Watagan reconsolidation from 17 December 2020.

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

47 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.

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

The results of Middlemount and Watagan (prior to 16 December 2020) are excluded from the line by line commentary below as their results, as incorporated equity-accounted investments, are included in share of profits of equity-accounted investees, net of tax in the statement of profit and loss and is discussed separately below.

## REVENUE

	YEAR ENDED 31 DECEMBER		
	2020 \$M	2019 \$M	CHANGE %
Ex-mine coal sales <sup>47</sup>	3,051	3,932	(22%)
Sale of purchased coal	366	415	(12%)
Other	12	18	(31%)
<b>Sale of coal</b>	<b>3,429</b>	<b>4,365</b>	<b>(21%)</b>
Mining service fees	45	43	5%
Sea freight	64	83	(23%)
Royalty revenue	15	19	(21%)
Other	30	34	(12%)
<b>Revenue</b>	<b>3,583</b>	<b>4,525</b>	<b>(21%)</b>

Total revenue decreased by 21% from \$4,525 million in 2019 to \$3,583 million in 2020, primarily due to a 21% decrease in coal sales revenue from \$4,365 million in 2019 to \$3,429 million in 2020. With respect to coal sales revenue, the key factors were:

	YEAR ENDED 31 DECEMBER		
	2020	2019	CHANGE %
<b>Thermal coal</b>			
Average selling price (A\$ per tonne)	76	100	(24%)
Sales volume (Mt)	33.2 <sup>48</sup>	30.1	10%
% of total ex-mine sales volume	89	85	5%
Total ex-mine thermal coal revenue (A\$ million)	2,535	3,015	(16%)
<b>Metallurgical coal</b>			
Average selling price (A\$ per tonne)	124	167	(26%)
Sales volume (Mt)	4.2	5.5	(24%)
% of total ex-mine sales volume	11	15	(28%)
Total ex-mine metallurgical coal revenue (A\$ million)	516	917	(44%)
<b>Total coal</b>			
Average selling price (A\$ per tonne)	82	111	(26%)
Total ex-mine sales volume (Mt)	37.4	35.6	5%
<b>Total ex-mine coal revenue (A\$ million)</b>	<b>3,051</b>	<b>3,932</b>	<b>(22%)</b>



MANAGEMENT DISCUSSION AND ANALYSIS

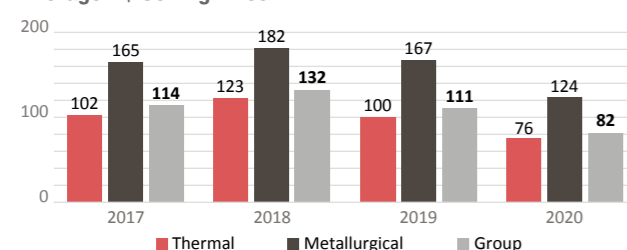
A decrease in the Group's overall average ex-mine selling price of coal of 26% from A\$111 per tonne in 2019 to A\$82 per tonne in 2020 resulting from (i) a decrease in global USD coal prices with the weekly average GlobalCOAL Newcastle thermal coal index price falling by US\$17.50/t (23%) during the same period and the average semi-soft coking coal benchmark price falling by US\$26.50/t (22%) during the same period; and (ii) a higher proportion of thermal coal sales being Moolarben's higher ash product; partially offset by the Australian dollar weakening against the US dollar by 1% from an average of 0.6952 in 2019 to 0.6906 in 2020.

Lower economic activity negatively affected the demand for thermal and metallurgical coals. The COVID-19 pandemic has had a more pronounced and ongoing effect on demand than supply dynamics although fourth quarter supply disruptions to thermal coal exports from Newcastle, New South Wales and a colder than usual winter in Asia, creating increased demand, has seen thermal coal prices recover towards the end of the period. Reduced steel-making activities during the period in Japan, Korea and India resulted in hard-coking coal displacing low-grade met coal in regional markets, and the PCI price fell sharply early in the second quarter before stabilising.

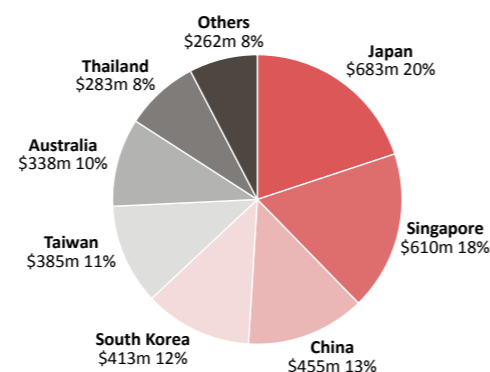
The Group's average selling price of thermal coal decreased from A\$100 per tonne to A\$76 per tonne. The Group's average selling price of metallurgical coal decreased from A\$167 per tonne to A\$124 per tonne.

An increase in the Group's ex-mine sales volume of coal of 5% from 35.6Mt in 2019 to 37.4Mt in 2020, mainly due to a 2.8Mt increase in equity sales at Moolarben partially offset by a 1.1Mt decrease at HVO.

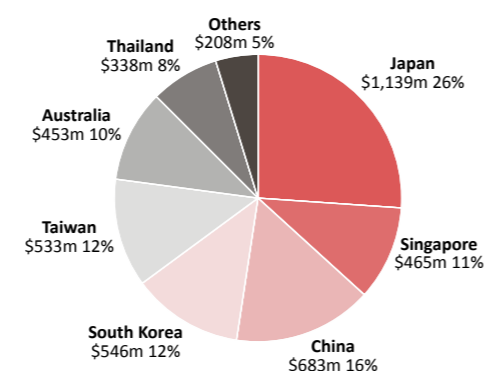
Average A\$ Selling Price



2020



2019



Others includes Malaysia, Vietnam, USA, India, Germany, Chile and Switzerland (2019 also included Luxembourg, Hong Kong and United Arab Emirates).

Sales by customer location as a percentage of total coal sales changed during 2020 due to a number of factors.

The decrease in Japan was primarily due to COVID-19, which resulted in a reduced demand in the steel industry and a conservative buying pattern in the market.

The increase in Singapore was primarily due to an increase in sales to traders, domiciled in Singapore, particularly to assist in developing new end markets in South East Asia.

The decrease in China was primarily due to the imposition of import protocols on Australian coal in the second half of the year.

The increase in Others primarily resulted from the substitution into other markets of coal displaced from Japan and China.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

	YEAR ENDED 31 DECEMBER		
	2020 \$M	2019 \$M	CHANGE %
Sundry income	4	8	(50%)
<b>Other income</b>	<b>4</b>	<b>8</b>	<b>(50%)</b>

Other income decreased from \$8 million in 2019 to \$4 million in 2020.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress decreased from an increase of \$39 million in 2019 to an increase of \$12 million in 2020.

PRODUCTION COSTS

All-in total production costs, which include cash and non-cash operating costs, represent costs directly attributable to the production, transportation and selling of coal as well as indirect corporate costs, in particular, corporate employee costs, but excluding transaction costs. Cash operating costs comprise the cost of raw materials and consumables used, employee benefits, contractual services and plant hire and transportation. Non-cash operating costs include depreciation and amortisation.

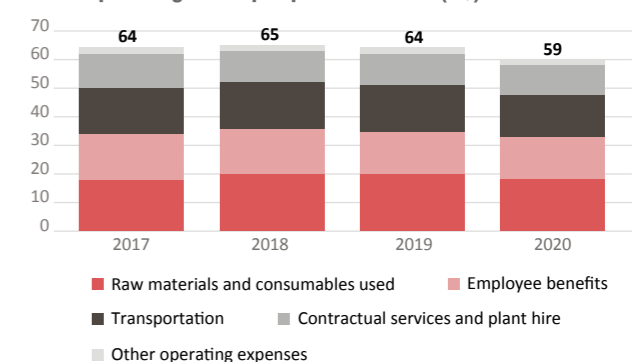
	YEAR ENDED 31 DECEMBER	
	2020 \$/T	2019 \$/T
<b>PER EX-MINE SALES TONNE<sup>49</sup></b>		
<b>Cash operating costs</b>		
Raw materials and consumables used	18	20
Employee benefits	15	15
Transportation	15	16
Contractual services and plant hire	15	16
Other operating expenses <sup>50</sup>	2	2
<b>Cash operating costs (excluding royalties)</b>	<b>60</b>	<b>63</b>
Royalties	6	9
<b>Cash operating costs</b>	<b>66</b>	<b>72</b>
<b>Non-cash operating costs</b>		
Depreciation and amortisation	22	17
<b>Total production costs</b>	<b>88</b>	<b>89</b>
<b>Total production costs (excluding royalties)</b>	<b>82</b>	<b>80</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 generally consistent with the Group maintaining level coal stocks (2019: sales 35.6Mt, production 35.6 Mt; 2018: sales 33.5Mt, production 33.6Mt). However, in 2020 ex-mine sales tonnes were significantly below saleable production (2020: sales 37.3Mt, production 37.8Mt) primarily due to the impact of disruptions at the NCIG coal terminal in Newcastle in December.

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	
	2020 \$/T	2019 \$/T
<b>PER SALEABLE PRODUCTION TONNE</b>		
<b>Cash operating costs</b>		
Raw materials and consumables used	17	20
Employee benefits	15	15
Transportation	15	16
Contractual services and plant hire	10	11
Other operating expenses	2	2
<b>Cash operating costs (excluding royalties)</b>	<b>59</b>	<b>64</b>
<b>Non-cash operating costs</b>		
Depreciation and amortisation	21	16
<b>Total production costs (excluding royalties)</b>	<b>81</b>	<b>80</b>

Cash operating costs per product tonne (A\$)



The Group's cash operating costs, after capitalised development, increased to \$65/t in 2018 primarily due to the first full year inclusion of MTW and HVO and have since decreased to \$59/t in 2020. Despite inflationary pressures, particularly on labour costs, and 2020 being impacted by COVID-19, management has been able to deliver year on year cost reductions through a strong focus on operational productivities, assisted by increased tonnes from the low-cost Moolarben mine.

Raw materials and consumables used

Raw materials and consumables used decreased by 6% from \$707 million in 2019 to \$666 million in 2020, primarily due to lower diesel prices, increased production at Moolarben, Yancoal's lowest cost operation and the deferral of non-essential maintenance, offsetting increased production, including the additional Moolarben 10%. This contributed to a decrease in per saleable production tonne raw materials and consumables used from \$20 to \$17 over the same period.

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

50 Other operating expenses has been included in the above analysis in 2020, with the prior year period similarly adjusted, to provide a more inclusive analysis.



## MANAGEMENT DISCUSSION AND ANALYSIS

**Employee benefits**

Employee benefits expenses increased by 8% from \$525 million in 2019 to \$568 million in 2020, primarily due to an increase in production, increased employees at HVO due to a decrease in contractors, site redundancy payments, wage inflation, salary increases and bonus payments. Per saleable production tonne employee benefits expenses remained flat at \$15 over the same period despite inflationary pressures.

**Transportation**

Transportation costs decreased by 1% from \$562 million in 2019 to \$556 million in 2020, primarily due to a decrease in sales where Yancoal incurs the sea freight offsetting increased sales volumes. This contributed to a decrease in per saleable production tonne transportation costs from \$16 to \$15 over the same period.

**Contractual services and plant hire**

Contractual services and plant hire expenses decreased by 2% from \$388 million in 2019 to \$364 million in 2020 including the impact of deferred maintenance. This contributed to a decrease in per saleable production tonne contractual services and plant hire costs from \$11 to \$10 over the same period.

**Government royalties**

Government royalty expenses decreased by 25% from \$310 million in 2019 to \$232 million in 2020, primarily due to an 22% decrease in ex-mine coal sales revenue. Royalties are determined on an ad valorem basis by reference to the value of coal sold, the type of mine and the State the mine is in and are payable to the appropriate State government. This contributed to a decrease in per ex-mines sales tonne government royalties from \$9 to \$6 over the same period.

**Coal purchases**

Coal purchases decreased by 9% from \$332 million in 2019 to \$302 million in 2020.

**Other operating expenses**

Other operating expenses increased by 17% from \$89 million in 2019 to \$104 million in 2020 and included a \$7 million increase in insurance costs and a \$6 million increase in rates and other levies. Per saleable production tonne other operating expenses remained flat at \$2 over the same period. The per saleable tonne amount excludes the net loss on disposal of property, plant and equipment of \$9 million (2019: \$9 million) and net loss on foreign exchange of \$8 million (2019: \$5 million) as these are considered non-operating.

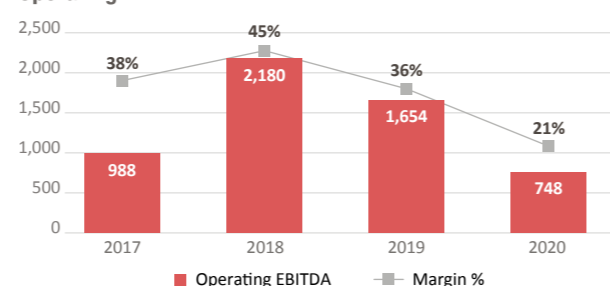
**Share of (loss) / profit of equity-accounted investees, net of tax**

Share of loss of equity-accounted investees, net of tax decreased from \$24 million in 2019 to \$59 million in 2020 primarily due to the declining profit after tax performance of the incorporated Middlemount joint venture negatively impacted by a 21% decrease in realised A\$ coal price and a 31% decrease in sales tonnes impacted by the ongoing challenging geotechnical conditions. During the period up to reconsolidation, on 16 December 2020, the Group's equity-accounted investment in Watagan was held on the balance sheet at nil value such that the loss after tax of the Watagan

group during this period of \$72 million, is not reflected in the Group's statement of profit and loss.

**Operating EBITDA and operating EBITDA margin**

Operating EBITDA decreased by 55% from \$1,654 million in 2019 to \$748 million in 2020. The \$906 million decrease was due to (i) a \$965 million (21%) decrease in revenue and other income primarily due to lower coal prices; (ii) a \$94 million (3%) decrease in costs, including government royalties, despite increased production; and (iii) a \$35 million decrease in equity-accounted losses. Operating EBITDA margin as a percentage of operating revenue decreased from 36% in 2019 to 21% in 2020.

**Operating EBITDA****Depreciation and amortisation**

Depreciation and amortisation expenses increased by 32% from \$607 million in 2019 to \$804 million in 2020. The increase was primarily due to i) increased production, particularly on the Moolarben underground which carries a higher per tonne depreciation charge; ii) increased depreciation at Moolarben on higher depreciable asset values following the recognition of the gain on bargain purchase; and iii) the impact of some accelerated depreciation recognised at Stratford Duralie. Per saleable production tonne depreciation and amortisation costs increased from \$16 to \$21 over the same period.

**Operating EBIT and operating EBIT margin**

Operating EBIT decreased by 105% from \$1,047 million in 2019 to a loss of \$56 million in 2020 primarily due to a 55% decrease in Operating EBITDA and a 32% increase in depreciation and amortisation as noted above. Operating EBIT margin as a percentage of operating revenue decreased from 23% in 2019 to (102%) in 2020.

**Net finance costs**

Net finance costs decreased by 5% from \$171 million in 2019 to \$162 million in 2020, primarily due to (i) an overall reduction in interest-bearing liabilities during the period compared to 2019 following several voluntary loan repayments; (ii) a reduction in the Yanzhou guarantee fee provided on the Group's syndicated facility in 2019; and (iii) a decrease in the Group's LIBOR based debt facilities from an average of 6.59% in 2019 to an average of 4.99% in 2020 partially offset by a decrease in the AUD:USD exchange rate during the period from an average of 0.6952 in 2019 to an average of 0.6906 in 2020 resulting in an increase in the Australian dollar value finance charge, where the Group's loans are denominated in US dollars.

## MANAGEMENT DISCUSSION AND ANALYSIS

**Operating profit before income tax and profit before income tax margin**

As a result of the aforementioned reasons, operating profit before income tax decreased by 125% from \$876 million in 2019 to a loss of \$218 million in 2020. Operating profit before income tax margin as a percentage of operating revenue decreased from 19% to (106%) 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 decreased by 249% from a profit of \$767 million in 2019 to a loss of \$1,143 million in 2020. Profit before income tax margin as a percentage of operating revenue decreased from 17% to (132%) over the same period.

**Income tax benefit / (expense)**

Income tax benefit increased from a net expense of \$267 million in 2019 to a net benefit of \$103 million in 2020. The effective tax rate was 34.8% and 9.0% in the same periods, respectively, compared to the Australian corporate income tax rate of 30%. In 2020 the lower effective tax rate primarily resulted from the non-taxable gain on bargain purchase of \$653 million, the non-deductible loss on the Watagan reconsolidation of \$1,383 million and on the non-deductible equity-accounted losses of \$59 million. In 2019 the higher effective tax rate primarily resulted from non-deductible equity-accounted losses and prior year tax true ups.

**Profit after income tax and profit after income tax margin**

As a result of the aforementioned reasons profit after income tax decreased by 249% from a profit of \$719 million in 2019 to a loss of \$1,040 million in 2020. Profit after income tax margin as a percentage of operating revenue decreased from 16% to (132%) over the same period.

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

Basic earnings per share decreased by 245% from 54.5 cents per share in 2019 to (78.8) cents per share in 2020 and diluted earnings per share decreased by 245% from 54.4 cents per share in 2019 to (78.8) cents per share in 2020 primarily due to the aforementioned (loss) / profit after income tax with no change in the number of ordinary shares on issue. In 2019 the diluted earnings per share was impacted by 1.3 million rights on issue to senior management, whilst in 2020 the 1.9 million rights on issue are considered non-dilutive given the loss per share.

**OVERVIEW OF NON-OPERATING ITEMS**

Non-operating items in the year ended 31 December 2020 and 2019 included the following:

	YEAR ENDED 31 DECEMBER	
	2020 \$M	2019 \$M
<b>Non-operating items</b>		
Gain on bargain purchase	653	–
Loss on reconsolidation of Watagan	(1,383)	–
Fair value losses recycled from hedge reserve	(194)	(190)
Re-measurement of royalty receivable	(9)	33
Re-measurement of contingent royalty	23	12
Stamp duty expensed	(15)	–
Arbitration award	–	56
<b>Loss before tax impact</b>	<b>(925)</b>	<b>(89)</b>
Tax base finalisation	–	219
<b>(Loss) / profit after tax impact</b>	<b>(925)</b>	<b>130</b>

Gain on bargain purchase of \$653 million represents the accounting gain recognised on the acquisition of the additional 10% interest in the unincorporated Moolarben joint venture. In accordance with accounting standards and the terms of the Moolarben joint venture agreements the acquisition of the additional 10% interest, increasing Yancoal's overall interest in the unincorporated Moolarben joint venture to 95%, resulted in Yancoal gaining accounting control of Moolarben. As such Yancoal is required to fair value its entire 95% interest in Moolarben with any increase over its current book value being recognised as a gain on bargain purchase.

Loss on reconsolidation of Watagan of \$1,383 million represents the one-off, non-cash loss recognised on the Watagan reconsolidation resulting from the shortfall in value between the fair value of the deemed consideration compared against the fair value of the net liabilities being reconsolidated. More details are included in Note E1 of the Group's financial statements.

Fair value losses recycled from the hedge reserve of \$194 million (2019: \$190 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.

Re-measurement of the royalty receivable down by \$9 million (2019: up by \$33 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

Re-measurement of contingent royalty down by \$23 million (2019: down by \$12 million) represents a decrease in the provision recognised on the Coal & Allied acquisition with respect to the contingent coal price-linked royalty potentially payable to Rio Tinto from 1 September 2020 due to a softening of the thermal coal price forecasts.

Stamp duty expensed of \$15 million represents the stamp duty incurred on the acquisition of the additional 10% interest in Moolarben on 31 March 2020.

In 2019 non-operating items also included a \$56 million international arbitration award to the Group over a commercial dispute and \$219 million relating to the finalisation of the tax base attributable to the Group on the Coal & Allied acquisition.

## CASH FLOW ANALYSIS

	YEAR ENDED 31 DECEMBER		
	2020 \$M	2019 \$M	CHANGE \$M
Net operating cash flows	605	1,548	(943)
Net investing cash flows	(591)	(392)	(199)
Net financing cash flows	(314)	(1,209)	895
<b>Net decrease in cash</b>	<b>(300)</b>	<b>(53)</b>	<b>(247)</b>

## Net operating cash flows

Net operating cash inflows decreased by \$943 million (61%) to \$605 million reflecting a decrease in net receipts from customers over payments to suppliers primarily due to a 21% decrease in revenue over the same period.

## Net investing cash flows

Net investing cash outflows increased by \$199 million (51%) to \$591 million mainly reflecting the acquisitions undertaken by the Group. In 2020 investing cash outflows included (i) \$204 million of instalment payments for a further 10% in the Moolarben joint venture; (ii) \$279 million of capital expenditure, including exploration; (iii) a net \$120 million provided to Watagan under the Watagan loan facility; and (iv) \$35 million of revolver loans provided to Middlemount. In 2019 investing cash outflows included (i) a \$42 million instalment payment for a further 4% in the Moolarben joint venture; (ii) \$285 million of capital expenditure, including exploration; and (iii) a net \$66 million provided to Watagan under the Watagan loan facility.

## Net financing cash flows

Net financing cash outflows decreased by \$895 million (74%) to an outflow of \$314 million. In 2020 the net financing cash outflow included (i) \$432 million (US\$300 million) of mandatory debt repayments offset by \$433 million (US\$300 million) drawn under the US\$1,275 million facility refinance; and (ii) \$280 million of dividends. In 2019 the net financing cash outflow included (i) \$698 million (US\$500 million) of voluntary debt repayments; and (ii) \$514 million of dividends.

## FINANCIAL RESOURCES AND LIQUIDITY

	YEAR ENDED 31 DECEMBER		
	2020 \$M	2019 \$M	CHANGE \$M
Current assets	1,343	1,773	(430)
Current liabilities	(1,199)	(2,112)	914
<b>Net current assets</b>	<b>144</b>	<b>(339)</b>	<b>483</b>
Total assets	11,055	11,093	(38)
Total liabilities	(5,862)	(4,930)	(932)
<b>Total equity</b>	<b>5,193</b>	<b>6,163</b>	<b>(970)</b>

Current assets decreased by \$430 million to \$1,343 million at 31 December 2020 mainly reflecting a decrease in cash on hand of \$325 and trade and other receivables of \$109 million.

Current liabilities decreased by \$914 million to \$1,198 million at 31 December 2020 mainly reflecting the current debt repayments of US\$300 million together with the current debt refinance of US\$570 million (as part of the overall US\$1,275 million facility refinance), and a decrease in trade and other payables of \$137 million.

Total assets decreased by \$38 million to \$11,055 million at 31 December 2020 mainly reflecting i) a \$825 million increase in mining tenements primarily resulting from the Moolarben gain on bargain purchase and Watagan reconsolidation; ii) a \$362 million increase in property plant and equipment from the Watagan reconsolidation and normal course capital expenditure; iii) a \$154 million increase in exploration and evaluation assets primarily from the Watagan reconsolidation; partially offset by iv) the de-recognition of the \$901 million interest bearing loan to Watagan upon reconsolidation; and v) the decrease in current assets of \$430 million noted above.

Total liabilities increased by \$932 million to \$5,862 million at 31 December 2020 mainly reflecting i) a \$707 million increase in interest-bearing liabilities primarily due to a \$1,066 million increase from the Watagan reconsolidation partially offset by a \$309 million foreign exchange gain on the translation of the USD denominated interest-bearing liabilities, deferred to the hedge reserve, due to the AUD strengthening from 0.7006 at the start of the Period to 0.7702 at the end of the Period; ii) a \$250 million increase in provisions including the Watagan reconsolidation; and iii) a \$124 million increase in deferred tax liabilities; partially offset by the decrease in trade and other payables of \$135 million.

Total equity decreased by \$970 million to \$5,193 million at 31 December 2020 mainly reflecting the total comprehensive loss of \$688 million (comprising the loss after tax of \$1,040 million partially offset by the net, after-tax, hedge reserve gain of \$352 million) and dividend payments of \$280 million.

The Group's primary source of liquidity was operating cash flows that contributed \$605 million in the year ended 31 December 2020. Together with the opening cash position this enabled the payment of dividends of \$280 million during the year ended 31 December 2020.

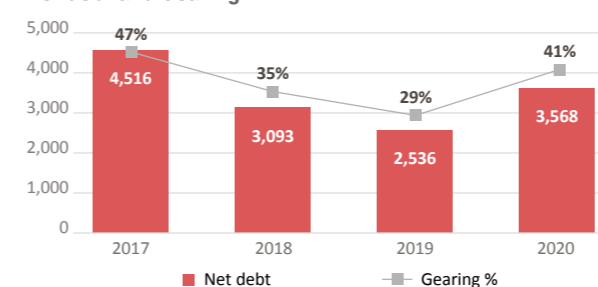
## MANAGEMENT DISCUSSION AND ANALYSIS

For the year ending 31 December 2021 the primary source of liquidity is expected to continue to be operating cash flows for ongoing business supplemented by refinancing existing interest-bearing liabilities due within the next 12 months 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.

The Group's capital structure and gearing ratio is set out in the table below.

	YEAR ENDED 31 DECEMBER		
	2020 \$M	2019 \$M	CHANGE \$M
Interest-bearing liabilities	4,205	3,498	707
Less: cash and cash equivalents	(637)	(962)	325
<b>Net debt</b>	<b>3,568</b>	<b>2,536</b>	<b>1,032</b>
Total equity	5,193	6,163	(970)
<b>Net debt + total equity</b>	<b>8,761</b>	<b>8,699</b>	<b>62</b>
Gearing ratio <sup>51</sup>	0.41	0.29	

## Net debt and Gearing



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

The gearing ratio increased from 29% to 41% during the Period mainly due to the Watagan reconsolidation.

The Group's interest-bearing liabilities include i) secured bank loans of A\$2,019 million (31 December 2019: A\$2,240 million); ii) unsecured loans from related parties of A\$1,059 million (31 December 2019: A\$1,164 million) and; Watagan bonds of A\$1,006 million (2019: nil); all denominated in US dollars and lease liabilities of A\$121 million (31 December 2019: A\$94 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 for the year ended 31 December 2020 was 4.99% (2019: 6.59%). Unsecured loans from related parties carry a fixed interest rate for which the rate for the year ended 31 December 2020 was 7.00% (2019: 7.00%). The Watagan bonds carry an all-in fixed interest rate for which the rate

for the period from 17 December 2020 to 31 December 2020 was 7.00%.

During the Period Yancoal repaid US\$300 million (mandatory repayment) of its US\$1,275 million secured bank loan. On 8 July 2020, US\$300 million was drawn as a part of a total replacement facility (which also had a US\$1,275 million limit). The majority of the repayments are now in 2024 and 2025, replacing the previous repayments in 2020 and 2021.

The Group's cash and cash equivalents includes A\$192 million (31 December 2019: A\$395 million), US\$343 million (31 December 2019: US\$346 million) and HK\$ nil (31 December 2019: HK\$396 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 D2, D4 and D9 of the Group's financial statements.

## Available debt facilities

As at 31 December 2020 the Group has A\$657 million of undrawn debt under its A\$1,400 million unsecured facility from related parties.

As at 31 December 2020 the Group has A\$65 million of undrawn debt under its US\$50 million unsecured working capital facility from an external party.

As at 31 December 2020 the Group has \$166 million of undrawn bank guarantee facilities that are provided for operational purposes in favour of port, rail, government departments and other operational functions in the normal course of business.

<sup>51</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



## MANAGEMENT DISCUSSION AND ANALYSIS

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

**CAPITAL EXPENDITURE AND COMMITMENTS**

During the year ended 31 December 2020 capital expenditure cash flows of the Group amounted to \$279 million (2019: \$285 million) comprising \$278 million (2019: \$282 million) of property, plant and equipment and \$1 million (2019: \$3 million) of exploration.

Included in the capital expenditure of \$279 million is capitalised operating expenses, net of any applicable revenue, incurred on open-cut and underground development activities of \$32 million (2019: \$19 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 2020 commitments of the Group comprised capital commitments of \$45 million.

**SIGNIFICANT INVESTMENTS**

The Company continues to look for high quality acquisition opportunities.

On 31 March 2020, Yancoal Moolarben Pty Ltd a 100% owned subsidiary of the Group acquired a 10% interest in the unincorporated Moolarben joint venture previously owned by Sojitz Corporation. With the 10% acquisition the Group now holds a 95% interest in the Moolarben joint venture. The cash consideration paid and payable is \$300 million split into four instalments over a period of 12 months and an \$8 million effective date adjustment. The acquisition is being funded from operating cashflows together with part of the Hong Kong listing proceeds of HK\$396 million (A\$83 million), including interest, that was reserved for future merger and acquisition activity.

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 expansion works across the tier-one assets of MTW, Moolarben and HVO, to be funded from operating cash flows.

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

At Moolarben, Yancoal has the required approvals to increase annual ROM production from 21Mt to 24Mt (16Mt from the open cut mine and 8Mt from underground). Studies under review incorporate work to assess the optimal production profile and address the various licensing requirements. Yancoal's ability to increase open-cut production to 16Mtpa is dependent upon a decision to invest in increasing the capacity at the Coal Handling and Preparation Plant.

In February 2020, the Austar mine completed mining of the Bellbird South area and with no immediate economically viable mine plan, was placed on care and maintenance by Watagan. The Yancoal Board has approved commencing mine closure activities at Austar with such activities expected to take between five and ten years to complete. As part of the Watagan acquisition accounting, and with no economically viable mine plan available, a discounted provision for mine closure and rehabilitation of \$167 million (\$197 million undiscounted) has been recognised.

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 MTW and Moolarben; acquiring additional assets, such as it did with the Coal & Allied transaction; or diversifying into other minerals, energy or renewable energy projects. Any new initiative would be subject to careful evaluation and would 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, interest-bearing liabilities or equity.

On 16 December 2020 the Company received a letter from Yankuang confirming its commitment, having regard to the overall situation of the coal industry; the operations and financial circumstances of the Company and Yankuang; 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 Yankuang 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, Yankuang confirmed it is willing to assist and support the Company in discussions with Yanzhou to explore the possibility of i) obtaining a licence on paid terms for the use of technology recently acquired by Yanzhou; and ii) commencing technology cooperation in accordance with standard and reasonable commercial practices.

**MATERIAL ACQUISITIONS AND DISPOSALS**

On 31 March 2020, Yancoal Moolarben Pty Ltd a 100% owned subsidiary of the Group acquired a 10% interest in the unincorporated Moolarben joint venture previously owned by Sojitz Corporation. With the 10% acquisition the Group now holds a 95% interest in the Moolarben joint venture. The cash consideration paid and payable is \$300 million split into four instalments over a period of 12 months and an \$8 million effective date adjustment.

## MANAGEMENT DISCUSSION AND ANALYSIS

**EMPLOYEES**

As at 31 December 2020, the Group had approximately 3,119 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 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 \$568 million (2019: \$525 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, comply with the diversity policy, provide market competitive remuneration to attract and retain skilled and motivated employees and structure incentives to link rewards with performance.

Details of the Group's incentive plans are included in the Remuneration Report in the Groups' Annual Report for the year ended 31 December 2020.

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. This investment contributes to a pipeline of employees who are ready to transition into new roles as well as creating a value proposition for new employees looking to join the Group.

**EVENTS OCCURRING AFTER THE REPORTING DATE**

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.

**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. The Board reviews and approves policies and procedures for management of these risks.

**Currency 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 collections 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. The latter is achieved through the use of a natural cash flow hedge whereby unrealised foreign exchange gains or losses arising on US dollar denominated loans are deferred on the balance sheet in a hedge reserve included in equity. Such deferred gains or losses are recycled to the profit or loss during the six-month period in which the loan is scheduled to be repaid. There is no guarantee that this natural cash flow hedge will be sufficient to offset any foreign exchange losses, and material foreign exchange losses could negatively impact our financial condition.

**Price Risk**

The price risk of the Group includes coal price risk. During 2020, as a consequence of COVID-19, the Group has seen a decrease in coal indices globally which impacts the revenue the Group can generate.

The Group does not enter into commodity contracts other than coal purchases to meet the Group's expected usage and sales requirements and such contracts are not settled net. The royalty receivable 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.

See Note D9 to the financial statements in this report 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 2020, there are \$50 million of provisionally priced sales. If prices were to increase by 10% provisionally priced sales would increase by \$5 million.

**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. Floating rate borrowings bearing LIBOR rates are re-set on a monthly or quarterly basis.

**Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to



## MANAGEMENT DISCUSSION AND ANALYSIS

the Group. As at 31 December 2020 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 arises 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.

In order to minimise credit risk, management 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. Letters of Credit in favour of Yancoal are requested from some customers. 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.

**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.

**CONTINGENT LIABILITIES**

The contingent liabilities of the Group as at 31 December 2020 comprise (i) \$809 million (31 December 2019: \$921 million) of bank guarantees comprising \$377 million (31 December 2019: \$417 million) of performance guarantees provided to third parties and \$432 million (31 December 2019: \$504 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 D8 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. The Syndicated Bank Guarantee facility was extended on 3 June 2020 for a three-year term with a new syndicate group of banks. As at 31 December 2020 the facility was drawn to A\$809 million.

The Group has a Syndicated Term Loan facility provided by a syndicate of five Australian and International banks totalling US\$300 million. As at 31 December 2020 the facility was fully drawn.

The Syndicated Bank Guarantee and Term Loan facilities are both secured by the assets of the consolidated group of Yancoal Resources Ltd and Coal & Allied Industries Ltd (both wholly owned subsidiaries of Yancoal) with a carrying value of \$5,683 million as at 31 December 2020.

**FUTURE PROSPECTS**

Yancoal will maintain strong cost discipline, with 2021 cash costs (excluding government royalties) expected to be A\$60 - 62/t (2020: A\$59/t). The cost increase is primarily the result of lower diesel prices and the deferral of non-essential maintenance costs due to COVID-19 in 2020, and the inclusion of the Ashton underground mine in 2021.

2021 guidance for saleable coal production of about 39 million tonnes (attributable). Expected 2021 capital expenditure cash flow is expected to be A\$360 - 380 million (attributable).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Revenue (reclassified)</b>	B2, A(xi)	<b>3,473</b>	4,459
Other income (reclassified)	B3, A(xi)	<b>680</b>	102
Changes in inventories of finished goods and work in progress		<b>12</b>	39
Loss on reconsolidation of Watagan	E1	<b>(1,383)</b>	–
Raw materials and consumables used		<b>(666)</b>	(707)
Employee benefits	B4	<b>(568)</b>	(525)
Depreciation and amortisation		<b>(804)</b>	(607)
Transportation		<b>(556)</b>	(562)
Contractual services and plant hire		<b>(364)</b>	(388)
Government royalties		<b>(232)</b>	(310)
Coal purchases		<b>(302)</b>	(332)
Other operating expenses	B5	<b>(183)</b>	(145)
Finance costs	B5	<b>(191)</b>	(233)
Share of loss of equity-accounted investees, net of tax	E2	<b>(59)</b>	(24)
<b>(Loss)/profit before income tax</b>		<b>(1,143)</b>	767
Income tax benefit / (expense)	B6	<b>103</b>	(48)
<b>(Loss)/profit after income tax</b>		<b>(1,040)</b>	719
(Loss)/profit is attributable to:			
Owners of Yancoal Australia		<b>(1,040)</b>	719
Non-controlling interests		<b>–</b>	–
		<b>(1,040)</b>	719
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges:			
Fair value gains / (losses)	D7	<b>309</b>	(15)
Fair value losses transferred to profit and loss	D7	<b>194</b>	190
Deferred income tax expense	D7	<b>(151)</b>	(53)
<b>Other comprehensive income, net of tax</b>		<b>352</b>	122
<b>Total comprehensive (expense) / income</b>		<b>(688)</b>	841
Total comprehensive (expense) / income for the year is attributable to:			
Owners of Yancoal Australia Ltd		<b>(688)</b>	841
Non-controlling interests		<b>–</b>	–
		<b>(688)</b>	841
<b>(Loss) / profit per share attributable to the ordinary equity holders of the Company:</b>			
Basic (loss) / profit per share (cents per share)	B7	<b>(78.8)</b>	54.5
Diluted (loss) / profit per share (cents per share)	B7	<b>(78.8)</b>	54.4

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



**CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 2020

	NOTES	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C7	637	962
Trade and other receivables	C8	344	453
Inventories	C9	312	261
Royalty receivable	C10	16	21
Derivative financial instruments		–	1
Non-contingent royalty receivable	D3	4	4
Asset classified as held for sale	C13	2	45
Other current assets		28	26
<b>Total current assets</b>		<b>1,343</b>	<b>1,773</b>
<b>Non-current assets</b>			
Trade and other receivables	C8	221	282
Property, plant and equipment	C1	3,302	2,940
Mining tenements	C2	4,872	4,047
Exploration and evaluation assets	C4	709	555
Intangible assets	C5	135	97
Interest-bearing loan to associate	D1	–	901
Royalty receivable	C10	201	205
Non-contingent royalty receivable	D3	–	4
Investments accounted for using the equity method	E2	257	273
Other non-current assets		15	16
<b>Total non-current assets</b>		<b>9,712</b>	<b>9,320</b>
<b>Total assets</b>		<b>11,055</b>	<b>11,093</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	C11	665	802
Interest-bearing liabilities	D2	496	1,267
Provisions	C12	25	30
Non-contingent royalty payable	D3	13	13
<b>Total current liabilities</b>		<b>1,199</b>	<b>2,112</b>
<b>Non-current liabilities</b>			
Trade and other payables		6	4
Interest-bearing liabilities	D2	3,709	2,231
Deferred tax liabilities	B6	135	11
Provisions	C12	813	558
Non-contingent royalty payable	D3	–	14
<b>Total non-current liabilities</b>		<b>4,663</b>	<b>2,818</b>
<b>Total liabilities</b>		<b>5,862</b>	<b>4,930</b>
<b>Net assets</b>		<b>5,193</b>	<b>6,163</b>
<b>EQUITY</b>			
Contributed equity	D4	6,482	6,482
Reserves	D7	(134)	(484)
Accumulated losses / retained earnings		(1,157)	163
Capital and reserves attributable to owners of Yancoal Australia Ltd		5,191	6,161
Non-controlling interests		2	2
<b>Total equity</b>		<b>5,193</b>	<b>6,163</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 2020

	NOTES	ATTRIBUTABLE TO OWNERS OF YANCOAL AUSTRALIA LTD					
		CONTRIBUTED EQUITY \$M	RESERVES \$M	RETAINED EARNINGS/ (ACCUMULATED LOSSES) \$M	TOTAL \$M	NON- CONTROLLING INTERESTS \$M	TOTAL EQUITY \$M
<b>Balance at 1 January 2019</b>		6,482	(604)	(42)	5,836	2	5,838
Profit after income tax		–	–	719	719	–	719
Other comprehensive income		–	122	–	122	–	122
<b>Total comprehensive income</b>		<b>–</b>	<b>122</b>	<b>719</b>	<b>841</b>	<b>–</b>	<b>841</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	D6	–	–	(514)	(514)	–	(514)
Movements in other reserves	D7	–	(2)	–	(2)	–	(2)
		–	(2)	(514)	(516)	–	(516)
<b>Balance at 31 December 2019</b>		<b>6,482</b>	<b>(484)</b>	<b>163</b>	<b>6,161</b>	<b>2</b>	<b>6,163</b>
<b>Balance at 1 January 2020</b>		<b>6,482</b>	<b>(484)</b>	<b>163</b>	<b>6,161</b>	<b>2</b>	<b>6,163</b>
Loss after income tax		–	–	(1,040)	(1,040)	–	(1,040)
Other comprehensive income		–	352	–	352	–	352
<b>Total comprehensive income</b>		<b>–</b>	<b>352</b>	<b>(1,040)</b>	<b>(688)</b>	<b>–</b>	<b>(688)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	D6	–	–	(280)	(280)	–	(280)
Movements in other reserves	D7	–	(2)	–	(2)	–	(2)
		–	(2)	(280)	(282)	–	(282)
<b>Balance at 31 December 2020</b>		<b>6,482</b>	<b>(134)</b>	<b>(1,157)</b>	<b>5,191</b>	<b>2</b>	<b>5,193</b>

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



**CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Cash flows from operating activities</b>			
Receipts from customers		3,729	4,651
Payments to suppliers and employees		(2,994)	(2,950)
Interest paid		(179)	(231)
Interest received		64	91
Transaction costs paid		-	(9)
Stamp duty paid		(15)	(4)
<b>Net cash inflow from operating activities</b>	F3	<b>605</b>	<b>1,548</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(278)	(282)
Payments for capitalised exploration and evaluation activities		(1)	(3)
Proceeds from sale of property, plant and equipment		40	15
Receipts of non-contingent royalties		4	8
Payment of non-contingent royalties		(15)	(28)
Payments for acquisition of interest in joint operation (net of cash acquired)	E1	(204)	(42)
Cash at bank acquired on reconsolidation of Watagan		7	-
Repayment of loan from joint venture		-	21
Advances of borrowing to joint venture		(35)	(25)
Repayment of borrowings from associates		247	227
Advance of borrowings to associates		(367)	(293)
Dividends received		11	10
<b>Net cash outflow from investing activities</b>		<b>(591)</b>	<b>(392)</b>
<b>Cash flows from financing activities</b>			
Repayment of interest-bearing liabilities	D2	(432)	(349)
Proceeds from interest-bearing liabilities	D2	433	-
Repayment of interest bearing liabilities - related entities		-	(349)
Receipts from promissory note		-	40
Payment of lease liabilities		(35)	(37)
Dividends paid		(280)	(514)
<b>Net cash outflow from financing activities</b>		<b>(314)</b>	<b>(1,209)</b>
<b>Net decrease in cash and cash equivalents</b>			
		<b>(300)</b>	<b>(53)</b>
Cash and cash equivalents at the beginning of the financial year		962	1,031
Effects of exchange rate changes on cash and cash equivalents		(25)	(16)
<b>Cash and cash equivalents at the end of the year</b>	C7	<b>637</b>	<b>962</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2020

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



## 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 26 February 2021.

The outbreak of the Novel Coronavirus ("COVID-19") was declared as a 'Global Pandemic' by the World Health Organisation on 11 March 2020, developments throughout 2020 has caused great uncertainty for the coal industry and the global and Australian economy. This uncertainty has created risks and conditions that the Group has not encountered before. As a result, there has been a continual assessment of the impacts of COVID-19 on the financial statements arising from this major global risk.

**(i) Compliance with IFRS**

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

**(ii) Subsidiaries**

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

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

The acquisition method of accounting is used to account for business combinations by the Group. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are aligned to ensure consistency with the policies adopted by the Group.

**(iii) Significant accounting policies**

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

**(iv) Historical cost convention**

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

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

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

**(vi) Rounding of amounts**

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

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

Effective from 1 January 2020 the Group adopted new standards, refer to Note F7 for details.

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

Australian Accounting Standards and Interpretations issued but not yet applicable for the year ended 31 December 2020 that have not been applied by the Group are disclosed in Note F8.

**(ix) Early adoption of standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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 C10
Provisions	Note C12
Business combinations and disposals	Note E1
Interest in other entities	Note E2

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(xi) Reclassification of royalty revenue from Middlemount**

An adjustment of amounts disclosed in 2019 has been made to reclassify \$19 million of royalty revenue received/receivable from Middlemount Coal Pty Ltd ("Middlemount") to revenue, derecognise the previous interest income of \$20 million; and increase the gain on the remeasurement of the royalty receivable from \$32 million to \$33 million. There is no change to the balance sheet or net profit after tax as it is a reclassification only.

**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 2020 is as follows:

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The segment information for the reportable segments for the year ended 31 December 2019 is as follows:

	COAL MINING		CORPORATE	TOTAL
	NSW	QLD		
31 DECEMBER 2019	\$M	\$M	\$M	\$M
Total segment revenue*	3,917	448	(190)	4,175
Add: Fair value losses recycled from hedge reserve	–	–	190	190
<b>Revenue from external customers</b>	<b>3,917</b>	<b>448</b>	<b>–</b>	<b>4,365</b>
Operating EBIT	1,063	26	(61)	1,028
Operating EBITDA	1,623	66	(54)	1,635
<b>Material income or expense items</b>				
<b>Non-cash items</b>				
Depreciation and amortisation	(560)	(40)	(7)	(607)
Arbitration award including interest	–	–	56	56
Remeasurement of contingent royalty	–	–	12	12
Remeasurement of royalty receivable	–	–	33	33
	(560)	(40)	94	(506)
<b>Total capital expenditure</b>	<b>360</b>	<b>16</b>	<b>4</b>	<b>380</b>
Segment assets	8,770	670	1,379	10,819
Investment in associate and joint ventures	184	–	89	273
Derivative financial instruments	–	–	1	1
<b>Total assets</b>	<b>8,954</b>	<b>670</b>	<b>1,469</b>	<b>11,093</b>

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

There was no impairment charge or other significant non-cash items recognised during the year ended 31 December 2020 and 31 December 2019 other than those disclosed above.

**(b) Other segment information****(i) Segment revenue**

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

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

Revenues from the top five external customers were \$1,094 million (2019: \$1,876 million) which in aggregate represent approximately 32% (2019: 37%) 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 2020 \$M	31 DECEMBER 2019 \$M (RESTATED)
<b>Total segment revenue</b>	<b>3,235</b>	<b>4,175</b>
Interest income	84	105
Mining services fees	45	43
Sea freight	64	83
Royalty revenue	15	19
Other revenue	30	34
<b>Total revenue (refer to Note B2)</b>	<b>3,473</b>	<b>4,459</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(ii) Operating EBITDA**

The Executive Committee assesses the performance of the operating segments based on a measure of Operating EBITDA. This measure excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, business combination related expenses and significant impairments of cash-generating units. Furthermore, the measure excludes the effects of fair value re-measurements and foreign exchange gains / (losses) on interest-bearing liabilities. Interest income and expense are not allocated to the NSW and QLD segments, as this type of activity is driven by the corporate function, which manages the cash position of the Group.

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M (RECLASSIFIED)
<b>Operating EBITDA</b>	<b>748</b>	<b>1,654</b>
Depreciation and amortisation	(804)	(607)
<b>Operating EBIT</b>	<b>(56)</b>	<b>1,047</b>
Interest income	84	105
Finance costs	(191)	(233)
Bank fees and other charges	(55)	(56)
Loss on reconsolidation of Watagan	(1,383)	–
Gain on acquisition of interest in joint operation	653	–
Fair value losses recycled from hedge reserve - USD loans	(194)	(190)
Remeasurement of contingent royalty	23	12
Stamp duty	(15)	–
Remeasurement of royalty receivable	(9)	33
Arbitration award	–	49
<b>(Loss) / profit before income tax from continuing operations</b>	<b>(1,143)</b>	<b>767</b>

**(iii) Segment capitalised expenditure**

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

All segment assets are located in Australia.

**(iv) Segment liabilities**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 control of the products is 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 or nearing the time of the shipment.

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

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) Mining services fees

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

## (iii) Sea freight services

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

## (iv) Other

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M (RESTATED)
<b>From continuing operations</b>		
<i>Sales revenue</i>		
Sale of coal	3,429	4,365
Fair value losses recycled from hedge reserve	(194)	(190)
	<b>3,235</b>	<b>4,175</b>
<i>Other revenue</i>		
Interest income	84	105
Mining services fees	45	43
Sea freight	64	83
Royalty revenue	15	19
Other items	30	34
	<b>238</b>	<b>284</b>
	<b>3,473</b>	<b>4,459</b>

At 31 December 2020 there are \$50 million of provisionally priced sales (31 December 2019: \$114 million), still to be finalised or collected (31 December 2019: \$99 million to be collected).

## Disaggregation of revenue

In the following table, revenue from sale of coal is disaggregated by primary geographical market and major products/service lines. The table also includes a reconciliation of the disaggregated revenue with the Group's three reportable segments (see Note B1):

	NSW \$M	QLD \$M	CORPORATE \$M	TOTAL \$M
<b>31 DECEMBER 2020</b>				
<b>Primary geographical markets</b>				
Japan	622	61	–	683
Singapore	562	48	–	610
China	434	21	–	455
South Korea	340	73	–	413
Taiwan	361	24	–	385
Australia (Yancoal's country of domicile)	338	–	–	338
Thailand	283	–	–	283
All other foreign countries	153	109	–	262
<b>Total</b>	<b>3,093</b>	<b>336</b>	<b>–</b>	<b>3,429</b>
<b>Product mix</b>				
Thermal coal	2,772	51	–	2,823
Metallurgical coal	321	285	–	606
<b>Total</b>	<b>3,093</b>	<b>336</b>	<b>–</b>	<b>3,429</b>
<b>31 DECEMBER 2019</b>				
<b>Primary geographical markets</b>				
Japan	1,012	127	–	1,139
China	664	19	–	683
South Korea	428	118	–	546
Taiwan	510	23	–	533
Singapore	394	71	–	465
Australia (Yancoal's country of domicile)	404	49	–	453
Thailand	338	–	–	338
All other foreign countries	167	41	–	208
<b>Total</b>	<b>3,917</b>	<b>448</b>	<b>–</b>	<b>4,365</b>
<b>Product mix</b>				
Thermal coal	3,382	54	–	3,436
Metallurgical coal	535	394	–	929
<b>Total</b>	<b>3,917</b>	<b>448</b>	<b>–</b>	<b>4,365</b>

In 2020 8.3% of coal sales were attributable to the largest customer and 31.9% to the top five customers (2019: 11.0% and 36.9% respectively).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Contract balances**

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Receivables from contracts with customers	223	276

There are no contract assets, liabilities or costs as at 31 December 2020 or 31 December 2019.

**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 2020 \$M	31 DECEMBER 2019 \$M
Gain on acquisition of interest in joint operation	653	–
Gain on remeasurement of contingent royalty	23	12
Gain on remeasurement of royalty receivable	–	33
Sundry income**	4	57
	680	102

There is no impact on the conversion of US dollar denominated interest-bearing liabilities (2019: nil).

\*\* Sundry income in 2019 includes \$49 million relating to an arbitration award.

**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 9.5% 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 2020 \$M	31 DECEMBER 2019 \$M
Employee benefits	525	484
Superannuation contributions	43	41
<b>Total employee benefits</b>	<b>568</b>	<b>525</b>

During 2020 \$9 million of employee benefits were capitalised (2019: \$7 million).

**(b) Key management personnel compensation**

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel ("KMP") for the year ended 31 December 2020. The total remuneration paid to KMP of the Company and Group during the year is as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2020 \$	31 DECEMBER 2019 \$
Short-term employee benefits	7,876,960	4,922,451
Post-employment benefits	163,603	161,908
Share-based payments	(2,537,960)	2,142,406
Other long-term benefits	1,329,898	685,301
	6,832,501	7,912,066

**(c) Top five employees**

The five highest paid individuals in the Group include the Chief Executive for each of the years and the Chief Operating Officer, details of whose remuneration are set out in the remuneration report. Details of remuneration of the remaining four (2019: three) highest paid individuals who are neither a Director, Chief Executive, or Chief Operating Officer (2019 only) of the Company are as follows:

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Salaries, allowance and other benefits in kind	2	2
Retirement benefit scheme contributions	–	–
Discretionary bonuses	3	3
	5	5

Their emoluments were within the following bands:

	31 DECEMBER 2020 NUMBER	31 DECEMBER 2019 NUMBER
HK\$6,500,000 to HK\$7,000,000	1	–
HK\$8,000,000 to HK\$8,500,000	1	1
HK\$8,500,000 to HK\$9,000,000	1	–
HK\$9,000,000 to HK\$9,500,000	–	2
HK\$9,500,000 to HK\$10,000,000	1	–

**B5 Expenses**

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>(a) Finance costs</b>		
Lease charges	5	7
Unwinding of discount on provisions and deferred payables	16	11
Other interest expenses	170	215
<b>Total finance costs</b>	<b>191</b>	<b>233</b>
<b>(b) Other operating expenses</b>		
Bank fees and other charges	55	56
Rates and other levies	27	21
Insurance	19	12
Stamp duty	15	–
Information technology	15	11
Travel and accommodation	9	12
Loss on remeasurement of royalty receivable	9	–
Net loss on disposal of property, plant and equipment	9	9
Net loss on foreign exchange	8	5
Rental expense	3	3
Other operating expenses	14	16
<b>Total other operating expenses</b>	<b>183</b>	<b>145</b>

**(c) Largest suppliers**

In 2020 6.3% of total operating expenses related to one supplier and 19.7% to the top five suppliers (2019: 5.0% and 21.3% respectively).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## B6 Taxation

## Accounting policy

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

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

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

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

## Tax consolidation legislation

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

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

## 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 2020 \$M	31 DECEMBER 2019 \$M
Deferred tax benefit/(expense)	103	(48)
Deferred tax benefit/(expense) included in income tax benefit/(expense) comprises:		
Net over / (under) provision in respect of prior years	3	(17)
Increase / (decrease) in deferred tax assets (refer to Note B6(b)(ii))	73	(230)
Increase in deferred tax liabilities (refer to Note B6(b)(iii))	27	199
	103	(48)

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

(Loss) / profit from continuing operations before tax	(1,143)	768
Tax at the Australian tax rate of 30% (2019 - 30%)	343	(230)
Tax effect of amounts which are not deductible / taxable in calculating taxable income:		
Over / (under) provision in prior years	3	(17)
Movements in tax base of assets	-	219
Stamp duty expensed	(4)	-
Loss on reconsolidation of Watagan	(415)	-
Share of loss of equity-accounted investees not deductible	(18)	(7)
Gain on acquisition of interest in joint operation	196	-
Other	(2)	(13)
Income tax benefit / (expense)	103	(48)

In finalising the opening tax base in 2019 of the acquired Coal and Allied Industries Ltd an adjustment to deferred tax assets has been recognised of \$219 million.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
(iii) Amounts recognised directly in equity		
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:		
Cash flow hedges	151	53
	151	53

## (b) Deferred tax assets and liabilities

## (i) Deferred tax balances

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Deferred tax assets	890	792
Deferred tax liabilities	(1,025)	(803)
	(135)	(11)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (ii) Deferred tax assets

MOVEMENTS	TAX LOSSES AND OFFSETS \$M	PROVISIONS \$M	TRADE AND OTHER PAYABLES \$M	LEASE LIABILITIES \$M	CASH FLOW HEDGES \$M	OTHER \$M	TOTAL \$M
<b>At 1 January 2019</b>	625	129	34	13	231	30	1,062
Under/over provision in prior year	(56)	1	1	–	–	10	(44)
(Charged) / credited							
– to profit or loss	(296)	24	(6)	16	32	–	(230)
– directly to equity	–	–	–	–	(53)	–	(53)
– tax loss recorded on behalf of Watagan Group	57	–	–	–	–	–	57
<b>At 31 December 2019</b>	330	154	29	29	210	40	792
<b>1 January 2020</b>	330	154	29	29	210	40	792
Under/over provision in prior year	10	–	–	–	–	(10)	–
(Charged) / credited							
– to profit or loss	66	16	8	(4)	–	(13)	73
– directly to equity	–	–	–	–	(151)	–	(151)
– other	–	–	–	–	–	24	24
– tax loss recorded on behalf of Watagan Group	74	–	–	–	–	–	74
Acquisition of subsidiaries	–	62	–	12	–	4	78
<b>At 31 December 2020</b>	480	232	37	37	59	45	890

The Group's tax consolidated group includes Watagan Mining Company Pty Ltd ("Watagan") and its controlled subsidiaries, including the period from 31 March 2016 to 16 December 2020 whilst Watagan was deconsolidated, refer to E2b(i) for further details. Deferred tax assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses / credits can be utilised.

The Group has unrecognised capital tax losses (tax effected) of \$11 million (2019: capital tax losses \$11 million). There is no expiry date on these tax losses.

## (iii) Deferred tax liabilities

MOVEMENTS	PROPERTY, PLANT AND EQUIPMENT \$M	INTANGIBLE ASSETS \$M	INVENTORIES \$M	MINING TENEMENTS AND EXPLORATION AND EVALUATION ASSETS \$M	UNREALISED FOREIGN EXCHANGE GAINS \$M	OTHER \$M	TOTAL \$M
<b>At 1 January 2019</b>	185	10	27	757	–	50	1,029
Under/over provision in prior year	12	–	(1)	(34)	–	(4)	(27)
Charged / (credited)							
– to profit or loss	(37)	(4)	2	(175)	9	6	(199)
<b>At 31 December 2019</b>	160	6	28	548	9	52	803
<b>At 1 January 2020</b>	160	6	28	548	9	52	803
Under / over provision in prior year	(25)	–	–	22	7	(7)	(3)
Charged / (credited)							
– to profit or loss	(8)	3	–	(52)	46	(16)	(27)
Acquisition of subsidiaries	(88)	8	7	313	–	12	252
<b>At 31 December 2020</b>	39	17	35	831	62	41	1,025

## 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 2020	31 DECEMBER 2019
Total basic (loss) / earnings per share (cents)	(78.8)	54.5
Total diluted (loss) / earnings per share (cents)	(78.8)	54.4

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<i>Basic and diluted (loss) / earnings per share</i>		
Earnings used in calculating the basic and diluted (loss) / earnings per share:		
From continuing operations	(1,040)	719
	(1,040)	719

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

	31 DECEMBER 2020 NUMBER	31 DECEMBER 2019 NUMBER
Ordinary shares on issue at start on the period	1,320,439,437	1,320,439,437
Less: weighted average of treasury shares held	(31,225)	(31,225)
Weighted average number of ordinary shares used in basic earnings per share	1,320,408,212	1,320,408,212
Adjusted for rights and options on issue	1,900,859	1,254,597
Anti-dilutive options	(1,900,859)	–
Weighted average shares used in diluted earnings per share	1,320,408,212	1,321,662,809



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C OPERATING ASSETS AND LIABILITIES

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

## C1 Property, plant and equipment

## Accounting policies

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

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

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

## Borrowing costs

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

## Depreciation and amortisation

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. 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 amount of the asset and is recognised in profit or loss.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	ASSETS UNDER CONSTRUCTION \$M	FREEHOLD LAND AND BUILDINGS \$M	MINE DEVELOPMENT \$M	PLANT AND EQUIPMENT \$M	RIGHT OF USE ASSETS \$M	TOTAL \$M
<b>Year ended 31 December 2019</b>						
Opening net book amount	102	310	1,185	1,270	72	2,939
Initial recognition of lease assets under AASB 16	–	–	–	–	69	69
Transfer from assets under construction	(149)	9	36	126	(25)	(3)
Additions	271	–	93	13	18	395
Transfer to finance lease receivables	–	–	–	–	(19)	(19)
Transfer to mining tenements	–	–	(41)	–	–	(41)
Transfer from exploration and evaluation	–	–	11	–	–	11
Other disposals	–	–	–	(13)	(4)	(17)
Depreciation	–	(9)	(96)	(256)	(33)	(394)
Closing net book amount	224	310	1,188	1,140	78	2,940
<b>At 31 December 2019</b>						
Cost or fair value	224	383	1,712	3,095	113	5,527
Accumulated depreciation	–	(73)	(524)	(1,955)	(35)	(2,587)
Net book amount	224	310	1,188	1,140	78	2,940
<b>Year ended 31 December 2020</b>						
Opening net book amount	224	310	1,188	1,140	78	2,940
Transfer from assets under construction	(334)	18	105	196	–	(15)
Additions	273	1	60	9	20	363
Acquisition through business combinations	39	81	192	161	42	515
Other disposals	–	–	–	(8)	(2)	(10)
Depreciation	–	(10)	(145)	(299)	(37)	(491)
Closing net book amount	202	400	1,400	1,199	101	3,302
<b>At 31 December 2020</b>						
Cost or fair value	202	400	2,036	3,368	178	6,268
Accumulated depreciation	–	(84)	(636)	(2,169)	(77)	(2,966)
Net book amount	202	400	1,400	1,199	101	3,302

During the year ended 31 December 2020 \$7 million of depreciation and amortisation was capitalised (2019: \$3 million).

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

Refer to Note D2(b) for information on non-current assets pledged as security by the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C2 Mining tenements

## Accounting policy

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

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

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Opening net book amount	4,047	4,218
Acquisition through business combination	1,110	-
Transfers from exploration and evaluation	31	-
Transfers from mine development	-	41
Amortisation	(316)	(212)
<b>Closing net book amount</b>	<b>4,872</b>	<b>4,047</b>

## 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.

## C3 Impairment of long life assets

## Accounting policy

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

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

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

The Group assesses impairment by evaluation of conditions and events specific to the CGU that may be indicative of impairment triggers.

## Critical accounting estimates and judgements

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

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

## (a) CGU assessment

The Group operates on a regional basis within NSW and as such the NSW mines are considered to be one CGU. The NSW regional CGU includes Hunter Valley Operations, Mount Thorley Warkworth, Moolarben and Stratford/Duralie. Yarrabee and Middlemount are considered separate CGU's due to their location and ownership structure.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the reconstituted date being 15 days from the current reporting date no reassessment of impairment has been undertaken or sensitivity provided below.

## (b) Assessment of fair value

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

The key assumptions in the model include:

KEY ASSUMPTIONS	DESCRIPTION
Coal prices	The Group's cash flow forecasts are based on estimates of future coal prices, which assume benchmark prices will revert to the group's assessment of the long term real coal prices of US\$57 – US\$103 per tonne (2019: US\$51 – US\$100 per tonne) for thermal and US\$103 – US\$177 per tonne (2019: US\$102 – US\$176 per tonne) for metallurgical coal.  The Group receives long term forecast coal price data from two external sources when determining its benchmark coal price forecasts and then makes adjustments for specific coal qualities.  The external sources have determined their benchmark coal price forecasts having regard to the latest International Energy Agency Stated Policies Scenario, the Nationally Determined Contributions submitted in the lead-up to the Paris Agreement in 2015 and National Energy Policies as they are updated. This contemplates the global seaborne demand for thermal coal will remain relatively consistent, to showing a decline of 7.3%, from 2020 through to 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 China, shareholder activism to divest from coal, the pace of renewable technology advancement and investor behaviour to coal project financing.  The Group has considered the impacts of a more rigorous international response to climate change under the Paris Agreement 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 10, 23 and 8 years for the NSW, Yarrabee and Middlemount CGUs, respectively. The NSW CGU has a 93% exposure to thermal coal and 7% exposure to metallurgical coal whilst Yarrabee and Middlemount are both metallurgical coal mines.  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.  For both thermal and metallurgical coal the Group's forecast coal price is within the range of external price forecasts. These forecasts include the assumption that the world economy will return to the growth trajectory that was occurring before the COVID-19 pandemic, China will increase its imports of seaborne coal and that limited supply will be brought online due to low investment in new coal production capacity over the last five to ten years.
Foreign exchange rates	The long term AUD/USD forecast exchange rate of \$0.75 (2019: \$0.75) is based on external sources. The year-end AUD/USD exchange rate was \$0.77 per the Reserve Bank of Australia.
Production and capital costs	Production and capital costs are based on the Group's estimate of forecast geological conditions, stage of existing plant and equipment and future production levels.  This information is obtained from internally maintained budgets, the five year business plan, life of mine models, life of mine plans, JORC reports, and project evaluations performed by the Group in its ordinary course of business.
Coal reserves and resources	See discussion at Note C2 Mining tenements for how the coal reserves and resources are determined.
Discount rate	The Group has applied a post-tax discount rate of 10.5% (2019: 10.5%) to discount the forecast future attributable post-tax cash flows. Due to the ongoing geotechnical issues at Middlemount a 0.5% premium has been added to this CGU's discount rate.  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.  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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Based on the above assumptions at 31 December 2020 the recoverable amount is determined to be above book value for all CGU's resulting in no impairment.

Impairment provisions recorded as at 31 December 2020 is \$53 million for Stratford and Duralie. Stratford and Duralie is included in the NSW region 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.

	2020		
	NSW \$M	YARRABEE \$M	MIDDLEMOUNT \$M
Book Value	6,253	358	261
Recoverable Amount	9,808	371	486
Head Room	3,555	13	225
USD Coal Price (i)			
+10%	2,276	278	175
-10%	(2,276)	(309)	(201)
Exchange Rate (ii)			
+5 cents	(1,227)	(170)	(102)
-5 cents	1,632	202	127
Discount Rate (iii)			
+50 bps	(395)	(12)	(17)
-50 bps	427	13	18

(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% LOM the recoverable amount would exceed book value for all CGUs with the exception of Yarrabee who exceeded the recoverable amount by \$296 million. If the AUD/USD long term forecast exchange rate was \$0.80 the recoverable amount would exceed book value for all CGUs with the exception of Yarrabee who exceed the recoverable amount by \$157 million. If the WACC was 11.0% the recoverable amount would exceed the book value for all 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.

## 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 2020 \$M	31 DECEMBER 2019 \$M
Opening net book amount	555	563
Acquisition through business combination	184	-
Other additions	1	3
Transfers to mining tenements	(31)	-
Transfers to mine development	-	(11)
Closing net book amount	709	555



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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.

	GOODWILL \$M	COMPUTER SOFTWARE \$M	WATER RIGHTS \$M	OTHER \$M	TOTAL \$M
<b>At 1 January 2019</b>					
Cost	60	27	17	14	118
Accumulated amortisation	–	(20)	–	(1)	(21)
Net book amount	60	7	17	13	97
Opening net book amount	60	7	17	13	97
Other additions	–	1	1	–	2
Transfers – assets under construction	–	1	–	2	3
Other disposals	–	–	–	(1)	(1)
Amortisation charge	–	(3)	–	(1)	(4)
Closing net book amount	60	6	18	13	97
<b>At 31 December 2019</b>					
Cost	60	29	18	15	122
Accumulated amortisation	–	(23)	–	(2)	(25)
Net book amount	60	6	18	13	97
Opening net book amount	60	6	18	13	97
Acquisition through business combination	–	–	28	–	28
Transfers – assets under construction	–	4	11	–	15
Amortisation charge	–	(3)	–	(2)	(5)
Closing net book amount	60	7	57	11	135
<b>At 31 December 2020</b>					
Cost	60	35	57	15	167
Accumulated amortisation	–	(28)	–	(4)	(32)
Net book amount	60	7	57	11	135

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The goodwill at 31 December 2020 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 2020. The CGU for which goodwill was allocated was not subject to an impairment charge as the recoverable amount is greater than the carrying value for this CGU.

## C6 Leases

## (a) Amount recognised in profit or loss

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Other income from equipment leasing	4	5
Depreciation on right of use assets (refer Note C1)	(37)	(33)
Expenses relating to short-term and variable leases	(34)	(32)
Interest on lease liabilities	(5)	(7)

## (b) As a lessee

## Right-of-use assets

	BUILDINGS \$M	PLANT AND EQUIPMENT \$M	TOTAL \$M
Opening balance at 31 December 2019	14	64	78
Acquisition through business combination	–	42	42
Additions	–	20	20
Other disposals	–	(2)	(2)
Depreciation	(2)	(35)	(37)
Closing balance at 31 December 2020	12	89	101

An undiscounted maturity analysis of lease liabilities is disclosed in Note D9(c).

The cash outflow for capitalised leases was \$35 million for the year ended 31 December 2020.

## (c) As a lessor

## Operating lease

The Group leases certain mining equipment to its joint operations. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease receipts not eliminated on consolidation, showing the undiscounted lease payments to be received after the reporting date.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Within one year	1	3
One to two years	–	3
Two to five years	1	6
More than five years	–	1
Total undiscounted lease payments	2	13

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Finance lease**

The Group sub-leases certain mining equipment to its joint operations. The Group has classified the sub-leases as finance leases, because the sub-leases are for the remaining term of the head leases.

The following table sets out a maturity analysis of lease receipts not eliminated, showing the undiscounted lease payments and interest income to be received after the reporting date.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Within one year	1	1
One to two years	–	1
Two to five years	–	–
More than five years	–	–
Total undiscounted lease payments receivable	1	2
Unearned finance income	–	–
Residual value	14	14
Finance lease receivable	15	16

Rental income is included in 'other income'.

**C7 Cash and cash equivalents****Accounting policy**

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

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) other short term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Cash at bank and in hand	470	736
Deposits at call	65	73
Share of cash held in Joint Operations	102	153
Cash and cash equivalents	637	962

As disclosed in Note D2(a)(i) the minimum average balance of AU\$25 million per day and at month end AU\$50 million is required to be held in the Lender Accounts of the Syndicated Facility which is not available for use on those days.

**(a) Risk exposure**

The Group's exposure to interest rate risk and credit risk is discussed in Note D9. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**C8 Trade and other receivables****Accounting policy**

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Current</b>		
Trade receivables from contracts with customers	223	276
Receivables from joint venture (i)	60	25
Other trade receivables	61	96
Other receivable	–	56
	344	453
<b>Non-current</b>		
Receivables from joint venture (ii)	135	203
Receivables from other entities (iii)	14	14
Long service leave receivables	72	65
	221	282

- i. Current receivables from joint venture includes revolver loans provided to Middlemount Coal Pty Ltd ("Middlemount") with a maturity date of 31 December 2021 and interest rate of 10%. The drawn balance of the revolver loan is \$60 million at 31 December 2020, facility balance is \$80 million (31 December 2019: fully drawn at \$25 million).
- ii. Receivables from joint venture includes a loan provided to Middlemount with a face value of \$212 million. From 15 October 2020 the shareholders of Middlemount agreed to renew the loan interest free until 31 December 2025. At 31 December 2020 this loan has been revalued using the effective interest rate method to \$135 million with the initial difference being recognised against the investment in joint venture (refer Note E2), and is subsequently unwound through profit and loss over the term.
- iii. Receivables from other entities includes the Group's investment in securities issued by Wiggins Island Coal Export Terminal Pty Ltd ("WICET"). These include E Class WIPS and Gladstone Island Long Term Securities ("GILTS"). During 2018 the WIPS were revalued to nil from \$29 million, the GILTS were impaired by \$17 million to a carrying value of \$14 million.

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:

The following is an aged analysis of trade receivables based on the invoice dates at the reporting dates:

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
0-90 days	199	265
91-180 days	3	10
181-365 days	9	–
Over 1 year	12	1
Total	223	276



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The ageing analysis of the Group's and the Company's trade receivables, that were past due but not yet impaired as at 31 December 2020 and 2019, is as follows:

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
0-90 days	6	21
91-180 days	3	10
181-365 days	9	–
Over 1 year	12	1
Total	30	32

Included above is \$30 million (2019: \$14 million) of royalty revenue receivable from Middlemount which under the terms of the revolver loans provided defer the payment obligation from Middlemount whilst there is a current balance in the revolver loans.

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 D9.

**(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 D9 for more information on the risk management policy of the Group and the credit quality of the Group's trade receivables.

**C9 Inventories****Accounting policy**

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

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Coal – at lower of cost or net realisable value	197	171
Tyres and spares – at cost	111	86
Fuel - at cost	4	4
	312	261

**(a) Inventory expense**

Write downs of inventories to net realisable value recognised as a provision at 31 December 2020 amounted to \$14 million (2019: \$3 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**C10 Royalty receivable****Accounting policy**

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

**Critical accounting estimates and judgements**

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M (RESTATED)
Opening balance	226	193
Re-measurement of royalty receivable	(9)	33
	217	226
<b>Split between:</b>		
Current	16	21
Non-current	201	205
	217	226

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. During 2019 the increase in the royalty receivable was primarily due to an extension to the Middlemount life of mine by 7 years to 2038 as a result of the increased life of mine ROM tonnes including an additional mine area.

**(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 D9.

**C11 Trade and other payables****Accounting policy**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Trade payables	414	387
Payroll costs payable	127	103
Interest payable	99	78
Other payables	25	70
Tax sharing and funding payables to Watagan	–	164
	665	802

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

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
0-90 days	412	383
91-180 days	1	–
181-365 days	1	–
Over 1 year	–	4
Total	414	387

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

## C12 Provisions

## Accounting policy

Provisions are:

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

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

2020	EMPLOYEE BENEFITS \$M	REHABILITATION \$M	TAKE OR PAY \$M	SALES CONTRACT PROVISION \$M	OTHER PROVISIONS \$M	TOTAL \$M
Opening net book amount	82	350	33	57	66	588
Charged / (credited) to profit or loss						
– unwinding of discount	–	6	3	2	–	11
– remeasurement/(release) of the provision	–	60	(14)	(12)	–	34
Acquired through business combinations	8	215	–	–	–	223
Re-measurement of provisions	5	–	–	–	(23)	(18)
Closing net book amount	95	631	22	47	43	838
<b>Split between</b>						
<b>Current</b>	12	–	8	4	1	25
<b>Non-current</b>	83	631	14	43	42	813
<b>Total</b>	95	631	22	47	43	838

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PROVISION	DESCRIPTION
Employee benefits	<p>The provision for employee benefits represents long service leave and annual 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>
Rehabilitation costs	<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) and the timing of when the rehabilitation costs are incurred. Timing is dependent upon when the mines cease to produce at economically viable rates, which in turn, will depend upon future coal prices, which are inherently uncertain.</p>
Take or pay	<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 was 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>
Sales contract	<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 BLC 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>
Other provisions	<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, 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>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## C13 Asset classified as held for sale

## Accounting policy

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale or loss of control transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale or disposal in its present condition subject only to terms that are usual and customary for sales or disposals of such assets (or disposal group) and the transaction is highly probable. Management must be committed to the transaction, which should be expected to qualify for recognition as a completed transaction within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Current assets</b>		
Land held for sale (i)	2	45

## i. Land held for sale

Land held for sale are parcels of non-mining land located in the Lower Hunter Valley that is held for future sale. These were acquired as part of the acquisition of Coal & Allied at fair value.

On 15 December 2020 a subsidiary of the Company and member of the Group sold a property at Minmi for \$41 million. There was a \$2 million loss recognised on this sale, this amount was previously recognised as an asset held for sale associated with the acquisition of Coal & Allied Industries Ltd in 2017.

## 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 loan to associate

## Accounting policy

Financial assets classified as loans 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 12 months after the reporting period which are classified as non-current assets. Refer to Note F6(b) for detailed policies in relation to recognition, measurement, impairment and derecognition of interest-bearing loan to associate.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Opening balance	901	835
Repayments	(247)	(227)
Drawdowns	367	293
Transfer from tax sharing and funding payables	(202)	-
Derecognition	(819)	-
Closing balance	-	901

On 31 March 2016, the Group transferred its interest in three of its 100% owned NSW coal mining operations, being the Astar, Ashton and Donaldson coal mines, to Watagan for consideration of \$1,363 million. The consideration was funded by way of a \$1,363 million loan from Yancoal Australia Ltd to Watagan bearing interest of BBSY plus 7.06% with a maturity date of 1 April 2025. Yankuang Group Co., Ltd ("Yankuang"), the Group's ultimate parent entity, guarantees payment of any amount owed to Yancoal Australia Ltd under the loan if Watagan does not pay Yancoal Australia Ltd such amount when due. Watagan can make prepayments of the outstanding loan balance with any such prepayment capable of redraw in the future.

On 16 December 2020 the Group reconstituted Watagan resulting in derecognition of the interest-bearing loan to associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D2 Interest-bearing liabilities

## Accounting policy

## (i) Interest-bearing liabilities

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

## (ii) Leases

For capitalised leases the corresponding minimum lease payments are included in lease liabilities. Each lease payment is allocated between finance cost and a reduction in the outstanding lease liability. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period, refer Note F7 for further details.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Current</b>		
Lease liabilities	41	31
Bank loans	455	1,236
	496	1,267
<b>Non-current</b>		
Lease liabilities	80	63
Bank loans	1,564	1,004
Bonds	1,006	-
Unsecured loans from related parties	1,059	1,164
	3,709	2,231
<b>Total interest-bearing liabilities</b>	<b>4,205</b>	<b>3,498</b>

## Reconciliation of liabilities arising from financing activities

	LEASE LIABILITIES \$M	BANK LOANS \$M	BONDS \$M	LOANS FROM RELATED PARTIES \$M
Opening balance at 1 January 2020	94	2,240	-	1,164
Acquisition through business combination	48		1,024	
Additions	20	433	-	-
Transaction costs capitalised	-	(29)	-	-
Unwind of transaction costs	-	3	-	-
Repayments	(40)	(432)	-	-
Termination	(6)	-	-	-
Unwind of interest expenses	5	-	-	-
Unwind of non-substantial loan modification	-	8	-	-
Foreign exchange movements	-	(204)	(18)	(105)
Closing balance at 31 December 2020	<b>121</b>	<b>2,019</b>	<b>1,006</b>	<b>1,059</b>

As a result of a refinancing during 2017 a non-substantial loan modification adjustment was recognised in line with AASB 9 *Financial Instruments*. At 31 December 2020 the adjustment has been fully amortised in finance costs (31 December 2019: \$8 million) in line with the refinancing as announced on 8 July 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(a) Bank loans**

The bank loans are made up of the following facilities:

	31 DECEMBER 2020			31 DECEMBER 2019	
	FACILITY US \$M	FACILITY \$M	UTILISED \$M	FACILITY \$M	UTILISED \$M
<b>Secured bank loans</b>					
Syndicated Facility (i)*	1,275	1,655	1,655	1,820	1,820
Syndicated Term Loan (ii)	300	390	390	428	428
<b>Unsecured bank loan</b>					
Working capital facility (iii)	50	65	–	–	–
	1,625	2,110	2,045	2,248	2,248

\* Facility balance excludes the remaining fair value adjustment balance of AU\$8 million recorded at 31 December 2019, and AU\$26 million associated with the refinance in 2020.

**i. Syndicated Facility**

On 8 July 2020 the Syndicated Facility has been refinanced with a new agreement and syndication of banks. Repayments are US\$25m each due after six months, the first, second and third anniversary with the balance split over the fourth and fifth anniversary. On 16 June 2020 US\$300 million was repaid under the old facility and redrawn under the new facility on 10 July 2020 (31 December 2019: US\$250 million was repaid).

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

The new Syndicated Facility includes the following financial covenants that remain the same as compared to 31 December 2019 to be tested half-yearly:

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

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

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

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

There was no breach of covenants at 31 December 2020.

**ii. Syndicated Term Loan**

In 2018 a Syndicated Term Loan of US\$300 million was taken out and all proceeds were used to partially repay the Syndicated Facility, maturing in August 2021. The Syndicated Term Loan is provided from a syndicate of five domestic and international banks.

The Syndicated Term Loan is secured by the assets of the aggregated group of Yancoal Resources Ltd and Coal & Allied Industries Ltd with an assets carrying value of \$5,683 million.

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

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

**iii. Working capital facility**

On 1 June 2020 the Company entered into a general purpose working capital facility with an international bank on an unsecured basis with an annual review. The drawn balance at 31 December 2020 was less than \$1 million.

The financial covenants match the Syndicated Facility. There was no breach of covenants at 31 December 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(b) Bank guarantee facilities**

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

PROVIDER	US \$M	AU \$M	UTILISED AU \$M	SECURITY
Syndicate of nine Australian and international banks*	–	975	809	Secured by the assets of the consolidated groups of Yancoal Resources Ltd and Coal & Allied Industries Ltd with carrying value of \$5,683 million. Facility expires on 3 June 2023.
<b>Total</b>	–	<b>975</b>	<b>809</b>	

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

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

**(c) Unsecured loans from related parties**

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

- Facility 1: AU\$1,400 million - the purpose of the facility is to fund working capital and capital expenditure. The facility can be drawn in both AUD and USD. During the period no additional amounts have been drawn down or repaid (31 December 2019: repaid US\$250 million). At 31 December 2020 US\$573 million (AU\$744 million) was drawn (31 December 2019: US\$573 million (AU\$817 million)).
- Facility 2: US\$243 million - initially the facility totalled US\$807 million with the purpose of the facility being to fund the coupon payable on subordinated capital notes. On 31 January 2018 all remaining SCN's were redeemed limiting the facility to the current drawn amount US\$243 million. During the period no amount has been drawn down or repaid. In total US\$243 million (AU\$315 million) was drawn as at 31 December 2020 (31 December 2019: US\$243 million (AU\$344 million)).

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

**(d) Bonds**

On the reconsolidation of the Watagan Group on 16 December 2020 as disclosed in Note E2 the Group also acquired US\$775 million of bonds payable to external financiers. The current financiers are Industrial Bank Co. Ltd US\$550 million, Yankuang Group (Hong Kong) Ltd US\$200 million and United NSW Energy US\$25 million. A commercial arrangement has been entered into between Yankuang and the financiers whereby Yankuang will provide a new loan facility of US\$775 million to the Group which will be used to refinance all the bonds on or about 31 March 2021. The new Yankuang loan will have a six year duration.

**D3 Non-contingent royalty****Accounting policy**

In acquiring part of a business or operation, an assessment was made of the fair value of the assets and liabilities under AASB 3 *Business Combinations*. The non-contingent royalty was fair valued on initial recognition and payable in US dollars so subject to foreign exchange movements. The amount has a finite life with any discounting and foreign exchange released to profit or loss over the contract term. Refer to Note F6 for detailed policies in relation to recognition, classification, measurement and derecognition of non-contingent royalty.

	ASSET		LIABILITY	
	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Opening balance	8	15	27	52
Receipts/payments	(4)	(8)	(15)	(28)
Unwind of discount	–	1	1	3
Closing balance	4	8	13	27
Current	4	4	13	13
Non-current	–	4	–	14
<b>Total</b>	<b>4</b>	<b>8</b>	<b>13</b>	<b>27</b>

As part of the acquisition of Coal & Allied on 1 September 2017 US\$240 million of the purchase price is to be paid over five calendar years from completion. During 2020 US\$10 million (2019: US\$20 million) of the non-contingent royalties were paid.

As part of the Glencore acquisition of the 16.6% interest in HVO, Glencore will pay to the Company 27.9% of the non-contingent royalty payments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D4 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 2020 NUMBER	31 DECEMBER 2019 NUMBER	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<i>(i) Share capital</i>				
Ordinary shares	1,320,439,437	1,320,439,437	6,219	6,219
<i>(ii) Other equity securities</i>				
Contingent value right shares			263	263
<b>Total contributed equity</b>			<b>6,482</b>	<b>6,482</b>

## (b) Ordinary shares

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

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

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

## (c) Contingent value right shares

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

## (d) Capital risk management

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

The gearing ratios at the reporting dates were as follows:

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Total interest-bearing liabilities	4,205	3,498
Less: cash and cash equivalents	(637)	(962)
Net debt	3,568	2,536
Total equity	5,193	6,163
Total capital	8,761	8,699
<b>Gearing ratio</b>	<b>40.7%</b>	<b>29.2%</b>

Refer to Note D2 for the Group's compliance with the financial covenants of its borrowing facilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D5 Share-based payments

## Accounting policy

Refer to Note B4(iv) 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.

DETAILS	DATE OF MEASUREMENT/GRANT	NUMBER OF RIGHTS*	DATE OF EXPIRY	CONVERSION PRICE (\$)
<b>Management performance rights</b>				
2018 LTIP (i)	30 May 2018	1,438,170	1 January 2021	Nil
2019 LTIP	1 January 2019	2,161,669	1 January 2022	Nil
Balance at 31 December 2019		3,599,839		
2018 LTIP (i)	30 May 2018	383,135	1 January 2021	Nil
2019 LTIP	1 January 2019	591,960	1 January 2022	Nil
2020 LTIP	1 January 2020	2,459,845	1 January 2023	Nil
Balance at 31 December 2020		3,434,940		

	2020 NO. OF RIGHTS	2019 NO. OF RIGHTS
Balance at beginning of the year	3,599,839	3,093,010
Granted	2,591,655	2,161,669
Cancellation of 2018 STIP (ii)	–	(1,609,198)
Forfeited during the year (iii)	(2,756,554)	(45,642)
<b>Balance at the end of year</b>	<b>3,434,940</b>	<b>3,599,839</b>

(i) 2018 LTIP is still on issue and expected to be completed in first half 2021.

(ii) The 2018 STIP has been transferred to other payables with the expectation of being cash settled in future periods.

(iii) In 2020 certain executives including Chief Executive Officer, Chief Financial Officer and Chairman of Executive Committee resigned and previously allocated LTIP performance rights were forfeited upon their departure.

## Fair value of performance rights granted

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

	2020 LTIP	2019 LTIP	2018 LTIP
Number of performance rights issued	2,591,655	2,161,669	1,438,170
Number of performance right on issue	2,459,845	591,960	383,135
Grant date (b)	1 January 2020	1 January 2019	30 May 2018
Average post-consolidation share price at grant date (\$)	2.86	3.35	4.94
Expected dividend yield	8%	8%	8%
Vesting conditions	(a)	(a)	(a)
Value per performance right (\$)	2.23	2.66	4.94

There are a maximum of 3,434,940 shares available for issue, which, if issued as new shares, would represent 0.3% of share capital in issue at 31 December 2020 (31 December 2019: 3,599,839 shares representing 0.3% of share capital).

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

- 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.
- The current Chief Executive Officer and Chair of the Executive Committee's performance rights were granted on 31 July 2020 after approval by shareholders at the AGM. All other senior executives were granted on 1 January 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## D6 Dividends

## (a) Dividends

	2020		2019	
	CENTS PER SHARE	TOTAL AU\$'M	CENTS PER SHARE	TOTAL AU\$'M
Final dividend for 2019 paid on 30 April 2020 (2018 paid on 30 April 2019)	21.21	280	28.55	377
Interim dividend for 2019 paid on 20 September 2019	–	–	10.35	137
		280		514

## (b) Franking credits

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Franking credits available for subsequent reporting periods based on an income tax rate of 30% (2019 - 30%)	20	14

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

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

## D7 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 2020 \$M	31 DECEMBER 2019 \$M
Hedging reserve	(137)	(489)
Employee compensation reserve	3	5
	(134)	(484)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<i>Hedging reserve – cash flow hedges</i>		
Opening balance	(489)	(611)
Fair value gains / (losses) recognised on USD interest bearing liabilities	309	(15)
Fair value losses recycled to profit or loss	194	190
Deferred income tax benefit	(151)	(53)
Closing balance	(137)	(489)

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 2020:

	2021 \$M	2022 \$M	2023 \$M	2024 \$M	2025 \$M	TOTAL \$M
Hedge loss to be recycled in future periods	123	235	(3)	(74)	(85)	196
<i>Of which:</i>						
Hedges related to loans repaid prior to designated repayment date	61	238	–	37	–	336
Hedges related to loans yet to be repaid	62	(3)	(3)	(111)	(85)	(140)
						196
Deferred income tax benefit						(59)
Closing balance						137

## (c) Employee compensation reserve

During the period the movements related to any 2020 additional performance rights issued or forfeited as disclosed in Note D5 and new awards of performance rights were made during the period.

## D8 Contingencies

## Contingent liabilities

The Group had contingent liabilities at 31 December 2020 in respect of:

## (i) Bank guarantees

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Parent entity and Group</b>		
Performance guarantees provided to external parties	134	151
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	107	135
	241	286
<b>Joint ventures (equity share)</b>		
Performance guarantees provided to external parties	153	160
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	321	285
	474	445
<b>Guarantees held on behalf of related parties (refer to Note E3(f) for details of beneficiaries)</b>		
Performance guarantees provided to external parties	90	106
Guarantees provided in respect of the cost of restoration of certain mining leases given to government departments as required by statute	4	84
	94	190
	809	921



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

**(iii) Other contingencies**

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

**D9 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:

- Cash and cash equivalents;
- Trade and other receivables (including WIPS);
- Trade and other payables;
- Interest-bearing liabilities, including bank loans and leases;
- Available-for-sale investments;
- Royalty receivable;
- Non-contingent royalty receivable;
- Non-contingent royalty payable;
- Derivative financial instruments; and
- Interest-bearing loan from associate.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>Financial assets</b>		
<i>Cash, loans and receivables – amortised cost</i>		
Cash and cash equivalents	637	962
Trade and other receivables	565	735
Non-contingent royalty receivable	4	8
Interest bearing loan to associates	–	901
<i>Assets at fair value through profit and loss</i>		
Royalty receivable	217	226
	<b>1,423</b>	<b>2,832</b>
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
Trade and other payables	671	806
Interest-bearing liabilities	4,205	3,498
Non-contingent royalty payable	13	27
	<b>4,889</b>	<b>4,331</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors has overall responsibility for determining risk management objectives and policies and risk management is carried out by the Group Audit and Risk Management department along with the Group Treasury department. The Board provides written principles for overall risk management, as well as policies covering specific areas such as the use of derivative financial instruments to mitigate foreign exchange risk. These derivative instruments create an obligation or right that effectively transfers one or more of the risks associated with an underlying financial instrument, asset or obligation.

The overall objective of the Board is to set policies that seek to reduce risk and volatility in financial performance without unduly affecting competitiveness and flexibility. Further details regarding these policies are set out below.

**(a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, securities prices, and coal prices, will affect the Group's income or the value of its holdings of financial instruments.

**(i) Foreign exchange risk**

The Group operates entirely in Australia and its costs are primarily denominated in its functional currency, the Australian dollar. Export coal sales are denominated in US dollars and a strengthening of the Australian dollar against the US dollar has an adverse impact on earnings and cash flow settlement. Liabilities for some plant and equipment purchases and loans are denominated in currencies other than the Australian dollar and a weakening of the Australian dollar against other currencies has an adverse impact on earnings and cash flow settlement.

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

**Hedging through bank issued instruments**

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other Comprehensive Income in the hedging reserve until the anticipated underlying transaction occurs. Once the anticipated underlying transaction occurs, amounts accumulated in equity are recycled through the profit or loss or recognised as part of the cost of the asset to which it relates. The ineffective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised immediately in the profit or loss. In the current period, the loss relating to the ineffective portion was \$nil (2019: \$nil).

**Natural cash flow hedge**

The Group currently does not use bank issued instruments to hedge foreign exchange risks in respect of US dollar denominated loans, however, the scheduled repayment of the principal on US dollar loans is designated to hedge the cash flow risks on the portion of forecast US dollar sales that are not hedged through bank issued instruments ("natural cash flow hedge"). US dollar loan repayments up to a six-month period are designated to hedge the forecast US dollar sales during the same period after the designation of the hedge relationship based on a dollar for dollar basis until the hedge ratio reaches one.

Hedging effectiveness is determined by comparing the changes in the hedging instruments and hedged sales. Hedge ineffectiveness will occur when cash flows generated by sales transactions are lower than the forecast sales transaction. In cases of hedge ineffectiveness, gains or losses in relation to the excess portion in the foreign exchange movement of the designated US dollar loan repayment will be recycled to profit or loss. The effective portion of changes in the hedging instruments will be recognised in the cash flow hedge reserve in Other Comprehensive Income. When the sales transactions occur, amounts accumulated in equity are recycled through the profit or loss as an increase or decrease to sales revenue.

**Royalty receivable**

The royalty receivable from the Middlemount Joint Venture is estimated based on expected future cash flows that are dependent on sales volumes, US dollar denominated coal prices and the US dollar foreign exchange rate (refer to Note C10).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Non contingent royalty payable and receivable**

As part of the acquisition of Coal & Allied in 2017 the Company has agreed to make deferred non-contingent royalty payments to Rio Tinto Plc ("Rio Tinto") in US dollars. As described in Note D3 27.9% of non-contingent royalty payable is receivable from Glencore.

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

	31 DECEMBER 2020		31 DECEMBER 2019	
	USD \$M	HKD \$M	USD \$M	HKD \$M
Cash and cash equivalents	446	–	641	73
Trade and other receivables	196	–	241	–
Other assets	5	–	1	–
Non-contingent royalty receivable	4	–	8	–
Royalty receivable	217	–	226	–
Trade and other payables	(141)	–	(163)	–
Non-contingent royalty payable	(13)	–	(27)	–
Interest-bearing liabilities	(4,111)	–	(3,412)	–
Net Exposure	(3,397)	–	(2,485)	73

**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 (decreased)/increased equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables remain constant.

	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>2020</b>				
Cash and cash equivalents	35	–	(28)	–
Trade and other receivables	15	–	(12)	–
Royalty receivable	19	–	(19)	–
Total increase / (decrease) in financial assets	69	–	(59)	–
Trade and other payables	(11)	–	9	–
Interest-bearing liabilities	(78)	(241)	64	198
Non-contingent royalty payable	(1)	–	1	–
Total (increase) / decrease in financial liabilities	(90)	(241)	74	198
Total (decrease) / increase in profit after tax and equity	(21)	(241)	15	198
<b>2019</b>				
Cash and cash equivalents	79	–	(65)	–
Trade and other receivables	27	–	(22)	–
Royalty receivable	22	–	(18)	–
Non-contingent royalty receivable	1	–	(1)	–
Other assets	1	–	(1)	–
Total increase / (decrease) in financial assets	130	–	(107)	–
Trade and other payables	(13)	–	10	–
Interest-bearing liabilities	–	(379)	–	310
Non-contingent royalty payable	(3)	–	3	–
Total (increase) / decrease in financial liabilities	(16)	(379)	13	310
Total increase / (decrease) in profit after tax and equity	114	(379)	(94)	310

Equity movements above reflect movements in the hedge reserve due to foreign exchange movements on designated USD interest bearing loans.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(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 D10(d)(iii) for the royalty receivable coal price sensitivity analysis.

Coal sales are predominately provisionally priced initially. Provisionally priced sales are those for which price finalisation, referenced to the relevant index, is outstanding at the reporting date. Provisional pricing mechanisms embedded within these sales arrangements have the character of a commodity derivative and are carried at fair value through profit and loss as part of trade receivables. The final sales price is determined normally 7 to 90 days after delivery to the customer. At 31 December 2020 there are \$50 million of provisionally priced sales (31 December 2019: \$114 million). If coal prices were to increase by 10.0% provisionally priced sales would increase by \$5 million (31 December 2019: \$11 million).

**(iii) Interest rate risk**

The Group is subject to interest rate risk that arises from borrowings, cash and cash equivalents and interest-bearing loan to associate. Generally, no variable interest is receivable or payable on the Group's trade and other receivables or payables where applicable as they are fixed in nature and therefore they are not exposed to the interest rate risk.

The Group's cash flow interest rate risk for assets primarily arises from cash at bank and deposits subject to market bank rates. Floating rate borrowings bearing LIBOR rates are re-set on a quarterly basis.

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

	31 DECEMBER 2020		31 DECEMBER 2019	
	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$M	WEIGHTED AVERAGE INTEREST RATE %	BALANCE \$M
Cash and cash equivalents	0.4	637	1.5	962
Bank loans and other borrowings	6.0	2,045	5.9	2,240
Interest-bearing loan to associate	–	–	8.6	901

**Sensitivity**

The following table summarises the sensitivity of the Group's significant financial assets and liabilities to changes in variable interest rates. This sensitivity is based on reasonably possible changes, determined using observed historical interest rate movements for the preceding five year period, with a heavier weighting given to more recent market data. Past movements are not necessarily indicative of future movements. For financial assets, a 25 basis point (decrease) / increase in interest rates would have (decreased) / increased equity and profit or loss after tax by the amounts shown below. For financial liabilities, a 25 basis point (decrease) / increase in interest rates 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.

	-25 BPS		+25 BPS	
	PROFIT AFTER INCOME TAX \$M	EQUITY \$M	PROFIT AFTER INCOME TAX \$M	EQUITY \$M
<b>2020</b>				
Cash and cash equivalents	(1)	–	1	–
Interest-bearing liabilities	4	–	4	–
	3	–	5	–
<b>2019</b>				
Cash and cash equivalents	(2)	–	2	–
Interest-bearing loan to associate	(2)	–	2	–
Interest-bearing liabilities	4	–	(4)	–
	–	–	–	–



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(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 2020 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 D8.

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 2020 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:

- payment terms and credit limits are set for individual customers;
- a risk assessment process is used for all customers; and
- letters of credit are required for those customers assessed as posing a higher risk.

As disclosed in Note D2(a)(i) the minimum average balance of AU\$25 million per day and at month end AU\$50 million is required to be held in the Lender Accounts of the Syndicated Facility which is not available for use on those days.

The maximum exposure to credit risk on financial assets which have been recognised in the balance sheet is their carrying amount less impairment provision, if any as set out below.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Cash and cash equivalents	637	962
Trade and other receivables	565	735
Interest-bearing loan to associate	-	901
	<b>1,202</b>	<b>2,598</b>

Included in trade and other receivables are significant customers located in Australia, South Korea and Singapore that account for 20%, 10% and 6% of trade receivables respectively (2019: Australia 12% and Hong Kong 5%).

The top five customers included in trade receivables with the largest gross receivable balance as at 31 December 2020 account for 43% of trade receivables (2019: 27%).

**(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:

- will not have sufficient funds to settle transactions on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- 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 D2.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**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 2020</b>						
<b>Non-derivatives</b>						
Trade and other payables	671	-	-	-	671	671
Non-contingent royalty	13	-	-	-	13	13
Lease liabilities	48	29	44	31	152	121
Other interest-bearing liabilities	706	253	3,175	1,022	5,156	4,084
<b>Total non-derivatives</b>	<b>1,438</b>	<b>282</b>	<b>3,219</b>	<b>1,053</b>	<b>5,992</b>	<b>4,889</b>

	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 2019</b>						
<b>Non-derivatives</b>						
Trade and other payables	802	4	-	-	806	806
Non-contingent royalty	14	14	-	-	28	27
Lease liabilities	36	35	26	10	107	94
Other interest-bearing liabilities	1,437	1,134	1,409	-	3,980	3,404
<b>Total non-derivatives</b>	<b>2,289</b>	<b>1,187</b>	<b>1,435</b>	<b>10</b>	<b>4,921</b>	<b>4,331</b>

**D10 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:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- 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
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2020 and 31 December 2019:

	LEVEL 1 \$M	LEVEL 2 \$M	LEVEL 3 \$M	TOTAL \$M
<b>31 DECEMBER 2020</b>				
<b>Assets</b>				
Royalty receivable	-	-	217	217
WIPS	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>217</b>	<b>217</b>

	LEVEL 1 \$M	LEVEL 2 \$M	LEVEL 3 \$M	TOTAL \$M
<b>31 DECEMBER 2019</b>				
<b>Assets</b>				
Royalty receivable	-	-	226	226
WIPS	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>226</b>	<b>226</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(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 and WIPS.

**(iii) Fair value measurements using significant unobservable inputs (level 3)**

The following table presents the changes in level 3 instruments for the year ended 31 December 2020:

	31 DECEMBER 2020 ROYALTY RECEIVABLE \$M	31 DECEMBER 2019 ROYALTY RECEIVABLE \$M
Opening balance	226	193
Remeasurement of the royalty receivable recognised in profit and loss	(9)	33
Closing balance	217	226

**Royalty receivable**

The fair value of the royalty receivable is the fair value of the right to receive a royalty of 4% of Free on Board Trimmed Sales from the Middlemount Mine. The financial asset has a finite life being the life of the Middlemount Mine and will be measured on a fair value basis.

The fair value is determined using the discounted future cash flows that are dependent on the following unobservable inputs: forecast sales volumes, coal prices and fluctuations in foreign exchange rates. The forecast sales volumes are based on the internally maintained budgets, five year business plan and life of mine models. The forecast coal prices and long term exchange rates are based on external data consistent with the data used for impairment assessments (refer to Note C3). The risk-adjusted post-tax discount rate used to determine the future cash flows is 9.0%.

The estimated fair value could increase significantly if the following unobservable inputs of sales volumes and coal prices were higher and if the Australian dollar weakens against the US dollar. The estimated fair value would also increase if the risk-adjusted discount rate was lower.

**Sensitivity**

The following tables summarise the sensitivity analysis of royalty receivable. This analysis assumes that all other variables remain constant.

	31 DECEMBER 2020 FAIR VALUE INCREASE/ (DECREASE) \$M	31 DECEMBER 2019 FAIR VALUE INCREASE/ (DECREASE) \$M
<b>Coal price</b>		
+10%	19	21
-10%	(19)	(20)
<b>Exchange rates</b>		
+5 cents	(11)	(11)
-5 cents	14	13
<b>Discount rates</b>		
+50 bps	(7)	(7)
-50 bps	8	8

**WIPS**

On the 28 July 2020 the WIPS were restructured and are no longer entitled to any accrual or future dividend payments. Rights to claim repayment of the face value of \$31 million only on wind-up, cessation or sale of the business or breach of senior debt covenants. The fair value is determined using the discount future cash flows that are dependent on the following unobservable inputs: internally maintained budgets and business plans of Wiggin Island Coal Export Terminal ("WICET"). The risk adjusted post tax discount rate used to determine the future cashflows is 11.0%. In 2018 the WIPS book value was reduced to nil.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(iv) Fair values of other financial instruments**

The carrying amount is approximate to the fair value for the following:

- i. Trade and other receivables
- ii. Other financial assets
- iii. Trade and other payables
- iv. Interest-bearing liabilities

**E GROUP STRUCTURE**

This section explains significant aspects of the Group's structure including business combinations and disposals, interests in other entities, related party transactions, parent entity information, controlled entities, and the deed of cross guarantee.

**E1 Business combinations and disposals****Accounting policies**

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred including stamp duty. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain on acquisition of subsidiaries.

**Critical accounting estimates and judgements**

Accounting for the acquisitions of businesses requires judgment and estimates in determining the fair value of the consideration, acquired assets and liabilities. Techniques used to determine the fair value of acquired assets and liabilities include an income and cost approach for mining tenements and depreciated replacement cost for the valuation of property, plant and equipment.

The relevant accounting standard allows the fair value of assets acquired to be refined for a window of one year after the acquisition date only if the information has not been obtained as a matter of course. Judgement is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of the acquisition date. The adjustments made on fair value of assets are retrospective in nature and have an impact on goodwill or gain recognised on acquisition.

**(a) Acquisition of 10% interest in Moolarben Coal Joint Venture****(i) Summary of transaction**

On 31 March 2020, Yancoal Moolarben Pty Ltd a 100% owned subsidiary of Yancoal Australia Ltd acquired a 10% interest in Moolarben Coal Joint Venture ("Moolarben JV") previously owned by Sojitz Corporation ("Sojitz"). The Moolarben JV is accounted for as a joint operation. With the 10% acquisition the Group now holds a 95% interest in the Moolarben JV. The cash consideration paid and payable is \$300 million split into four installments over a period of 12 months plus a \$8 million effective date adjustment whereby the cash consideration was increased by 10% of the Moolarben JV's net cash outflows from 1 January 2020 to completion date.

On acquiring the 10% interest from Sojitz the Group is deemed to now control the activities of Moolarben JV by holding all voting rights, previously 50% of the voting rights, on the Joint Venture Policy Committee. Under AASB 3 *Business Combinations* the Group is required to also remeasure its 85% interest to fair value at the acquisition date. The change in accounting treatment from joint operation to controlled operation has resulted in a deemed disposal of the previously held 85% interest and a deemed acquisition of the new 95% interest. The net book value of assets which were deemed to be disposed was \$2,232 million. The provisional fair value of the net assets deemed to be acquired was \$3,187 million.

The accounting for the acquisition of the additional 10% interest in Moolarben JV together with the revaluation of the previously held 85% interest has been determined on a provisional basis at 31 December 2020. Any adjustments to the provisional values as a result of completing work on the fair values of assets and liabilities acquired will be recognised within 12 months of the acquisition date and will be recognised as if they had occurred as at the date of acquisition.

Details of the purchase consideration, the provisional net assets and liabilities acquired and provisional gain on the additional interest in the Moolarben JV are as follows:



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	\$M
<b>Purchase consideration</b>	
Discounted purchase price	294
Effective date adjustment	8
<b>Total purchase consideration</b>	<b>302</b>
Deemed acquisition of 95% interest	3,187
Deemed disposal of previously held 85% interest	(2,232)
Net adjustment from deemed disposal and acquisition (refer to (a)(ii) below)	955
Gain on acquisition and remeasurement of 95% interest	653

**(ii) Assets and liabilities acquired**

The net adjustment to the assets and liabilities from the deemed disposal and acquisition are as follows:

	DEEMED DISPOSAL \$M	DEEMED ACQUISITION \$M	NET ADJUSTMENTS \$M
Cash	(33)	37	4
Trade and other receivables	(6)	27	21
Inventories	(50)	56	6
Other assets	(17)	19	2
Property, plant and equipment	(1,175)	1,368	193
Mining tenements	(1,505)	2,505	1,000
Exploration and evaluation assets	(165)	199	34
Intangible assets	(1)	10	9
Trade and other payables	100	(112)	(12)
Lease liabilities	50	(56)	(6)
Provisions	71	(79)	(8)
Deferred tax liabilities	499	(787)	(288)
	<b>(2,232)</b>	<b>3,187</b>	<b>955</b>

The Group recognised a gain on acquisition of \$653 million, split \$93 million relating to the 10% interest and \$560 million on the revaluation of the previously held 85% interest, is disclosed in other income in the profit or loss for the year ended 31 December 2020.

**(iii) Revenue and profit contribution**

The acquired interest contributed revenue of \$93 million and net profit after tax of \$12 million to the Group for the period from 1 April 2020 to 31 December 2020. If the acquisition had occurred on 1 January 2020, consolidated revenue and net profit for the year ended 31 December 2020 would have been higher by \$39 million and \$11 million respectively. These amounts have been calculated using the Group's accounting policies.

**(b) Reconsolidation of Watagan****(i) Summary of transaction**

On 16 December 2020, the Company announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd ("Yankuang"), its wholly owned subsidiary Yankuang HK and the other two holders of bonds previously issued by Watagan Mining Company Pty Ltd ("Watagan") which will result in the Group regaining accounting control of Watagan and its subsidiaries (together "Watagan Group") and the financial results of Watagan Group will be consolidated in the Company's group financial statements. The effective date of the reconsolidation was 16 December 2020. The reconsolidation of Watagan Group is accounted for as a business combination under AASB 3.

Refer to Note E2(b)(i) for further details regarding Watagan and how the Company acquired control of it.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	\$M
Balances eliminated on reconsolidation	
Interest-bearing loan to associate	819
Tax sharing and funding payables to Watagan	(35)
Net trade receivables	6
	<b>790</b>
Fair value of net identifiable liabilities acquired (refer to b(ii) below)	593
	<b>1,383</b>

**(ii) Assets and liabilities acquired**

The net adjustment to the assets and liabilities from the reconsolidation are as follows:

	FAIR VALUE \$M
Cash	7
Trade and other receivables	8
Inventories	17
Other assets	7
Property, plant and equipment	322
Mining tenements	110
Exploration and evaluation assets	150
Intangible assets	19
Deferred tax assets	114
Trade and other payables	(66)
Interest-bearing liabilities	(1,066)
Provisions	(215)
Fair value of net identifiable liabilities acquired	(593)

In recognising the identifiable assets and liabilities in line with site valuation models, with any residual asset values adjusted to mining tenements, there is no surplus value over and above the site valuations that can be used to support any goodwill. The reconsolidation of Watagan Group's identifiable assets and liabilities has resulted in a loss on reconsolidation in the profit and loss of \$1,383 million.

**(iii) Revenue and profit contribution**

The acquired interest contributed revenue of nil and net profit after tax of \$2 million to the Group for the period from 17 December 2020 to 31 December 2020. If the reconsolidation had occurred on 1 January 2020, consolidated revenue and net profit for the year ended 31 December 2020 would have been higher by \$105 million and nil respectively. Any adjustment to net profit would be offset by an equal adjustment to the 'loss on reconsolidation of Watagan' as reported in the consolidated statement of profit or loss. These amounts have been calculated using the Group's accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## E2 Interests in other entities

## Accounting policies

## (i) 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.

After initial recognition at cost, associates are accounted for using the equity method.

## (ii) 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 activities of the joint arrangement require the unanimous consent of the parties sharing control. The classification of a joint arrangement is dependent on the rights and obligations of the parties to the arrangement and will be either a joint operation or joint venture.

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 right to 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 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.

## (iii) Controlled operations

Controlled Operations: A controlled operation is a joint operation that is controlled by the Group as all the votes for agreed sharing of control of the arrangement are held by the Group. The Group recognises its proportional right to 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.

## (iv) 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

Prior to 16 December 2020 there was significant judgement in assessing whether the Group controlled Watagan. Even though it held 100% of the nominal share capital. An assessment had been made that in accordance with the accounting standards the Group did not control Watagan as it was not able to direct the relevant activities of Watagan and accounted for its interest in Watagan as an associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (a) Joint operations

Controlled entities, Moolarben Coal Mines Pty Ltd and Yancoal Moolarben Pty Ltd, have a combined 95% (85% up to 31 March 2020) interest in the Moolarben Joint Venture whose principal activity is the development and operation of open-cut and underground coal mines.

A controlled entity, Coal & Allied Operations Pty Ltd has a 51% (2019: 51%) interest in the Hunter Valley Operations Joint Venture whose principal activity is the development and operation of open-cut coal mines.

A controlled entity, Mount Thorley Operations Pty Ltd has a 80% (2019: 80%) interest in the Mount Thorley Joint Venture whose principal activity is the development and operation of open-cut coal mines.

Controlled entities, CNA Warkworth Australasia Pty Ltd and CNA Resources Ltd, have a combined 84.5% (2019: 84.5%) interest in the Warkworth Joint Venture whose principal activity is the development and operation of open-cut mines.

A controlled entity, Yarrabee Coal Company Pty Ltd, has a 50% (2019: 50%) interest in the Boonal Joint Venture, whose principal activity is the provision of a coal haul road and train load out facility.

The principal place of business for the above joint operations is in Australia.

## (b) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Group as at 31 December 2020. 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	
		2020 %	2019 %			2020 \$M	2019 \$M
Watagan Mining Company Pty Ltd	Australia	–	100	Associate	Equity method	–	–
Port Waratah Coal Services Ltd	Australia	30	30	Associate	Equity method	177	184
Newcastle Coal Infrastructure Group Pty Ltd	Australia	27	27	Associate	Equity method	–	–
Middlemount Coal Pty Ltd	Australia	49.9997	49.9997	Joint Venture	Equity method	80	87
HVO Coal Sales Pty Ltd	Australia	51	51	Joint Venture	Equity method	–	2
HVO Operations Pty Ltd	Australia	51	51	Joint Venture	Equity method	–	–
HVO Services Pty Ltd	Australia	51	51	Joint Venture	Equity method	–	–
Total						257	273

## (i) Investment in associates

## Watagan Mining Company Pty Ltd

During 2015 the Group established a 100% owned subsidiary, Watagan Mining Company Pty Ltd ("Watagan"). On 18 February 2016, the Group executed a Bond Subscription Agreement, together with other agreements (the "Watagan Agreements") that, on completion, transferred the Group's interest in three of its 100% owned NSW coal mining operations, being the Austar, Ashton and Donaldson coal mines (the "three mines"), to Watagan for a purchase price of \$1,363 million (an amount equal to the book value of the three mines at completion). The purchase price was funded by way of a \$1,363 million loan from Yancoal Australia Ltd to Watagan bearing interest at BBSY plus 7.06% with a maturity date of 1 April 2025. Yankuang Group Co., Ltd ("Yankuang"), the Group's ultimate parent entity, guarantees payment of any amount owed to Yancoal Australia Ltd under the loan if Watagan does not pay Yancoal Australia Ltd such amount when due. The completion date of the transaction was 31 March 2016.

This change in accounting control was determined to occur on the issuance date of the bonds on the basis that the Bondholders obtained power over the key operating and strategic decisions of Watagan and no longer resided with the Group. Specifically, those powers were transferred to the Bondholders under the terms of the Watagan Agreements as the Bondholders were given control of Watagan's board of directors via appointment of the majority of directors. This change in accounting control resulted in the Group de-consolidating the results of Watagan from the transaction completion date and the Group began to equity account for its 100% equity interest in Watagan as an associate, given the Group retains significant influence in Watagan.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This change in accounting control was determined to occur on the issuance date of the bonds on the basis that the Bondholders obtained power over the key operating and strategic decisions of Watagan and no longer resided with the Group. Specifically, those powers were transferred to the Bondholders under the terms of the Watagan Agreements as the Bondholders were given control of Watagan's board of directors via appointment of the majority of directors. This change in accounting control resulted in the Group de-consolidating the results of Watagan from the transaction completion date and the Group began to equity account for its 100% equity interest in Watagan as an associate, given the Group retains significant influence in Watagan.

On 4 January 2019 BOCI (one of the Bondholders) notified Watagan and Yankuang that it was exercising its put option over US\$200 million of bonds. As a consequence, Yankuang became the bondholder of the put bonds following completion of the purchase of those bonds by Yankuang on 1 April 2019. No security was given by Watagan in favour of Yankuang. As the put bonds represent less than 50.1% of the face value of the bonds, and the put option was not exercised by the instructing bondholder, the put option was not deemed to have been exercised as to all the bonds, nor has the group regained accounting control of Watagan. Accordingly, the Group, continued to equity account its interest in Watagan.

Whilst Watagan was equity accounted rather than consolidated for accounting purposes, as a result of the Group's ongoing 100% equity ownership it remains within the Group's tax consolidated group.

As required by the Bonds Subscription Agreement, Yankuang does not have the right to appoint a director as a bondholder if it becomes the sole holder of the Watagan Bonds as a result of the exercise of the put options. The Supplementary Agreement on the Bonds Subscription Agreement, notes that the directors of Watagan as appointed by the bondholders will resign from the date on which the bondholders exercise their put options, and the Company regains the right to appoint all the directors of Watagan.

On 16 December 2020, the Company announced that a commercial arrangement had been entered into between Yankuang, its wholly owned subsidiary Yankuang HK and the other two Bondholders. This arrangement includes an agreement that the remaining US\$575 million bonds will be put to Yankuang, with completion of the transfer of the bonds to Yankuang HK due to occur on 31 March 2021 (or such earlier date as Yankuang may nominate). The Bondholders have also agreed with Yankuang that their nominated directors will step down from the Watagan Board with effect from 16 December 2020. The resignation of the Bondholder nominated Watagan directors results in the Group regaining accounting control of Watagan from that date. This change in accounting control resulted in the Group ceasing to equity account for its 100% equity interest in Watagan as an associate and reconsolidate the assets, liabilities and results of Watagan as a subsidiary from 16 December 2020. The Company has subsequently included the Watagan Group entities in its ASIC Deed of Cross Guarantee.

Refer to Note E1(b) for the business combinations reconsolidation accounting.

**Port Waratah Coal Services Ltd**

The Group holds a direct shareholding in Port Waratah Coal Services Ltd ("PWCS") of 30% (2019: 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.

**Newcastle Coal Infrastructure Group Pty Ltd**

The Group holds 27% (2019: 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.

**Summarised financial information of associates**

The information below reflects the Group's share of the results of its principal associates and the aggregated assets and liabilities. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	WATAGAN		PWCS		NCIG	
	16 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Cash and cash equivalent	–	14	62	72	63	59
Other current assets	–	66	43	47	36	37
<b>Current assets</b>	–	80	105	119	99	96
Property, plant and equipment	–	347	1,310	1,365	2,215	2,079
Exploration and evaluation assets	–	154	–	–	–	–
Deferred tax asset	–	153	–	–	281	–
Other non current assets	–	178	23	43	19	495
<b>Non-current assets</b>	–	832	1,333	1,408	2,515	2,574
<b>Total assets</b>	–	912	1,438	1,527	2,614	2,670
<b>Current liabilities</b>	–	57	226	289	50	53
Deferred tax liability	–	–	61	71	–	96
Other non-current liabilities	–	2,149	560	555	3,718	3,843
<b>Non-current liabilities</b>	–	2,149	621	626	3,718	3,939
<b>Total liabilities</b>	–	2,206	847	915	3,768	3,992
<b>Net assets</b>	–	(1,294)	591	612	(1,154)	(1,322)
<b>Group's ownership interest in the Net assets</b>	–	(1,294)	177	184	(312)	(357)
<b>Revenue</b>	245	316	308	341	440	439
Management fees (Yancoal Australia Ltd)	(51)	(49)	–	–	–	–
Interest paid / payable (Bondholders)	(75)	(72)	–	–	–	–
Interest paid / payable (Yancoal Australia Ltd)	(62)	(75)	–	–	–	–
Other interest expenses	(11)	(5)	(18)	(29)	(251)	(241)
Depreciation and amortisation expenses	(39)	(141)	(110)	(117)	(115)	(106)
Impairment of assets	–	(973)	–	–	–	–
Gain / (loss) on foreign exchange	82	(7)	–	–	259	(49)
Other expenses	(187)	(216)	(157)	(173)	(70)	(92)
Income tax benefit / (expense)	26	366	(10)	(9)	(95)	–
<b>(Loss) / profit from continuing operations after tax</b>	(72)	(856)	13	13	168	(49)
Other comprehensive income / (expense)	–	–	–	–	–	–
<b>Total comprehensive (expense) / income</b>	(72)	(856)	13	13	168	(49)
<b>Group's ownership interest in (loss) / profit after tax</b>	(72)	(856)	4	4	45	(13)

**Movements in carrying amounts**

The Group's share of NCIG's profit / (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.

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<b>MOVEMENTS IN PWCS CARRYING AMOUNTS</b>		
Opening balance	184	190
Share of profit of equity-accounted investees, net of tax	4	4
Dividends received	(11)	(10)
Closing net book amount	177	184

**(ii) Interest in joint ventures****Middlemount Coal Pty Ltd**

A controlled entity, Gloucester (SPV) Pty Ltd, has a 49.9997% interest in the net assets of Middlemount Coal Pty Ltd ("Middlemount"), an incorporated joint venture, whose principal activity is the development and operation of open-cut coal mines in the Bowen Basin.

**HVO entities**

The Group holds a 51% interest in HVO Coal Sales Pty Ltd, HVO 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Summarised financial information of joint ventures

The following table provides summarised financial information for the HVO Entities and Middlemount. They have been amended to reflect adjustments made by the Group when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	HVO ENTITIES		MIDDLEMOUNT	
	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Cash and cash equivalents	6	5	12	8
Other current assets	76	113	69	80
Total current assets	82	118	81	88
Total non-current assets	25	32	1,103	942
Total current liabilities	72	108	441	231
Non-current financial liabilities	–	–	270	173
Other non-current liabilities	38	38	313	452
Total non-current liabilities	38	38	583	625
<b>Net assets</b>	<b>(3)</b>	<b>4</b>	<b>160</b>	<b>174</b>
<b>Group's ownership interest in net assets</b>	<b>(1)</b>	<b>2</b>	<b>80</b>	<b>87</b>

	HVO ENTITIES		MIDDLEMOUNT	
	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Revenue	–	2	355	464
Depreciation and amortisation	–	–	(66)	(44)
Other expenses	(5)	–	(413)	(479)
Interest expenses	–	–	(40)	(17)
Income tax benefit / (expense)	(2)	–	42	18
<b>Profit / (loss) from continuing operations after tax</b>	<b>(7)</b>	<b>2</b>	<b>(122)</b>	<b>(58)</b>
Movements in reserves, net of tax	–	–	108	–
<b>Total changes in equity</b>	<b>(7)</b>	<b>2</b>	<b>(14)</b>	<b>(58)</b>
<b>Group's ownership interest in profit / (loss) after tax</b>	<b>(3)</b>	<b>1</b>	<b>(7)</b>	<b>(29)</b>
<b>Group's ownership interest in reserve movements</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The Group's share of the HVO Entities loss after tax has not been fully recognised for the year ended 31 December 2020 since the Group's share of the joint ventures accumulated loss exceeds its interest during the period.

The liabilities of Middlemount include non-interest-bearing liability of \$135 million (face value of \$212 million) due to the Group at 31 December 2020 (31 December 2019: \$203 million, face value \$212 million) with maturity of 31 December 2025 and an interest-bearing revolver of \$60 million which has a further \$20 million available to drawn upon at 31 December 2020 (31 December 2019: \$25 million, fully drawn). The liabilities of Middlemount also include a royalty payable of \$32 million due to the Group at 31 December 2020 (31 December 2019: \$15 million).

## Movements in carrying amounts

	MIDDLEMOUNT	
	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Opening net book amount	87	116
Share of loss of equity-accounted investees, net of tax	(61)	(29)
Movements in reserves, net of tax	54	–
Closing net book amount	80	87

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (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 HVO Entities as at 31 December 2020.

There were no commitments in respect of the Group's interest in Middlemount at 31 December 2020.

Other contingent liabilities in respect of the Group's interest in Middlemount are set out in Note D8(ii).

## E3 Related party transactions

## (a) Parent entities

The parent entity within the Group is Yancoal Australia Ltd. The Group's majority shareholder is Yanzhou Coal Mining Company Limited ("Yanzhou", incorporated in the People's Republic of China). The ultimate parent entity and ultimate controlling party is Yankuang Group Corporation Limited ("Yankuang", incorporated in the People's Republic of China).

Yancoal International Resources Development Co., Ltd, Yancoal International Trading Co., Ltd (up to 30 April 2020) and Yankuang (Hainan) Intelligent Logistics Technology Co., Ltd ("Yankuang Hainan") are owned by Yanzhou and incorporated in Hong Kong. Yankuang Resources Pty Ltd is owned by Yankuang. Yankuang Resources Pty Ltd is incorporated in Australia and the Company manages this entity on behalf of Yankuang. Yancoal International Trading Co., Ltd from 30 April 2020 is owned by Yankuang.

## (b) Yancoal International (Holding) Co. Ltd

Yancoal International (Holding) Co., Ltd is a wholly owned subsidiary of Yanzhou 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 Yanzhou.

## (c) Associates and joint ventures

Refer to Note E2 for details on the associates and joint ventures.

## (d) Transactions with other related parties

The following transactions occurred with related parties:

	31 DECEMBER 2020 \$'000	31 DECEMBER 2019 \$'000
<b>Sales of goods and services</b>		
Sales of coal to Yankuang Hainan (i)	21,513	–
Sales of coal to Watagan Group	–	22,217
Sales to coal to Yancoal International Trading Co. Ltd (i)	73,110	126,840
Provision of marketing and administrative services to Watagan Group	5,745	5,881
Provision of marketing and administrative services to Yancoal International Group (ii)	10,135	8,880
	<b>110,503</b>	<b>163,818</b>
<b>Purchases of goods and services</b>		
Purchase of coal from Watagan Group	(132,190)	(112,280)
Purchases of coal from Syntech Resources Pty Ltd (i)	(4,939)	(7,341)
	<b>(137,129)</b>	<b>(119,621)</b>
<b>Advances and loans</b>		
Repayments of loan from Yanzhou Coal Mining Company Ltd (ii)	–	(349,211)
Advances of loan to Watagan (ii)	(367,027)	(292,845)
Repayments of loan from Watagan (ii)	246,161	227,150
Repayments of loans from Middlemount	–	21,000
Advances of loan receivable to Middlemount	(35,000)	(25,000)
Repayment of promissory note from Yankuang Ozstar	–	40,037
Revaluation of interest-free loan to Middlemount	(77,024)	–
	<b>(232,890)</b>	<b>(378,869)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2020 \$'000	31 DECEMBER 2019 \$'000
<b>Finance costs</b>		
Interest expenses on loans from Yancoal International Resources Development Co., Ltd (ii)	(11,612)	(12,290)
Interest expenses on loans from Yanzhou (ii)	(50,234)	(57,675)
Interest expenses on loans from Yancoal International (Holding) Co., Ltd (ii)	(4,817)	(5,823)
Interest expenses on loans from Yancoal International Trading Co., Ltd (ii)	-	(3,241)
	<b>(66,663)</b>	<b>(79,029)</b>
<b>Other costs</b>		
Corporate guarantee fee to Yanzhou (ii)	(28,388)	(27,991)
Port charges to NCIG	(116,423)	(128,968)
Port charges to PWCS	(29,682)	(32,402)
	<b>(174,493)</b>	<b>(189,361)</b>
<b>Finance income</b>		
Interest income from loan to Watagan	62,311	75,368
Interest income received from loan receivable with Middlemount	9,132	5,820
Interest income released from loan receivable with Middlemount	5,549	729
	<b>76,992</b>	<b>81,917</b>
<b>Other income</b>		
Mining services fees charged to Watagan Group	44,668	43,308
Royalty income charged to Middlemount	14,724	19,299
Bank guarantee fee charged to Yancoal International Group (ii)	2,534	2,904
Bank guarantee fee charged to Watagan Group	1,830	1,702
Longwall hire fee charged to Austar Coal Mine Pty Ltd	1,185	3,000
Dividend income received from PWCS	13,510	13,279
	<b>78,451</b>	<b>83,492</b>

**(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 2020 \$'000	31 DECEMBER 2019 \$'000
<b>Current assets</b>		
<b>Trade and other receivables</b>		
Receivable from Yancoal International Group in relation to cost reimbursement	1,293	2,734
Royalty receivable from Middlemount	31,636	15,428
Other receivable from Yankuang Resources Pty Ltd	-	52
<b>Loans receivable</b>		
Interest income receivable from Middlemount	510	318
Loan receivable advanced to Middlemount	60,000	25,000
	<b>93,439</b>	<b>43,532</b>
<b>Non-current assets</b>		
<b>Advances to joint venture and associate</b>		
Receivable from Middlemount Coal Pty Ltd being an unsecured, non-interest bearing advance	134,778	202,670
Receivable from Watagan being an unsecured, interest-bearing loan	-	900,591
	<b>134,778</b>	<b>1,103,261</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	31 DECEMBER 2020 \$'000	31 DECEMBER 2019 \$'000
<b>Current liabilities</b>		
<b>Other payables</b>		
Payables to Yanzhou	84,799	102,211
Payables to Yancoal International Resources Development Co., Ltd	5,143	5,654
Payables to Yancoal International (Holding) Co., Ltd	2,133	2,345
Payables to Yankuang Group (Hong Kong) Ltd	785	-
Tax sharing and funding arrangement with Watagan Group	-	164,026
Other payable to Watagan Group	-	3,451
	<b>92,860</b>	<b>277,687</b>
<b>Non-current liabilities</b>		
<b>Other payables</b>		
Payable to Yancoal International Resources Development Co., Ltd being an unsecured, interest-bearing loan (ii)	175,279	192,692
Payable to Yancoal International (Holding) Co., Ltd being an unsecured, interest-bearing loan (ii)	72,704	79,927
Payable to Yanzhou being an unsecured, interest-bearing loan (ii)	811,060	891,634
Payable to Yankuang Group (Hong Kong) Ltd being an interest-bearing bond	259,673	-
	<b>1,318,716</b>	<b>1,164,253</b>

The terms and conditions of the related party non current liabilities is detailed in Note D2(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.

**(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 2020 \$'000	31 DECEMBER 2019 \$'000
<b>Yancoal International Group</b>		
Syntech Resources Pty Ltd	64,879	84,172
AMH (Chinchilla Coal) Pty Ltd	49	49
Premier Coal Ltd	29,000	29,000
Tonford Holdings Pty Ltd	10	10
Athena Joint Venture	3	3
Yankuang Ozstar Pty Ltd	63	-
<b>Watagan Group (iii)</b>		
Ashton Coal Mines Ltd	-	28,843
Austar Coal Mine Pty Ltd	-	37,993
Donaldson Coal Pty Ltd	-	9,764
<b>Other Yankuang entity</b>		
Yankuang Resources Pty Ltd	45	45
	<b>94,049</b>	<b>189,879</b>

(iii) From 16 December 2020 Watagan became a controlled entity thereby ceasing to be a related entity.

Refer to Note D8(i) for details of the natures of the guarantees provided.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(g) Terms and conditions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The terms of the loan facilities from Yanzhou are as follows:

On 31 December 2014 an AU\$1,400 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2020 no monies were repaid or drawn. As at 31 December 2020 a total of US\$573 million has been drawn.

On 31 December 2014 an AU\$807 million facility was provided by Yanzhou at a fixed interest rate of 7% on any amounts drawn. During 2020 no amounts were repaid or drawn (2019: no amount was repaid or drawn) (Note D2(c)). As at 31 December 2020 a total of US\$243 million has been drawn.

Yanzhou has provided corporate guarantees as security for the following facilities:

- Syndicated facility and syndicated bank guarantee facility at a fixed rate of 1.5% is charged on the outstanding loan principal and bank guarantee facility limit.

**(h) Letter of support provided by parent**

The Directors of Yanzhou 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.

**E4 Parent entity financial information****(a) Summary financial information**

The individual financial statements for the parent entity, Yancoal Australia Ltd show the following aggregate amounts:

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
Current assets	1,266	1,556
Non-current assets	9,163	9,721
<b>Total assets</b>	<b>10,429</b>	<b>11,277</b>
Current liabilities	1,698	2,560
Non-current liabilities	4,002	3,035
<b>Total liabilities</b>	<b>5,700</b>	<b>5,595</b>
<b>Net assets</b>	<b>4,729</b>	<b>5,682</b>
<i>Shareholders' equity</i>		
Contributed equity	6,482	6,482
Reserves		
Other reserves	(134)	(484)
Distributable profits	-	1,045
Accumulated losses	(1,619)	(1,361)
<b>Capital and reserves attributable to the owners of Yancoal Australia Ltd</b>	<b>4,729</b>	<b>5,682</b>
(Loss) / profit for the year	(1,023)	1,073
Other comprehensive income	352	122
<b>Total comprehensive (expense) / income</b>	<b>(671)</b>	<b>1,195</b>

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

As at 31 December 2020, the parent entity had contingent liabilities in the form of a bank guarantee amounting to \$809 million (2019: \$921 million) in support of the operations of the parent entity, its subsidiaries and related parties (refer to Note E3).

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

There are cross guarantees given by Yancoal Australia Ltd and certain subsidiaries as described in Note E5.

The parent entity did not have any contingent liabilities as at 31 December 2020, except for those described in Note D8.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**E5 Controlling interests****(a) Significant investments in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries that are controlled:

NAME OF ENTITY	PRINCIPAL ACTIVITIES	ISSUED AND FULLY PAID SHARE CAPITAL	EQUITY HOLDING	
			2020 %	2019 %
<b>The Company</b>				
Yancoal Australia Ltd (i)			100	100
<b>Controlled entities</b>				
Yancoal SCN Ltd	Holding company of subordinated capital notes	1	100	100
Yancoal Australia Sales Pty Ltd (i) (iii)	Coal sales	100	100	100
Yancoal Resources Limited (iii)	Coal investment holding company	446,409,065	100	100
Yancoal Mining Services Pty Ltd (i)	Provide management services to underground mines	100	100	100
Yancoal Moolarben Pty Ltd (i) (iii)	Coal business development	100	100	-
Moolarben Coal Mines Pty Ltd (iii)	Coal business development	1	100	100
Moolarben Coal Operations Pty Ltd	Management of coal operations	2	100	100
Moolarben Coal Sales Pty Ltd	Coal sales	2	100	100
Felix NSW Pty Ltd	Investment holding	2	100	100
SASE Pty Ltd	Dormant	9,650,564	90	90
Yarrabee Coal Company Pty. Ltd. (iii)	Coal mining and sales	92,080	100	100
Proserpina Coal Pty Ltd	Holding company	1	100	100
Athena Coal Operations Pty Ltd	Dormant	1	100	100
Athena Coal Sales Pty Ltd	Dormant	1	100	100
Gloucester Coal Ltd (i) (iii)	Coal resource exploration development	719,720,808	100	100
Westralian Prospectors NL (i)	Holding company	93,001	100	100
Eucla Mining NL (i)	Coal mining	2	100	100
CIM Duralie Pty Ltd (ii)	Holding company	665	100	100
Duralie Coal Marketing Pty Ltd (ii)	Holding company	2	100	100
Duralie Coal Pty Ltd (i) (iii)	Coal mining	2	100	100
Gloucester (SPV) Pty Ltd (iii)	Holding company	2	100	100
Gloucester (Sub Holdings 2) Pty Ltd (ii)	Holding company	2	100	100
CIM Mining Pty Ltd (i)	Holding company	30,180,720	100	100
Monash Coal Holdings Pty Ltd (ii)	Holding company	100	100	100
CIM Stratford Pty Ltd (i)	Holding company	21,558,606	100	100
CIM Services Pty Ltd (ii)	Holding company	8,400,000	100	100
Monash Coal Pty Ltd (ii) (iii)	Coal exploration	100	100	100
Stratford Coal Pty Ltd (ii) (iii)	Coal mining	10	100	100
Stratford Coal Marketing Pty Ltd (ii)	Coal sales	10	100	100
Paway Ltd	Dormant	1	100	100
Coal & Allied Industries Ltd (iii)	Coal investment Holding company	86,584,735	100	100
Kalamah Pty Ltd	Holding company	1	100	100
Coal & Allied (NSW) Pty Ltd	Employment company for Mount Thorley and Warkworth mines	10,000	100	100
Australian Coal Resources Ltd	Coal investment holding company	5	100	100
Coal & Allied Operations Pty Ltd (iii)	Coal mining and related coal preparation and marketing	17,147,500	100	100
Lower Hunter Land Holdings Pty Ltd	Management company of lower Hunter land entities	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 Ltd (iii)	Holding company	14,258,694	100	100
CNA Warkworth Pty Ltd	Coal mining	1	100	100
Coal & Allied Mining Services Pty Ltd	Employment company for Mount Thorley Co Venture	10,000	100	100
RW Miller (Holdings) Ltd	Holding company	42,907,017	100	100
Mount Thorley Coal Loading Ltd	Operation of coal loading facility	3,990,000	66	66
Gwandalan Land Pty Ltd	Holding company	1	100	100
Nords Wharf Land Pty Ltd	Hold land for future development	1	100	100
Catherine Hill Bay Land Pty Ltd	Hold land for future development	1	100	100
Black Hill Land Pty Ltd	Hold land for future development	1	100	100



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NAME OF ENTITY	PRINCIPAL ACTIVITIES	ISSUED AND FULLY PAID SHARE CAPITAL	EQUITY HOLDING	
			2020 %	2019 %
Minmi Land Pty Ltd	Hold land for future development	1	100	100
Namoi Valley Coal Pty Ltd	Holding company	8,400,000	100	100
CNA Warkworth Australasia Pty Ltd (iii)	Coal mining	2	100	100
CNA Bengalla Investments Pty Ltd	Holding company	12	100	100
Mount Thorley Operations Pty Ltd (iii)	Coal mining	24,214	100	100
Northern (Rhondda) Collieries Pty Ltd	Holding company	62,082	100	100
Miller Pohang Coal Company Pty Ltd	Sales company for Mount Thorley JV	80	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
Parallax Holdings Pty Ltd	Holding company	100	100	100
White Mining Limited	Holding company and mine management	3,300,200	100	100
Watagan Mining Company Pty Ltd (vi)	Holding company	100	100	100
Austar Coal Mine Pty Limited (vi)	Coal mining and sales	64,000,000	100	100
White Mining Services Pty Limited (vi)	Holding company	2	100	100
White Mining (NSW) Pty Limited (vi)	Coal mining and sales	10	100	100
Ashton Coal Operations Pty Limited (vi)	Mine management	5	100	100
Ashton Coal Mines Ltd (vi)	Coal sales	5	100	100
Donaldson Coal Holdings Ltd (vi)	Holding company	204,945,942	100	100
Gloucester (Sub Holdings 1) Pty Ltd (vi)	Holding company	2	100	100
Donaldson Coal Pty Ltd (vi)	Coal mining and sales	6,688,782	100	100
Donaldson Coal Finance Pty Ltd (vi)	Finance company	10	100	100
Abakk Pty Ltd (vi)	Holding company	6	100	100
Newcastle Coal Company Pty Ltd (vi)	Coal mining	2,300,999	100	100
Primecoal International Pty Ltd (vi)	Holding company	1	100	100
<b>Non controlled entities (iv)</b>				
HV Operations Pty Ltd	Managing entity of Hunter Valley Operations	1	51	51
HVO Coal Sales Pty Ltd	Coal sales company for Hunter Valley	1,000	51	51
HVO Services Pty Ltd	Holding company	100	51	51

- These subsidiaries have been granted relief from the requirement to prepare financial reports in accordance with ASIC Legislative Instrument 2016/785. These subsidiaries represent the closed group for the purposes of the class order. For further information refer to Note E6. During 2020 the Watagan Group and Yancoal Moolarben Pty Ltd were added to the closed group.
- These subsidiaries are members of the extended closed group for the purposes of ASIC Legislative Instrument 2016/785. For further information refer to Note E6.
- 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.
- On 4 May 2018 the Group lost control of the HVO Entities. For further information refer to Note E2.
- All subsidiaries included in the table above are incorporated and operate in Australia, except for Paway Ltd which is incorporated in the British Virgin Islands.
- On 16 December 2020 the Watagan group entities were reconstituted and became controlled entities from that date. Refer to Note E2(b)(i) for further details.

The subsidiaries as listed have share capital consisting solely of ordinary shares and subordinated capital notes, which are held directly by the Group. The proportion of ownership interests held is equal to the voting rights held by the Group apart from Watagan, which up to 16 December 2020, was 33% being the previous proportion of board members. The country of incorporation or registration is also their principal place of business.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**E6 Deed of cross guarantee**

Yancoal Australia Ltd and certain subsidiaries (refer to Note E5), are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly owned entities have been relieved from the requirement to prepare a financial report and Directors' Report under Legislative Instrument 2016/785 issued by the Australian Securities and Investments Commission.

**(a) Consolidated statement of profit or loss and other comprehensive income**

Set out below is a Consolidated Statement of Profit or Loss and Other Comprehensive Income and a summary of movements in consolidated accumulated losses for the year ended 31 December 2020 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 2020 \$M	31 DECEMBER 2019 \$M
<b>Revenue</b>	<b>1,000</b>	<b>1,804</b>
Other income	776	126
Changes in inventories of finished goods and work in progress	(9)	2
Raw materials and consumables used	(34)	(20)
Employee benefits	(145)	(118)
Depreciation and amortisation	(189)	(47)
Coal purchase	(298)	(322)
Transportation	(103)	(108)
Contractual services and plant hire	(51)	(57)
Loss on reconstituted of Watagan	(1,383)	-
Government royalties	(11)	(5)
Other operating expenses	(80)	(51)
Finance costs	(159)	(195)
<b>(Loss) / profit before income tax</b>	<b>(686)</b>	<b>1,009</b>
Income tax benefit	154	93
<b>(Loss) / profit after income tax</b>	<b>(532)</b>	<b>1,102</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges:		
Fair value gains / (losses) taken to equity	309	(15)
Fair value losses transferred to profit or loss	194	190
Deferred income tax expense	(151)	(53)
<b>Other comprehensive income, net of tax</b>	<b>352</b>	<b>122</b>
<b>Total comprehensive (expense) / income</b>	<b>(180)</b>	<b>1,224</b>
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(372)	(947)
Dividends provided for or paid	(280)	(514)
Opening retained earnings attributable to new members	-	(13)
(Loss) / profit after income tax	(532)	1,102
<b>Accumulated losses at the end of the financial year</b>	<b>(1,184)</b>	<b>(372)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(b) Consolidated balance sheet**

Set out below is a Consolidated Balance Sheet as at 31 December 2020 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 2020 \$M	31 DECEMBER 2019 \$M
<b>Current assets</b>		
Cash and cash equivalents	501	769
Trade receivables	937	552
Inventories	30	14
Other current assets	44	18
Non contingent royalty receivable	4	4
<b>Total current assets</b>	<b>1,516</b>	<b>1,357</b>
<b>Non-current assets</b>		
Trade and other receivables	19	21
Other financial assets	6,808	6,816
Property, plant and equipment	792	329
Exploration and evaluation assets	397	243
Mining tenements	1,279	250
Interest-bearing loan to associates	-	901
Intangible assets	30	-
Deferred tax assets	189	466
Other non-current assets	20	13
Non contingent royalty receivable	-	4
<b>Total non-current assets</b>	<b>9,534</b>	<b>9,043</b>
<b>Total assets</b>	<b>11,050</b>	<b>10,400</b>
<b>Current liabilities</b>		
Trade and other payables	1,770	1,636
Interest-bearing liabilities	93	1,251
Provisions	9	11
Non-contingent royalty payable	13	13
<b>Total current liabilities</b>	<b>1,885</b>	<b>2,911</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities	3,724	1,790
Trade and other payable	5	4
Provisions	273	55
Non-contingent royalty payable	-	14
<b>Total non-current liabilities</b>	<b>4,002</b>	<b>1,863</b>
<b>Total liabilities</b>	<b>5,887</b>	<b>4,774</b>
<b>Net assets</b>	<b>5,163</b>	<b>5,626</b>
<b>Equity</b>		
Contributed equity	6,482	6,482
Reserves	(135)	(484)
Accumulated losses	(1,184)	(372)
<b>Total equity</b>	<b>5,163</b>	<b>5,626</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**F OTHER INFORMATION**

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements. Information is provided on commitments, remuneration of auditors, events occurring after balance date, reconciliation of profit after income tax to net cash inflow, other accounting policies and new and amended accounting policies.

**F1 Commitments****(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
<i>Property, plant and equipment</i>		
Not later than one year		
Share of joint operations	42	46
Other	-	2
<i>Exploration and evaluation</i>		
Not later than one year		
Share of joint operations	3	5
	<b>45</b>	<b>53</b>

**F2 Remuneration of auditors****(a) ShineWing Australia**

	31 DECEMBER 2020 \$000	31 DECEMBER 2019 \$000
Audit and review of financial statements	1,585	1,356
Audit-related services	27	18
Other assurance services	45	18
Tax compliance services	-	50
<b>Total remuneration of ShineWing Australia</b>	<b>1,657</b>	<b>1,442</b>

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

Audit and review of financial statements	15	-
Other assurance services	59	15
	<b>74</b>	<b>15</b>

**(c) Other audit providers**

During the year ended 31 December 2020 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 2020 \$000	31 DECEMBER 2019 \$000
Deloitte	Hunter Valley Operations	68	75
Ernst & Young	Middlemount	35	35
Deloitte	PWCS	13	13



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## F3 Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities

	31 DECEMBER 2020 \$M	31 DECEMBER 2019 \$M
(Loss) / profit after income tax	(1,040)	719
<i>Non-cash flows in profit or loss:</i>		
Depreciation and amortisation of non-current assets	804	607
Release of provisions	(27)	(31)
Interest income release from joint venture loan	(9)	(6)
Accrual of royalty receivable	(15)	(19)
Unwinding of discount on provisions and deferred payables	15	9
Net loss on disposal of property, plant and equipment	9	9
Fair value losses recycled from hedge reserve	194	190
Foreign exchange (gains) / losses	(24)	5
Unwind of non-substantial loan refinance	8	5
Gain on acquisition of interest in joint operations	(653)	-
Lease interest expenses	-	7
Loss on reconsolidation of Watagan	1,383	-
Gain on remeasurement of contingent royalty	(23)	(12)
Loss / (gain) on remeasurement of royalty receivables	9	(33)
Unwind of discount on non-contingent royalty	1	2
Share of loss of equity-accounted investees, net of tax	59	24
<i>Changes in assets and liabilities:</i>		
(Increase) / decrease in deferred tax	(111)	44
Increase in inventories	(26)	(35)
Decrease in operating receivables	192	90
Decrease in operating payables	(113)	(24)
Increase in prepayments	(28)	(3)
Net cash inflow from operating activities	605	1,548

## F4 Historical information

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

	2020 \$M	2019 \$M	2018 \$M	2017 \$M	2016 \$M
Revenue	3,473	4,459	4,850	2,601	1,238
(Loss) / profit before income tax	(1,143)	767	1,172	311	(312)
Income tax benefit / (expense)	103	(48)	(320)	(82)	85
<b>(Loss) / profit after tax</b>	<b>(1,040)</b>	<b>719</b>	<b>852</b>	<b>229</b>	<b>(227)</b>
<i>(Loss) / profit is attributable to:</i>					
Owners of Yancoal Australia Ltd	(1,040)	719	852	229	(227)
Non-controlling interests	-	-	-	-	-
<b>Assets and Liabilities</b>					
Current assets	1,343	1,773	1,922	1,689	738
Non-current assets	9,712	9,320	10,486	10,624	6,922
<b>Total assets</b>	<b>11,055</b>	<b>11,093</b>	<b>12,408</b>	<b>12,313</b>	<b>7,660</b>
Current liabilities	1,199	2,112	913	1,013	499
Non-current liabilities	4,663	2,818	5,657	6,274	5,809
<b>Total liabilities</b>	<b>5,862</b>	<b>4,930</b>	<b>6,570</b>	<b>7,287</b>	<b>6,308</b>
<b>Net assets</b>	<b>5,193</b>	<b>6,163</b>	<b>5,838</b>	<b>5,026</b>	<b>1,352</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## F5 Events occurring after the reporting period

No matter or circumstances have occurred subsequent to the end of the financial year which 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 in subsequent financial periods.

## F6 Other significant accounting policies

## (a) Foreign currency transactions

## (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

## (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

## (b) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

## (i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

## Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

## Financial assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor contingent consideration arising from a business combination as at FVTOCI on initial recognition, and
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other revenue' line item.

## Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a. significant financial difficulty of the issuer or the borrower;
- b. a breach of contract, such as a default or past due event;
- c. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- d. it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

**Measurement and recognition of ECL**

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default (including consideration of enforceability and recoverability under any guarantees). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and any undrawn, but committed loans associated with the financial asset.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

**Impairment of trade receivables**

The Group has applied the simplified approach to measuring ECL to trade and other receivables using a life-time expected loss allowance. The Group has also used the practical expedient of a provisions matrix using fixed rates to approximate the ECL. These provisions are considered representative across all business and geographic segments of the Group based on historical credit loss experience and considered future information.

**(ii) Financial liabilities and equity instruments**

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**Financial liabilities**

The Group's financial liabilities including trade and other payables, non-contingent royalty payable, interest-bearing liabilities which are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

**Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

**(iii) Accounting for derivative financial instruments and hedging activities**

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured at their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either: (i) hedges of the fair value of recognised assets or liabilities (fair value hedge); and (ii) hedges of highly probable forecast transactions (cash flow hedge).

The fair values of various derivative instruments used for hedging purposes are disclosed in Note D9. 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 hedge**

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(iv) Derecognition**

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investment revaluation reserve is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**F7 New and amended standards adopted by the Group****Other amending accounting standards and interpretations**

The relevant accounting amendments and interpretations effective for the current reporting period are:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*;
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*;
- AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*; and
- *Conceptual Framework for Financial Reporting, and relevant amending standards*.

The adoption of the amendments and interpretation have not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

**F8 New accounting standards and interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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 AND TITLE	DETAILS OF NEW STANDARD/AMENDMENT/INTERPRETATION	APPLICATION DATE FOR THE GROUP
AASB 2020-1, AASB 2020-6	<p><i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i></p> <ul style="list-style-type: none"> <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: There are no material impact expected on the Group's financial report.</p>	1 January 2023
AASB 2020-3	<p><i>Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments</i></p> <p>The AASB has made narrow scope amendments to:</p> <ul style="list-style-type: none"> <li>• AASB 116 <i>Property, Plant and Equipment</i>, in relation to proceeds before intended use. AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 102 <i>Inventories</i>. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards.</li> <li>• AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, in relation to onerous contracts and the cost of fulfilling a contract</li> <li>• AASB 9 <i>Financial Instruments</i>, to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; and</li> <li>• AASB 3 <i>Business Combinations</i>, in relation to references to the Conceptual Framework.</li> </ul> <p>Impact: The Group does not anticipate any material adjustment resulting from adhering to this standard on the Group's financial report as the cost of goods sold is close to the selling price.</p>	1 January 2022

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REFERENCE AND TITLE	DETAILS OF NEW STANDARD/AMENDMENT/INTERPRETATION	APPLICATION DATE FOR THE GROUP
AASB 2020-8	<p><i>Interest Rate Benchmark Reform Phase 2</i></p> <p>In September 2020, the AASB made amendments to AASB 9 <i>Financial Instruments</i>, AASB 139 <i>Financial Instruments: Recognition and Measurement</i>, AASB 7 <i>Financial Instruments: Disclosures</i>, AASB 4 <i>Insurance Contracts</i> and AASB 16 <i>Leases</i>, to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one.</p> <p>Impact: The Group's current accounting policies are aligned to this standard and there is no material impact expected on the Group's financial report.</p>	1 January 2021
AASB 2014-10, AASB 2017-5	<p><i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p> <p>The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined by AASB 3 <i>Business Combinations</i>. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. AASB 2015-10 deferred the mandatory effective date (application date) of AASB 2014-10 so that the amendments were required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. AASB 2017-5 further defers the effective date of the amendments made in AASB 2014-10 to periods beginning on or after 1 January 2022.</p> <p>Impact: The Directors anticipate that the adoption of this amendment will only have an impact on the financial statements if the Group was to transfer to an associate or joint venture involving a business. At present, there is no material impact expected on the Group's financial report.</p>	1 January 2022
Definitions of Accounting Estimates (Amendments to IAS 8)	<p>The changes to IAS 8 focus on accounting estimates and clarify the following:</p> <ul style="list-style-type: none"> <li>• Under the new definition of accounting estimates, they are "monetary amounts in financial statements that are subject to measurement uncertainty".</li> <li>• Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.</li> <li>• Clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.</li> <li>• A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.</li> </ul> <p>Impact: The Group is still in the process of assessing the impact of this amendment</p>	1 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	<p>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:</p> <ul style="list-style-type: none"> <li>• An entity will be required to disclose its material accounting policy information instead of its significant accounting policies.</li> <li>• Explanations have been provided as to how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material.</li> <li>• The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.</li> <li>• The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.</li> <li>• The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.</li> </ul> <p>Impact: The Group is still in the process of assessing the impact of this amendment.</p>	1 January 2022

## DIRECTORS' DECLARATION

### FOR THE YEAR ENDED 31 DECEMBER 2020

In the Directors' opinion:

- a. the financial statements and notes set out on pages 69 to 138 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 2020 and of its performance for the year ended on that date, and
- b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- c. at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note E6 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note E6.

Note A(i) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by individuals performing the function of the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Gregory James Fletcher**  
Director

26 February 2021

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF YANCOAL AUSTRALIA LTD



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## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF YANCOAL AUSTRALIA LTD

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Yancoal Australia Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated balance sheet as at 31 December 2020, 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, 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 2020 and of its performance for the year ended on that date;
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- c. complying with International Financial Reporting Standards (IFRS) as disclosed in Note A(i).

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* 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 judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2020. 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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## INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT



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## Key Audit Matter

## How the matter was addressed during the audit

**Reconsolidation of Watagan Mining Company Pty Limited (Watagan)**  
 (Note E1(b) and E2(b)(i))

On 16 December 2020, Yancoal regained control of Watagan under AASB 10 *Consolidated Financial Statements* and the financial results of Watagan were consolidated from this date. The reconsolidation has been accounted for in accordance with AASB 3 *Business Combinations* resulting in a loss on reconsolidation of \$1,383 million.

Due to the size of the loss on reconsolidation of \$1,383 million and the key judgements associated with the valuation of assets and liabilities of Watagan as at 16 December 2020, this is considered to be a key audit matter.

Our audit procedures included:

- Reviewing and assessing the criteria for reconsolidation
- Obtaining an understanding and assessing key controls over the valuation of the assets and liabilities of Watagan
- Obtaining an understanding of the methods, assumptions and data used by management for the underlying estimates of the fair values of the assets and liabilities of Watagan as at 16 December 2020
- Assessing whether the methods, assumptions and data were appropriate
- Obtaining the assistance of valuation experts in assessing whether the methods, assumptions and data were appropriate
- Assessing the adequacy of the Group's disclosures in the financial statements in respect of the reconsolidation of Watagan.

**Accounting for the additional 10% interest in Moolarben Joint Venture (Moolarben)**  
 (Note E1(a))

On 31 March 2020, Yancoal acquired an additional 10% interest in Moolarben for \$300 million.

The Group has determined that upon acquisition of the additional 10% interest, it now controls Moolarben as it holds all the voting rights on the Joint Venture Policy Committee. As required by AASB 3, the previously held 85% is considered a deemed disposal and the new 95% holding, a deemed acquisition, at the fair value of assets and liabilities acquired. This has resulted in a \$653 million gain on acquisition and remeasurement.

Due to the size of the gain on acquisition and remeasurement of \$653 million and the key judgements associated with the valuation of assets and liabilities of Moolarben as at 31 March 2020, this is considered to be a key audit matter.

Our audit procedures included:

- Assessing whether control had been obtained
- Obtaining an understanding and assessing key controls over the valuation of the assets and liabilities of Moolarben
- Obtaining an understanding of the methods, assumptions and data used by management for the underlying estimates of the fair values of the assets and liabilities of Moolarben as at 31 March 2020
- Assessing whether the methods, assumptions and data were appropriate
- Obtaining the assistance of valuation experts in assessing whether the methods, assumptions and data were appropriate
- Assessing the adequacy of the Group's disclosures in the financial statements in respect of the acquisition of the 10% additional interest in Moolarben.



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## Key Audit Matter

## How the matter was addressed during the audit

**Recoverability of long-life assets**  
 (Note C3)

A substantial portion of the value of the Group's non-current assets are tangible and intangible assets which are subject to an impairment assessment in accordance with AASB 136 *Impairment of Assets*.

These assets represent 91% of the Group's non-current assets which include property plant and equipment (note C1), mining tenements (note C2) and intangible assets (note C5).

Significant judgement is required to assess the fair value of these assets. We have determined this to be a key audit matter.

Our audit procedures included:

- Considering the assessment of the existence of impairment indicators
- Assessing the basis for determining the Cash-Generating Units
- Obtaining an understanding and assessing key controls over the preparation of the fair value models
- Obtaining an understanding of the methods, assumptions and data used by management in the fair value models
- Testing the accuracy of the fair value models
- Assessing whether the methods, assumptions and data were appropriate
- Obtaining the assistance of valuation experts in assessing whether the key assumptions and data were appropriate
- Assessing the adequacy of the Group's impairment disclosures.

**Recoverability of interests in the Middlemount Joint Venture (Middlemount)**  
 (Note C3, C8 (i) and (ii), C10, and E2(b)(ii))

The Group has a \$80 million investment in its joint venture, Middlemount, as well as loan receivables with a combined book value of \$195 million and a royalty receivable with a fair value of \$217 million. The equity investment and receivables are subject to impairment testing under AASB 9 *Financial Instruments* and AASB 136 *Impairment of Assets* and the royalty receivable must be fair valued in accordance with AASB 9 *Financial Instruments*.

Significant judgement is required to assess the fair value of the Middlemount investment, loan receivables and royalty receivable. We have determined this to be a key audit matter.

Our audit procedures included:

- Considering the assessment of the existence of impairment indicators
- Obtaining an understanding and assessing key controls over the preparation of the fair value model
- Obtaining an understanding of the methods, assumptions and data used by management in the fair value model
- Testing the accuracy of the fair value model
- Assessing whether the methods, assumptions and data were appropriate
- Obtaining the assistance of valuation experts in assessing whether the key assumptions and data were appropriate
- Assessing the adequacy of the Group's impairment disclosures

## INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT



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**Key Audit Matter****Taxation**  
(Note B6)

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes and associated deferred taxation balances. The Group estimates its tax liabilities based on the Group's interpretation of taxation 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 Company must comply with the provisions of the Continuity of Ownership Test (COT) to continue to carry forward deferred tax assets of \$480 million that are associated with prior period losses.

Furthermore, 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 international taxation laws and regulations.

Significant judgement is required to calculate taxation balances, including assessing the recognition and measurement of taxation balances where there is a range of possible outcomes due to different interpretations of taxation law and regulations. Due to the size of the deferred tax balances on a gross basis we consider this to be a key audit matter.

**How the matter was addressed during the audit**

Our audit procedures included:

- Engaging the use of our tax experts to assist the audit team with:
  - Assessing the tax calculations
  - Considering any uncertain taxation positions
  - Assessing transfer pricing arrangements
  - Evaluating the COT assessment.
- Assessing the adequacy of the Group's taxation disclosures.

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual financial report for the year ended 31 December 2020, 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 financial statements that give 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 financial statements that give a true and fair view and are 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



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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 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 represent 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, related safeguards.

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



## INDEPENDENT AUDITOR'S REPORT

## CORPORATE GOVERNANCE STATEMENT



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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 42 to 53 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Yancoal Australia Ltd, for the year ended 31 December 2020, 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.

ShineWing Australia  
Chartered Accountants

R Blayne Morgan  
Partner  
Sydney, 26 February 2021

#### Introduction

The Board and management of the Company are committed to corporate governance. The Company adopts an approach to corporate governance based on international best practice as well as Australian and Hong Kong law requirements.

#### ASX Corporate Governance Statement

To the extent appropriate to the scale and nature of the Company's business, the Company has adopted the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations ("ASX Recommendations"). This statement sets out the Company's compliance with the ASX Recommendations and the main corporate governance policies and practices adopted by the Company.

#### HK Listing and Compliance with the Hong Kong Corporate Governance Code

The Company has also adopted the provisions of the Corporate Governance Code in Appendix 14 (the "HK Code") to the Rules Governing the Listing of Securities on HKEx (the "HK Listing Rules") as part of its corporate governance policy.

The Company has implemented and applied the principles contained within the HK Code in conducting the Company's business, including reflecting those principles in the Company's Board Charter and relevant policies. [In the opinion of the Board, the Company has complied with the code provisions of the HK Code (in addition to the relevant principles of the ASX Recommendations) for the financial year ended 31 December 2020. The conduct of the Company's compliance with the principles is discussed further in this statement.] [Comment: The Company has complied with the code provisions of the HK Code, however statement to be confirmed by Board.]

#### 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 also provides the financial decision authorities matrix and appropriate approval thresholds at different 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 2020, the Board composition was:

##### EXECUTIVE DIRECTORS

Ning Zhang (appointed on 20 March 2020)  
Fucun Wang (resigned 20 March 2020)

##### NON-EXECUTIVE DIRECTORS

Baocai Zhang (Chairman)  
Cunliang Lai  
Qingchun Zhao  
Xiangqian Wu  
Xing Feng  
Fuqi Wang (resigned 5 June 2020)

##### INDEPENDENT NON-EXECUTIVE DIRECTORS

Gregory James Fletcher  
Geoffrey William Raby  
Helen Jane Gillies  
David James Moulton (resigned 9 March 2020)\*

\* On 9 March 2020, David James Moulton resigned as an independent Non-Executive Director and was appointed CEO.

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 34.

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 2020 and each director's attendance at these meetings is set out in the Directors' Report on page 39.

##### Chairman of the Board

The current Chairman, Baocai Zhang, was nominated by the Company's majority shareholder, Yanzhou. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functioning. The Chairman ensures that Directors have the opportunity to contribute to Board deliberations. The Chairman regularly communicates with the CEC and CEO and to review key issues and performance trends. The Chairman, together with the Co-Vice Chairmen, Ning Zhang and Gregory James Fletcher, also represent the Company in the wider community.

The current Chief Executive Officer is David James Moulton. The CEO is responsible for conduct and supervision of the management function of the Company, including

## CORPORATE GOVERNANCE STATEMENT

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 undertaking 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 project</li> </ul>
Trading / marketing	<ul style="list-style-type: none"> <li>Relevant experience in marketing and trading of coal or other commodities</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 at 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 with the Company. The Company has implemented an induction program, facilitated by the Company Secretary, through which new Non-Executive Directors are introduced to the Company's operations and are familiarised with the Company's strategy, culture and core values.

The Board has established a Nomination and Remuneration Committee to make recommendations to the Board on matters such as:

- Board composition and succession planning for the Board and the Chief Executive Officer;
- Director remuneration (subject to any shareholder approval that is required in accordance with the Company's Constitution and ASX 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 A.3 and A.4. 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 workplace diversity. Whilst traditionally experience as a senior Executive or Director of a large organisation with international operations is a prerequisite for candidature, in accordance with the Diversity Policy, the Board also seeks skills and experience in the following areas:

- marketing and sales;
- policy and regulatory development and reform;

- health, safety and environment and social responsibility; and
- human resources.

In identifying candidates, the Nomination and Remuneration Committee considers and recommends to the Board nominees by reference to a number of selection criteria including the skills, expertise and background that add to and complement the range of skills, expertise and background of the existing Directors, the capability of the candidate to devote the necessary time and commitment to the role, potential conflicts of interest and independence, and the extent to which the candidate would fill a present need on the Board. The selection criteria for candidates for the Board are set out in the Nomination and Remuneration Committee Charter which can be found within the Corporate Governance section of the Company's website. Where appropriate, the appropriate checks are undertaken prior to a Director being appointed. The mix of skills currently held by the Board is set out under the paragraph titled "Board skills matrix".

Shareholder approval is required for the appointment of Directors. However, Directors may appoint other Directors to fill a casual vacancy where the number of Directors falls below the constitutional minimum number of Directors and in order to comply with any applicable laws, regulations, the ASX Listing Rules or the 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 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). Each independent Non-Executive Director 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.

## CORPORATE GOVERNANCE STATEMENT

**Independence standard**

In assessing the independence of its Directors, the Board has regard to the factors relevant to assessing the independence of a Director that are set out in Box 2.3 of the ASX Recommendations and Rule 3.13 of the HK Listing Rules. The criteria considered in assessing the independence of Non-Executive Directors are also set out in the Board Charter. The Board will consider the materiality of the Directors' interests, position, association or relationship for the purposes of determining 'independence' on a case by case basis, having regard to both quantitative and qualitative principles. Specifically, the Board will consider whether there are any factors or considerations which may mean that the Director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

A Director is generally considered to be independent if the Director:

- is not, and has not within the last three years been, employed in an executive capacity by the Company or any of its child entities;
- is not, nor has within the last three years been, a partner, principal, director or senior employee of a provider of material professional services to the Company or any of its child entities;
- is not, nor has within the last three years been, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the Company or any of its child entities, or an officer of, or otherwise associated with, someone with such a relationship;
- does not receive performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the Company;
- is not a substantial shareholder of the Company or an officer of, or otherwise associated with, a substantial shareholder of the Company;
- is not, nor has been within the last three years an officer or employee of, or a partner, principal, director or employee of a professional adviser to, a substantial shareholder of the Company;
- does not have a material contractual relationship with the Company or any of its child entities other than as a Director;
- does not have, nor within one year prior to the appointment, had any material interest in any principal activity of or is not or was not involved in any material business dealings with the Company, its holding company or their respective child entities;
- does not have close personal ties (for example based on family, friendship or other social or business connections) with any person who falls within any of the categories described above;
- 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



## CORPORATE GOVERNANCE STATEMENT

- is free from any other interest, position, association or relationship that might interfere, or might reasonably be seen to interfere, with the Director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company and its shareholders generally.

**Director independence**

In determining the composition of the Board, the Company has regard to the balance of Executive and Non-Executive Directors to ensure that there is a strong independent presence on the Board to exercise independent judgement.

The Board is currently comprised of 9 Directors, of whom 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.

The Board has assessed the independence of each of the Non-Executive Directors (including the Chairman of the Board) in light of their interests and relationships. A majority of the Board are not considered independent Directors due to their affiliations with the Company's majority shareholder, Yanzhou, 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, Yanzhou, 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 Yanzhou, including establishing Independent Board Committees if appropriate.

Each independent Director must regularly provide the Board with all information relevant to their continued compliance with the independence standard. The independence of Directors will be reviewed by the Board on a regular basis with assistance from the Nomination and Remuneration Committee.

The independent Non-Executive Directors have confirmed their independence in accordance with Rule 3.13 of the HK Listing Rules, and the Company has received from each of the independent Non-Executive Directors an annual confirmation on his/her independence as required under Rule 3.13 of the HK Listing Rules. Accordingly, the Company considers that the independent Non-Executive Directors continue to be independent.

**Nomination and non-independence of Chair**

The Company's Constitution provides that the Company's shareholders holding a majority of the issued shares of the Company (which confer the right to vote) may nominate a Director to the office of Chairman and may elect one or more Directors to the office of Vice Chair.

As a nominee of Yanzhou, 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 Yanzhou's majority shareholding in the Company. While a majority of the Directors are associated with Yanzhou

this is considered appropriate in light of Yanzhou's major shareholding in the Company. The Board has put in place appropriate policies and procedures such as the Conflicts and Related Transactions Policy and the Majority Shareholder Protocol to manage any potential conflicts, while the Company's Constitution allows for the establishment of an Independent Board Committee consisting of independent Non-Executive Directors if required.

**Conflicts of interest**

To help ensure that any conflicts of interests are identified, the Company has put in place a standing agenda item at all meetings of the Board and its committees to provide the Directors with the opportunity of declaring any conflicts of interests in the subject matter of the proposed resolutions made within the meeting.

**Induction and professional development**

Upon appointment, Directors are provided with 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.

Directors also participate in continuing education or development programs arranged for them, including for example training on Directors duties, environment, social and governance reporting, health and safety legislative changes, cross cultural and developments in modern slavery regimes. Consideration is also given to 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 Company's 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
- a translator is available at all Board and Board Committee meetings (whether in person, by telephone 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, Board in-camera sessions are held prior to each Board meeting, with a translator present, to provide all Directors the opportunity to participate and discuss important Company matters, the Company has increased the frequency of Board meetings to ensure greater transparency and all

## CORPORATE GOVERNANCE STATEMENT

Board Committee meetings, where possible and appropriate, invite all Directors to attend regardless of whether such Directors are members of such Board Committees.

**Company Secretary**

The Company Secretary supports and is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary facilitates the timely flow of information within the Board and between the Board and management. Each Director is able to communicate directly with the Company Secretary and vice versa. The Board Charter sets out the other duties of the Company Secretary, which include being responsible for:

- ensuring compliance by the Company with the Company's constitution, the provisions of the *Corporations Act 2001* (Cth) and other applicable laws and Listing Rules as they relate to the Company;
- providing corporate governance advice to the Board and facilitating induction processes and the ongoing professional development of Directors;
- ensuring that the Board Charter and relevant policies and procedures are followed;
- ensuring that the Company's books and registers required by the *Corporations Act 2001* (Cth), the SFO and other applicable laws are established and properly maintained;
- ensuring that all notices and responses are lodged with ASIC, ASX and HKEx on time; and
- organising and attending shareholders' meetings and Directors' meetings, including sending out notices, preparing agendas, marshalling proxies and compiling minutes.

The Company Secretary is Laura Ling Zhang. Ms Zhang has completed no less than 15 hours of professional training to update her skills and knowledge as required by the HKEx.

**Performance of the Board, its Committees and individual Directors**

The Nomination and Remuneration Committee oversees an annual evaluation process for the Board, its committees and each Director based on the Board Performance Evaluation Protocol ("Protocol") adopted and approved by the Board in 2012.

**The 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.

It is expected that externally facilitated reviews will occur approximately every three years. The independent external

facilitator will seek input from each of the Directors and certain members of senior management in relation to the performance of the Board against a set of agreed criteria.

Once an externally facilitated review occurs, the progress against any recommendations from the most recent externally facilitated review, together with any new issues, will be considered internally. Feedback from each Director against a set of agreed criteria will be collected by the Chairman or the external facilitator. The CEC and CEO will also provide feedback from senior Executives in connection with any issues that may be relevant in the context of the Board performance review. Feedback will be collected by the Chairman, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its committees.

As part of the annual performance evaluation process, the Nomination and Remuneration Committee considers assessments by independent bodies regarding Boards of Australian companies and their performance. The Chair of the Nomination and Remuneration Committee reports any material issues or findings from these evaluations to the Board.

**Board committees**

Each of the four standing committees of the Board conducts an annual committee performance self-assessment to review performance using guidelines approved by the Nomination and Remuneration Committee. The guidelines include reviewing the committee's performance having regard to its role and responsibilities as set out in its Charter; consideration as to whether the committee's Charter is fit for purpose; and identification of future topics for training/education of the committee or its individual members. At each committee meeting, the committee also reviews and makes an assessment against the respective committee's Charter requirements.

The outcomes of the performance self-assessments are reported to the Nomination and Remuneration Committee (or to the Board, if there are any material issues relating to the Nomination and Remuneration Committee) for discussion and noting.

Each committee provides feedback to the Board on its own performance, which is collected by the Chairman or an external facilitator, and the feedback is discussed by the Board, with consideration of whether any steps for improvement are required.

**Individual Directors**

Directors are evaluated on, amongst other things, their alignment with the values of the Company, their commitment to their duties and their level of financial, technical and specialist knowledge. Directors are also expected to be fully aware of their duties of care and skill, as well as fiduciary duties, as a Director.

A performance review of Non-Executive Directors is conducted by the Chairman for each Non-Executive Director, specifically addressing the performance criteria within the Protocol.

A review of the performance of the Chairman is facilitated by the Co-Vice Chairmen who seek input from each Director

## CORPORATE GOVERNANCE STATEMENT

individually on the performance of the Chairman against the competencies for the Chairman’s role approved by the Board.

### Last performance reviews

Since the adoption of the Protocol in 2012, the Company carried out four annual board performance reviews internally, and has conducted one externally facilitated board performance review. An externally facilitated review of the Board was carried out in 2016 (in respect of 2015) and a review of the Board was conducted internally in 2018 (in respect of 2017), in accordance with process disclosed above.

In the Company’s 2019 Annual Report, the Company had indicated that a review of the performance of the Board, its committees and Non-Executive Directors was not conducted for the financial years ended 31 December 2018 and 31 December 2019 and it expected to conduct such performance review for the financial year ended 31 December 2019 in 2020 in accordance with the process disclosed above. However, due to major events occurring in 2020, such as the challenges experienced as a result of the COVID-19 pandemic and significant changes to the Company’s management team and Board in the first six months of the 2020 financial year, the Company was not in a position to undertake a performance review of the Board, its committees and Non-Executive Directors. The Board understands the importance of undertaking a board performance review and is committed to a continuing process of Board renewal and formal procedures for assessing the performance of the Board and expects to instead conduct a review of the performance of the Board, its committees and Non-Executive Directors for the past financial year in 2021. The requirements of the principles set out in the HK Code in respect of performance of the Directors will be taken into account in undertaking future Director reviews.

### Performance of senior Executives

The CEC and the CEO review the performance of senior Executives annually against appropriate measures as part of the Company’s performance management system for all managers and staff.

On an annual basis, the Nomination and Remuneration Committee and subsequently the Board formally reviews the performance of the CEO and the CEC. The CEO’s performance is assessed against qualitative and quantitative criteria, including profit performance, other financial measures, safety performance and strategic actions. The Nomination and Remuneration Committee also undertakes an annual formal review of the performance of other members of the Executive Committee, based on similar criteria. The Board reviews and approves the annual review of all the members of the Executive Committee undertaken by the Nomination and Remuneration Committee.

The performance evaluation for the CEC, CEO and senior Executives to take place in 2021 (in respect of 2020), will be in accordance with the process disclosed above.

### Remuneration of Non-Executive Directors and senior Executives

The Nomination and Remuneration Committee makes recommendations to the Board to achieve Company remuneration structures that are equitable and aligned with the long-term interests of the Company and its shareholders, to attract and retain skilled employees, to structure short and long term incentives that are challenging and linked to creation of sustainable returns and to ensure any termination benefits are justifiable and appropriate.

In 2018, the committee engaged consulting firm Aon Hewitt (“Aon”) to provide independent market benchmarking and recommendations with respect to the remuneration of senior Executives and Non-Executive Directors. The Board adopted the recommendations in May 2018. Given this review in 2018 and the subsequent implementation of remuneration recommendations, no further changes to the remuneration framework for Executives or Non-Executive Directors was made in 2020.

### 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 major shareholder, Yanzhou.

Remuneration for Non-Executive Directors is capped at an aggregate amount for each financial year of \$3.5 million. Non-Executive Directors may also be paid such additional or special remuneration as the Directors decide is appropriate where a Non-Executive Director performs extra services or makes special exertions for the benefit of the Company. Such additional remuneration will not form part of the calculation of the aggregate cap on Non-Executive Directors’ remuneration for a financial year and do not require shareholder approval. No Director is involved in determining his or her own remuneration.

### Senior Executives

The Company’s senior Executives are employed under written employment contracts that set out the terms of their employment. In 2018, the Nomination and Remuneration Committee engaged external remuneration consultants to provide independent market benchmarking with respect to the remuneration of Yancoal Executives and Non-Executive Directors. In 2020, 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 42 to 53.

## CORPORATE GOVERNANCE STATEMENT

### 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.

AUDIT AND RISK MANAGEMENT COMMITTEE	
CURRENT MEMBERSHIP	PURPOSE
<p><i>Independent Non- Executive Directors:</i> Gregory James Fletcher – Chair Helen Jane Gillies</p> <p><i>Non-Executive Directors:</i> 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, at least one of whom is an independent Non-Executive Director with appropriate professional qualifications or accounting or related financial management expertise.</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 2020, 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>• review and endorsement of the Company’s 2019 Environmental, Social and Governance Report;</li> <li>• annual review of Enterprise Risk Management Framework;</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 and 2020 debt prepayments along with consideration of the Company’s dividend payments.</li> </ul>

The qualifications, skills and experience of each member and the number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Information on Directors in the Directors’ Report, on page 34.



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### HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p><i>Independent Non-Executive Directors:</i> Geoffrey William Raby – Chair</p> <p><i>Non-Executive Directors:</i> Xiangqian Wu</p> <p><i>Executive Directors:</i> 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 2020, 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>considering independent environmental assurance audits for various Company mine sites; and</li> <li>reviewing and endorsing the Company's 2019 Environmental, Social and Governance Report.</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, on page 34.</p>

### NOMINATION AND REMUNERATION COMMITTEE

<p><i>Independent Non-Executive Directors:</i> Helen Jane Gillies – Chair Gregory James Fletcher Geoffrey William Raby</p> <p><i>Non-Executive Directors:</i> Baocai Zhang Xiangqian Wu</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 Chief Executive Officer;</li> <li>Director remuneration (subject to any shareholder approval that is required in accordance with the Company's Constitution and the ASX and HK Listing Rules) and remuneration arrangements for the Company's Executive Committee and any other person nominated as such by the Committee from time to time;</li> <li>the public reporting of remuneration for Directors and key management personnel and other members of the Executive Committee;</li> <li>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 2020, 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 and composition of the Executive Committee;</li> <li>undertaking cross cultural training;</li> <li>review of the 2019 Corporate Governance Statement, including diversity and measurable objectives; and</li> <li>finalisation and endorsement of Company short-term and long-term incentive plans and Company salary indexation and performance assessment implementation.</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, on page 34.</p>
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## CORPORATE GOVERNANCE STATEMENT

### STRATEGY AND DEVELOPMENT COMMITTEE

CURRENT MEMBERSHIP	PURPOSE
<p><i>Independent Non-Executive Directors:</i> Geoffrey William Raby</p> <p><i>Non-Executive Directors:</i> 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 2020, work performed by the committee included, but was not limited to:</p> <ul style="list-style-type: none"> <li>consideration of capital management issues, including early debt repayment and dividend decisions; 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, on page 34.</p>

### INDEPENDENT BOARD COMMITTEE

<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 2020, the Independent Board Committee met 2 times for the purposes of considering transactions between or involving the Company and its majority shareholder, Yanzhou. In addition, a previously constituted Independent Board Committee passed certain written resolutions for the purposes of considering transactions between or involving the Company and its major shareholder, Yanzhou.</p>
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### Meetings and attendance

The number of meetings held by the Board and each committee during 2020 and each member's attendance at these meetings is set out in the Directors' Report on page 39.

### 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:

<p><b>TRANSPARENCY</b></p> <p>We are open and honest with one another and have a "no surprises" mentality for all the stakeholders we work with.</p>	<p><b>COMPLIANCE</b></p> <p>We always follow our internal rules and the rules of law where we operate.</p>	<p><b>EFFICIENCY</b></p> <p>We strive to be efficient, productive and effective at what we do all day, every day.</p>
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## CORPORATE GOVERNANCE STATEMENT

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

<p><b>PEOPLE - PATH WAY</b></p> <p>We value involvement from everyone. Full engagement is encouraged. 99% of what we need to know is already within the Yancoal workforce.</p>	<p><b>SAFETY - SAFE WAY</b></p> <p>Safety is not optional. It is considered in everything we do to eliminate harm to our people.</p>	<p><b>EXCELLENCE - HIGH WAY</b></p> <p>We identify and implement best practice and operate above the line in the 'can do' zone with courage, trust and pride.</p>	<p><b>INNOVATION - BETTER WAY</b></p> <p>We seek to continuously improve all aspects of our business.</p>	<p><b>INTEGRITY - RIGHT WAY</b></p> <p>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.</p>
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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; and

- 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.

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 was recently revised and approved by the Board in November 2020 and a training program for all levels of the business will be conducted in the first half of 2021. The Code of Conduct is available in the Corporate Governance section of the Company's website.

#### 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") 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 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,

## CORPORATE GOVERNANCE STATEMENT

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 and 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 Yanzhou securities by Directors of the Group, all officers of the Company and other relevant employees, 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 Yanzhou 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 revised in October 2018 with the requirements set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the HK Listing Rules to regulate the Directors' securities transactions, which

is also applicable to its employees who are likely to be in possession of unpublished inside information. The policy was recently reviewed together with the Company's previous insider trading policy as part of the Company's annual review process. As a result of that review, the Company combined the two policies to create one Share Trading Policy to ensure that the Company's Directors and employees had a clear understanding of the insider trading laws and guidelines in relation to dealing in the Company's shares. Such combined Share Trading Policy was approved by the Board in October 2020 and a copy 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 2020 to 31 December 2020.

#### 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, Yanzhou, to ensure that Yanzhou can comply with its disclosure obligations in relation to Company information, and vice versa, Yanzhou seeks to ensure that the Company can comply with its disclosure obligations in relation to Yanzhou's information.

The Board has put in place a Disclosure Policy to encapsulate the disclosure obligations under the *Corporations Act 2001* (Cth) and the ASX Listing Rules and to set out procedures for managing compliance with those obligations. These procedures provide a framework for managing the disclosure of material matters to the market to ensure accountability at Board and senior Executive level. As part of this framework, a standing agenda item at all the Company's Board and Executive Committee meetings requires the Directors and senior Executives to consider whether any matters at the meeting should be disclosed to the market.

A Disclosure Committee has been established to assist the Company to meet its disclosure obligations. The committee plays a key role in reviewing and determining whether information is likely to have a material effect on the price or value of the Company's securities such that it requires disclosure to the market. The Disclosure Committee members comprise the CEC, CEO, CFO, Company Secretary, Investor Relations General Manager and Group 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



## CORPORATE GOVERNANCE STATEMENT

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 is also published on the Investor section of the Company's website.

**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 to enable it to assess the type and extent of relevant risks in its decision making and for setting the risk appetite within which the Board expects management to operate.

In particular, the Board ensures that:

- the material strategic, operational, financial reporting and compliance risks are identified and evaluated; and
- risk management, control and reporting systems are in place to identify, assess, manage, monitor and report on these risks.

The role and membership of the Audit and Risk Management Committee are described under paragraph titled "Audit and Risk Management Committee" and under the Board committees section.

The Company's Audit and Risk Management Committee Charter can be found within the Corporate Governance section of the Company's website. The number of times the committee met throughout the period and the individual attendances of the committee members at those meetings is disclosed in the Directors' Report, on page 39.

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 2020, 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 2020 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 contemporary risks including conduct, cyber, climate change and pandemics related risks. The Audit and Risk Management Committee confirmed that the Company is operating with due regard to the risk appetite set by the Board.

The EGM of Risk and Audit is responsible for establishing and managing the enterprise risk management framework, risk management system and practices. The Company's formal risk identification activities are guided by ISO 31000 - Risk Management and undertaken on a periodic basis; with risk identification and analysis activities undertaken at a functional level, as well as at each of the Company's mine sites.

The responsibility for managing risks, risk controls or risk management action plans is embedded within the business and undertaken as part of everyday activities. Together with the CEC, the Board and the Audit and Risk Management Committee, the EGM of Risk and Audit is responsible for developing a risk matrix and framework and for implementing related risk-based assurance processes for the Company and its subsidiaries. The EGM of Risk and Audit annually reviews and confirms the continued effectiveness of the risk framework to the Audit and Risk Management Committee.

The Board recognises and acknowledges that, while risk management controls and systems can be effective in managing risks, they cannot eliminate all risks relevant to the Company achieving its objectives and cannot provide absolute assurance against material misstatement or loss.

**Internal audit function**

The internal audit function is managed by the EGM of Risk and Audit. That person has direct access to the Chair of the Audit and Risk Management Committee, as well as to the CEC, to whom he directly reports. The CEC and the Audit and Risk Management Committee recommends to the Board the appointment of the EGM of Risk and Audit.

The EGM of Risk and Audit has unfettered access to the Audit and Risk Management Committee and its Chair to seek information and explanations. The Chair of the Audit and Risk Management Committee meets independently with the EGM of Risk and Audit.

The role of the EGM of Risk and Audit is responsible for the achievement of the risk management, internal audit, insurance objectives and includes the responsibilities of Yancoal's Whistleblower Officer.

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 control design and operating effectiveness.

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 2019 Environmental, Social and Governance Report published on the ASX and HKEx platforms and available on the Company's website. The 2020 Environmental, Social and Governance Report will be published later in the year.

However, there can be no assurance that such risk mitigation strategies will protect the Company from these risks. Other risks are beyond the Company's control and cannot be mitigated. The occurrence of any such risks could adversely affect the Company's financial condition and performance. The risks listed below are not purported to be exhaustive and there is no assurance that the importance of different risks will not change or other risks will not emerge.

The table below identifies risks which are considered to be environmental and/or social risks.

	ENVIRONMENTAL RISKS	SOCIAL RISKS
Operations	✓	✓
Health and safety	✓	✓
Regulatory approvals		✓
Mine closure	✓	✓
Native Title / Aboriginal Cultural Heritage		✓
Overlapping tenement		✓
Transition to a lower carbon economy	✓	✓
Environmental activism	✓	✓
Technological change	✓	
Fraud or misconduct		✓

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	ENVIRONMENTAL RISKS	SOCIAL RISKS
Changes in government policy, legislation or regulation	✓	
Geopolitical Environment		✓
Environment	✓	✓
Environmental approvals	✓	
Litigation		✓

**Operations**

The Company's operations are subject to operating risks. These risks include (but are not limited to) industrial action, inappropriate mine design /plans, mine collapses, cave-ins or other failures relating to mine infrastructure, including tailings dams, interruptions due to hazardous weather conditions, power interruption, insufficient water supply, inability to dispose of tailings and rejects, critical equipment unavailability / failure (in particular any protracted breakdown or issues with any of the Company's CHPPs or a major excavator), supply chain interruptions, damage to third party infrastructure, fires, and explosions from methane gas or coal dust, accidental mine water discharges, flooding and variations in or unusual or unexpected geological or geotechnical mining conditions (particularly in the Company's underground operations).

Such risks could result in damage to applicable mines, personal injury, environmental damage, delays in coal production, delays in deliveries, decreased coal production, increased cost / monetary losses, reduced revenue, and possible legal liability. Although the Company's insurance policies provide coverage for some of these risks, the amount and scope of insurance cover is limited by market and economic factors and these risks would not be fully covered by insurances maintained by the Company.

The Company reviews the risks at each site on a regular basis, and reviews and revises the risk controls as required to minimise or mitigate both the likelihood of a risk occurring, and the consequence of that risk in the event it does occur.

**Health and safety**

Accidents could occur at a mine site or corporate office that result in personal injuries. These could relate to factors such as (but not limited to) vehicle interaction / motor vehicle accidents, exposures to energised plant or equipment, exposures to airborne contaminants, ground or strata, fire and explosion, explosives, inrush and inundation, stockpile and reclaim tunnels, integrity of structures and fixed plant, handling of tyres, coal or gas bursts, lifting and working with suspended loads, working at heights or in confined spaces. These could also have adverse financial implications including legal claims for personal injury, wrongful death, amendments to approvals, potential production delays or stoppages, any of which may have a material adverse effect on the financial performance and/or financial position of the Company.

There is a risk that past, present or future operations have not met, or will not meet, health and safety requirements and/or that the approvals or modifications the Company is currently seeking, or may need to seek in the future, will not be granted at all or on terms that are unduly onerous. If the Company

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is unsuccessful in these efforts or otherwise breaches these health and safety requirements, it may incur fines or penalties, be required to curtail or cease operations and/or be subject to increased compliance costs or costs for rehabilitation or rectification works, which have not been previously planned at one or more of its sites.

The Company's operations may cause exposure to hazardous materials. There is also a risk that actions could be brought against the Company, alleging adverse effects of such substances on personal health.

The Company regularly analyses 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 the core hazards; the management of these health and safety controls is audited at each site to mitigate the core hazard risks.

#### Regulatory approvals

The ability of the Company to meet its long term production target profile depends on (amongst other things) the Company being able to obtain on a timely basis, and maintain, all necessary regulatory approvals (including any approvals arising under applicable mining laws, environmental legislation and other laws) for its current operations and expansion and growth projects, including obtaining planning approvals, land access, land owner consents and addressing any native title issues, impacts on the environment and objections from local communities.

The requirement to obtain approvals and to address potential and actual issues for existing and future mining projects is common to all companies in the coal sector. There is no assurance or guarantee that the Company will be successful in securing any or all of the required consents, approvals and rights necessary to maintain its forecast production profile from its existing operations or to develop its growth projects in a manner which will result in profitable mining operations and the achievement of its long term production targets. If these approvals (or other approvals required for the planned production increases) are not obtained, or 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.

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 all 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 expense, successful in securing and other costs or loss of revenues. Many of these costs will also be incurred

where mines are closed at the end of their planned mine life or placed on care and maintenance.

If one or more of the relevant sites are closed earlier than anticipated, the Company will be required to fund the closure costs on an expedited basis and lose revenues, which could have an adverse financial effect. In addition, there is a risk that closure and rehabilitation planning is inadequate, costs have been underestimated and/or that claims may be made arising from environmental remediation upon closure of one or more of the sites.

The annual "life of mine" planning process assesses closure options and is instrumental in identifying closure costs, liabilities and risks. Further, the Company is developing a mine closure standard to facilitate a consistent approach to closure planning at each of its operations.

In February 2020, the Austar mine completed mining of the Bellbird South area and with no immediate economically viable mine plan, was placed on care and maintenance by Watagan. The Yancoal Board has approved commencing mine closure activities at Austar with such activities expected to take between five and ten years to complete.

#### Native Title / Aboriginal Cultural Heritage

It is possible that, in relation to tenements which we have an interest in or will in the future acquire, there may be areas over which legitimate native title rights of Aboriginal Australians may exist. Where the grant or renewal of a tenement is in respect of land in relation to which native title may exist, the Company will need to comply with the *Native Title Act 1993 (Cth)* in order for the tenement to be validly granted.

Compliance with the *Native Title Act 1993 (Cth)* (and the relevant native title process to be followed for the grant of the tenement e.g. the right to negotiate process) may be prolonged or delayed, and substantial compensation may be payable as part of any agreement reached, including for the extinguishment or impairment of the relevant native title rights and interests.

The existence or determination of native title may, therefore, affect the existing or future activities of the Company and impact on its ability to develop projects which may in turn impact its operational and financial performance.

Under the *Aboriginal Land Rights Act 1983 (NSW)*, Aboriginal Land Councils can claim crown land if certain requirements are met. If a claim is successful, freehold title over the relevant land is transferred to the claimant 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.

## CORPORATE GOVERNANCE STATEMENT

There may be matters of Aboriginal cultural heritage significance in the vicinity of existing or future mining operations. A planning approval to disturb areas of Aboriginal cultural heritage does not, as of right, permit the destruction of such areas. It is also possible that both state and federal legislation will be amended to afford greater protection for areas previously proposed to be disturbed. In addition, claims to protect areas of Aboriginal cultural heritage significance may be brought by Aboriginal parties. In any of these circumstances, mine plans may need to be altered, or projects may become unviable, with a direct impact on forecast production profiles and forecast profitability and asset value.

Yancoal is in the process of implementing 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 2015 United Nations Climate Change Conference resulted in the signing of the Paris Agreement within the United Nations Framework Convention on Climate Change. The Paris Agreement was signed by representatives from 195 countries (including Australia and all of Yancoal's major customer countries), and aims to hold back the increase in global temperatures, increase the ability of countries to adapt to the adverse impacts of climate change and provide channels to finance projects that lead to greenhouse gas reductions.

The Company is also subject to a spectrum of climate-related risks. These risks include physical and transition risks with the potential to affect the Company's future development, operations, markets and asset carrying values. Physical risk factors include (but are not limited to) extreme weather events, fires, access to water, power supply, damage to assets and indirect impacts from supply chain disruption. Transition risk factors include (but are not limited to) timing of technology development and deployment, customer or community perception and the regulatory response to the risk of climate change. Unilateral and collective action by Australia and other countries, may affect the demand for coal, coal prices, the future supply of coal and the competitiveness of the Company's products in the world energy market. Extensive government regulations relating to the transition to a lower carbon world economy give rise to risks of delay and uncertainty associated with approvals for future development, impose costs on the mining operations of the Company, and 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 increasing opposition by external stakeholders, including capital and insurance markets.

In terms of physical risks, sites are consistently managing these at an operational level, including water conservation initiatives and flood mitigation measures. The Company's marketing team is constantly developing a more diversified customer base to improve revenue resilience. The Company's Environment & Community team is accountable for the organisation's ESG report and is engaged with evolving trends and developments to maintain currency of reporting.

Additional details relating to the transition to a lower carbon economy is provided in the Company's 2019 Environmental, Social and Governance Report published on the ASX and HkEx platforms and available on the Company's website. The 2020 Environmental, Social and Governance Report will be published later in the year.

#### Environmental activism

The Company recognises the growing interest by stakeholders regarding the potential risks and opportunities posed to our business and the broader sector as a result of an anticipated global shift towards a lower-carbon economy. Increased community concern and adverse actions taken by community and environmental groups may delay or prevent the Company from progressing new mine developments or development or expansion of existing mines, or may mean that those mines are subject to conditions that adversely affect their profitability and consequently the financial performance of the Company. Environmental lobby groups in both QLD and NSW have previously made submissions opposing both operation and expansion of coal mines in an attempt to prevent new mine developments or expansion of existing mines on the basis of environmental concerns.

The Company engages constructively with all stakeholders to ensure they have access to objective information to inform their views.



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**Technological change**

Thermal coal as a source of energy competes with other forms of electricity generation (such as hydro, solar and wind). In recent years, the global shift from conventional fuels to renewable sources of energy has created greater competition for thermal coal in the market which could lead to a structural decline in thermal coal demand.

As renewable technologies become more efficient and cost effective, they may gain an economic advantage over coal-fired and other fossil fuel-based electricity generation. These economic factors, combined with increasing costs to comply with emission limits for other air pollutants, may result in the continued retirement of existing coal-powered generation capacity, and the cancellation of planned additional coal-fired power capacity, which may reduce demand for thermal coal in the market.

There is also a risk of the Company not keeping up with technology advancements which could affect its future competitiveness.

Our diversified and evolving customer base assist in improving business resilience to changing demands. Our focus on high quality, low cost Tier 1 assets is an important limb of our strategy to mitigate the impact of technological change.

**Fraud and misconduct**

Any fraud, misrepresentation, money laundering or other misconduct by the Company's employees, customers, service providers, business partners or other third parties could result in violations of relevant laws and regulations by the Company and subject the Company to corresponding regulatory sanctions. These unlawful activities and other misconduct may have occurred in the past and may occur in the future, and may result in civil and criminal liability under increasingly stringent laws or cause serious reputational or financial harm to the Company. The Company may not be able to timely detect or prevent such activities, which could subject the Company to regulatory investigations and criminal and civil liability, harm our reputation and have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Yancoal has in place a Code of Conduct and comprehensive suite of Company policies. This 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 with outcomes reported to the Board.

**Changes in government policy, legislation or regulation**

The Company is subject to extensive legislation, regulations and supervision by a number of federal and state regulatory bodies. Any future legislation or regulatory change may affect the resources industry and may adversely affect the Company's financial performance and position, such as future laws that may limit the emission of greenhouse gases or the use of coal in power generation.

Yancoal is a member of the state industry body in each jurisdiction, as well as of the federal Minerals Council of Australia. Each of these industry associations is actively involved in advising respective governments in respect of changes in policy, legislation and regulation, and is primarily

accountable for the industry's lobbying efforts in that regard, and in keeping association members informed of developments.

**Geopolitical Environment**

The Company is subject to geopolitical exposures that have the potential to impact the Company's operations and growth. Import protocols of China continue to influence regional coal markets and have resulted in an increased diversification of the Company's customer. Yancoal intends to continue this diversification of its customer and sales mix in the most optimal market available.

**Environment**

Due to the nature of coal mining processes, and the associated by-products, residues and tailings generated from these processes, all operations of the Company are subject to stringent environmental laws and regulations.

There is a risk that past, present or future operations have not met or will not meet environmental or related regulatory requirements and/or that the approvals or modifications the Company is currently seeking, or may need to seek in the future, will not be granted. If the Company is unsuccessful in these efforts or otherwise breaches any environmental requirements, it may incur fines or penalties, be required to cease operations and/or be subject to increased compliance costs or costs for rehabilitation or rectification works, which have not been previously planned at one or more of its sites.

Extensive environmental regulations in Australia, and in other countries that could affect the Company's business, may impose costs on its mining operations, and future regulations could increase those costs, limit its ability to produce and sell coal, or reduce demand for the Company's coal products. In particular, the regulatory response to the risk of climate change, including unilateral and collective action by Australia and other countries, may affect demand for coal, coal prices and the competitiveness of the Company's products in the world energy market in the medium to long term.

Changes to environmental regulations may increase the standard and cost of compliance, and may adversely affect the Company's ability to generate the expected economic returns from its mining assets over their operational life. The Company may not always be able to comply with future laws and regulations in relation to environmental protection economically or at all. There can be no assurance that the Company will be able to fully and economically utilise the entire coal resources of the mines it operates currently or in the future or that some of its mining assets will not become "stranded assets" that are not able to generate the expected economic returns over their useful lives.

Environmental legislation may change in a manner that may require compliance with additional standards, and a heightened degree of responsibility for companies and their Directors and employees. There may also be unforeseen environmental liabilities resulting from coal related activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential abandonment costs and obligations for which the Company may become liable as a result of its activities may be impossible to assess under the current legal framework.

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The Company uses hazardous materials and will generate hazardous waste, and may be subject to common law claims, damages due to natural disasters, and other damages, as well as the investigation and clean-up of soil, surface water, groundwater, and other media. Such claims may arise, for example, out of current or former activities at sites that it owns or operates.

The Company employs skilled experts at each site to manage its environmental compliance obligations. Further, it has implemented an independent external environmental assurance program which audits each site on a periodical basis for both risks and compliance.

**Environmental approvals**

In recent years, state government policies in NSW and QLD have been introduced in the interests of protecting agricultural and urban land from the effects of mining. These include the QLD Government's Central Queensland Plan (2013) and Regional Planning Interests Act 2014 (QLD) and the NSW Government's Strategic Regional Land Use Policy (2012), Aquifer Interference Policy (2012), and amendments to the State Environmental Planning Policy (Mining, Petroleum Production and Extractive Industries) 2007 (NSW). Each of these policies is relevant to the areas in which the Company has mining operations. Regulation and policy are constantly evolving and adapting to market trends, community concerns and new technologies. Accordingly, there is no assurance that the future development and exploration activities of the Company will result in profitable or commercially viable mining operations in these areas.

In 2013, the NSW State Government introduced the fit and proper person' test which is applied by a decision maker when determining whether to grant, renew, cancel or transfer an authority under the *Mining Act 1992* (NSW). This allows the Government to consider a miner's conduct (in particular its compliance with environmental and mining legislation), as well as a miner's financial capabilities and technical expertise. In recent years, the NSW State Government also significantly increased the maximum penalties for breaches of mining and environmental legislation, and the resources of regulators to investigate possible breaches and prosecute mining companies. These changes have resulted in the updating of compliance programs and increased the risk of prosecution for breaches of relevant legislation.

In 2018, the QLD State Government revised the process by which mining companies are required to calculate and provide security for their rehabilitation liability. Companies are progressively being transitioned to a risk-based security mechanism whereby operations assessed as being higher risk will be required to provide a greater amount of security. Further, mines in both NSW and Queensland are being held to a more rigorous progressive rehabilitation and mine closure regime.

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.

**Litigation**

Like all companies in the resources sector, the Company is exposed to the risks of litigation (either as the complainant or as the defendant), which may have a material adverse effect on the financial position of the relevant entity. The Company could become exposed to claims or litigation by persons alleging they are owed fees or other contractual entitlements, employees, regulators, competitors or other third parties. Such claims or proceedings could divert our management's time and attention and consume financial resources in their defence or prosecution.

Yancoal undertakes legal review and ongoing conflict management of key material contracts to minimise risk of disputes and subsequent litigation. The Company also manages its obligations under relevant legislation to manage risk of prosecution, such as set out under the risks "Health and safety" and "Environmental approvals" above.

*In addition to the above environmental and social risks, the Company is subject to a range of economic and contemporary risks. These include (but are not limited to) the Company's exposure to COVID-19, coal prices and demand, coal production, foreign exchange rates, insurance, transport and infrastructure, technology and cyber vulnerabilities, estimates of resources and reserves, business development risks, funding, accounting standards, impairments, WICET and NCIG debt, Key Personnel and Joint Ventures and reliance on third parties. These are further outlined below.*

**COVID-19**

As with most businesses, COVID-19 has introduced a range of new risks to the Company. These range from health, supply chain risks, logistics & infrastructure, production and sales risk through to other risks to the continuity of business operations.

**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.

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In addition, the coal price is highly dependent on the outlook for coal consumption in large Asian economies, such as China, Japan and India, as well as any changes in government policy regarding coal or energy policy in those countries.

Absent offsetting factors, significant and sustained adverse movements in demand for coal and, consequently, coal prices (both generally and in relation to particular types and classes of coal) may have a material adverse impact on the ongoing financial performance and financial position of the Company or may result in the Company not proceeding with the development of new mines and projects due to such development not being economically viable.

Any weakening in coal prices or any deterioration prompted by further reduction in demand or addition of new tonnes to the seaborne market (for example from thermal coal exports from the US) would have a material adverse impact on the financial performance of the Company and its capacity to undertake development projects.

**Coal production**

Improvement in the Company's financial performance is dependent on the Company being able to sustain or increase coal production and decrease operating costs on a per tonne basis. The Company's success or failure in improving productivity will become particularly important to the Company's financial performance at times of low coal prices.

The Company's coal production can be impacted by a number of factors, including for example unforeseen geological or geotechnical issues (particularly in the Company's underground operations), changes or variations in coal quality or geological, hydrologic or other conditions, adverse weather including abnormal wet weather conditions, bushfire events, unforeseen delays or complexities in installing and operating mining longwall systems, protracted breakdown of coal handling infrastructure and other mining equipment and rail and port breakdowns and outages. Regulatory factors and the occurrence of other operating risks can also limit production.

**Adverse foreign exchange rate movements**

Foreign exchange risk is the risk of the Company sustaining loss through adverse movements in exchange rates. Such losses can impact the Company's financial position and performance and the level of additional funding required to support the Company's businesses.

The liabilities, earnings and cash flows of the Company are influenced by movements in exchange rates, especially movements in the A\$:US\$ exchange rate.

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

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

**Insurance**

The Company has external insurance coverage for certain operating risks. However, it may become subject to liability (including in relation to pollution, occupational illnesses or other hazards), or suffer loss resulting from business interruption, for which it is not insured (or has not sufficiently insured) or cannot insure, including liabilities in respect of past activities.

In the absence of external insurance coverage, major losses could adversely affect the future financial performance of the company. In addition, insurance may not be available or continue to be available at economically acceptable premiums and therefore require a form of self-insurance. 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.

**Transport and infrastructure**

Coal produced from the Company's mining operations is transported to customers by a combination of road, rail and sea. Fluctuations in transportation costs and disruptions to our railway and port linkages could disrupt the Company's coal deliveries and adversely affect its business, financial condition and results of operations.

A number of factors could disrupt or restrict access to essential coal transportation and handling services, including (but not limited to) weather related problems, key equipment and infrastructure failures, rail or port capacity constraints, congestions and inter-system losses, industrial action, failure to obtain consents from third parties for access to rail or land, failure or delay in the construction of new rail or port capacity, failure to meet contractual requirements, terrorist attacks, breach of regulatory framework, mismatch of rail and port capacity or the possible sale of infrastructure. Each of these factors could impair the Company's ability to supply coal to customers and/or increase costs, and consequently may have a material adverse effect on the Company's financial position.

Significant increases in transport costs (such as emissions control requirements and fluctuations in the price of diesel fuel and demurrage) could make the Company's coal less competitive when compared to other fuels or coal produced from other regions.

**Technology / cyber**

The Company's business relies on the performance, reliability and availability of its technology systems including (custom) software. Information and operating technology may be subject to international cyber security threats. Breaches could result in (but are not limited to) safety exposures, the loss of sensitive data / information, unplanned outage of business-critical system, environmental damage and misappropriation of company funds. The Company's information technology infrastructure in general may also be adversely affected by factors such as server damage, equipment faults, power failure, computer viruses, misuse by employees or contractors, telecommunications failures, external malicious intervention such as hacking, terrorism, fire, natural disasters,

or weather interventions. Such events are largely beyond the Company's control, and may affect its ability to carry on our operations efficiently.

**Estimates of Resources and Reserves and geology**

The volume and quality of the coal that the Company recovers may be less than the Resource and Reserve estimates reported to date. Resource and Reserve estimates are expressions of judgment based on knowledge, experience and industry practice. There are risks associated with such estimates, including that coal mined may be of a different quality or grade, tonnage or strip ratio from those in the estimates and the ability to economically extract and process the coal may not eventuate. Resource and Reserve estimates are necessarily imprecise and depend to some extent on interpretations and geological assumptions, coal prices, cost assumptions, and statistical inferences which may ultimately prove to have been unreliable.

Coal Resource and Coal Reserve estimates are regularly revised based on actual production experience or new information and could therefore be expected to change. Furthermore, should the Company encounter mineralisation or formations different from those predicted by past drilling, sampling and similar examinations, Coal Resource and Coal Reserve estimates may have to be adjusted and mining plans, coal processing and infrastructure may have to be altered in a way that might adversely affect their operations. If it is determined that mining of certain Coal Reserves are uneconomic, this may lead to a reduction in the Company's aggregate Coal Reserve estimates.

Material changes in Coal Reserve estimates, grades, strip ratios, washing yields or recovery rates may affect the economic viability of projects. Coal Reserve estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations.

If the Company's actual Coal Resource and Coal Reserve estimates are less than current estimates, the Company's prospects, value, business, results of operations and financial condition may be materially adversely affected.

**Business development**

An ineffective evaluation of investment opportunities and/or allocation of capital could result in a loss of company value, reduce shareholder returns, impairments and/or regulatory exposures. There is a risk that capital is not available to support the company's growth or strategy.

**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. In developing its business plan and operating budget, the Company has made certain assumptions regarding coal prices, the A\$:US\$ exchange rate, future production levels, business development

activities, dividends and other factors which determine the Company's financial performance.

**Accounting Standards**

Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS") are issued by the Australian Accounting Standards Board and International Accounting Standards Board respectively and are beyond the control of the Company and the Directors. Any changes to AAS, IFRS or to the interpretation of those standards may have an adverse effect on the reported financial performance or financial position of the Company.

**Impairment**

The Company's balance sheet includes a number of assets that are subject to impairment risk. The value of these assets is derived from the fundamental valuation of the underlying mining operations and as such is subject to many of the risks including, but not limited to, coal price and demand, foreign exchange, coal production, estimates of reserves and resources, uncertainty in costs forecasts, operating risks, injury and mine closure.

Adverse changes in these risk factors could lead to a reduction in the valuation of the Company's assets and result in an impairment charge being recognised.

**NCIG and WICET debt**

As a shipper in NCIG and WICET, the Company's source mines are required to maintain a minimum level of Marketable Coal Reserves. Non-compliance with this requirement would result in the termination of the individual contracts and require the Company to pay its share of any outstanding senior debt, amortised over the remaining years of that particular contract.

**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



## CORPORATE GOVERNANCE STATEMENT

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.

**Health, Safety and Environment 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 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 2020 and the full year ended 31 December 2020, in their opinion, the financial records of the Company have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

**External Auditor**

The Company's external auditor is ShineWing Australia. Consistent with the requirements of the *Corporations Act 2001* (Cth), ShineWing Australia has a policy of partner rotation every five years. The appointment, removal and remuneration (not including amounts paid for special or

additional services provided by the auditor) of the auditor require shareholder approval.

The external auditor receives all papers and minutes of the Audit and Risk Management Committee. The external auditor also attends the Company's AGM to answer questions from shareholders relevant to the Company's audit.

The statement of the external auditor, ShineWing Australia, about reporting responsibilities on the financial statements of the Group is set out under the heading "Independent Auditor's Report To The Members of Yancoal Australia Ltd" in this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

An analysis of remuneration (including details of the amounts paid or payable) to the auditor for audit and non-audit services provided during the financial year ended 31 December 2020 are set out in the Directors' Report on page 33.

**Verification of periodic corporate reports**

Where a periodic corporate report is not required to be audited or reviewed by an external auditor, the Company conducts an internal verification process to confirm the integrity of the report to ensure that the content of the report is materially accurate, balanced and provide investors with appropriate information to make informed investment decisions. The verification process involves the reports being prepared and reviewed by relevant subject matter experts, an internal verification and sign off process, material statements reviewed for accuracy, and an internal approval process, including the review and authorisation for release of periodic corporate reports by the Audit and Risk Management Committee. 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".

**DIVERSITY**

The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity. The Company's Diversity Policy, approved by the Board, seeks to actively facilitate a more diverse and representative management and leadership structure. The Diversity Policy is available in the Corporate Governance section of the Company's website.

Annually, the Board establishes measurable objectives with the assistance of the Nomination and Remuneration Committee with a view to progressing towards a balanced representation of women at a Board and senior management level.

The measurable objectives and performance against them are reviewed annually by the Nomination and Remuneration Committee as part of its annual review of the effectiveness of the Diversity Policy.

## CORPORATE GOVERNANCE STATEMENT

The measurable objectives adopted for 2020 and the Company's performance against the measurable objectives are outlined in the table below:

OBJECTIVE	PERFORMANCE
1. Provide training to the Human Resources team on behavioural based interviewing and unconscious bias, scheduled for February 2020.	Training was delivered to the Human Resources team by specialist consultants in February 2020. Furthermore, a specialist inclusive leadership and unconscious bias consultant was engaged by the Company and an Inclusive Leadership workshop was delivered to the Executive leadership team in October 2020.
2. Develop an e-learning module for Workplace Behaviour and implement in 2020.	Both the Workplace Behaviour Policy and the Code of Conduct were updated and approved in November 2020. Following the approval of the revised Code of Conduct, an e-learning module has been developed and includes a focus on Workplace Behaviour. Whilst the training was not completed in 2020, roll out of the Code of Conduct training will commence in February 2021. During 2020, workplace behaviour training for employees and/or leadership teams occurred at prioritised locations.
3. Conduct a pay gap analysis to identify and address any pay equity concerns. Where equity issues are identified these should be addressed in the 2020 salary review process.	As part of the 2019 remuneration review, in early 2020 a preliminary assessment of gender pay was conducted across all sites. Specifically, the aim was to ensure males and females are being paid similar salaries when performing like for like jobs. To do this, the average male salary was compared to the average female salary across each of the 202 unique salaried jobs in the organisation. Overall, there does not appear to be a systemic issue, however there were unique instances where additional consideration was required. In particular, salaries for 15 females in 6 different roles were investigated further by site Human Resources, and in 5 cases larger salary increases than originally anticipated were proposed to ensure pay remains equitable from a gender perspective. These employees received increases between 6-12%, much higher than the overall 2.7% average across the broader employee group. Gender equity is again being reviewed in the company's 2021 remuneration review and any further adjustments to achieve gender parity.
4. Measure the retention of female employees and should any issues be identified, seek to implement ways to address the issues.	The turnover rate for female employees increased during second half of 2020, with the year end rate being 13.2%. Although higher than 2019, the Company rate is less than the industry average insight data that is currently trending at 13.3% and 15.7%. Following any female resignations within the Company, the Human Resources team seeks further information. Currently there is no discernible trend for female departures, with reasons ranging from geographic location, family reasons, retirement and career opportunities.

The Board has set the following measurable objectives in relation to gender diversity for 2021:

1. Approval of and establishment of the Yancoal Diversity Strategy.
2. Creation and implementation of growth opportunities for women through internal and external mentoring program, aimed at supporting the development of career pathways into leadership positions for female and diverse employees.
3. Continue to develop our leaders by delivering inclusive leadership training to Company site leadership teams.
4. Continuing to develop and monitor meaningful metrics to track key diversity metrics including:
  - a. diversity of new hires; and;
  - b. female turnover rate
  - c. return of females after parental leave.

**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 2020, the proportion of women who were directly engaged by the Company as a whole was 12%: 341 Full-time, 18 Part-time, 7 Casual and 69 Managed Contractors. The proportion of women in Executive Committee roles within the Company during 2020 was 8%: Women held 1 of 13 Executive Committee roles within the Company.

On and from 30 January 2018, one female Non-Executive Director sits on the Board.

**COMMUNICATIONS WITH SHAREHOLDERS**

The Company has an investor relations program that is aimed at facilitating two-way communications with investors. The Company's policy is to promote effective two-way communication with shareholders and other investors so that they understand how to assess relevant information about the Company and its corporate direction. The Company aims to keep shareholders, potential investors and other stakeholders informed of all major developments affecting the state of affairs of the Company. The Company facilitates the investor relations program by communicating information regularly to shareholders, potential investors and other stakeholders by:

- posting announcements on the ASX and HKEx platforms in accordance with its continuous disclosure obligations and also making these announcements available on the Company's website under the sections marked 'Corporate Governance', 'Media' and 'Boards and Committees';
- keeping its website up to date on important information about the Company, including its Constitution, Board and Board Committee Charters, core corporate governance policies and financial information about the Company; and
- publishing investor presentations made to analysts on the ASX and HKEx platforms and making media briefings available within the Investor section of the Company's website.

The Board considers one of its key responsibilities to be communication with shareholders. Whilst the COVID-19 pandemic required changes to the way the Company held, and shareholders participated in, its AGM, 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. This may include, for

## CORPORATE GOVERNANCE STATEMENT

example, holding meetings across multiple venues linked by live telecommunications and hybrid meetings that allow shareholders to attend and vote in person, by proxy or online. 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 2020 AGM was held at 11.00am (AEST) (being 9.00am (HKT)) on Friday, 31 July 2020 at Yancoal Australia Ltd, Level 18, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000, Australia. The major items discussed were the election and re-election of Directors, approval of termination benefit payments and issue of rights. All resolutions were duly passed by the shareholders by way of poll.

The Company's Shareholder Communication Policy can be found within the Corporate Governance section of the Company's website.

Paragraph 44 of the Hong Kong Joint Policy Statement Regarding the Listing of Overseas Companies, jointly issued by the Securities and Futures Commission of Hong Kong and HKEx in March 2007 and updated in April 2018, requires that members holding a minority stake in an overseas company must be allowed to convene an extraordinary general meeting and add resolutions to a meeting agenda. The minimum level of members' support required to convene a meeting must be no higher than 10%.

Under section 249D of the *Corporations Act 2001 (Cth)*, shareholders with at least 5% of the votes that may be cast at a general meeting may request the Directors to call a general meeting or may convene a general meeting themselves at their own expense under section 249F of the *Corporations Act 2001 (Cth)*. Any such request must be in writing, must state any resolution to be proposed at the meeting, must be signed by the shareholder making the request and must be given to the Company.

Under section 249N of the *Corporations Act 2001 (Cth)*, shareholders representing at least 5% of the total votes that may be cast on the resolution or at least 100 shareholders who are entitled to vote at a general meeting may give the Company notice requiring resolutions to be put before a general meeting. The notice must be in writing, must set out the wording of the proposed resolution and must be signed by the shareholders proposing to move the resolution.

Apart from the general meetings, the Company's website is an effective means of communication with shareholders.

The Company is committed to facilitating the two-way communication with shareholders, in particular, dealing with shareholder enquiries (whether an institutional investor or a retail investor) and any shareholders who have questions or comments on what the Company is doing are most welcome to contact the Company at any time through the website. Shareholders may raise enquiries to the Board by contacting the Company's General Manager - Corporate Affairs, including at [shareholder@yancoal.com.au](mailto:shareholder@yancoal.com.au). Upon receipt of the enquiries, the General Manager - Corporate Affairs will forward the shareholders' enquiries and concerns to the Board, Board committees or management as appropriate.

This Corporate Governance Statement has been approved by the Board and is current as at 26 February 2021.

## CONTINUING CONNECTED TRANSACTIONS

**CONTINUING CONNECTED TRANSACTIONS**

The Company has entered into certain transactions with connected persons of the Company which constitute continuing connected transactions of the Company under the HK Listing Rules. These non-exempt continuing connected transactions, in respect of which the Company has complied with the relevant requirements under Chapter 14A of the HK Listing Rules, are set out below.

**SALE OF COAL BY THE GROUP TO YANZHOU**

From time to time, Yanzhou (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. The Company entered into a framework coal sales agreement with Yanzhou (the "Yanzhou Framework Coal Sales Agreement") on 8 October 2018 to govern all existing and future sale of coal by the Group to Yanzhou and/or its subsidiaries (excluding the Group). The Yanzhou Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Yanzhou 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 market indices, adjusted for coal characteristics and an optional analysis to ensure the price is negotiated on an arm's length basis and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws.

The Yanzhou Framework Coal Sales Agreement expired on 31 December 2020.

The maximum annual transaction amount to be received by the Group from Yanzhou and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 was not to exceed US\$250.0 million, US\$250.0 million and US\$250.0 million, respectively. During the year ended 31 December 2020, the transaction amount received by the Group was approximately US\$53.2 million, which was below the annual cap.

On 19 November 2020, the Company entered into a framework agreement for coal sales with Yanzhou (the "2021 Yanzhou Framework Agreement For Coal Sales") in relation to the sale of coal by the Group to Yanzhou and/or its subsidiaries (excluding the Group), commencing from 1 January 2021 and set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US\$20million, US\$20 million and US\$20 million, respectively.

**SALE OF COAL BY THE GROUP TO YIT**

The Company had been supplying coal to Yancoal International Trading Co., Ltd. ("YIT") pursuant to the Yanzhou Framework Coal Sales Agreement which governs the sales of coal by the Company to Yanzhou and/or its subsidiaries. On 30 April 2020, YIT ceased to be a subsidiary of Yanzhou and became a wholly-owned subsidiary of Yankuang (the controlling shareholder of Yanzhou). Accordingly, YIT is a connected person by virtue of being an associate of Yanzhou. As the Company expected to continue to sell coal to YIT for the remainder of 2020, on 26 May 2020, the Company entered into a framework coal sales agreement with YIT (the "YIT Framework Agreement For Coal

Sales"), pursuant to which the Group agreed to sell coal to YIT and/or its associates (excluding the Yanzhou Group) from the date of the YIT Framework Agreement For Coal Sales to 31 December 2020.

The maximum annual transaction amount to be received by the Group from and/or its associates (excluding the Yanzhou Group) from the date of the YIT Framework Agreement For Coal Sales to 31 December 2020 was not to exceed US\$93 million. During the year ended 31 December 2020, the transaction amount received by the Group was approximately US\$13.7 million, which was below the annual cap.

On 19 November 2020, the Company entered into a framework agreement for coal sales with YIT (the "2021 Yanzhou Framework Agreement For Coal Sales") in relation to the sale of coal by the Group to YIT and/or its associates (excluding the Yanzhou Group), commencing from 1 January 2021 and set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US\$87.5million, US\$87.5 million and US\$87.5 million, respectively.

**PURCHASE OF COAL BY THE GROUP**

The Group has purchased and may, from time to time, purchase coal from Yanzhou and/or its subsidiaries, in particular Australian based subsidiaries of Yanzhou 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 Yanzhou (the "Framework Coal Purchase Agreement") on 8 October 2018 to govern all existing and future purchases of coal by the Group from Yanzhou and/or its subsidiaries (excluding the Group). The Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Yanzhou and/or its subsidiaries (excluding the Group) must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm's length basis, (iii) on normal commercial terms with the sale price being determined with reference to industry index prices and coal quality characteristics under the respective contracts and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws.

The Framework Coal Purchase Agreement expired on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the HK Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Framework Coal Purchase Agreement.

The maximum annual transaction amount to be paid by the Group to Yanzhou and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 was not to exceed US\$65.0 million, US\$65.0 million and US\$65.0 million, respectively. During the year ended 31 December 2020, the transaction amount paid by the Group was approximately US\$3.5 million, which was below the annual cap.

On 16 December 2020, the Board resolved to renew the Framework Coal Purchase Agreement for a further three years commencing from 1 January 2021 and to set the



## CONTINUING CONNECTED TRANSACTIONS

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.

**PROVISION OF MANAGEMENT SERVICES BY THE COMPANY**

As one of the conditions imposed by the Foreign Investment Review Board of the Australian Government in relation to the merger of the Company with Gloucester in 2012, a management and transitional services agreement (the "Management and Transitional Services Agreement") was entered into between the Company and the following entities (the "Existing Recipients"), comprising (i) Yanzhou, (ii) Yancoal Technology Development Holdings Pty Ltd, (iii) Premier Coal Holdings Pty Ltd, (iv) Athena Holdings Pty Ltd, (v) Tonford Holdings Pty Ltd, (vi) Wilpeena Holdings Pty Ltd and (vii) Yancoal Energy Pty Limited, in 2012, pursuant to which the Company has agreed to provide to the Existing Recipients each Services (as described below) in respect of certain assets owned by the Existing Recipients. Each of the Existing Recipients is a wholly owned subsidiary of Yanzhou (other than Yanzhou itself). Yanzhou is a Controlling Shareholder of the Company and is interested in approximately 62.26% of the Shares in the Company.

On 7 December 2016, a deed of variation, accession and termination agreement of the Management and Transitional Services Agreement was entered into among the Existing Recipients, Yankuang Resources Pty Ltd ("Yankuang Resources"), Yankuang (Australia) Metal Mining Pty Ltd. ("Yankuang (Australia) Metal Mining"), together with Yankuang Resources and the Existing Recipients, the ("Recipients") and the Company, pursuant to which Yankuang Resources and Yankuang (Australia) Metal Mining became parties to the Management and Transitional Services Agreement and are entitled to all rights and benefits of an Existing Recipient under the Management and Transitional Services Agreement. Yankuang Resources and Yankuang (Australia) Metal Mining are both wholly owned subsidiaries of Yankuang. Yankuang is, directly and indirectly, interested in approximately 56.01% of the shares in Yanzhou and is a controlling shareholder of the Company.

Details of the terms of the Management and Transitional Services Agreement are set out below.

**Services**

The services provided to each Recipient and each of their respective subsidiaries (excluding the Group and Yanzhou) include:

- General Corporate services, which comprise human resource services, treasury services, financial accounting/reporting services, compliance services, marketing and logistic services, corporate communications services, government and industry relations services, business development services and other general corporate services,
- Operations services, which comprise carrying out exploration programs, preparing business plans, monitoring and reporting on environmental issues, using all reasonable endeavours to meet business KPIs, preparing plans of operations as may be required by laws and other operational services and

- IT Services, which comprise the granting of the permission to use the Company's hardware or software and the provision of IT support services. (collectively, the "Services")

During the term, each party may request that the Company provide an additional service, or the Company may change or modify the provision of an existing service by notifying the parties in writing. Following receipt of the notice, representatives of each party must promptly meet to discuss in good faith the proposed new services or modified services.

**Services Fees**

The services fees for provision of the Services are charged on the basis of cost plus a 5% margin, except for any third-party charges attributable to the provision of the relevant services which are charged at cost. The cost base upon which 5% margin is applied is determined on the basis of management's reasonable estimate of such costs at the commencement of each calendar year having regard to certain principles, including (i) in respect of coal-mining operations, the total budgeted corporate administration costs of the Company and the budgeted proportion of overall product tonnes of the relevant mining operation, (ii) in respect of non-coal mining businesses, the estimated management hours and the hourly rate for such work and (iii) in respect of disbursement, full recovery of any hard disbursements incurred by the Company.

At the end of each financial year (or such other times as the parties may agree), the parties will undertake a reconciliation of the fees charged during that financial year against the actual cost and services provided. The Company will refund the excess charges, or the Recipients will pay the shortfall charges to the Company, in each case, within 14 days of determination of the fee adjustment required.

**Payment of the Services Fees**

The Company will invoice the Recipients quarterly in arrears for services provided and the Recipients must pay to the Company within 30 days after the receipt of the invoice.

Notwithstanding that the term of the Management and Transitional Services Agreement may exceed three years, the Company has set the annual caps for the transactions under the Management and Transitional Services Agreement for a term of three years and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years. The maximum annual transaction amount to be charged by the Group from the Recipients for the three years ending 31 December 2018, 2019 and 2020 was not to exceed \$15 million, \$15 million and \$15 million, respectively. During the year ended 31 December 2020, the transaction amount charged by the Group was approximately \$10.1 million, which was below the annual cap.

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.

**LOAN FACILITY PROVIDED BY THE COMPANY**

Premier Coal Holdings Pty Ltd, an indirect wholly-owned subsidiary of Yanzhou ("Premier Coal") (as the borrower), entered into a loan agreement with the Company (as lender) on 15 June 2016 in relation to an \$50 million uncommitted

## CONTINUING CONNECTED TRANSACTIONS

revolving loan with a fixed interest rate of 7% per annum (the "Premier Coal Loan Agreement"). Pursuant to the Premier Coal Loan Agreement, the Company may terminate or cancel the facility at any time and amounts already advanced to Premier Coal prior to the termination or cancellation are required to be repaid immediately. The termination date will be the date 12 months after the date of the Premier Coal Loan Agreement, subject to automatic extension on a rolling 12 months basis, or any earlier date on which the facility is terminated or cancelled in full or on which all the money owing becomes due and payable.

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 2018, 2019 and 2020 was not to exceed \$53.5 million, \$53.5 million and \$53.5 million, respectively. The annual caps represent the facility limit under the Premier Coal Loan Agreement and the maximum interest to be received. As at 31 December 2020, no amount remained drawn down under the Premier Coal Loan Agreement.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at \$53.5 million, \$53.5 million and \$53.5 million, respectively.

**BANK GUARANTEES PROVIDED IN FAVOUR OF YANZHOU'S SUBSIDIARIES****Syndicated Facility Agreement**

Yancoal Resources Limited ("Yancoal Resources"), a wholly-owned subsidiary of the Company, entered into a syndicated facility agreement (as amended from time to time) (the "Local Banks Secured Syndicated Facility Agreement") with financiers who are independent third party commercial banks, on 11 October 2005, pursuant to which the financiers have agreed to grant to the borrowers, being Yancoal Resources and any new borrowers as agreed by the financiers, a dollar contingent liability facility (which may also be drawn in US\$), under which, the financiers will issue credit support documents, including bank guarantee and letter of credit, in the name of the borrowers. Subject to amendment and restatement from time to time, the Local Banks Secured Syndicated Facility Agreement is for a term of three years.

The Company manages certain mines on behalf of Yanzhou. In the ordinary and usual course of business, the subsidiaries of Yanzhou 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 5 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 subsidiaries of Yanzhou holding the managed mines will use the overall bank guarantee facilities, including the Syndicated Facility and the facility under the Local Banks Secured Syndicated Facility

Agreement, and pay the Company bank guarantee fees, which are equal to the fees to be paid by the Company to the commercial banks.

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by commercial banks in favour of the subsidiaries of Yanzhou (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 was not to exceed \$123.4 million, \$128.6 million and \$133.7 million, respectively. During the year ended 31 December 2020, the aggregate maximum daily outstanding principal and the bank guarantee fees was approximately \$94 million, which was below the annual cap.

On 19 December 2019, the Company entered into a framework bank guarantee agreement with the subsidiaries of Yanzhou to govern the future issuance of bank guarantees for the three financial years ending 31 December 2020, 2021 and 2022. Further details are provided in section below headed "Framework Bank Guarantee Agreement".

**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 "Yanzhou Entities") (the "Framework Bank Guarantee Agreement") on 19 December 2019, pursuant to which the Yanzhou Entities and/or their subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group, and pay the Company bank guarantee fees, which are equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 business days after the payment by the Company. The initial term of the Framework Bank Guarantee Agreement is for a period of three years commencing 1 January 2020 and expiring on 31 December 2022 and is automatically renewed for a successive period of three years thereafter, subject to the compliance with the HK Listing Rules.

The Company manages certain mines, which are located in Australia on behalf of Yanzhou Entities and/or their subsidiaries. In the ordinary and usual course of business, the Yanzhou Entities and/or their subsidiaries of holding the managed mines may require credit support documents issued by commercial banks for their respective business operations. Given the relevant commercial banks can issue credit support documents pursuant to existing facility agreements generally within five business days after receiving a request, which is a much shorter period of time and simpler process as compared to those required by other commercial banks to issue credit support documents without an existing facility agreement and the relationship between the Company and the managed mines, as an integral part of the management services rendered by the Company in support of the operation of the managed mines, the Yanzhou 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 Yanzhou

## CONTINUING CONNECTED TRANSACTIONS

Entities and/or their subsidiaries (excluding the Group) for the three years ending 31 December 2020, 2021 and 2022 was not to exceed \$170 million, \$170 million and \$170 million, respectively.

**PURCHASE OF COAL BY GLENCORE**

From time to time, Glencore Coal Pty Ltd (“Glencore”) and/or its associates may purchase coal from the Group for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements. The Company entered into a framework coal sales agreement with Glencore (the “Glencore Framework Coal Sales Agreement”) on 29 June 2018 to govern all existing and future sales of coal by the Group to Glencore and/or its subsidiaries and/or related entities. The Glencore Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Glencore and/or its subsidiaries and/or related entities must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm’s length basis, (iii) on normal commercial terms with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price. Glencore wholly owns Anotero Pty Ltd (“Anotero”). Anotero is a substantial shareholder of subsidiaries of the Company under the HK Listing Rules. Glencore is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary (through Anotero).

The Glencore Framework Coal Sales Agreement expired on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the HK Listing Rules, unless terminated earlier by not less than three months’ prior notice or otherwise in accordance with the terms of the Glencore Framework Coal Sales Agreement.

The maximum annual transaction amount to be received by the Group from Glencore and/or its subsidiaries and/or its related entities for the three years ending 31 December 2018, 2019 and 2020 was not to exceed US\$350 million, US\$350 million and US\$350 million, respectively. During the year ended 31 December 2020, the transaction amount received by the Group was approximately US\$142.2 million, which was below the annual cap.

On 16 December 2020, the Board resolved to renew the Glencore Framework Coal Sales Agreement for a further three years commencing from 1 January 2021 and to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US\$350 million, US\$350 million and US\$350 million, respectively.

**PURCHASE OF COAL BY SOJITZ**

From time to time, Sojitz Moolarben Resources Pty Ltd (“Sojitz”) and/or its subsidiaries may purchase coal from the Group primarily for their own trading purposes and for sale to end customers, typically into Japan. Specifically, Moolarben Coal Sales Pty Ltd has entered into a coal supply contract for a term of three years with Sojitz Corporation in March 2016 for onward supply of coal to a major industrial user in Japan. Sojitz

was a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary.

The coal sales agreement between the Company and Sojitz (the “Sojitz Coal Sales Agreement”) dated 6 August 2018 governs all existing and future sales of coal by the Group to Sojitz and/or its subsidiaries. The Sojitz Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Sojitz and/or its subsidiaries 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 market indices, coal quality and an optional analysis to ensure the price is negotiated on an arm’s length basis and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws.

After the disposal of its entire 10% stake in the Moolarben Coal Joint Venture, Sojitz ceased to be a connected person of the Company, and the transactions contemplated under the Sojitz Coal Sales Agreement ceased to be continuing connected transactions, on and from 31 March 2020.

The maximum annual transaction amount to be received by the Group from Sojitz and/or its subsidiaries for the three years ending 31 December 2018, 2019 and 2020 was not to exceed US\$100 million and US\$100 million, respectively. During the period from 1 January 2020 to 31 March 2020, the transaction amount received by the Group was approximately US\$10.8 million, which was below the annual cap.

**SALES OF COAL BY THE GROUP TO POSCO AND/OR ITS ASSOCIATES**

From time to time, POSCO Australia Pty Ltd (previously known as Pohang Steel Australia Pty Ltd) (“POSCO”) and/or its associates may purchase coal from the Group for their own utilisation in the manufacturing of steel or generation of electricity. As POSCO is interested in 20% of the Mount Thorley JV, a subsidiary of the Company under the HK Listing Rules, POSCO is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary.

As the POSCO Coal Sales Agreements are renewed annually, the Company will set an annual cap for the transactions under the POSCO Coal Sales Agreements for a further term of one year and will re-comply with the applicable requirements of the HK Listing Rules when the relevant agreements are renewed. As disclosed in the announcement of the Company dated 19 December 2019, and supplemental announcement dated 10 February 2020, the parties entered into four coal sales agreements with POSCO and/or its associates (the “2020 POSCO Coal Agreements”) on 19 December 2019. Of the 2020 POSCO Coal Sales Agreements, two became effective on 1 January 2020 and will expire on 31 December 2020, and the other two become effective on 1 April 2020 and will expire on 31 March 2021. Upon the 2020 POSCO Coal Sales Agreements becoming effective, the 2019 POSCO Coal Sales Agreements will cease to have any effect in accordance with their terms.

The 2020 POSCO Coal Sales Agreements provide that all transactions in relation to the sale of coal by the Group to POSCO 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 negotiated between the parties on an arm’s length market related basis relative to industry benchmarks prices and reflecting coal quality, and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws. The Group has been supplying POSCO and/or its associates for several years under annual contracts which are renewed annually, but where volume and price are renegotiated annually.

The maximum annual cap in respect of the 2020 POSCO Coal Sales Agreements for the year ended 31 December 2020 was US\$600 million. During the year ended 31 December 2020, the transaction amount received by the Group was approximately US\$163 million, which was below the annual cap.

On 18 December 2020, each of Ashton Coal Mines Limited, Miller Pohang Coal Company Pty Limited and Yarrabee Coal Company Pty Ltd (each a subsidiary of the Company) formally agreed to enter into a coal sales agreement with POSCO pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group during the financial year ending 31 December 2021 and the three months ending 31 March 2022 (collectively, the “2021 POSCO Coal Sales Agreements”). Upon the 2021 POSCO Coal Sales Agreements becoming effective, the 2020 POSCO Coal Sales Agreements will cease to have any effect in accordance with their terms. The maximum annual transaction amounts to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the 2021 POSCO Sales Agreements for the year ending 31 December 2021 and for the period from 1 January 2022 to 31 March 2022 will not exceed US\$500 million and US\$125 million, respectively.

**PURCHASE OF COAL FROM GLENCORE**

From time to time, the Group may purchase coal from Glencore and/or its associates for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements. The Company entered into a framework coal purchase agreement with Glencore (the “Glencore Framework Coal Purchase Agreement”) on 6 August 2018 to govern all existing and future purchase of coal by the Group from Glencore and/or its subsidiaries.

The Glencore Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Glencore and/or its associates must be in the ordinary and usual course of business of the Group, on an arm’s length basis, (iii) on normal commercial terms with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the HK Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price. Glencore wholly owns Anotero which is a substantial shareholder of subsidiaries of the Company under the HK Listing Rules. Glencore is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary.

The Glencore Framework Coal Purchase Agreement expired on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the HK Listing Rules, unless terminated earlier by not less than three

months’ prior notice or otherwise in accordance with the terms of the Glencore Framework Coal Purchase Agreement.

The maximum annual transaction amount to be paid by the Group to Glencore and/or its subsidiaries for the three years ending 31 December 2018, 2019 and 2020 was not to exceed US\$350 million, US\$350 million and US\$350 million, respectively. During the year ended 31 December 2020, the transaction amount paid by the Group was approximately US\$62.5 million, which was below the annual cap.

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.

**PURCHASE OF COAL FROM ANOTERO**

As part of the Glencore Transaction, Coal & Allied Operations Pty Ltd (“CNAO”), a wholly-owned subsidiary of the Company, HVO Coal Sales Pty Ltd (the “SalesCo”) and Anotero entered into a sales contract – Hunter Valley Operations Joint Venture on 4 May 2018 (the “HVO Sales Agreement”). The relevant mining and exploration licences of HVO are held directly by CNAO and Anotero as tenants in common in proportion to their respective participating interest in the Hunter Valley Operations Joint Venture (“HVO JV”). Pursuant to the HVO Sales Agreement, (i) each of CNAO and Anotero agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the HVO JV to the SalesCo only and the SalesCo agrees to purchase each of CNAO’s and Anotero’s entitled portion of coal product (other than coal product to be sold to Glencore and/or its subsidiaries); (ii) the amount payable to each of CNAO and Anotero by the SalesCo shall be the total amount received by the SalesCo for that portion of product under each sales contract entered into between the SalesCo and its customers; and (iii) payment by the SalesCo to CNAO and Anotero shall be no later than 3 business days after receipt by the SalesCo of payment from its customers. In respect of any sales to Glencore and/or its subsidiaries that fall within the Glencore Framework Coal Sales Agreement, each of CNAO and Anotero agrees that SalesCo will be treated as if it has entered into the sale as agent for and on behalf CNAO and Anotero in proportion to their respective participating interests in the HVO JV.

Anotero is a substantial shareholder of subsidiaries of the Company under the HK Listing Rules. Anotero is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary. The HVO Sales Agreement shall commence on the date of the HVO Sales Agreement and terminate upon the termination of the joint venture agreement in relation to the HVO JV in accordance with its terms.

Notwithstanding that the term of the HVO Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the HVO Sales Agreement for a term of three years and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years.



## CONTINUING CONNECTED TRANSACTIONS

The maximum annual transaction amount to be distributed by the SalesCo to Anotero for the three years ending 31 December 2018, 2019 and 2020 was not to US\$750 million, US\$750 million and US\$750 million, respectively. During the year ended 31 December 2020, the transaction distributed by the SalesCo to Anotero was approximately US\$405.5 million, which was below the annual cap.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US\$750 million, US\$750 million and US\$750 million, respectively.

**PURCHASE OF COAL FROM POSCO**

The participants of the unincorporated joint venture in relation to Mt Thorley (the "MT JV") namely POSCO and Mount Thorley Operations Pty Ltd (previously known as R. W. Miller & Co. Pty Limited) ("MT Operations"), a wholly-owned subsidiary of the Company holding the relevant mining and exploration licences of Mount Thorley on behalf of the MT JV, entered into a sales contract with Miller Pohang Coal Co. Pty Limited (the "MT SalesCo") on 10 November 1981 (the "MT Sales Agreement"), respectively. MT SalesCo is a company jointly controlled by MT Operations and POSCO with MT Operations and POSCO holding 80% and 20% of its interest, respectively. Both the MT SalesCo and the MT JV are subsidiaries of the Company under the HK Listing Rules. As POSCO holds more than 10% of the interest in the MT SalesCo and has more than 10% participating interest in the MT JV, POSCO is a connected person of the Company by being a substantial shareholder of the subsidiaries of the Company. Accordingly, the transaction between the MT SalesCo and POSCO constitutes a continuing connected transaction of the Company under the HK Listing Rules.

Pursuant to the MT Sales Agreement: (i) each of POSCO and MT Operations agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the MT JV to the MT SalesCo only and the MT SalesCo agrees to purchase each of POSCO's and MT Operations' entitled portion of coal product; (ii) the amount payable to each of POSCO and MT Operations shall be the total amount received by the MT SalesCo for that portion of product under each sales contract entered into between the MT SalesCo and its customers; and (iii) payment by the MT SalesCo to POSCO and MT Operations shall be no later than seven days after receipt by the MT SalesCo of payment from its customers.

The MT Sales Agreement was entered into on 10 November 1981 and will last during the economic life of the Mount Thorley coal mine.

Notwithstanding that the term of the MT Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the MT Sales Agreement for a term of three years and will re-comply with the applicable requirements of the HK Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be distributed by the MT SalesCo to POSCO for the three years ending 31 December 2018, 2019 and 2020 was not to exceed US\$90 million, US\$90 million and US\$90 million, respectively. During the year ended 31 December 2020, the transaction

amount distributed by the MT SalesCo to POSCO was approximately US\$50.6 million, which was below the annual cap.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2021, 2022 and 2023 at US\$90 million, US\$90 million and US\$90 million, respectively.

**PURCHASE OF DIESEL FUEL FROM GLENCORE**

On 25 October 2019, HV Operations Pty Ltd ("HV Operations"), a subsidiary of the Company, entered into a diesel fuel supply agreement with Glencore Australia Oil Pty Ltd ("GAO"), pursuant to which HV Operations has agreed to purchase diesel fuel from GAO during the period from 1 November 2019 to 31 October 2022 (the "2019 Diesel Fuel Supply Agreement").

As GAO is a subsidiary of Glencore plc, which is the holding company of Anotero Pty Ltd, a substantial shareholder of HV Operations, GAO is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company's subsidiary.

The 2019 Diesel Fuel Supply Agreement became effective on 1 November 2019 and will expire on 31 October 2022. Pursuant to the 2019 Diesel Fuel Supply Agreement, HV Operations agrees to purchase, and GAO agrees to sell at a price agreed and applicable to the monthly quantity delivered as measured in accordance with the agreement. HV Operations will generate a purchase order prior to the month of delivery. GAO will deliver the volume of fuel in the purchase order by the date specified in that purchase order and HV Operations will make the payments after the delivery of the fuel. The basis for calculating the payments to be made is based on the volume delivered and the price determined following the tender process.

To ensure a fair and open tender process, an Independent Third Party has been engaged with extensive involvement in the commercial business-to-business diesel supply market to assist in the tender document preparation, submission evaluations and subsequent engagement with suppliers in negotiating the optimal outcome. A tender has been issued to several prospective suppliers. The negotiation process cycled three or four times with each supplier, including reviewing and verifying the accuracy and consistency of each submission made by the suppliers and ensuring that pricing is evaluated on consistent basis. Potential suppliers were determined and approved based on a variety of criteria, including reputation, reliability and the pricing submitted.

The maximum annual transaction amount to be paid by HV Operations to GAO for the purchase of diesel fuel for the period 1 November 2019 to 31 December 2019, the two years ending 31 December 2020 and 2021, and the period 1 January 2022 to 31 October 2022 will not exceed \$30 million, \$180 million, \$180 million and \$150 million, respectively. During the year ended 31 December 2020, the transaction amount paid by the Group was approximately \$99.6 million, which was below the annual cap.

## CONTINUING CONNECTED TRANSACTIONS

**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 2020. The independent Non-Executive Directors hereby confirmed that the above continuing transactions have been entered into:

1. in the ordinary and usual course of business of the Group;
2. on normal commercial terms or better; and
3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of Shareholders as a whole.

In accordance with the requirement of Rule 14A.56 and 14A.71(6)(b) of the HK Listing Rules, the Company has engaged the independent auditor of the Company to report on the continuing connected transactions of the Group.

Based on the results of procedures performed and in accordance with the aforesaid HK Listing Rules, the independent auditor has provided a letter to the Board confirming that nothing has come to their attention that cause them to believe that the continuing connected transactions:

- i. have not been approved by the Board;
- ii. were not, in all material respects, in accordance with the pricing policies of the Group;
- iii. were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- iv. have exceeded their respective annual caps for the financial year ended 31 December 2020 set out in the prospectus and announcement of the Company.

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

The Company confirms that it has complied with the requirements of Chapter 14A of the HK Listing Rules in relation to all connected transactions and continuing connected transactions to which any Group member was a party during the year ended 31 December 2020. Please refer to Note E3 to the financial statements for a summary of the related party transactions entered into by the members of the Group for the year ended 31 December 2020. Other than those transactions disclosed in the section headed "Continuing Connected Transactions" above, none of these transactions constitutes a disclosable connected transaction as defined under the HK Listing Rules.

## COAL RESERVES AND RESOURCES

The Coal Resources and Coal Reserves presented in this report are extracted from an announcement made on 17 March 2021. 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).

On an attributable basis Yancoal group total year end 31 December 2020 position is as follows:

	2020	2019	CHANGE
Measured, Indicated and Inferred Coal Resources <sup>52</sup>	6,884Mt	6,911Mt	-0.4%
Recoverable Proved and Probable Coal Reserves <sup>52,53</sup>	1,154Mt	1,196Mt	-3.5%
Marketable Proved and Probable Coal Reserves <sup>52,53</sup>	833Mt	872Mt	-4.5%

### Notes

- 2020 Coal Resources and 2020 Coal Reserves have been rounded in line with the JORC Code and the Yancoal reporting standards to reflect the relative uncertainty of the estimates.
- All Coal Resources are inclusive of Coal Reserves and are reported on a 100% basis with Yancoal's ownership percent reported for each deposit. The attributable share total is the total Coal Resources when the Yancoal ownership percent (as at 31 December 2020) is applied. The attributable share total is the total Coal Reserves when the Yancoal ownership percent (as at 31 December 2020) is applied.
- Met = Metallurgical Coal
- Semi = Semi-soft coking coal
- PCI = Pulverised Coal Injection
- Mt = Million tonnes
- OC = Open Cut
- UG = Underground

### COAL RESOURCES FOR YEAR ENDING 31 DECEMBER 2020

PROJECT	YANCOAL OWNERSHIP %	COAL TYPE	MOISTURE BASIS %		MEASURED COAL RESOURCES (MT)		INDICATED COAL RESOURCES (MT)		INFERRED COAL RESOURCES (MT)		TOTAL COAL RESOURCES (MT)
			2020	2019	2020	2019	2020	2019	2020	2019	2020
Moolarben (OC & UG) <sup>54</sup>	95%	Thermal	6.0%		710	760	180	180	200	200	1090
Mt Thorley (OC & UG)	80%	Semi/Thermal	6 to 8%		280	300	160	160	160	180	600
Warkworth (OC & UG)	84.47%	Semi/Thermal	6 to 8%		590	610	420	420	440	470	1450
HVO (OC)	51%	Semi/Thermal	6 to 8%		800	810	1300	1300	2400	2400	4500
Yarrabee (OC)	100%	PCI/Thermal	5.5%		75	80	85	85	50	50	210
Gloucester (OC) <sup>55</sup>	100%	Met/Thermal	6.0%		8	8	195	195	110	110	313
Middlemount (OC)	50%	Met/Thermal	5.0%		57	73	53	54	8	8	118
Austar (UG) <sup>56</sup>	100%	Met	5.0%		110	110	40	40	70	70	220
Ashton (OC & UG) <sup>56</sup>	100%	Semi/Thermal	6.5%		85	85	85	85	90	90	260
Donaldson (OC & UG) <sup>56</sup>	100%	Semi/Thermal	4.0%		190	190	400	400	100	100	690
Monash (UG) <sup>56</sup>	100%	Met/Thermal	6.0%		0	0	17	17	80	80	97
					2905	3026	2935	2936	3708	3758	9548
<b>Yancoal Attributable Share</b>											<b>6884</b>

52 2020 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.

53 Where required the component Coal Reserve numbers for each site making up this total have been depleted by production from the JORC report date to 31 December 2020.

54 Attributable figure used for Moolarben is 85% up to and including 31 December 2020, and 95% after that date.

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

56 On 17 February 2016, Yancoal announced a financing arrangement by its newly established subsidiary, Watagan Mining Company Ltd ("Watagan") to issue US\$755 million of nine-year bonds. Under these arrangements Yancoal's interests in the assets of Ashton, Austar and Donaldson were transferred to and controlled, for accounting purposes, by Watagan. On 16 December 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd, its wholly owned subsidiary Yankuang Group (Hong Kong) Limited and the other two holders of the bonds issued by Watagan which resulted in Yancoal regaining accounting control of Watagan on that date.

## COAL RESERVES AND RESOURCES

### COAL RESERVES FOR YEAR ENDING 31 DECEMBER 2020

PROJECT	YANCOAL OWNERSHIP %	COAL TYPE	RECOVERABLE COAL RESERVE				
			PROVED COAL RESERVES (MT)		PROBABLE COAL RESERVES (MT)		TOTAL COAL RESERVES (MT)
			2020	2019	2020	2019	2020
Moolarben (OC) <sup>57</sup>	95%	Thermal	178	197	6	6	184
Moolarben (UG) <sup>57</sup>	95%	Thermal	38	46	13	13	51
Mount Thorley (OC)	80.0%	Semi/Thermal	4.6	7.4	14	37	18
Warkworth (OC)	84.47%	Semi/Thermal	180	187	76	61	256
HVO (OC)	51%	Semi/Thermal	420	440	460	460	880
Yarrabee (OC)	100%	PCI/Thermal	31	33	15	18	46
Gloucester (OC) <sup>58</sup>	100%	Met/Thermal	0	0	17	19	17
Middlemount (OC) <sup>59</sup>	50%	Met/Thermal	41	45	37	37	78
Austar (UG) <sup>60, 61</sup>	100%	Met	0	0.2	0	0	0
Ashton (AWOC) <sup>60</sup>	100%	Semi/Thermal	0	0	17	17	17
Ashton (UG) <sup>60</sup>	100%	Semi/Thermal	15	9	7	21	22
Donaldson (UG) <sup>60</sup>	100%	Semi/Thermal	0	0	110	110	110
<b>Total Coal Reserves (100% Basis) - Rounded</b>			<b>909</b>	<b>965</b>	<b>771</b>	<b>798</b>	<b>1680</b>
<b>Yancoal Attributable Share</b>							<b>1154</b>

PROJECT	YANCOAL OWNERSHIP %	COAL TYPE	MOISTURE BASIS %		PROVED COAL RESERVES (MT)		PROBABLE COAL RESERVES (MT)		TOTAL COAL RESERVES (MT)
			2020	2019	2020	2019	2020	2019	2020
Moolarben (OC) <sup>57</sup>	95%	Thermal	9%	20%	144	161	5	5	149
Moolarben (UG) <sup>57</sup>	95%	Thermal	9%	16%	39	47	13	13	52
Mount Thorley (OC)	80.0%	Semi/Thermal	10%	13%	3.1	5.1	10	25	13
Warkworth (OC)	84.47%	Semi/Thermal	10%	13%	123	133	52	47	175
HVO (OC)	51%	Semi/Thermal	10%	13%	310	320	330	330	640
Yarrabee (OC)	100%	PCI/Thermal	9%	9%	25	27	12	15	37
Gloucester (OC) <sup>58</sup>	100%	Met/Thermal	8%	14%	0	0	10	11	10
Middlemount (OC) <sup>58</sup>	50%	Met/Thermal	10.5% Coking 9% PCI	10% Coking 11.8% PCI	33	35	27	27	60
Austar (UG) <sup>60, 61</sup>	100%	Met	5%	5.5%	0.0	0.2	0	0	0.0
Ashton (AWOC) <sup>60</sup>	100%	Semi/Thermal	9.5%	9.5%	0	0	9	9	9
Ashton (UG) <sup>60</sup>	100%	Semi/Thermal	8.5%	9.5%	7.2	5.1	3.4	12	11
Donaldson (UG) <sup>60</sup>	100%	Semi/Thermal	8%	17%	0	0	62	62	62
<b>Total Coal Reserves (100% Basis) - Rounded</b>					<b>684</b>	<b>734</b>	<b>532</b>	<b>555</b>	<b>1216</b>
<b>Yancoal Attributable Share</b>									<b>833</b>

57 Attributable figures for Moolarben are 85% up to and including 31 December 2019 and 95% after that date

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

59 The project has two product types for Marketable Coal Reserves each with a different Moisture basis, Coking at 10.5%, PCI at 9% and Ash% of 10% for Coking & 11% for PCI.

60 On 17 February 2016, Yancoal announced a financing arrangement by its newly established subsidiary, Watagan Mining Company Ltd ("Watagan") to issue US\$755 million of nine-year bonds. Under these arrangements Yancoal's interests in the assets of Ashton, Austar and Donaldson were transferred to and controlled, for accounting purposes, by Watagan. On 16 December 2020, Yancoal announced that a commercial arrangement had been entered into between Yankuang Group Co. Ltd, its wholly owned subsidiary Yankuang Group (Hong Kong) Limited and the other two holders of the bonds issued by Watagan which resulted in Yancoal regaining accounting control of Watagan on that date.

61 The Austar mine suspended production on the 31st March and transitioned to care and maintenance operations. On the 1st of March 2021, an announcement was made to transition Austar to closure activities.



## COAL RESERVES AND RESOURCES

## YANCOAL 2020 EXPLORATION DRILLING

The total payments for capitalised exploration and evaluation activities in 2020 was \$14.1 million. There were no development activities related to mining structures or infrastructure undertaken in 2020. The reporting period is from 1 January to 31 December 2020. The drilling totals provided exclude pre-production drilling.

	MOOLARBEN		MTW <sup>62</sup>		HVO		YARRABEE		GLOUCESTER	
	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M
Non-core holes	30	2,723	23	3,986	88	22,296	0	0	0	0
Core-holes	1	98	35	7,682	38	8,474	0	0	0	0

	MIDDLEMOUNT		AUSTAR		ASHTON		DONALDSON		MONASH	
	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M	NO. OF HOLES	TOTAL DRILLED, M
Non-core holes	41	3,097	0	0	0	0	0	0	0	0
Core-holes	30	3,835	0	0	0	0	0	0	0	0

## YANCOAL AUSTRALIA TENEMENTS AS AT 31 DECEMBER 2020

PROJECT	TITLE TENEMENT	TENEMENT TYPE	PROJECT	TITLE TENEMENT	TENEMENT TYPE
Moolarben	EL 6288	Exploration Licence	HVO (cont.)	EL 5606	Exploration Licence
	EL 7073	Exploration Licence		EL 8175	Exploration Licence
	EL 7074	Exploration Licence		EL 8821	Exploration Licence
	ML 1605	Mining Lease		ML 1324	Mining Lease
	ML 1606	Mining Lease		ML 1337	Mining Lease
	ML 1628	Mining Lease		ML 1359	Mining Lease
	ML 1691	Mining Lease		ML 1406	Mining Lease
	ML 1715	Mining Lease		ML 1428	Mining Lease
Mount Thorley/ Warkworth (MTW)	CCL 753	Consolidated Coal Lease	ML 1465	Mining Lease	
	CL 219	Coal Lease	ML 1474	Mining Lease	
	EL 7712	Exploration Licence	ML 1482	Mining Lease	
	EL 8824	Exploration Licence	ML 1500	Mining Lease	
	ML 1412	Mining Lease	ML 1526	Mining Lease	
	Part ML 1547 (sublease)	Sublease	ML 1560	Mining Lease	
	ML 1590	Mining Lease	ML 1589	Mining Lease	
	ML 1751	Mining Lease	ML 1622	Mining Lease	
HVO	ML 1752	Mining Lease	ML 1634	Mining Lease	
	MLA 548	Mining Lease Application	ML 1682	Mining Lease	
	AL 32	Assessment Lease	ML 1704	Mining Lease	
	AL 33	Assessment Lease	ML 1705	Mining Lease	
	AL 34	Assessment Lease	ML 1706	Mining Lease	
	Auth 72	Authorisation	ML 1707	Mining Lease	
	Part CCL 708 (sublease)	Sublease	ML 1710	Mining Lease	
	CCL 714	Consolidated Coal Lease	ML 1732	Mining Lease	
	CCL 755	Consolidated Coal Lease	ML 1734	Mining Lease	
	CL 327	Coal Lease	ML 1748	Mining Lease	
	CL 359	Coal Lease	ML 1753	Mining Lease	
	CL 360	Coal Lease	ML 1810	Mining Lease	
	CL 398	Coal Lease	ML 1811	Mining Lease	
	CL 584	Coal Lease	MLA 495	Mining Lease Application	
	CML 4	Consolidated Mining Lease	MLA 496	Mining Lease Application	
	EL 5291	Exploration Licence	MLA 520	Mining Lease Application	
	EL 5292	Exploration Licence	MLA 535	Mining Lease Application	
	EL 5417	Exploration Licence	MLA 542	Mining Lease Application	
EL 5418	Exploration Licence	MLA 543	Mining Lease Application		
		MLA 562	Mining Lease Application		

62 Select Pre-production holes were deepened for the underground pre-feasibility study, the Capex component of completed holes is included.

## COAL RESERVES AND RESOURCES

PROJECT	TITLE TENEMENT	TENEMENT TYPE	PROJECT	TITLE TENEMENT	TENEMENT TYPE
Yarrabee/Wilpeena	EPC 1684	Exploration Permit for Coal	Austar	CCL 728	Consolidated Coal Lease
	EPC 717	Exploration Permit for Coal		CCL 752	Consolidated Coal Lease
	EPC 1177	Exploration Permit for Coal		CML 2	Coal Mining Lease
	EPC 1429	Exploration Permit for Coal		DSL 89	Dam Site Lease
	EPC 1668	Exploration Permit for Coal		EL 6598	Exploration Licence
	EPC 621	Exploration Permit for Coal		ML 1157	Mining Lease
	MDL 160	Mineral Development Licence		ML 1283	Mining Lease
	ML 1770	Mining Lease		ML 1345	Mining Lease
	ML 80049	Mining Lease		ML 1388	Mining Lease
	ML 80050	Mining Lease		ML 1550	Mining Lease
	ML 80096	Mining Lease		ML 1661	Mining Lease
	ML 80104	Mining Lease		ML 1666	Mining Lease
	ML 80172	Mining Lease		ML 1677	Mining Lease
	ML 80195	Mining Lease		MLA 521	Mining Lease Application
	ML 80196	Mining Lease		MPL 1364	Mining Purposes Lease
	ML 80197	Mining Lease		MPL 204	Mining Purposes Lease
	ML 80198	Mining Lease		MPL 217	Mining Purposes Lease
	Gloucester Basin (Stratford/Duralie)	ALA 74		Assessment Lease Application	MPL 23
Auth 311		Authorisation	MPL 233	Mining Purposes Lease	
Auth 315		Authorisation	MPL 269	Mining Purposes Lease	
EL 6904		Exploration Licence	Ashton	EL 4918	Exploration Licence
ELA 5910		Exploration Licence Application		EL 5860	Exploration Licence
ML 1427		Mining Lease		ML 1529	Mining Lease
ML 1646		Mining Lease		ML 1533	Mining Lease
ML 1360		Mining Lease		ML 1623	Mining Lease
ML 1409	Mining Lease	ML 1696		Mining Lease	
ML 1447	Mining Lease	MLA 351		Mining Lease Application	
ML 1521	Mining Lease	MLA 394		Mining Lease Application	
Middlemount	ML 1528	Mining Lease	MLA 500	Mining Lease Application	
	ML 1538	Mining Lease	Donaldson	ALA 70	Assessment Lease Application
	ML 1577	Mining Lease		ALA 71	Assessment Lease Application
	ML 1733	Mining Lease		ALA 72	Assessment Lease Application
	ML 1787	Mining Lease		EL 5337	Exploration Licence
	MDL 282	Mineral Development Licence		EL 5497	Exploration Licence
	ML 700014	Mining Lease		EL 5498	Exploration Licence
	ML 700027	Mining Lease		EL 6964	Exploration Licence
ML 70379	Mining Lease	ML 1461		Mining Lease	
ML 70417	Mining Lease	ML 1555	Mining Lease		
Monash			ML 1618	Mining Lease	
			ML 1653	Mining Lease	
			ML 1703	Mining Lease	
			ML 1756	Mining Lease	
			ALA 73	Assessment Lease Application	
Oaklands			EL 6123	Exploration Licence	
			EL 7579	Exploration Licence	
Rhondda	CCL 774	Consolidated Coal Lease			

## SHAREHOLDER STATISTICS

### YANCOAL AUSTRALIA LIMITED - ORDINARY FULLY PAID AS OF 3 MARCH 2020

#### Combined ASX and HKEx TOP 20 SHAREHOLDERS

RANK	NAME	UNITS*	% UNITS
1	YANZHOU COAL MINING COMPANY LIMITED	822,157,715	62.26
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	209,919,058	15.90
3	GLENCORE COAL PTY LTD	84,497,858	6.40
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	75,814,888	5.74
5	HKG REGISTER CONTROL A/C/C	74,855,844	5.67
6	CITICORP NOMINEES PTY LIMITED	23,317,794	1.77
7	EVERCHARM INTERNATIONAL INVESTMENT LIMITED	14,285,715	1.08
8	CORANAR OVERSEAS LTD	4,285,715	0.32
9	HSBC CUSTODY NOMINEES <AUSTRALIA> LIMITED	300,840	0.02
10	MS JIUMEI HE	292,968	0.02
11	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	284,743	0.02
12	MR BAOCAI ZHANG	177,766	0.01
13	COAL SALES PTY LTD	160,000	0.01
14	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	154,510	0.01
15	MR LEIGH NIGEL EDWARD CUNNEEN + MR EDWARD PETER GOODWIN <THE CG UNIT A/C>	140,770	0.01
16	MR CHRISTOPHER SHANE JOHNS	135,693	0.01
17	MR PEI GUO	120,562	0.01
18	CORCOAL TRADING PTY LIMITED	119,968	0.01
19	MR JAMES BEVAN POWELL + MRS GILLIAN MARY POWELL <J B POWELL SUPER FUND A/C>	115,000	0.01
20	MR MICHAEL JOHN BUFFIER + MRS PATRICIA MARY BUFFIER <MIPAT BUFFIER S/F A/C>	100,000	0.01
20	MRS BONITA CHENG HUNG PARK	100,000	0.01
20	TASMANITES PTY LTD <RB & SA REID SUPER FUND A/C>	100,000	0.01
<b>Totals: Top 22 holders of ORDINARY SHARES (Total)</b>		<b>1,311,437,407</b>	<b>99.32</b>
<b>Total Remaining Holders Balance</b>		<b>9,002,030</b>	<b>0.68</b>
<b>Total Shares on issue</b>		<b>1,320,439,437</b>	

\* Units displayed are those disclosed in the public register, units held in nominee accounts are not defined beyond the nominee level.

#### 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.

## SHAREHOLDER STATISTICS

### RANGE OF UNITS

#### Ordinary Shares as of 03/03/2020

RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	2,226	541,760	0.04
1,001 - 5,000	799	2,053,280	0.16
5,001 - 10,000	190	1,502,803	0.11
10,001 - 100,000	186	5,204,187	0.39
100,001 Over	19	1,311,137,407	99.30
<b>Rounding</b>			<b>0.00</b>
<b>Total</b>	<b>3,420</b>	<b>1,320,439,437</b>	<b>100.00</b>

### UNMARKETABLE PARCELS

#### Ordinary Shares as of 03/03/2020

	MINIMUM PARCEL SIZE	HOLDERS	UNITS
Minimum \$ 500.00 parcel at \$2.0700 per unit	211	1,363	61,720



## GLOSSARY

TERM	MEANING
<b>AGM</b>	Annual General Meeting
<b>Aon</b>	Aon Hewitt
<b>ARMC</b>	Audit and Risk Management Committee
<b>ASX</b>	Australian Securities Exchange
<b>ASX Recommendations</b>	ASX Corporate Governance Council's Principles and Recommendations
<b>AusIMM</b>	Australasian Institute of Mining and Metallurgy
<b>Board</b>	Yancoal's board of directors
<b>CEC</b>	Chair of the Executive Committee
<b>CEO</b>	Chief Executive Officer
<b>CER</b>	Clean Energy Regulator
<b>CFO</b>	Chief Financial Officer
<b>Cinda</b>	Cinda (HK) Holdings Company Limited Group
<b>Coke (steel making)</b>	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.
<b>Continuing Connected Transactions</b>	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.
<b>Costs Target</b>	Costs Target vesting condition
<b>Deferred Share Rights</b>	Rights to Yancoal shares with no dividend equivalent payments that vest over time subject to remaining employed
<b>EBIT</b>	Earnings Before Interest and Tax
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b>EPS</b>	Earnings per share
<b>EPS Awards</b>	Earnings per share vesting condition
<b>ESA</b>	Executive Service Agreement
<b>ESG</b>	Environment, Sustainability and Governance
<b>Executive KMPs</b>	Nominated members of the Executive Committee.
<b>Executives</b>	Comprise the Executive Directors and Executive KMPs
<b>FAR</b>	Fixed Annual Remuneration
<b>FOB Cash Costs</b>	Free On Board Cash Costs (excluding royalties)
<b>HK Code</b>	Corporate Governance Code in Appendix 14
<b>HK Listing Rules</b>	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>HKEx</b>	The Stock Exchange of Hong Kong
<b>HKExnews</b>	Website for regulatory filings and disclosures of listed issuers on the Stock Exchange of Hong Kong
<b>HSEC Committee</b>	Health, Safety, Environment and Community Committee
<b>HVO</b>	The Hunter Valley Operations mine
<b>IFRSs</b>	International Financial Reporting Standards
<b>JORC</b>	Joint Ore Reserves Committee
<b>Key Management Personnel (KMP)</b>	Comprise the Directors of the Company and Executive KMPs.
<b>KPIs</b>	Key Performance Indicators
<b>LTI/LTIP</b>	Long-term incentive plan
<b>LTIFR</b>	The Lost Time Injury Frequency Rate is the number of lost time injuries occurring in a workplace per 1 million hours worked.
<b>Metallurgical coal</b>	A collective term applied to coal used in the steel making process
<b>Mineral Reserve</b>	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.
<b>Mineral resource</b>	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.

## GLOSSARY

TERM	MEANING
<b>Model Code</b>	Model Code for Securities Transactions by Directors of Listed Issuers
<b>MTW</b>	The Mount Thorley Warkworth Mine
<b>NCIG</b>	Newcastle Coal Infrastructure Group is a coal export terminal in Newcastle, New South Wales.
<b>NGER</b>	National Greenhouse and Energy Reporting
<b>NRC</b>	Nomination and Remuneration Committee
<b>PBT</b>	Profit Before Tax
<b>PCI Coal</b>	Pulverised Coal Injection coal is used as a heat source and supplementary fuel in the steel making process to reduce coke consumption.
<b>Performance Rights</b>	Rights to Yancoal shares with no dividend equivalent payments that vest over time subject to meeting performance criteria and remaining employed
<b>Protocol</b>	Board Performance Evaluation Protocol
<b>PWCS</b>	Port Waratah Coal Services is a coal export terminal in Newcastle, New South Wales.
<b>ROM Coal</b>	Run of Mine Coal, the coal volume initially extracted from the mine
<b>ROM tonnes</b>	Run of Mine tonnes
<b>Saleable coal</b>	Coal volume remaining after processing to remove non-coal material
<b>Scope 1 emissions</b>	Scope 1 covers direct emissions from owned or controlled sources; for example emissions released from coal during the mining process.
<b>Scope 2 emissions</b>	Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.
<b>Scope 3 emissions</b>	Scope 3 includes all other indirect emissions that occur in a company's value chain; for example the emissions released during combustion of coal by the end users.
<b>Semi-soft coking coal</b>	Used to produce coke for the steel-making process, but it produces a low coke quality and more impurities compared to hard coking coal.
<b>SFO</b>	Hong Kong Securities and Futures Ordinance
<b>STI/STIP</b>	Short-term incentive plan
<b>TCFD</b>	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.
<b>tCO2-e</b>	Emissions equivalent to a tonne of carbon dioxide emissions; it is the standard unit in carbon accounting to quantify greenhouse gas emissions.
<b>The Company</b>	Yancoal Australia Ltd
<b>The Group</b>	Yancoal Australia Ltd and its controlled entities
<b>Thermal coal</b>	A collective term applied to coal suited to combustion to generate electricity or other purposes.
<b>TRI &amp; DI</b>	Total Recordable Injuries & Disease Injuries
<b>TRIFR</b>	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.
<b>VWAP</b>	Volume Weighted Average Price gives the average price a security has traded at throughout a period, based on both volume and price
<b>WICET</b>	Wiggins Island Coal Export Terminal is a coal export terminal in Gladstone, Queensland.
<b>Yankuang</b>	Yankuang Group Company Ltd
<b>Yanzhou</b>	Yanzhou Coal Mining Company Ltd

# CORPORATE DIRECTORY

## **DIRECTORS**

Baocai Zhang

Ning Zhang

Cunliang Lai

Qingchun Zhao

Xiangqian Wu

Xing Feng

Gregory Fletcher

Dr Geoffrey Raby

Helen Gillies

## **COMPANY SECRETARY:**

Laura Ling Zhang

## **AUDITOR:**

ShineWing Australia  
Level 8  
167 Macquarie 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  
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Australia

T: +61 2 8583 5300

## **AUSTRALIAN COMPANY NUMBER:**

111 859 119

## **AUSTRALIAN SECURITIES EXCHANGE LTD (ASX)**

ASX Code: YAL

## **STOCK EXCHANGE OF HONG KONG LIMITED**

Stock code: 3668

## **SHARE REGISTRY:**

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## **COUNTRY OF INCORPORATION:**

Australia

## **WEB ADDRESS:**

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

## **SHAREHOLDER ENQUIRIES:**

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



