

OUR PATH TO TRANSITION 
Focused on Australian futures
TAX TRANSPARENCY REPORT 2021



**YANCOAL
AUSTRALIA LTD**

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

ABOUT THIS REPORT



This Report provides tax and related information on Yancoal Australia Ltd group operations for the period 1 January 2021 to 31 December 2021. It has been prepared in accordance with the Board of Taxation's Voluntary Tax Transparency Code.

All dollar figures in this Report are expressed in Australian Dollars unless otherwise specified. References to 'Yancoal', 'we', 'the Group', 'the Company' and 'our' refer to Yancoal Australia Ltd and its subsidiaries.

This Report should be read in conjunction with Yancoal Australia Ltd's 2021 Annual Report, which is available on our website: www.yancoal.com.au.

This report complements our 2021 Environment, Social and Governance (ESG) Report and other regular reporting on our economic and community contributions.



Taxation is embedded in all levels of our business and Yancoal is committed to open and transparent communication with all our stakeholders. At Yancoal, we understand that the impact of our work underpins the growth of our people, communities we operate in and future generations of Australians.

Yancoal is a leading low-cost Australian coal producer and exporter to the global seaborne market, producing a mix of premium thermal, semi-soft coking and PCI coals. Since 2004, Yancoal has generated over \$10 billion in Foreign Direct Investment for Australia and now owns, operates or participates in nine producing coal mines across New South Wales (NSW), Queensland (QLD) and Western Australia (WA).

Yancoal has a diverse range of customers: in 2021 we sold our Australian coal to 19 countries, with our major markets located across the Asian region. Every year, Yancoal's thermal coal exports power millions of households in Asia, and our metallurgical coal exports assist in the production of millions of tonnes of steel. We believe our coal will continue to play a key role in delivering economic growth and improved quality of life, especially in

Asia. While coal mining remains our core focus, we also have a strategy to sustain the business through diversifying into renewable energy projects and into other minerals and commodities.

As a business, our focus is firmly on Yancoal's long-term sustainability, and despite the financial challenges in recent years, we persevered and achieved an extraordinary result in 2021. In 2021, on an indirect and total impact basis, Yancoal's operations were estimated to have supported almost 42,000 jobs and to have contributed approximately \$8.3 billion to the Australian economy.

Yancoal's tax contributions in the past 6 years have surpassed \$3 billion, \$656 million in 2021 alone. Notwithstanding these significant contributions, the large-scale nature of our operations and the sizeable and ongoing significant capital investment this requires, combined with

cyclical challenging market conditions, have resulted in Yancoal carrying forward corporate tax losses. The level of these losses have been reducing over the past 5 years and looking beyond 2021, we are looking forward to paying corporate income tax in the near future.

Keeping open and transparent communication with our stakeholders ensure that we maintain effective dialogue on tax matters and enables our stakeholders to understand our tax contributions and their role in the Company's economic and social impact.

Yancoal is a public company, listed on both the Australian Securities Exchange (ASX: YAL) and the Stock Exchange of Hong Kong (HKEx: 3668), and is majority owned by Yankuang Energy Group Company Limited, which is itself listed on the HKEx.

MESSAGE FROM THE CEO AND CFO

"As Yancoal transforms for the future, our commitment to being a responsible and valued corporate citizen and a contributor to the Australian economy will remain important."

We are pleased to present Yancoal's 2021 Tax Transparency Report.

In 2021, despite starting the year with the challenges of adverse weather conditions and the COVID-19 pandemic, Yancoal achieved saleable tonnes of 37.5 million. These outstanding operational results demonstrated our workforce's commitment to Yancoal's business plan and strategy, which enable us to deliver maximum value from our world class assets. While a number of factors beyond our control impacted on operations during the year, our workforce banded together to

ensure production was maintained, and together with improved market conditions. We delivered our strongest ever revenue of over \$5.4 billion, our strongest ever operating EBITDA of \$2.53 billion, lowered our gearing level to 24% and record payment of dividends.

On the back of a year of strong results, in coming years we expect our tax profile to transition into a new era. In 2021, Yancoal contributed a record \$656 million in taxes and levies to all levels of government, and we have shortened the expected carry forward period of our

historical corporate tax losses. Should strong market conditions continue through 2022, Yancoal looks forward to further contributing to the Australian economy through the payment of corporate tax.

Our efforts to optimise our operations, our product quality and our business strategy remain unwavering. But we also envisage an exciting future for the Company as the world moves towards a lower carbon economy. We are exploring opportunities to expand Yancoal's asset portfolio beyond a pure focus on traditional energy into areas of renewable energy



projects, and to diversify into minerals and non-coal commodities. A business strategy that we envision will sustain our the business into the future.

As Yancoal transforms for the future, our commitment to being a responsible corporate citizen, economic contributor and tax payer will remain integral to our success, and we look forward to sharing the our success and further enhance our contribution to the Australian economy in the years to come.

David Moulton
CEO

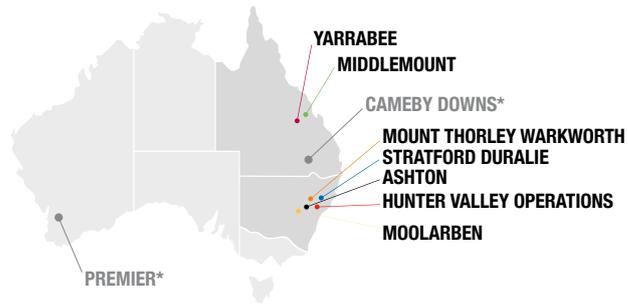
Kevin Su
CFO

OUR ASSETS

	MOOLARBEN NSW	MOUNT THORLEY WARKWORTH NSW	HUNTER VALLEY OPERATIONS NSW
ECONOMIC INTEREST	95%	83%	51%
DESCRIPTION	Truck and excavator open-cut and longwall underground mining complex producing thermal coal; operated by Yancoal.	Dragline, truck and shovel /excavator open-cut mine producing semi-soft coking coal and thermal coal; operated by Yancoal.	A multi-pit mine using dragline, truck and shovel /excavator operations to produce semi-soft coking coal and thermal coal; operated by Hunter Valley Joint Venture.
HEAD COUNT	~780 EMPLOYEES & CONTRACTORS	~1,300 EMPLOYEES & CONTRACTORS	~1,190 EMPLOYEES & CONTRACTORS
2021 SALEABLE COAL OUTPUT (100%)	18.4 MILLION TONNES	11.2 MILLION TONNES	10.6 MILLION TONNES
MARKETABLE RESERVES (AS AT 31 DEC 2021)	182 MILLION TONNES	178 MILLION TONNES	620 MILLION TONNES
IMPLIED MINE LIFE**	10 YEARS	16 YEARS	58 YEARS

*Managed by Yancoal

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



POWER



TECHNOLOGY



CONSTRUCTION

YARRABEE QLD	MIDDLEMOUNT QLD	ASHTON NSW	STRATFORD-DURALIE NSW
100%	~50%	100%	100%
Truck and excavator open-cut mine producing ultra low volatile pulverised coal injection (PCI) coal; operated by Yancoal.	Truck and excavator open-cut mine producing low volatility pulverised coal injection (PCI) coal and hard coking coal; operated by Middlemount Joint Venture.	The Ashton longwall mine produces a semi-soft coking coal; operated by Yancoal.	Truck and excavator open-cut mine producing thermal coal and semi-soft coking coal; operated by Yancoal.
~400 EMPLOYEES & CONTRACTORS	~510 EMPLOYEES & CONTRACTORS	~325 EMPLOYEES & CONTRACTORS	~100 EMPLOYEES & CONTRACTORS
2.6 MILLION TONNES	3.7 MILLION TONNES	1.2 MILLION TONNES	0.8 MILLION TONNES
61 MILLION TONNES	69 MILLION TONNES	22 MILLION TONNES	1.4 MILLION TONNES
23 YEARS	19 YEARS	18 YEARS	2 YEARS

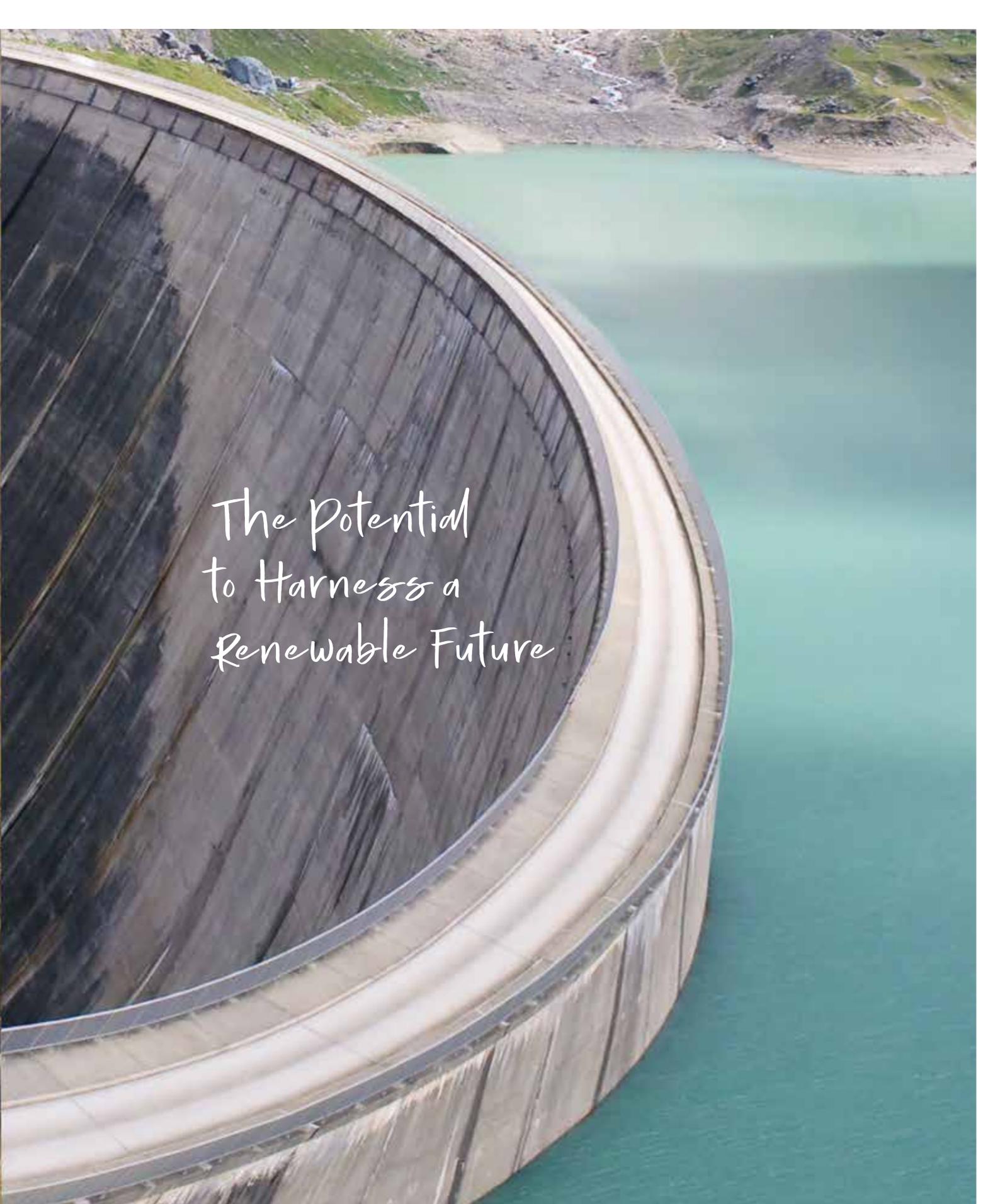


OUR FUTURE

While coal mining will likely continue to be Yancoal's primary activity over the coming decades, the Company also has a strategy to ensure the sustainability of the business into the future through

diversifying our operations into a range of different commodities and projects. One of the potential pathways that Yancoal is actively investigating is the development of renewable energy

projects. Renewable energy projects would allow Yancoal to deliver a range of positive outcomes relating to: the pursuit of net zero emissions; beneficial post-mining land use; the re-skilling of our



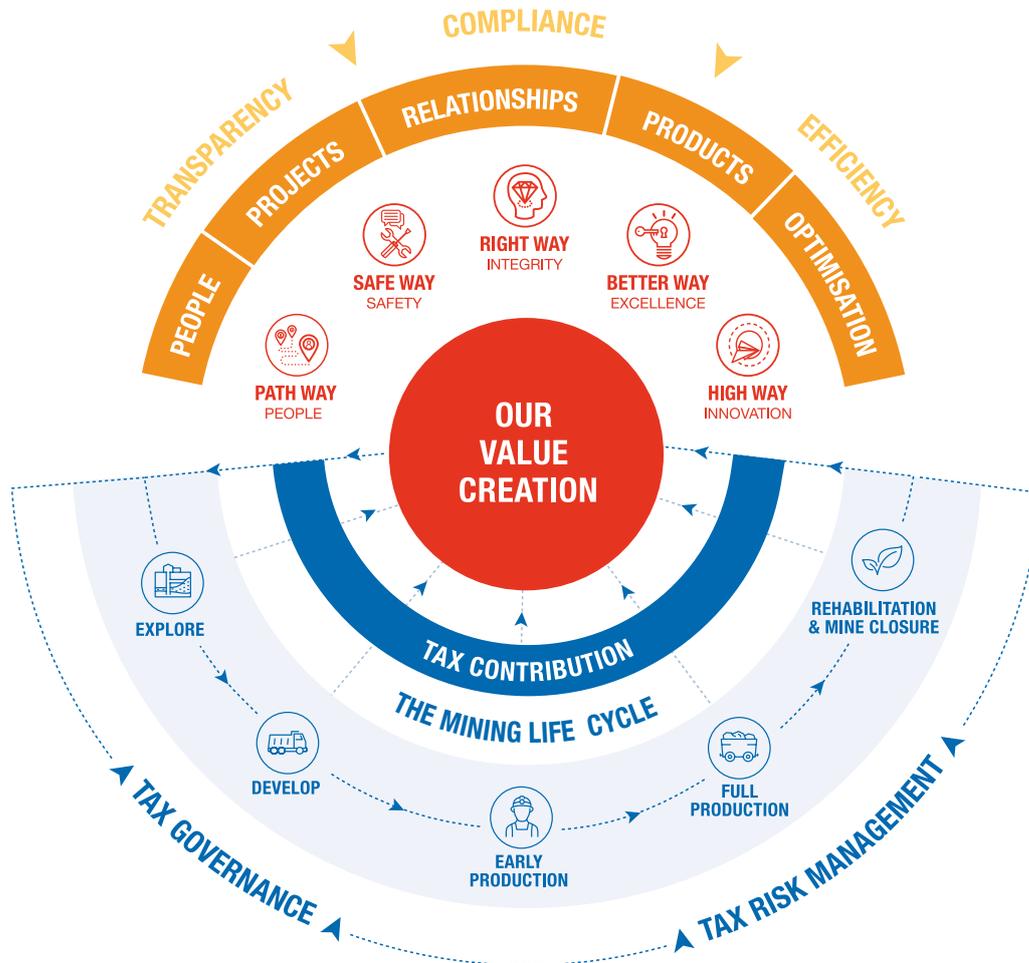
The Potential to Harness a Renewable Future

workforce; and the ongoing viability of local communities and regional economies where we operate. Yancoal is investigating the full spectrum of renewable energy alternatives, including solar farms,

wind farms and pumped hydro projects, and how these could be complementary to our existing operations or developed at those sites where coal mining has ended and post-mining land uses are being considered.

As the world moves towards a lower carbon economy, the mining industry has an important role to play in supporting and expanding the use of renewable energy.

OUR APPROACH TO TAX



Leveraging the competitive and strategic advantage of our portfolio of assets, and applying Yancoal's values to our decisions and behaviours, enable us to sustain effective and efficient operations that generate value for the Company and our stakeholders across the life cycle of our assets, generating healthy revenues and cashflow, leading to continued growth and returns.

The tax function plays a key role in this process through maintaining a robust tax governance and tax risk management framework. Effective tax management enables the Company to better support operations at every stage of the mine life cycle.

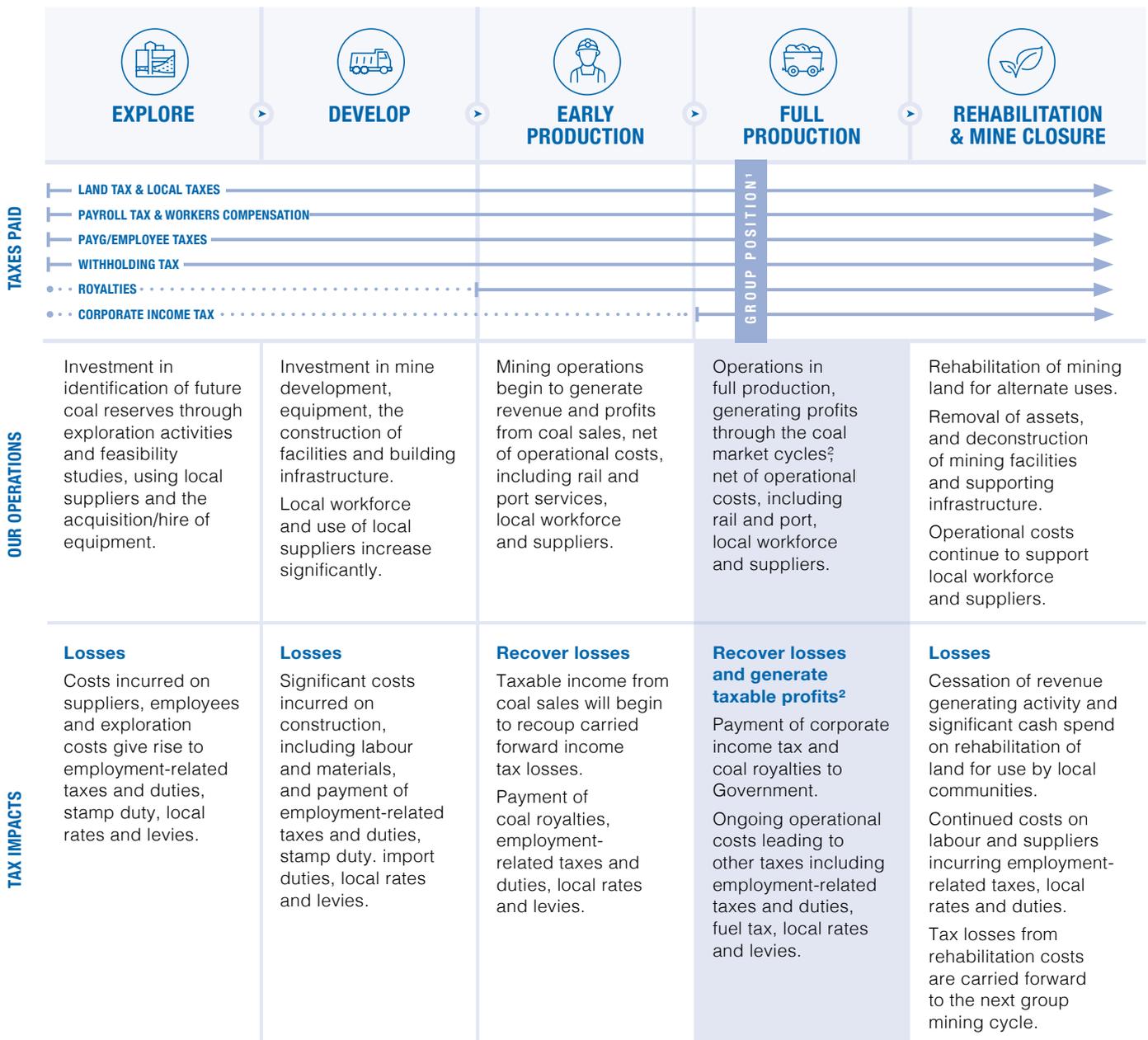
THE MINING LIFE CYCLE

Tax contributions are generated consistently throughout the life cycle of our mines. Yancoal makes significant capital investment during the exploration and development phases of the mining life cycle to ready our assets for production, which result in net tax losses for our business in the early stages of

exploration and mining. These losses have been carried forward and utilised against taxable income generated in the production stages.

The majority of Yancoal's assets have reached the full production stage of the mining life cycle, and after a period of consistent production in recent years,

the Group has now recouped most of its carried forward tax losses incurred in the early phases. Yancoal currently projects that the majority of assets will continue to operate in the full production stage for many years to come and is looking forward to moving into a corporate tax payable position in the near future.



Notes:

- (1) Yancoal's assets span various stages of the mining life cycle and additional mine asset acquisitions can occur at any of the first four stages of the mine life cycle. The group position indicates the current net group position in the mining life cycle.
- (2) The cyclical nature of the market also presents operational challenges which impact on the level of tax losses incurred and utilised throughout the mining life cycle.

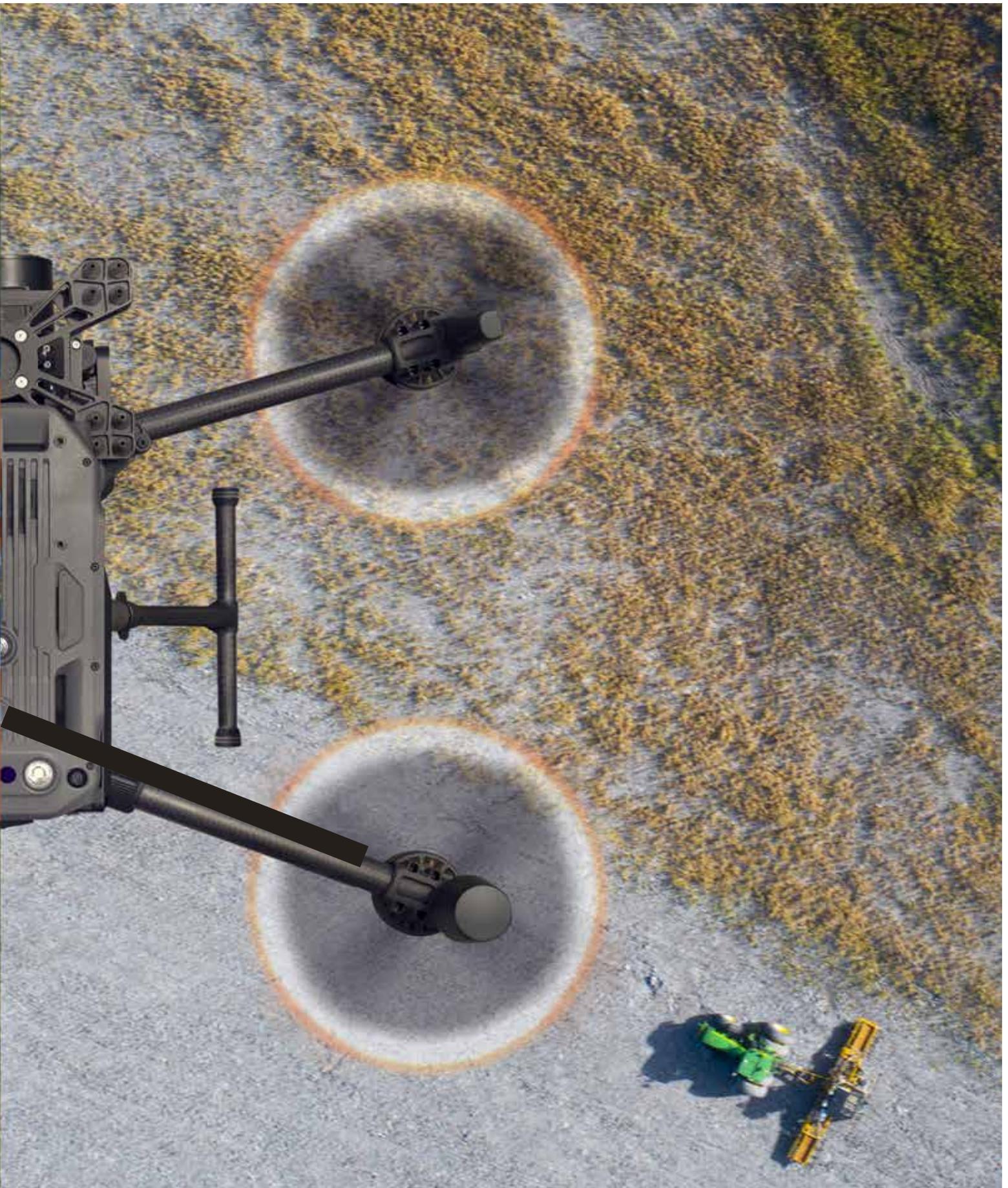
OUR FUTURE

Using Technology to Improve Rehabilitation Performance

Rehabilitation requires extensive planning, monitoring and reporting over a considerable period of time. Yancoal is continually assessing innovative solutions to improve the effectiveness of our rehabilitation efforts. Partnering with

Dendra Systems to use drones to undertake aerial seeding and remote monitoring activities is one such example. Rehabilitation monitoring has traditionally involved crews visiting permanent quadrat locations to collect information on soils,

landscapes, species diversity and fauna habitat features. Return visits to these quadrats enable detailed trend information, on a representative sample of land. Remote sensing using drones is a cost-effective and accurate way to undertake

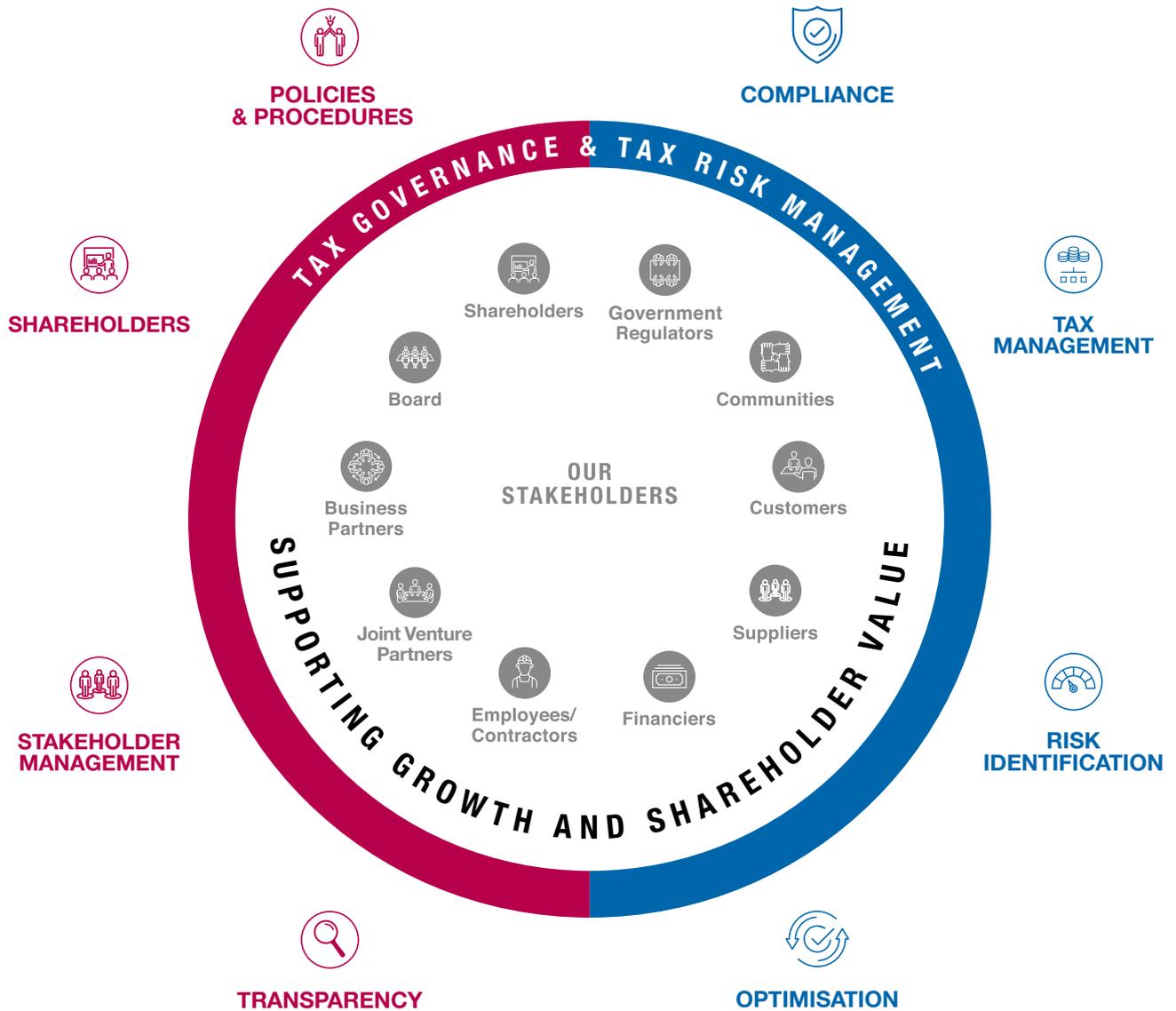


the same monitoring across much larger rehab areas. In 2021, MTW commissioned Dendra to undertake both ground-based and remote sensing monitoring, which will provide additional information (such as such as groundcover, weed and erosion

rates) across a broader rehabilitation area. Mine site rehabilitation is a labour intensive activity due to the need to access remote areas. Applying drone technology for aerial seeding delivers the rehabilitation outcomes whilst avoiding

any disruption to existing ecosystems. In Australia, Yancoal was an early adopter of Dendra Systems' targeted drone seeding program at Moolarben.

OUR TAX FRAMEWORK



Yancoal's tax framework is built on the pillars of Tax Governance and Tax Risk Management, which drives the management of tax across the business to support continued growth and shareholder value. Yancoal is committed to ongoing open and transparent relationships and communication with all stakeholders.

OUR TAX FRAMEWORK IS BUILT ON TWO KEY PILLARS:

TAX GOVERNANCE

HOW WE ESTABLISH OUR TAX STRATEGY

POLICIES AND PROCEDURES

Yancoal has policies and procedures in place to govern the operations of our tax function. Policies and procedures support the management of tax to ensure that business outcomes are achieved within the remit of the tax governance and risk management framework.

SHAREHOLDERS

Yancoal seeks to maintain shareholder confidence through optimising tax strategy, processes, and internal governance and risk management. This is intended to support organisational value accretion through appropriate application of the tax law, and strengthening stakeholder relationships and communication.

STAKEHOLDER MANAGEMENT

We strive to operate to high governance standards, implement transparent, compliant and efficient processes to meet the expectations of all stakeholders. Working closely with the broader business beyond the finance function, we are able to synergise and identify opportunities and areas for process improvement and value creation.

We do this by actively communicating with the business and driving tax awareness across functions and operations.

TRANSPARENCY

We endeavour to be consistent and proactive when engaging with stakeholders. Yancoal has adopted the Board of Taxation's voluntary Tax Transparency Code and is committed to ongoing tax transparency reporting. We have an open and transparent approach to our relationship with all tax authorities, government agencies and stakeholders.

TAX RISK MANAGEMENT

HOW WE OPERATIONALISE OUR STRATEGY

COMPLIANCE

Yancoal's tax policy requires the group to operate in compliance with tax legislation, rulings, guidance and statutory obligations in Australia and all other tax jurisdictions in which we have a presence. We adhere to arm's length principles when reviewing business transactions. Our tax balances are determined in accordance with prescribed Australian Accounting Standards and internal accounting policies.

TAX MANAGEMENT

Tax strategy and management is governed by the Tax Policy, approved by the Yancoal Audit and Risk Management Committee (ARMC), and implemented by the Chief Financial Officer and tax function. In accordance with the tax governance and risk management framework, Yancoal adopts a conservative approach to tax. We have established operational policies and procedures supporting the tax policy, guiding internal governance, including a requirement for the tax function to provide regular updates on tax matters to the ARMC.

RISK IDENTIFICATION

Risks are identified and assessed through working closely with the business on transactions, process improvements, policies and procedures, and continuously keeping abreast of tax developments in the market. We maintain a detailed tax risk register, and are subject to regular internal and external assurance activities.

OPTIMISATION

We aim to simplify our tax positions and reduce business transaction complexity. We continuously work towards streamlining and optimising technology to support data integrity and completeness in data output, improving our systems and processes along the way.

OUR FUTURE



Yancoal's existing Australian coal operations remain core to our business and we believe demand for our high-quality coal will underpin the business for the duration of our mines'

operational lives. We also accept that the world is in a period of transition and is moving towards a lower carbon economy. To ensure the sustainability of Yancoal's business beyond 2040,

we have started to assess opportunities to diversify our mining operations into non-coal commodities, including base metals such as copper and gold, and battery minerals such as nickel, lithium

Pursuing Diversification to Underpin a Sustainable Business



and graphite. We would also consider the expansion of our coal interests, especially if such a move increased the proportion of metallurgical coal in our product mix. Yancoal is open to assessing

assets and projects across various stages of development and also to expanding our footprint beyond Australia. This international diversification strategy is supported by our largest shareholder

(Yankuang Energy Group) and would secure our business in a future beyond coal.

OUR TAX PROFILE AND CONTRIBUTIONS

Yancoal Australia Ltd and its wholly owned subsidiaries¹ have formed a tax consolidated group headed by Yancoal Australia Ltd. Prior to 16 December 2020, the tax consolidated group (the Group) included the Watagan Mining Company Pty Ltd and its wholly owned subsidiaries, which for financial reporting purposes was a separate reporting group. From 16 December 2020, the Watagan group was re-consolidated into the financial results of Yancoal group, with no impact to the tax consolidated group.

The Group recognises a deferred tax asset on carried forward tax losses and carries forward tax offsets to the extent that it is probable that future taxable profits will be available against which the carried forward tax losses and offsets can be utilised.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND INCOME TAX PAID OR PAYABLE

A reconciliation of the Group's income tax expense to prima facie tax payable is detailed in note B6 of Yancoal's 2021 Annual Report. This disclosure was prepared in accordance with the relevant Australian Accounting Standards.

Temporary differences

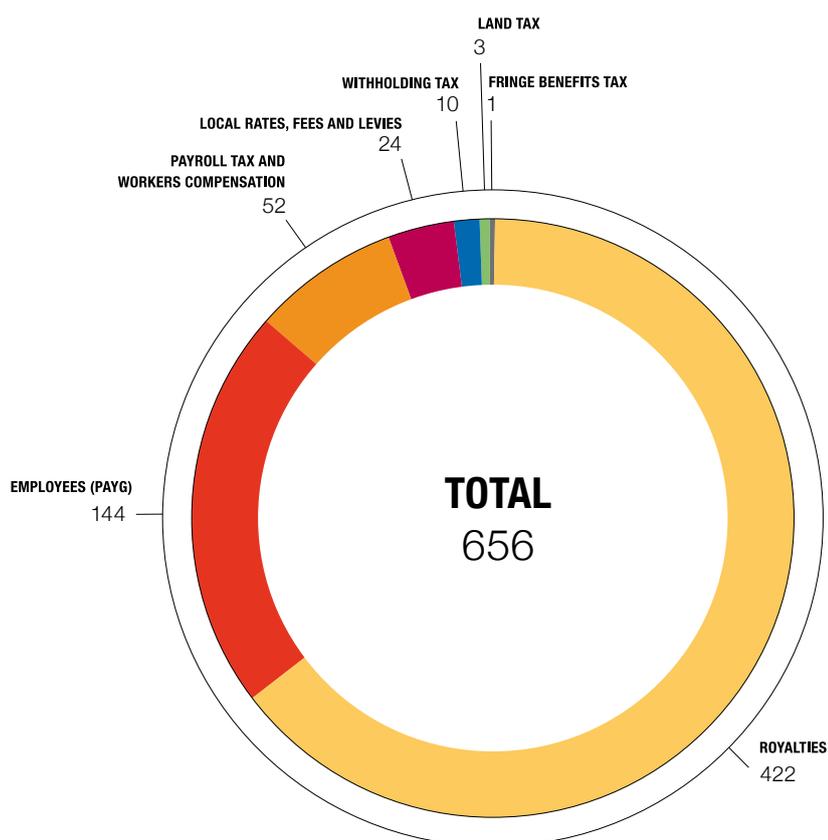
A temporary difference arises when there is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base, resulting in the assessability and deductibility of amounts at different times. The main temporary differences items of the Group during 2021 include those relating to mining tenements, exploration and evaluation assets, plant and equipment and general provisions and accruals.

INCOME TAX EXPENSE

The Group's 2021 Annual Report discloses effective tax rates of 28.3% and 9% for the 2021 and 2020 years, respectively, compared to the Australian corporate income tax rate of 30%. In 2021, the lower effective tax rate primarily resulted from a non-assessable equity-accounted profit of \$57 million. In 2020, the lower effective tax rate primarily resulted from a non-assessable gain on acquisition of an interest in a joint venture operation of \$653 million, a non-deductible loss on the Watagan reconsolidation of \$1,383 million and a non-deductible equity-accounted loss of \$59 million.

	2021 A\$M	2020 A\$M
Profit / (loss) before tax	1,103	(1,143)
Prima facie income tax (expense)/benefit at Australian rate of 30%	(331)	343
(Over)/under provision in prior years	5	3
Share of gain/(loss) of equity-accounted investments	17	(2)
Stamp duty expensed	0	(4)
Gain on acquisition of interest in joint operation	0	196
Loss on reconsolidation of Watagan Group	0	(415)
Other	(3)	(4)
Income tax (expense)/benefit	(312)	103
Temporary differences		
Provisions	(32)	(16)
Finance lease liabilities	(2)	4
Property, plant and equipment	42	(33)
Mining tenements and exploration and evaluation assets	(68)	(30)
Other	(45)	48
Net tax payable	(417)	76
Less: tax losses utilised / (incurred)	417	(76)
Total income tax payable	0	0

¹ Refer Yancoal Australia Ltd 2021 Annual Report Note E1 for a list of all wholly owned subsidiaries.



Figures based on the 31 December 2021 audited financial reports for Yancoal Australia Ltd.

TAXES BORNE BY YANCOAL AUSTRALIA LTD TAX GROUP	2021 A\$M	2020 A\$M
Royalties	422	232
Employee (PAYG)	144	151
Payroll tax and workers compensation	52	44
Fringe benefits tax	1	4
Withholding tax	10	37
Land tax	3	2
Local rates, fees and levies	24	20
Stamp duty	0	15
Total	656	506

Notes:

- (1) Goods and Service Tax (GST): The Group remits GST charged to and borne by customers and claims an input tax credit for the GST charged by suppliers. As an exporter of coal, the Group is a net claimant of GST.
- (2) Federal Excises and Duties: Yancoal is a purchaser and user of fuel, and an importer of equipment, the cost of both of which includes embedded taxes.
- (3) Tax Losses: Yancoal is currently recouping tax losses incurred during the early exploration and development stages and from operational losses incurred during cyclical downturns of the coal market.

OUR FUTURE

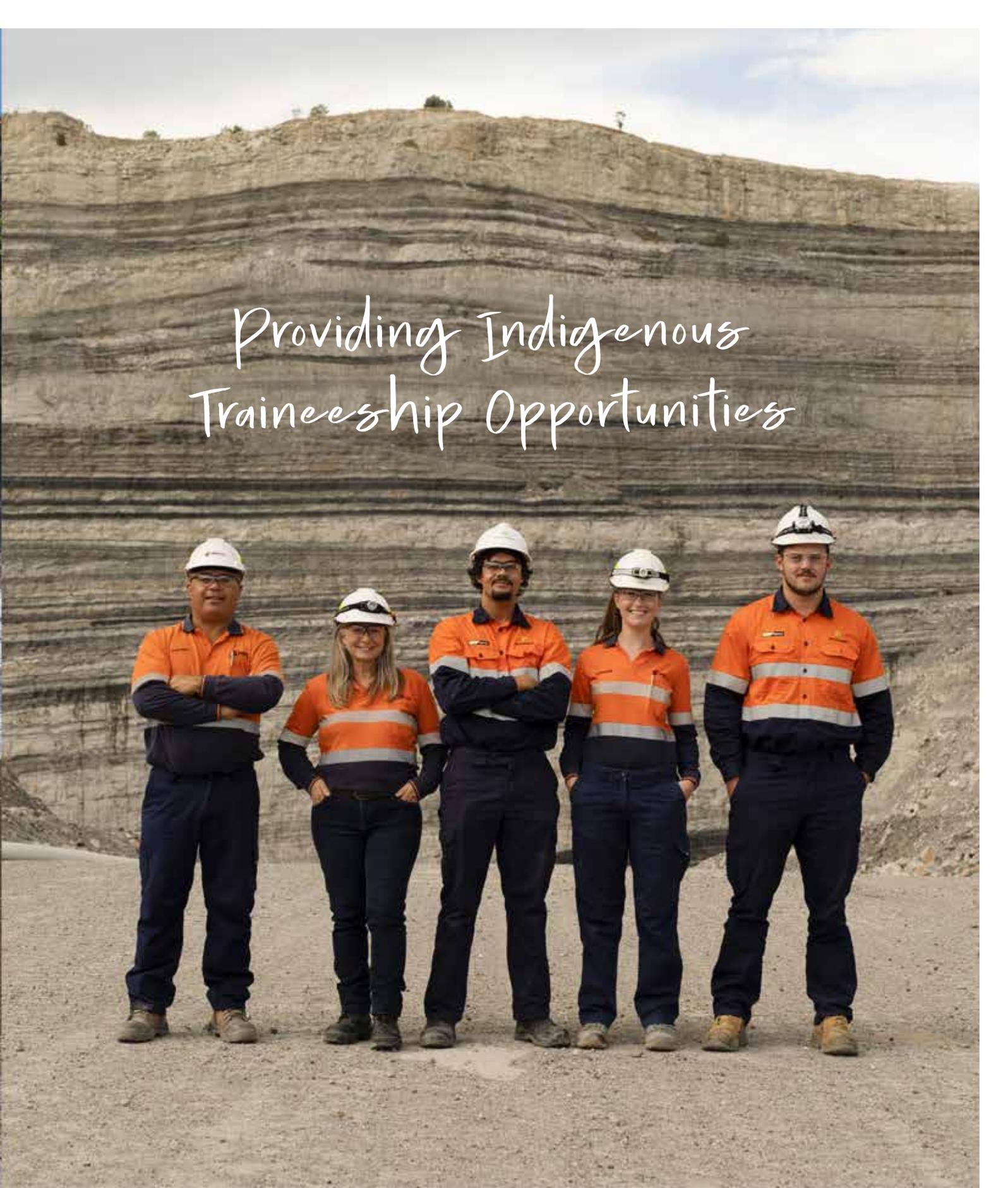


Yancoal's national sponsorship of The Clontarf Foundation is in its fifth consecutive year. The Foundation's football academies support Indigenous youth education and career development,

leading to positive outcomes in the communities where they operate.

Clontarf academy graduate Nathan Giles has joined the Mount Thorley Warkworth team as a Trainee Mining Operator.

He is being trained and provided with significant hands-on experience to safely operate Heavy Mining Equipment (HME), such as haul trucks. Nathan is a perfect fit for our workforce and we are confident



Providing Indigenous Traineeship Opportunities

he will thrive and go from strength to-strength in his new role.

Through the traineeship program with Yancoal, young Indigenous men like Nathan can develop solid skills

through education, mentoring and peer support, which will set him up for a long-term career in the resources sector. Yancoal is proud to partner with The Clontarf Foundation to

provide opportunities for Indigenous employment, which serves to strengthen our diverse and talented workforce.

OFFSHORE RELATED PARTY DEALINGS

Yancoal has dealings with offshore related parties that operate in different tax jurisdictions. Our dealings with related parties adhere to arm's length principles, and all offshore related party transactions are reviewed by the tax function in accordance with ATO guidelines.

At 31 December 2021, Yancoal's major shareholder is Yankuang Energy Group Company Limited¹ (incorporated in the People's Republic of China). The ultimate shareholding entity is Shandong Energy Group Corporation Limited² (incorporated in the People's Republic of China).

Yancoal's operations are 100% located in Australia, and the Group does not have offshore operations. The typical dealings with offshore related parties and the key jurisdictions the Group transacted with in 2021 are detailed in the below table.

MATERIAL OFFSHORE RELATED PARTY DEALINGS ³		JURISDICTION
 Sales	Yancoal has coal sales transactions with related parties ⁴ , which are determined on third party arm's length terms.	China Hong Kong
 Loans and Advances	Yancoal has loans and advances from related parties in China and Hong Kong, on which it pays interest. Funds borrowed are used for investment in operations and generating income in Australia.	China Hong Kong
 Corporate Guarantees	Yancoal's largest shareholder Yankuang Energy is based in China, and provides Yancoal a corporate guarantee on a loan with a third party bank.	China

¹ In 2021, Yanzhou Coal Mining Company Limited completed a change of name to Yankuang Energy Group Company Limited. The change of name did not affect the ownership stake in the Yancoal group.

² During 2020, Yankuang Group Co. Ltd. merged with Shandong Energy Group Co. Ltd. and Yankuang Group was renamed as Shandong Energy Co. Ltd. The merger did not result in any change in the controlling shareholder or the actual controller of Yankuang Energy Group (the immediate controlling shareholder of the Group), which remained as Yankuang Group (now trading as Shandong Energy Group).

³ Refer to Yancoal Australia Ltd 2021 Annual Report Note E3 for further detail.

⁴ Coal sales to related parties were only to trading entities with which Yancoal dealt with at arm's length. No end-customers were related parties.

CONTACT INFORMATION

DIRECTORS

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

COMPANY SECRETARY

Laura Ling Zhang

AUDITOR

ShineWing Australia
Level 7, Aurora Place
88 Phillip Street
Sydney
NSW 2000
Australia

Public Interest Entity Auditor
recognised in accordance
with the Financial Reporting
Council Ordinance

REGISTERED AND PRINCIPAL PLACE OF BUSINESS

Level 18 Darling Park 2
201 Sussex Street
Sydney NSW 2000
Australia
T: +61 2 8583 5300

AUSTRALIAN COMPANY NUMBER:

111 859 119

AUSTRALIAN SECURITIES EXCHANGE LTD (ASX)

ASX Code: YAL

STOCK EXCHANGE OF HONG KONG LIMITED

Stock code: 3668

SHARE REGISTRY

Computershare Investor Services
Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000
Australia

T: +61 2 8234 5000

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queens Road East
Wan Chai
Hong Kong

T: +852 2862 8555

COUNTRY OF INCORPORATION

Australia

WEB ADDRESS

www.yancoal.com.au

SHAREHOLDER ENQUIRIES

shareholder@yancoal.com.au

