

**FOUNDED ON SHARED VALUES**   
*Focused on Australian futures*

TAX TRANSPARENCY REPORT 2020



**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 solid foundation  
for us to grow*



**Yancoal is committed to open and transparent communication with all our stakeholders on a broad range of matters, including taxation.**

We do things because they are right, not just because we should. We strive to be recognised as a leading employer,

supplier, customer, landholder, community member, business partner and industry leader. We always take into consideration our values of People, Safety, Innovation, Excellence and Integrity, when pursuing business strategies with our stakeholders to ensure outcomes are beneficial for everyone.

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. 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 mateships we foster; and the families that rely on us for a future.

We value these stories and we work to contribute to the future generations of Australians.

**YANCOAL  
VALUES**

**People  
Safety  
Innovation  
Excellence  
Integrity**



# ABOUT THIS REPORT

This Report provides tax and related information on Yancoal Australia Ltd group operations for the period 1 January 2020 to 31 December 2020. It has been prepared in accordance with the Australian Board of Taxation's Voluntary Tax Transparency Code.

All dollar figures included 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's 2020 Annual Report, which is available on our website: [www.yancoal.com.au](http://www.yancoal.com.au)

## KEY EVENTS

- 2020**
  - Reconsolidated Watagan Assets (including Ashton underground mine) and agreed to execute US\$775 million finance arrangement with Shandong Energy Group.
  - Acquired additional 10% of Moolarben, taking interest to 95%.
- 2018**
  - Paid first dividends from profits and listed on the HKEx. Acquired additional 4% of Moolarben, taking interest to 85%.
- 2017**
  - Acquired 100% of the shares of Coal & Allied (Mount Thorley, Warkworth & Hunter Valley Operations). Established HVO JV with Glencore Coal.
- 2012**
  - Acquired the Gloucester Group (Stratford/Duralie, Donaldson & Middlemount), and listed on the ASX.
- 2011**
  - Yanzhou acquired Syntech (Cameby Downs) in August and Premier in December: both mines are managed by Yancoal.
- 2009**
  - Acquired Felix mines (Moolarben, Yarrabee and Ashton).
- 2004**
  - Yanzhou Coal Mining Company Limited acquired Austar mine, creating Yancoal.



# MESSAGE FROM THE CEO AND CFO



**We are pleased to present Yanco's 2020 Tax Transparency Report. This Report complements our 2020 Annual Report, 2020 Environment, Social and Governance (ESG) Report, and other regular reporting on our economic and community contributions.**

2020 was an unprecedented year that tested Yanco's strength, character and resilience. Our people endured severe bushfire and flood events, the global COVID-19 pandemic, cyclical low coal prices, and weakened

macroeconomic conditions that were compounded by disrupted trade flows. In the face of these challenges, Yanco remained focused on achieving solid performance through efficient management of controllable operational elements of our business.

Since 2004, Yanco has been on a journey of growth and expansion, generating over \$10 billion of Foreign Direct Investment for Australia. During this time, we have endured cyclical downturns in the coal industry,

shifting foreign trade relationships and ongoing regulatory reform.

Our focus is firmly on Yanco's long-term sustainability, and despite the financial challenges that such periods have temporarily presented, we have always continued to operate, to employ a production workforce, to generate export revenue and, importantly, to actively invest in Australian assets. In 2020, on an indirect and total impact basis, Yanco's operations were estimated to have supported around

40,000 jobs and to have contributed approximately \$8 billion to the Australian economy. Yanco has made significant tax contributions over the past 16 years. In the past five years alone, Yanco has made around \$2.4 billion in various tax contributions to all levels of Australian government (\$506 million in 2020).

Notwithstanding these contributions, the large-scale nature of our operations and the sizeable and ongoing significant capital investment this requires, combined with occasionally difficult market conditions, have resulted in Yanco carrying forward corporate tax losses.

In 2020, although Yanco optimised production and successfully lowered our operating cash costs, the average coal price we received declined by 26% to \$82/tonne and this resulted in net operating losses, contributing to our carry forward tax losses. The level of these losses has been reducing over the past four years and is expected to continue to reduce as market conditions improve and as our operations move further along their mine life cycle.

Tax will always be a significant aspect of Yanco's economic contribution to Australia, and it is important that we

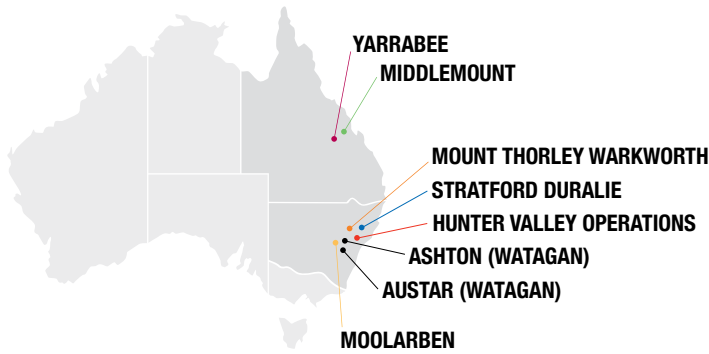
continuously implement efficient tax management. As part of our ongoing commitment to being a responsible and valued corporate citizen, we will maintain an open and transparent relationship with our stakeholders on tax. This is integral to Yanco's overall business objectives to bring enduring value to all our stakeholders.

  
**David Moulton**  
CEO

  
**Kevin Su**  
CFO



# OUR ASSETS



	MOOLARBEN NSW	MOUNT THORLEY WARKWORTH NSW	HUNTER VALLEY OPERATIONS NSW
ECONOMIC INTEREST	95%	82.9%	51%
DESCRIPTION	Truck and shovel open-cut and longwall underground mining complex producing thermal coal; operated by Yancoal.	Dragline, truck and shovel open-cut mine producing semi-soft coking coal and thermal coal; operated by Yancoal.	A multi-pit mine using dragline, truck and shovel operations to produce semi-soft coking coal and thermal coal; operated by Hunter Valley Joint Venture.
HEAD COUNT	~780 EMPLOYEES & CONTRACTORS	~1,275 EMPLOYEES & CONTRACTORS	~1,370 EMPLOYEES & CONTRACTORS
2020 SALEABLE COAL OUTPUT (100%)	19.7 MILLION TONNES	11.9 MILLION TONNES	12.0 MILLION TONNES
MARKETABLE RESERVES (AS AT 31 DEC 2020)	201 MILLION TONNES	188 MILLION TONNES	640 MILLION TONNES
IMPLIED MINE LIFE*	10 YEARS	16 YEARS	53 YEARS

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

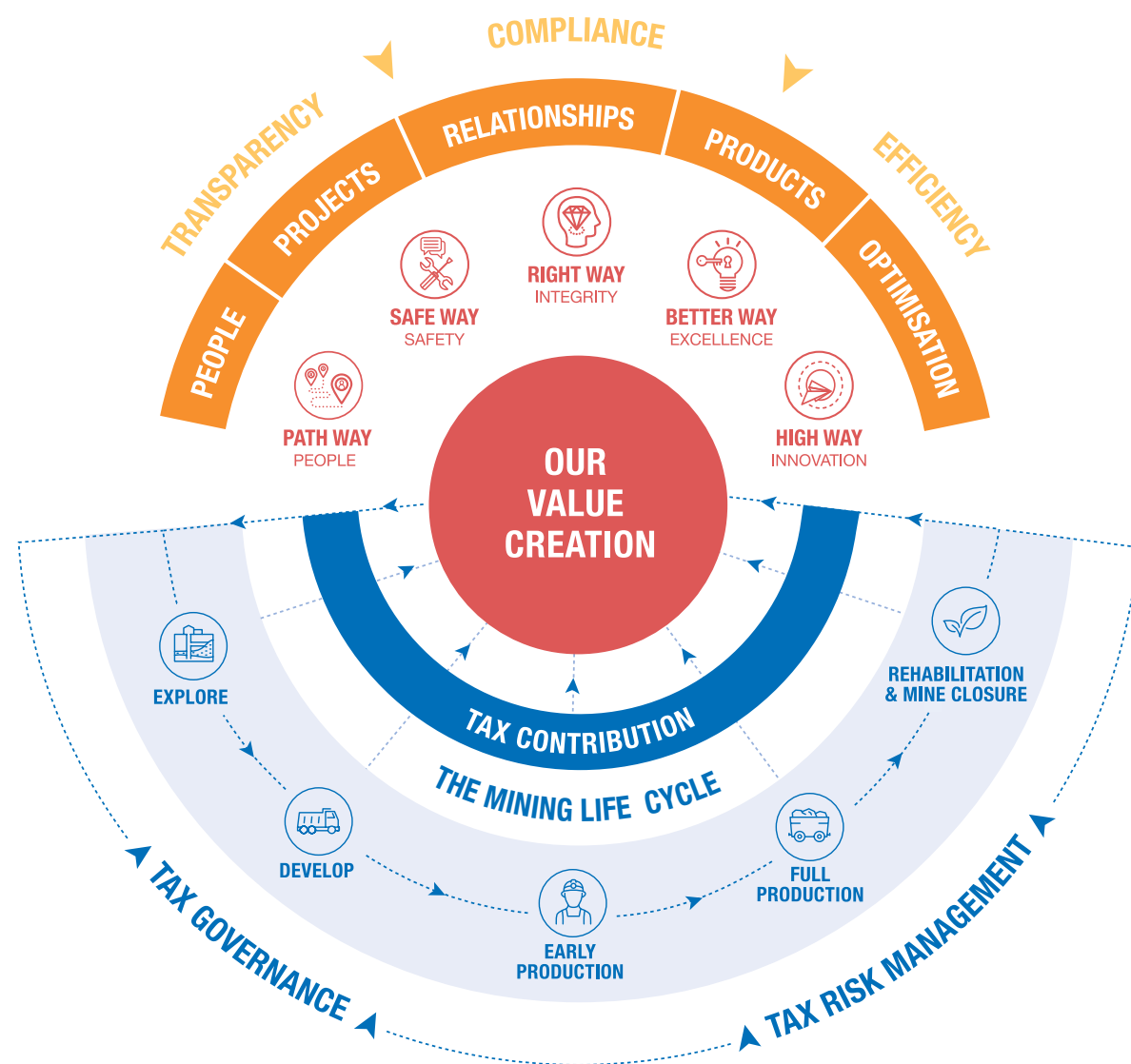
Yancoal is a leading low-cost Australian coal producer in the global seaborne market, producing a mix of premium thermal, semi-soft coking and PCI coals for export. Since 2004, Yancoal has generated over \$10 billion in Foreign Direct Investment (FDI) for Australia and now owns, operates or participates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

Yancoal has a diverse range of customers and in 2020 we exported our Australian coal to 19 countries, with our major markets located across the Asia region. In 2020, Yancoal's thermal coal exports would have powered around 39 million households in the Asian region, and metallurgical coal exports could have produced 3.0 million tonnes of steel

(equivalent to the amount required to construct around 57 Sydney Harbour Bridges).  
Yancoal is a public company, listed on both the Australian Securities Exchange (ASX: YAL) and the Stock Exchange of Hong Kong (HKSE: 3668), and is majority owned by Yanzhou Coal Mining Company Limited.

YARRABEE QLD	STRATFORD- DURALIE NSW	WATAGAN NSW	MIDDLEMOUNT QLD
100%	100%	100%	~50%
Truck and shovel open-cut mine producing ultra low volatile pulverised coal injection (PCI) coal; operated 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.
~380 EMPLOYEES & CONTRACTORS	~100 EMPLOYEES & CONTRACTORS	~205 EMPLOYEES & CONTRACTORS	~510 EMPLOYEES & CONTRACTORS
3.0 MILLION TONNES	0.5 MILLION TONNES	1.8 MILLION TONNES	2.9 MILLION TONNES
37 MILLION TONNES	10 MILLION TONNES	11^ MILLION TONNES	60 MILLION TONNES
12 YEARS	20 YEARS	6 YEARS	21 YEARS

# OUR APPROACH TO TAX



*Leveraging the competitive and strategic advantages of our asset portfolio, and underpinned by Yancoal's core values, our operations generate long-term value for the Company and our shareholders.*

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

## WE 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 mines, and Cameby Downs and Premier mines (managed and operated by Yancoal on behalf of Yanzhou Coal).

# 28%

DECREASE IN LOST TIME INJURIES DURING 2020

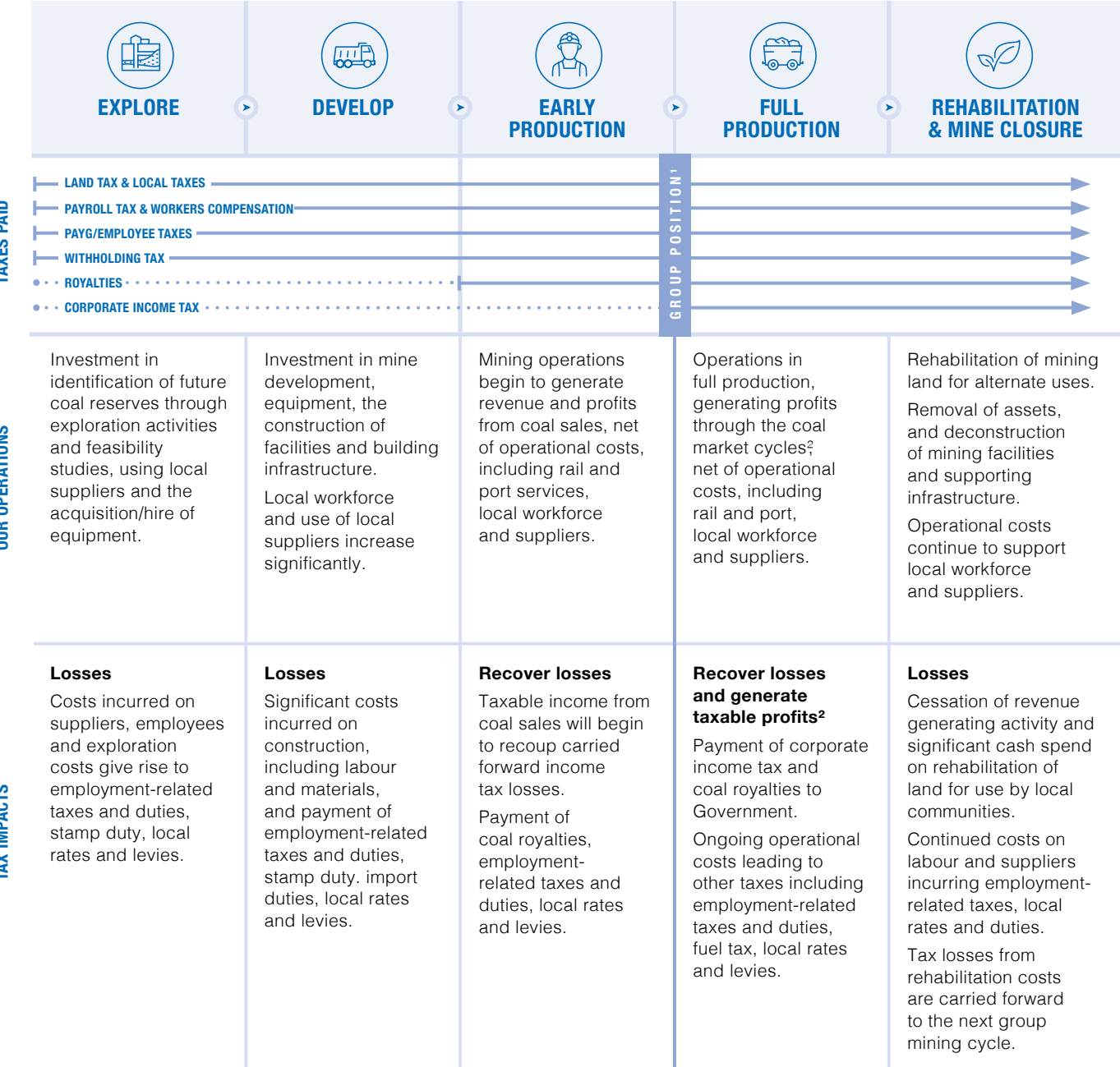


# THE MINING LIFE CYCLE

Various tax contributions are generated throughout the life cycle of a mine. Yancoal invests significant amounts of capital expenditure during the exploration and development phases to ready our assets for production. In addition to cyclical downturns, these investments have resulted in net tax losses for our business

in the early stages of exploration and mining. These losses are carried forward to be 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. As they move

into consistent stages of production, we expect to generate operating profits, which will eventually move the group into a tax payable position. The Company currently projects that the majority of assets will operate in the full production stage for many years to come.



**Notes:**

(1) Yancoal's assets span various stages of the mining life cycle and additional mine asset acquisitions can occur at any stage 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.

# The possibilities of land regeneration

## WE VALUE



**In 2020, Yancoal, as manager and operator of Premier Coal on behalf of Yanzhou Coal, finalised rehabilitation works at the “Lake Kepwari” precinct in Western Australia and successfully relinquished the mining tenure over this area.**

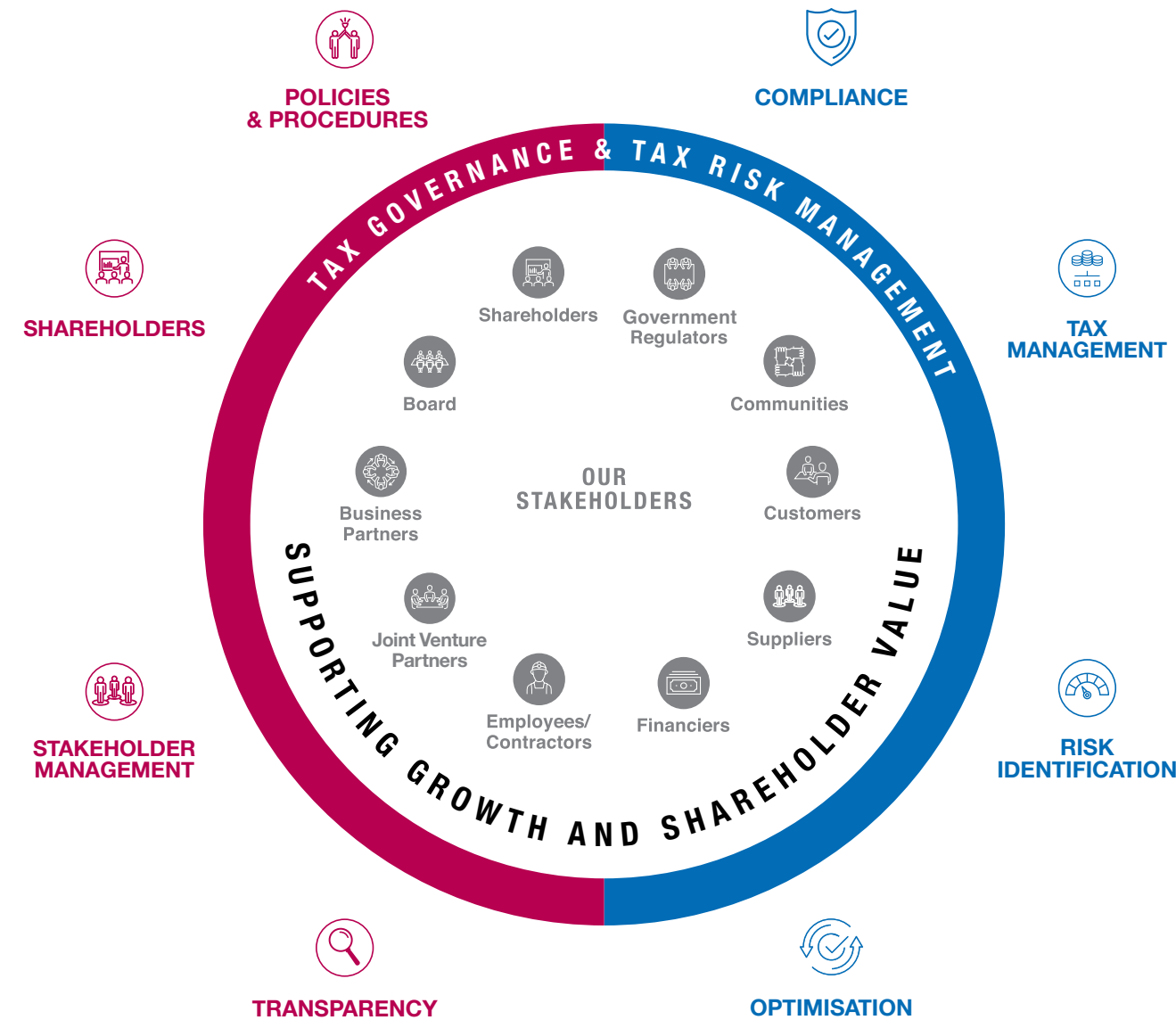
Starting in the 1980s, progressive rehabilitation transformed the former

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.

# 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 the 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

Maintaining shareholder confidence through optimisation of the tax strategy and profile, and internal governance and risk management. Contribute to 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 tax risk appetite. 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 TAX PROFILE AND CONTRIBUTIONS

Yancoal Australia Ltd and its wholly owned subsidiaries<sup>1</sup> have formed a tax consolidated group headed by Yancoal Australia Ltd. The tax consolidated group includes Watagan Mining Company Pty Ltd and its controlled subsidiaries, which for reporting purposes was a separate reporting group for the majority of the year, until 16 December 2020. From 16 December 2020, Watagan was reconsolidated into the financial results of Yancoal.

The Group recognises a deferred tax asset on its carried forward tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which the carried forward tax losses 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 was detailed in note B6 of Yancoal's 2020 Annual Report. This disclosure was prepared in accordance with the relevant Australian Accounting Standards.

### TEMPORARY DIFFERENCES

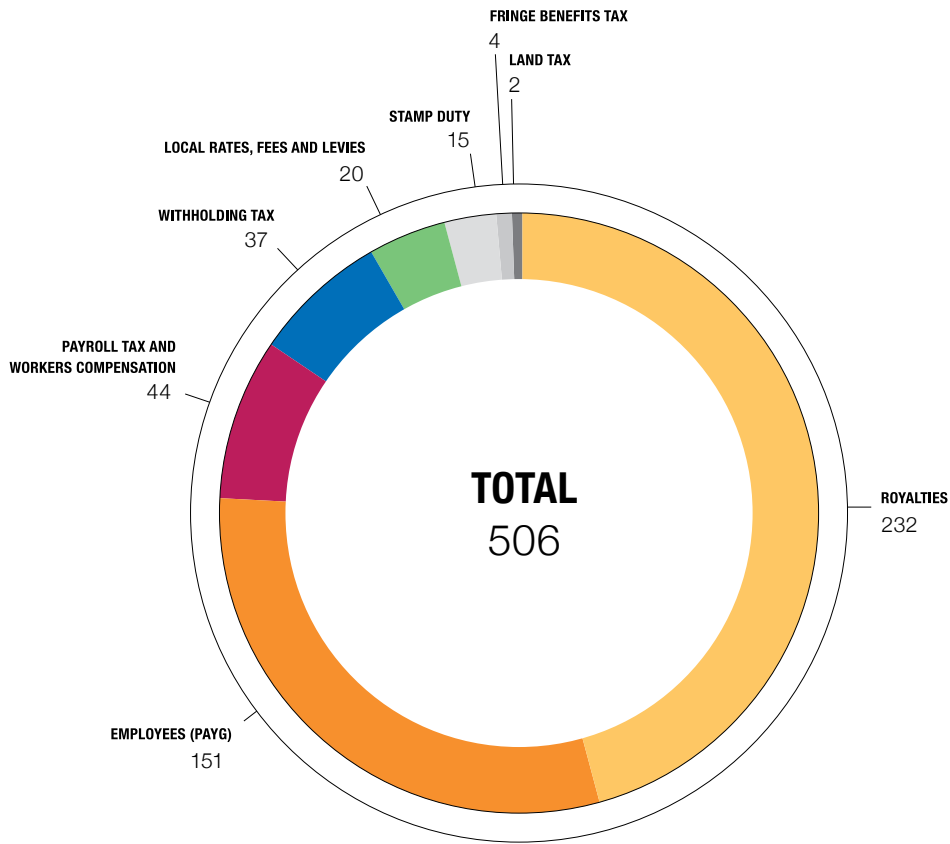
A temporary difference arises when there is a difference between the carrying amount of an asset or liability in the balance sheet and its tax base, resulting in the assessability or deductibility of that amount at different times. The main categories of temporary differences of the Group during 2020 include those relating to mining tenements, exploration and evaluation assets, plant and equipment and general provisions and accruals.

### INCOME TAX EXPENSE

The Group's 2020 Annual Report discloses effective tax rates of 9.0% and 34.8% for the 2020 and 2019 years respectively, compared to the Australian corporate income tax rate of 30%. In 2020, the lower effective tax rate primarily resulted from the non-assessable gain on acquisition of an interest in joint venture operation of \$653 million, the non-deductible loss on the Watagan reconsolidation of \$1,383 million and non-deductible equity-accounted losses of \$59 million. In 2019, the higher effective tax rate arose primarily from non-deductible equity-accounted losses and routine adjustments to prior period tax provisions.

	2020 A\$M	2019 A\$M
<b>(Loss) / profit before tax</b>	<b>(1,143)</b>	<b>767</b>
Prima facie income tax at Australian rate of 30%	343	(230)
(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)
<b>Income tax benefit / (expense)</b>	<b>103</b>	<b>(48)</b>
<b>Temporary differences</b>		
Provisions	(16)	(25)
Finance lease liabilities	4	(16)
Cash flow hedges	-	(32)
Property, plant and equipment	(33)	(25)
Mining tenements and exploration and evaluation assets	(30)	(209)
Other	48	3
Net tax (payable) / loss	76	(352)
Less: tax losses (incurred) / utilised	(76)	352
<b>Total corporate income tax payable</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Refer Yancoal Australia Ltd 2020 Annual Report Note E5 for a list of all wholly owned subsidiaries.



These figures are based upon the 31 December 2020 audited financial reports for Yancoal Australia Ltd.

YANCOAL TAX CONTRIBUTIONS	2020 A\$M	2019 A\$M
Royalties	232	311
Employees (PAYG)	151	155
Payroll tax and workers compensation	44	40
Withholding tax	37	66
Local rates, fees and levies	20	13
Stamp duty	15	1
Fringe benefits tax	4	3
Land tax	2	1
<b>Total</b>	<b>506</b>	<b>590</b>

### 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 coal market downturns. At 31 December 2020, the Group has recognised carried forward income tax losses (tax effected) of \$480 million (2019: \$330 million), which are subject to Australian taxation requirements.




# 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 2020, Yancoal's major shareholder is Yanzhou Coal Mining Company Limited (Incorporated in the People's Republic of China). The ultimate shareholding entity is Yankuang Group Corporation Limited (incorporated in the People's Republic of China), which now operates as Shandong Energy Group.<sup>1</sup>

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 interacted with in 2020 are detailed in the below table.

MATERIAL OFFSHORE RELATED PARTY DEALINGS <sup>2</sup>			JURISDICTION
	Sales	Yancoal has coal sales transactions with related parties, which are struck 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 Yanzhou Coal Mining Company Limited is based in China, and provides Yancoal a corporate guarantee on a loan with a third party bank.	China

1 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. Refer to Yancoal's 2020 Annual Report for further detail.

2 Refer to Yancoal Australia Ltd 2020 Annual Report Note E3 for further detail.

# GENERAL INFORMATION

## COUNTRY OF INCORPORATION

Australia

## WEB ADDRESS

www.yancoal.com.au

## 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

## AUDITOR

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Australia



