A. TAXATION

The following summary of certain Hong Kong and Australian tax consequences of the purchase, ownership and disposition of the Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules, and is not intended to be and should not be taken to constitute legal or tax advice. Prospective investors should consult their own tax advisers concerning the application of Hong Kong and Australian tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Shares arising under the laws of any other taxing jurisdiction. Neither the Company nor any of the Relevant Persons assumes any responsibility for any tax consequences or liabilities that may arise from the subscription for, holding or disposal of the Shares.

The taxation of the Company and that of the Shareholders is described below. Where Hong Kong and Australian tax laws are discussed, these are merely an outline of the implications of such laws. Such laws and regulations may be interpreted differently. It should not be assumed that the relevant tax authorities or the Hong Kong or Australian courts will accept or agree with the explanations or conclusions that are set out below.

Investors should note that the following statements are based on advice received by the Company regarding taxation laws, regulations and practice in force as at the date of this prospectus, which may be subject to change.

1. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

(a) Hong Kong Taxation of the Company

Profits Tax

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%, unless such profits are chargeable under the half-rate of 8.25% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after 1 April 2018. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

(b) Hong Kong Taxation of Shareholders

Tax on Dividends

No tax is payable in Hong Kong in respect of dividends paid by the Company.

Profits Tax

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the Shares. Trading gains from the sale of Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from

or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong income tax rates of 16.5% on corporations and 15.0% on individuals, unless such gains are chargeable under the respective half-rates of 8.25% and 7.5% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after 1 April 2018. Gains from sales of Shares effected on the Stock Exchange will be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

Stamp Duty

Hong Kong stamp duty will be charged on the sale and purchase of Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of Shares.

Estate Duty

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

2. OVERVIEW OF TAX IMPLICATIONS OF AUSTRALIA

The following section does not constitute financial product advice and is confined to Australian taxation issues only. Taxation is only one of the matters you need to consider when making a decision about your investments. You should consider taking advice from a licensed adviser, before making a decision about your investments.

The following taxation summary is based on the tax laws in Australia in force and the administrative practices of the Australian tax authorities as at the Latest Practicable Date. During the period of ownership of the Shares by investors' the taxation laws of Australia or their interpretation may change (possibly with retroactive effect). Australian tax laws are complex.

This taxation summary is necessarily general in nature and is based on the Australian tax legislation and administrative practice in force as at the date of this booklet. It does not take into account any financial objectives, tax positions or investment needs of investors.

The taxation implications of the Offer will vary depending upon your particular circumstances. It is strongly recommended that you seek your own independent professional tax advice applicable to your particular circumstances. Neither Yancoal nor any of its officers or employees, nor its taxation and other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences.

Overview of the Australian Taxation System

1. *Overview of the Australian tax system*

Corporate income tax

Companies incorporated in Australia are generally residents of Australia for income tax purposes. Companies not incorporated in Australia may nevertheless be a tax resident for Australian tax purposes if they are carrying on business in Australia with either their central management and control in Australia, or if their voting power is controlled by Australian residents.

An Australian tax resident company is subject to income tax on its worldwide income. A foreign tax resident company is subject to Australian tax only on Australian sourced income.

Resident companies are generally taxed at the Australian company tax rate, which is currently 30%. Small business taxpayers with no more than 80% passive income are taxed at 27.5% (if aggregated annual turnover is under AUD$25 million for the 2017-2018 income year or under A$50 million for the 2018-2019 income year).

Income of non-resident companies from Australian sources is similarly taxable at the current company tax rate if it is not subject to any withholding tax or treaty protection. However, a foreign tax resident company not operating in Australia through a permanent establishment is generally subject to tax only on Australian sourced passive income, such as rent, interest, royalties and dividends. Rent is subject to an assessment, while interest, royalties and dividends are subject to withholding tax. Please see the section below headed 'withholding taxes on dividends'.

Determination of taxable income

Broadly, a company is taxed based on its taxable income. Taxable income is defined as assessable income less deductions. Assessable income includes ordinary income (e.g. income derived from the operations of the business) and statutory income (defined in the tax law as assessable income including capital gains). Non-cash business benefits may be included as income in certain circumstances.

Expenses are allowable deductions to the extent they are incurred in gaining or producing assessable income or are necessarily incurred in carrying on a business for the purpose of gaining or producing assessable income. Expenditure of a capital nature are not immediately deductible, however, most business capital expenditure that is not immediately deductible may be deducted over no more than five years. Expenditure incurred in production of exempt income is not deductible. To the extent that expenditure has both a taxable and non-taxable purpose, it will be apportioned.

Capital gains tax

Australian tax law distinguishes income (revenue) gains and losses from capital gains and losses, in accordance with the legislative provisions, as supported by principles from case law. Broadly, items which are solely capital gains and

capital losses are not assessable or deductible under the ordinary income tax rules. However, the capital gains tax ("CGT" provisions) in the tax law may apply.

For companies, capital gains are taxed at the relevant company income tax rate. The CGT provisions apply to gains and losses from designated CGT events. The list of designated CGT events includes disposal of assets, grants of options and leases, and events arising from the tax consolidation rules.

Capital gains are calculated separately from income tax, by identifying the capital proceeds (money received or receivable, or the market value of property received or receivable) with respect to the CGT event and deducting the relevant cost base. Capital gains are reduced by amounts that are otherwise assessable under the ordinary income tax rules.

Capital losses are deductible only from taxable capital gains. Capital losses are not deductible from ordinary income. However, ordinary or trading losses are deductible from net taxable capital gains.

Depreciation

Australia's capital allowance rules allow a deduction for the decline in value of a "depreciating asset" held during the year.

A "depreciating asset" is defined as an asset with a limited effective life that may be expected to decline in value over the time it is used. Land and trading stock are excluded from the rules and are not considered to be depreciating assets. Certain intangible assets may be included under the rules.

The depreciation rate for a depreciating asset depends on the effective life of the asset. Taxpayers may choose to use either the default effective life determined by the tax authorities or their own reasonable estimate of the effective life. A taxpayer may choose to recalculate the effective life of a depreciating asset if the effective life that was originally selected is no longer accurate as a result of market, technological or other factors.

Taxpayers may choose the prime cost method (straight-line method) or the diminishing value method (200% of the straight-line rate) for calculating the tax-deductible depreciation for all depreciating assets, except intangible assets. For certain intangible assets, the prime cost method must be used. Once a method is chosen, it may not be changed.

For certain intangible assets, taxpayers are not able to re-estimate the effective life of the asset. However, for intangible assets which a taxpayer starts to hold on or after 1 July 2016, companies can choose to either use the effective lives prescribed by legislation or to self-assess the effective life of such assets.

Dividends

Dividends paid by Australian tax resident companies may be franked with an imputation credit to the extent that Australian corporate income tax has been paid by the Company on the income being distributed. Unfranked dividends are dividends paid out of profits which have not been subject to Australian corporate income tax. Anti-avoidance tax rules exist to discourage companies from streaming imputation credits to those shareholders that can make the most use of the credits at the expense of other shareholders.

A company may select its preferred level of franking with reference to its existing and expected franking account surplus and the rate at which it franked earlier distributions. However, under the "benchmark rule", all distributions made by a company within a franking period must generally be franked to the same extent and the maximum franking level cannot exceed 100% of the dividend.

The consequences of receiving a franked dividend vary depending on the nature of the recipient Shareholder. Please see the section below headed "A. Australian tax implications" for further details.

Withholding taxes on dividends

For dividends paid, the withholding tax rate of 30% applies only to the unfranked portion of the dividend. A reduced rate applies if dividends are paid to residents of treaty countries. An exemption from dividend withholding tax applies to the part of the unfranked dividends that is declared in the distribution statement to be conduit foreign income.

Dividends paid to non-residents are subject to Australian withholding tax.

Relief for losses

For companies, tax losses may be carried forward indefinitely, for use against assessable income derived during succeeding years, provided certain loss recoupment tests are satisfied.

To claim a deduction for past losses companies must satisfy either the Continuity of Ownership Test ("COT") or failing that, the Same Business Test ("SBT").

Broadly, the COT is satisfied if the majority of the underlying ownership (i.e. greater than 50% ownership) in the shares, measured by voting, dividend and capital rights of the company is maintained from the start of the income year in which the tax loss was incurred until the end of the income year in which the tax loss is sought to be recouped. For publicly listed companies and other widely held companies, concessional rules exist to ensure simpler compliance in satisfaction of the COT. If the COT is failed, the SBT can be used. To satisfy the SBT, the taxpayer must show that, at all times during the year in which the loss is to be recouped, it carried on the same business and did not derive any income from a business of a kind, and did not derive income from a transaction, that it had not carried on or entered into before the change in ownership.

The 'similar business test' may apply to losses made in the financial year ended 30 June 2016 and future income years (although the legislation introducing this measure is not yet enacted). If both the COT and SBT are failed, the tax loss may not be used in the future.

Thin capitalisation

Thin capitalisation measures apply to the total debt of Australian operations of multinational groups (including foreign and domestic related-party and third-party debt), and may result in a denial of certain debt related deductions after application of transfer pricing measures applicable to related party debt. The prescribed safe harbour debt to assets ratio is 60%.

The thin capitalisation measures apply to the following:

i. Foreign-controlled Australian entities and foreign entities that either invest directly into Australia or operate a business through an Australian branch (inward investing entities); and

ii. Australian entities that control foreign entities or operate a business through an overseas branch (outward investing entities).

Administration

The Australian tax year ends on 30 June although the Commissioner of Taxation has a discretion to allow companies to adopt a substituted accounting period to file tax returns on the basis of a year end other than 30 June where appropriate business circumstances exist.

The Commissioner of Taxation grants a concession to allow tax returns to be filed on the 15th day after the 7th month after which the income year ended. Similarly, this concession is extended to companies which adopt a substituted accounting period.

Under the Pay-As-You-go ("PAYG") instalment system, companies with turnover of AUD$20 million or less continue to make quarterly payments of income tax within 21 days after the end of each quarter of the tax year. The amount of each instalment is based on the income earned in the quarter.

The instalment obligations for larger companies with turnover in excess of AUD$20 million are changed to monthly payments.

GST

Goods and services, tax ("GST") is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia. Certain goods and services are not subject to GST, being either GST free or input taxed.

Generally, businesses and other organisations registered for GST will:

- Include GST in the price they charge for their goods and services; and

- Generally, claim credits for the GST included in the price of goods and services they acquire for their business, except to the extent that the acquisitions relate to the making of input taxed supplies.

Stamp duty

The main transactions that may be subject to Australian stamp duty are the transfer of property (such as real estate, mining and business assets) and acquisition of interests in entities (such as companies) that directly or indirectly hold interests in real estate (which can include freehold, leasehold, fixtures and mining assets) located in Australia.

The rate of stamp duty varies according to the type and value of the transaction involved.

Depending on the nature of the transaction certain concessions and exemptions may be available.

Key Tax Implications for the Shareholders

A. Australian tax implications

Set out below is a general summary of the Australian income tax implications for Australian tax resident individuals, companies (other than life insurance companies), complying superannuation entities and foreign resident investors that will hold the Shares on capital account.

These comments do not apply to investors that are not residents for Australian income tax purposes, hold the Shares on revenue account or as trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading), investors who are exempt from Australian income tax, or investors subject to the taxation of financial arrangements regime (the "Regime") in Division 230 of the Income Tax Assessment Act 1997 (Cth) and does not cover foreign tax implications of owning the Shares.

The below summary assumes that the Company continues to be an Australian tax resident.

1. Dividends paid on the Shares

Australian individuals and complying superannuation entities

Dividends paid by the Company on a Share should constitute assessable income of an Australian tax resident investor. Australia has an imputation system where the concept of franking broadly represents the net Australian corporate tax paid by the company. When a corporate tax entity makes a distribution to its members, it can impute tax credits to the distribution to alleviate double taxation at the corporate entity level and again when the member receives the distribution. This is called "franking" a distribution. Dividends can, be "franked" to a maximum percentage reflecting the Australian corporate tax rate of 30% for Australian tax purposes. The franking credits attached to a distribution represent the amount of tax already paid by the corporate entity and can be used by the recipients as tax offsets. Where the franking credits attached to the distributions received by individuals or complying superannuation funds exceed their tax liability, they are entitled to a refund of the franking credits.

Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Subject to the 45 day rule as discussed further below, such investors should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the investor's taxable income. Where the tax offset exceeds the tax payable on the investor's taxable income, investors who are individuals or complying superannuation entities should be entitled to a tax refund equal to the excess.

To the extent that the dividend is unfranked, investors who are individuals will generally be taxed at the prevailing (marginal) rate on the dividend received (with no tax offset) and the complying superannuation entities will be taxed at a concessional rate of 15%.

Australian trusts and partnerships

Australian tax resident investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend as well as the associated franking credits in the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

Australian companies

Companies are also required to include both the dividend and the associated franking credits in their assessable income.

Companies are then entitled to a tax offset up to the amount of the franking credit attached to the dividend.

An Australian tax resident company should be entitled to a credit in its own franking account to the extent of the franking credits attached to the dividend received. This will allow the company to pass on the franking credits to its shareholders on the subsequent payment of franked dividends.

Excess franking credits received by Australian tax resident companies will not give rise to a refund entitlement but can be converted into carry forward tax losses instead.

Foreign resident investors

Fully franked dividends received by a foreign resident investor should not be subject to any Australian dividend withholding tax. However, refunds of imputation credits are not available for foreign investors.

Unfranked or partially franked dividends paid to a foreign resident investor should generally be subject to Australian dividend withholding tax to the extent of the unfranked component of the dividend. The rate of the dividend withholding tax (up to 30%) will depend on the country in which the relevant investor is resident. Such investors may be able to claim foreign tax credits for the Australian withholding tax in the jurisdiction in which they are a tax resident, depending on the tax law in the relevant jurisdiction. Investors should seek their own professional tax advice to confirm this.

2. *Shares held at risk – availability of franking credits*

The benefit of franking credits can be denied where, an investor is not a "qualified person" in which case the amount of the franking credits will not be included in their assessable income and they will not be entitled to a tax offset.

Broadly, to be a "qualified person" two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, an investor is required to hold the Shares at risk for a continuous period of not less than 45 days during the primary qualification period in order to qualify for franking benefits, including franking credits. The primary qualification period is the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares became ex-dividend. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed AUD$5,000.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule is applied within the period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend.

Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

There are specific integrity rules that prevent taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of "dividend washing" arrangements. Shareholders should consider the impact of these rules to their own personal circumstances.

3. Disposal of the Shares

Australian tax resident investors

Australian tax resident investors, who hold their Shares on capital amount will be subject to Australian CGT on the disposal of Shares.

An investor, who holds their Shares on capital account, will derive a capital gain on the disposal of the Shares where the capital proceeds received on disposal exceed the CGT cost base of the Shares. The CGT cost base of the Shares in an arm's length transaction is generally the value of the consideration paid to acquire the Shares plus any transaction or incidental costs (e.g. brokerage costs and legal costs).

A CGT discount may be available on the capital gain for Australian tax resident individual investors, trustee investors and investors that are complying superannuation entities, provided the particular Shares are held for at least 12 months prior to sale. Any current year or carried forward capital losses must be used to offset the capital gain first before the CGT discount can be applied. The CGT discount is not available for Australian tax resident companies.

The CGT discount for Australian tax resident individuals and trusts is 50% of the capital gain and for complying superannuation entities is 33⅓% of the capital gain. In relation to trusts, the CGT discount rules are complex, but the discount may flow through to Australian tax resident individuals and complying superannuation fund beneficiaries of the trust.

An Australian tax resident investor will incur a capital loss on the disposal of their Shares to the extent that the capital proceeds on disposal are less than the reduced cost base of the Shares for CGT purposes.

If an Australian tax resident investor derives a net capital gain in a year, this amount is, subject to the comments below, included in the investor's

assessable income. If an Australian tax resident investor incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject, in some cases, to the investor satisfying certain rules relating to the recoupment of carried forward losses.

Foreign resident investors

A tax liability should only arise in Australia for non-resident Shareholders on capital gains arising on disposal of their Shares if the Shares constitute taxable Australian real property. Broadly, this could be the case if a company is entitled, directly or indirectly (through a non-portfolio shareholding of 10% or more) to any real property situated in Australia (freehold, leasehold, fixtures or other items fixed to land) or mining, quarrying, or prospecting rights, and such landholdings or mining, quarrying or prospecting rights represent 50% or more of the market value of the assets of the company.

The tax rate will depend on the characteristics of the taxpayer.

4. Tax File Number (TFN) and Australian Business Number (ABN)

Australian tax resident investors may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with respect to dividends.

The Company is required to deduct withholding tax from payments of dividends to the extent they are unfranked at the highest marginal rate (currently 47% for the 2017-2018 income year) including the Medicare levy (the progressive income tax levy which partly finances Medicare, Australia's national healthcare scheme), unless a TFN or an ABN has been quoted by the Shareholder, or a relevant exemption applies and has been notified to the Company. Australian tax resident investors may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their tax returns.

An investor who holds the Shares as part of an enterprise (i.e. carrying on a business of buying and selling shares) may quote its ABN instead of its TFN.

5. Goods and services tax (GST)

The acquisition, buy-back or disposal of the Shares by an Australian tax resident investor (registered for GST) will be an input taxed financial supply, and therefore is not subject to GST. No GST should be payable in respect of dividends paid to investors.

An Australian tax resident investor (registered for GST) may not be entitled to claim full input tax credits in respect of GST on expenses (e.g. lawyers' and accountants' fees) incurred relating to the acquisition, buy-back or disposal of the Shares which are otherwise input taxed supplies.

6. Stamp duty

Where the Company is listed on the ASX or the Stock Exchange and is a landholder in any State or Territory in Australia, no landholder duty should be payable by a Shareholder on the acquisition of the Shares under the Global Offering (i.e. the issuance of Shares by the Company under the Global Offering) if the investors:

- Acquire the Shares after all of the Shares are quoted on ASX or the Stock Exchange; and

- Each investor and any associated persons (or persons acquiring under one arrangement or in concert) do not acquire 90% or more of the interests in the Company or, as a result of the acquisition, hold 90% or more of the interests in the Company.

Further, under current stamp duty legislation, stamp duty should not ordinarily be payable on any subsequent acquisition of Shares by a Shareholder provided the above requirements are met.

Investors should seek their own tax advice as to the impact of stamp duty in their own particular circumstances.

B. REGULATORY OVERVIEW

The following is a brief summary of the laws and regulations in Australia that currently may materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on the laws and regulations in force as at the date of this prospectus, which may be subject to change.

1. REGULATIONS IN RELATION TO THE GROUP'S COAL MINING OPERATIONS

Commonwealth

The following is a brief summary of the Commonwealth laws and regulations which apply to the Group's operations in New South Wales, Queensland and Western Australia (to the extent the Group manages the Premier Coal mine operations on behalf of Yanzhou).

Native Title

Native Title refers to the statutory recognition of the rights and interests of Aboriginal People who have held continuous interests in land under their traditional laws and customs since the colonial settlement of Australia in the 18th and 19th Centuries. Under the *Native Title Act 1993* (Cth) (**NTA**), relevantly:

- any potential invalidity of titles granted prior to 1 January 1994 (and in some cases before 23 December 1996) is remediated, although compensation may be payable in some cases; and
- holders of Native Title rights and Registered Claimants for such rights have procedural rights under the 'future acts' regime. If there is non-compliance with those procedural rights, the titles in question may be invalid to the inconsistency with Native Title rights and interests.

In addition to Commonwealth laws and regulations, each state in Australia also has its own regulatory framework which governs mining in that state. As the Group currently holds interests in New South Wales and Queensland, we have provided a brief summary of the laws and regulations which apply to the Group's operations in New South Wales and Queensland respectively.

Environment protection

Mining operations in Australia are highly regulated by environment protection laws. Environmental protection laws in respect of mining projects are primarily regulated at State and Territory levels, with limited environment protection legislation and involvement of regulators at a Federal level.

Federal environment protection laws

At a Federal level, the key piece of environment protection legislation is the *Environmental Protection and Biodiversity Conservation Act 1999 (Cth)* (**EPBC Act**).

The primary objective of the EPBC Act is to regulate proposals that have the potential to impact matters of 'national environmental significance'. These include world heritage properties, national heritage places, wetlands of international importance, listed threatened species and ecological communities, migratory species, Commonwealth marine areas, nuclear actions (including mining of uranium), and water resources in respect of impacts from coal seams gas and large coal mining development. This is a separate and independent process to the range of approvals required under NSW, Queensland and Western Australian legislation.

The Commonwealth Department of the Environment and Energy (**DoEE**) is the key Federal department supervising environment protection in Australia under the EPBC Act. The DoEE also designs and implements Australian Government policy and programs to protect and conserve the environment, water and heritage.

State environment protection laws: NSW, Queensland and Western Australia

(i) Obtaining material planning and environmental approvals

Both NSW and Queensland Governments have introduced a suite of environment protection laws. Development such as mining activity that has the potential to significantly impact the environment will typically require planning approval and an environment protection license or authorisation.

The approval pathway for mining projects typically require the preparation of detailed environmental assessment, together with public exhibition and opportunities for any person to make submissions objecting or supporting the project.

The relevant consent authority has broad discretionary powers whether to approve or refuse to grant environmental approvals. If approved, the regulator will typically impose a suite of conditions to mitigate and manage the potential environmental impacts of the proposal. Stringent conditions can be imposed in relation to limits on emissions and discharges, and the requirement to provide financial assurances.

Obtaining material and environmental approvals in NSW

In NSW, mining projects (including the assessment, operations and post-closure stages of the mine life cycle) are regulated under the *Environmental Planning and Assessment Act 1979* (NSW) (**EP&A Act**) and the *Mining Act 1992* (NSW). Once a development consent is granted under the EP&A Act, an EPL must be granted in a manner that is consistent with that consent. The NSW Environmental Protection Authority issues EPLs to the occupiers of premises under the Protection of the Environment Operations Act 1997 (**POEO Act**).

Obtaining material and environmental approvals in Queensland

In Queensland, proponent of a mining project may require a Regional Interest Development Approval under the *Regional Planning Interests Act 2014* (Qld). A development permit for project infrastructure under the *Sustainable Planning Act 2009* or associated planning scheme.

In addition, the mining project may need to be declared a 'prescribed project' or a 'coordinated project' under the *State Development and Public Works Organisation Act 1971* (Qld) (**State Development Act**). A prescribed project is usually applied to projects of economic or social significance to Queensland or a regional area. A coordinated project is usually applied for major projects that require complex approval requirements, imposed by a local government, the state or the Commonwealth; or projects that have significant environmental effects; strategic significance to a locality, region or the state, or significant infrastructure requirements.

In Queensland, the *Environmental Protection Act 1994* (Qld) is the central piece of environmental legislation. It regulates activities that are likely to have impacts on the environment, categorised as 'environmentally relevant activities' (ERAs) including mining activities.

Obtaining material and environmental approvals in Western Australia

The *Mining Act 1978* (WA) and *Environmental Protection Act 1986* (WA) are the principle pieces of legislation which regulate the environmental impacts of mining in Western Australia.

The *Mining Act 1978* (WA) requires the proponent of a large scale mining operations to obtain a mining lease before it commences commercial mining production in Western Australia. The application for a mining lease must be accompanied by a Mining Proposal and Mine Closure Plan. The primary objective of the Mining Proposal is to enable the regulator to assess the environmental impact of the proposal. The objective of a Mine Closure Plan is to set out a process so that the mine can be closed, decommissioned and rehabilitated to meet the legal obligations for rehabilitation and closure.

If a Mining Proposal has the potential to have a significant effect on the environment it will be referred to the WA Environmental Protection Authority (WA EPA) and the Minister to decide whether formal environmental assessment is required under Part IV of the *Environmental Protection Act 1986* (WA) (also referred to as a Part IV Approval). Mining Proposals must also be referred to WA EPA if, among other matters, mining is proposed within 2 km of a town site. A large scale mining operation will typically trigger an assessment pathway known as 'Public Environmental Review' (on the basis that the proposal is of State wide significance, substantial assessment is required to determine environmental impacts, where there are a number of significant and complex environmental issues, or where the level of public interest warrants a public review).

The proponent of the mining project will also be required to obtain a Works Approval and an Operating Licence under the *Environmental Protection Act 1986* (WA) to construct and operate prescribed polluting activities on premises.

Obtaining ancillary environmental and planning approvals in NSW, Queensland and Western Australia

Mining operations in NSW, Queensland and Western Australia will also generally require approvals for the supply or storage of water resources. In NSW mining operations usually require water access licences under the *Water Act 1912* (NSW) or the *Water Management Act 2000* (NSW) to authorize the extraction of water. In Queensland, *Water Act 2000 (*Qld) provides a framework for the planning, allocation and use of surface water and groundwater for mining activities. In Western Australia, a groundwater licence is required under the *Rights in Water and Irrigation Act 1914* (WA) to take groundwater.

Other specific environmental approvals may also be needed to authorise actions that may impact on Indigenous and non-Indigenous heritage or protected species, clearing or native vegetation or require the supply or storage of waste, hazardous chemicals and dangerous goods.

Environmental licences and permits are subject to regular review and renewal, and additional conditions and/or operational requirements can be imposed.

(ii) Compliance with environment protection laws

Environment protection laws at a State and Federal level create various environmental offences. There is typically a general environmental duty not to cause environmental harm and a suite of specific pollution type offences.

NSW, Queensland and Western Australia Governments have introduced laws which make directors and persons involved in the management of a corporation deemed liable for offences by their corporations. Whether a regulator will prosecute a director or manager typically turns on the level of control and influence that they had in respect of the incident. There are also specific defenses available to defendants in respect of personal liability for the offence of a body corporate.

(iii) Liability for rehabilitation and financial assurance

Generally, the owner/operator of the mine in NSW, Queensland and Western Australia is legally obliged to rehabilitate the mine on an ongoing basis, and at the end of life of the mine.

This obligation is typically imposed as a condition of planning and environmental approvals and under the mining tenement. Financial security will be required by the State Government to ensure that there are funds available to the Government to carry out rehabilitation if required. State Government regulators have the power to determine the amount of financial security and to enforce that security.

This is an area of law and policy that is currently subject to review in both NSW and Queensland. In Queensland, the Government has introduced new provisions to enable environmental protection orders to be issued to 'related persons'. These provisions provide the Queensland Government with additional tools to ensure that companies and associated parties meet their environmental responsibilities.

In Western Australia, the Mining Act 1978 (WA) requires all tenement holders to contribute an annual levy to the Mining Rehabilitation Fund.

(iv) Key regulators in NSW, Queensland and Western Australia

NSW, Queensland and Western Australia Governments have their own suite of departments supervising environment protection in these jurisdictions.

In NSW, the primary environmental regulator is the Environment Protection Authority which is responsible for issuing, and enforcing compliance with, environment protection licences, investigation and management of pollution incidents (air, water, land and noise) and the clean-up of contamination. The NSW Department of Planning and the Environment is responsible for land use planning and strategic planning policies.

Other Departments which play a key environment protection in NSW include:

- NSW Office of Environment and Heritage – responsible for national parks and protected areas, Aboriginal and non-Aboriginal heritage; and

- NSW Office of Water – responsible for protecting surface water and groundwater resources.

In Queensland, the Department of Environment and Science is the Government's lead agency for the administration and enforcement of the *Environmental Protection Act 1994* (Qld) and the *Water Act 2000* (Qld). The assessment process for coordinated projects under the State Development Act is managed by the Coordinator-General, who sits in the Department of State Development, Manufacturing, Infrastructure and Planning, by way of an environmental impact statement for larger projects or an impact assessment report.

In Western Australia, the Department of Mines and Petroleum regulates the activities under the Mining Act 1978 (WA) including the approval of the Mining Proposal, Mine Closure Plan, and Mining Lease. The Department of Water and Environmental Regulation is the key regulator of prescribed environmental activities and compliance under the Environmental Protection Act 1986 (WA).

In NSW, Queensland and Western Australia, Local Government Councils also have broad powers to impose conditions in planning approvals to protect the environment, and to investigate and enforce compliance with planning approvals and environmental laws.

Mining activities in NSW, Queensland and Western Australia

New South Wales

The following is a brief summary of the laws and regulations in New South Wales which apply to the Group's operations in New South Wales only.

Mining

The *Mining Act 1992* (NSW) (**NSW Mining Act**) is the primary piece of legislation that regulates exploration and development of mineral resources in New South Wales.

Mining Lease/Coal Lease

Part 5 of the NSW Mining Act regulates the extraction of minerals within NSW. A granted mining lease (**NSW ML**) provides the holder with rights to mine particular public or privately owned minerals from land covered by the NSW ML for a specified period. A NSW ML also allows the holder to carry out primary treatment operations for the purpose of separating the mineral from surrounding material and ancillary mining activities. The Minister may grant a NSW ML subject to conditions, including the preparation and acceptance of a mining operations plan and the provision of a rehabilitation bond. The NSW ML process is initiated by the making of a mining lease application (**MLA**) that is assessed by the decision-maker (i.e. the Minister).

A coal lease (**CL**) refers to a mining lease granted under the *Coal Mining Act 1973* (NSW) preceding the NSW Mining Act. A CL operates in the same manner as a NSW ML and is subject to the same conditions and requirements prescribed under the NSW Mining Act.

A NSW ML is granted for a term not exceeding 21 years (except with the Premier's consent). A NSW ML may be renewed by lodging an application for renewal however there is no guarantee that a NSW ML will be renewed or that the area of the land which the NSW ML covers remains the same.

Consolidated Mining Lease

If two or more NSW MLs are held by the same person and relate to adjoining parcels of land, an application can be made to consolidate these interests into a consolidated mining lease (**CML**). The rights conferred by a CML are the same as those contained in the leases the subject of the consolidation. A CML expires at the end of the period determined by the Minister (such period not to extend beyond the first day by which all the existing leases that have been consolidated would, but for the consolidation, have expired). A consolidated coal lease (**CCL**) refers to an interest granted under legislation preceding the NSW Mining Act. CCLs granted under this earlier legislation are now governed by the NSW Mining Act in the same manner as a CML.

Exploration Licences/Authorisations

An exploration licence (**EL**) may be granted over specific land for particular minerals (whether publically or privately owned). The grant of an EL provides its holder with the right to explore for the specified mineral group(s) during the licence term. More extensive exploration and prospecting activities require additional approval prior to commencement. An EL is subject to specified conditions and any conditions the decision-maker may impose. This may include the requirement for security to be lodged in the form of cash, a bank guarantee or bond.

An EL is granted for a term not exceeding 6 years. The owner of privately owned minerals may apply for an exploration (mineral owner) licence. These ELs are granted for a shorter term of 2 years. The holder of an EL may apply for a renewal 2 months before the licence ceases to have effect, however there is no guarantee that an EL will be renewed or that the area of the land which the EL covers remains the same.

The EL process is initiated by the making of an exploration licence application (**ELA**). The decision-maker must then decide whether to grant the EL over all or part of the land over which the licence is sought or refuse the EL. An 'Authorisation' (**AUTH**) refers to an interest granted under the legislation preceding the NSW Mining Act. An AUTH operates in the same way as an EL.

Assessment Lease

Part 4 of the NSW Mining Act sets out the requirements for obtaining an assessment lease (**AL**). An AL is designed to allow retention of rights over an area in which a significant mineral deposit has been identified, if mining the deposit is not commercially viable in the short term but there is a reasonable prospect that it will be in the longer term. The holder is allowed to continue prospecting operations and to recover minerals in the course of assessing the viability of commercial mining. The holder of an assessment lease may apply for a renewal within 2 months before the lease ceases to have effect however there is no guarantee that a AL will be renewed or that the area of the land which the AL covers remains the same.

Land Access Arrangements

Under the NSW Mining Act, a landholder (which includes any party with a registered interest in the land, including mortgagees and lessees) is entitled to compensation for any compensable loss suffered, or likely to be suffered, by that landholder due to the exercise of the rights conferred by a NSW ML, EL or AL on that landholder's land. The holder of an EL or AL may not carry out any prospecting operations on any area of land except in accordance with an access arrangement agreed with the landholders of the land or determined by an arbitrator.

A NSW ML may not be granted over the surface of any land:

(a) within 200 metres of a dwelling house that is the principal place of residence of the person occupying it;

(b) within 50 metres of a garden; or

(c) on which significant improvements are situated,

except with the written consent of the owner of the house, garden or significant improvement.

The holder of an EL or AL may not exercise the rights conferred by that title over the surface of any land:

(a) within 200 metres of a dwelling house that is the principal place of residence of the person occupying it;

(b) within 50 metres of a garden; or

(c) on which significant improvements are situated,

except with the written consent of the owner of the house, garden or significant improvement.

Aboriginal Cultural Heritage

The *National Parks and Wildlife Act 1974* (NSW) provides for (amongst other things) the protection and management of Aboriginal objects and places. It is an offence to harm or desecrate an Aboriginal object or place without an Aboriginal heritage impact permit under the NPW Act.

Mining Royalties

Royalties payable to the State of New South Wales are prescribed under the *Mining Act 1992* (NSW) and the *Mining Regulations 2016* (NSW). The royalties payable in respect of coal are as follows:

(a) 8.2% of the value of coal recovered by open cut mining;

(b) 7.2% of the value of coal recovered by underground mining (underground mining refers to mining (other than deep underground mining) carried out at a mine in which coal is extracted other than by open cut methods); and

(c) 6.2% of the value of coal recovered by deep underground mining (deep underground mining refers to mining carried out at a mine in which coal situated at a depth of 400 metres or more is extracted other than by open cut methods).

Royalties may also be payable with respect to coal reject if the holder of a NSW ML uses the coal reject in producing energy or disposes of it for use in producing energy. The rate of royalty payable in respect of the coal in coal reject may be a zero rate or may be any other rate up to, but not exceeding, half the base rate of the royalties prescribed for coal.

Industrial Relations Legislation

The following industrial relations laws and regulations are applicable to the Group's operations in NSW:

(a) *Fair Work Act 2009* (Cth);

(b) *Fair Work Regulations 2009* (Cth); and

(c) *Coal Mining Industry (Long Service Leave Funding) Act 1992 (Cth).*

Work Health and Safety Legislation

The following work health and safety laws and regulations are applicable to the Group's operations in New South Wales:

(a) *Work Health and Safety Act 2011* (NSW);

(b) *Work Health and Safety Regulation 2017* (NSW);

(c) *Work Health and Safety (Mines and Petroleum Sites) Act 2013* (NSW);

(d) *Work Health and Safety (Mines and Petroleum Sites) Regulation 2014* (NSW);

(e) *Explosives Act 2003* (NSW); and

(f) *Explosives Regulation 2013* (NSW).

In summary, duty-holders must ensure, so far as is practicable, that they are not exposing people to health and safety risks arising from the work at the mine or place of business. Employers must, so far as is practicable, provide and maintain a working environment in which the employees are not exposed to hazards.

Workers Compensation Legislation

The following workers compensation laws and regulations are applicable to the Group's operations in NSW:

(a) *Workers Compensation Act 1987* (NSW);

(b) *Workers Compensation Regulation 2003* (NSW);

(c) *Workplace Injury Management And Workers Compensation Act 1998* (NSW); and

(d) *Coal Industry Act 2001* (NSW).

Queensland

The following is a brief summary of the laws and regulations in Queensland which apply to the Group's operations in Queensland only.

Mining

The *Mineral Resources Act 1989* (QLD) (**MRA**) is the primary piece of legislation that regulates exploration and development of mineral resources in Queensland.

Exploration Permit for Coal/Exploration Permit for Minerals

An Exploration Permit for Coal (**EPC**) is an exploration permit specific to coal, authorising its holder to enter land within the permit area to undertake exploration activities. An Exploration Permit for Minerals (**EPM**) is an exploration permit for all minerals other than coal. An EPC can be granted for up to five years and is renewable (however there is no guarantee that an EPC will be renewed).

An EPC holder will be subject to various obligations throughout the term of the permit, including relinquishment and reporting requirements, and compliance with the MRA and the land access code made under the *Mineral and Energy Resources (Common Provisions) Act* (QLD) 2014 and *Mineral and Energy Resources (Common Provisions) Regulation 2016* (QLD) (**Land Access Code**). During the term of the permit, the holder or any person acting on their behalf will be entitled to carry out any of the activities authorised in the permit. The permit does not entitle its holder to conduct mining activities. A QLD ML will be required to extract and produce any minerals found on site.

Mineral Development Licence

In order to obtain an Mineral Development Licence (**MDL**), a proponent must hold a current EPC over the area. MDLs entitle the holder to carry out the same exploration activities permitted under the EPC from which the MDL is sought, however, the MDL entitles its holder to undertake more detailed exploratory efforts. Similar to an EPC, an MDL holder will be subject to various obligations under the MRA throughout the term of the licence. An MDL can be granted for up to five years and is renewable (however there is no guarantee that a MDL will be renewed).

While the licence does not authorise mining of the MDL area, it does entitle its holder to seek a QLD ML within the MDL area, at the exclusion of all others.

QLD Mining Lease

To extract and produce commercial volumes of coal, a proponent must obtain a Mining Lease (**QLD ML**), granted and administered under Chapters 6 and 7 of the MRA. A QLD ML entitles the holder to enter and remain on the land the subject of the lease for the purpose of mining for and extracting coal. A QLD ML will grant its holder authorisation to access the lease area, which may be land owned by another party. Accordingly, accessing the lease area is subject to further requirements. In particular, compensation must be addressed with the landowner, whether by agreement, or, if an agreement cannot be reached, by a determination of the Queensland Land Court. A QLD ML can be granted for any period, and can be subsequently renewed at the end of the term (however there is no guarantee that a QLD ML will be renewed).

Mining royalties

The holder of a QLD ML must pay to the State of Queensland in respect of all minerals mined under the authority of the QLD ML, the royalty prescribed under the MRA. The MRA and the *Mining Resources Regulation 2013* (Qld) provide that the royalty rate to be paid to the State of Queensland in respect of coal will be:

(a) if the average price per tonne of the coal sold, disposed of or used in the relevant period is A$100 or less, the rate is 7% of the value of coal;

(b) if the average price per tonne of the coal sold, disposed of or used in the relevant period is more than A$100 but not more than A$150, the rate for each tonne of coal worked out using the following formula:

RR = 7 + ((AP – 100)/AP x 5.5),

where RR is the royalty rate and AP is the average price per tonne of the coal sold, disposed or used in the quarterly period; or

(c) if the average price per tonne of the coal sold, disposed of or used in the relevant period is A$150 or more, the rate for each tonne of coal worked out using the following formula:

RR = 7 + ((AP – 100)/AP x 5.5) + ((AP – 150)/AP x 2.5),

where RR is the royalty rate and AP is the average price per tonne of the coal sold, disposed or used in the quarterly period.

The royalty rate must be worked out and applied separately for coal sold, disposed of or used inside the State of Queensland and coal sold, disposed of or used outside the State of Queensland.

Section 8(2)(b) of the MRA provides that property in coal on or below the surface of land vests in the landowner (instead of the Crown) if the land was alienated in fee simple before 1 March 1910 and the grant of that land did not contain a specific reservation to the Crown of the property in the coal.

Section 320(3) of the MRA provides that royalties are payable to the owner of the minerals (being either the Crown or the landowner).

Where royalties are payable to an entity other than the Crown, they must be paid at the above prescribed rate, unless another rate has been agreed under an agreement pre-dating the *Mining Act Amendment Act 1976*.

Aboriginal Cultural Heritage

The *Aboriginal Cultural Heritage Act 2003* (QLD) recognises, protects, and conserves Aboriginal cultural heritage. The act provides that any person who undertakes an activity has a ‘Duty of Care’ to take all reasonable and practicable measures to ensure that the activity does not harm Aboriginal cultural heritage.

Land Access

Under the *Mineral and Energy Resources (Common Provisions) Act 2014* (QLD) (**MERCP Act**), in order to access private land (i.e. freehold land or an interest in land less than fee simple held from the State of Queensland under another act) underlying an MDL or an EPC, the holder is required to provide a notice of intention to enter the land (**Entry Notice**) and, depending on the level of impact of the exploration activity, enter into a conduct and compensation agreement (**CCA**) with each owner and occupier of the land.

The requirement to enter into a CCA relates to any activities which are likely to have more than a minimal impact on the land or the owner or occupier's business operations.

If the activities will involve no or minimal impact to the land or the owner or occupier's business, the tenement holder is still required to provide an Entry Notice to the owner and occupier, unless the owner and occupier have otherwise agreed to waive that requirement.

If the holder is not able to access the land, there may be implications in terms of compliance with the work program condition. However, if a CCA cannot be reached with the owner and occupier, there is a statutory negotiation process set out in the MERCP Act, with ultimate recourse to the Land Court in the event that agreement cannot be reached.

With respect to public land underlying an MDL or EPC, the MERCP Act provides that a tenement holder cannot access that land to carry out authorised activities unless the activity is an activity that may be carried out by a member of the public without approval, the tenement holder has provided a periodic Entry Notice in accordance with the MERCP Act or the tenement holder has obtained a waiver with respect to providing a periodic Entry Notice.

Under the MRA, landowners are entitled to compensation for the grant or renewal of a QLD ML over their land. A QLD ML cannot be granted or renewed until compensation is determined between the holder of the QLD ML and any relevant landowners, either by agreement or by determination of the Land Court (if compensation can't be agreed between the parties). It is a condition of all QLD MLs that the holders comply with the terms of any agreement or determination.

Restricted land

Queensland's land access laws apply a consistent restricted land framework across all resource authorities. The restricted land framework provides protections to landholders where a tenement holder proposes to undertake authorised activities on or below the surface of restricted land.

Restricted land (with respect to EPCs, MDLs and QLD MLs) is defined in the MERCP Act in two categories, being:

Category A – land within 200 metres of:

(a) a permanent building used mainly as a residence, a childcare centre, hospital or library, for business purposes, for community, sporting or recreational purposes, or as a place of worship; or

(b) an area used for a school, aquaculture, intensive animal feedlotting, pig keeping or poultry farm; and

Category B – land within 50 metres of:

(a) a principal stockyard;

(b) a bore or artesian well;

(c) a dam;

(d) another water storage facility; or

(e) a cemetery or burial place.

In carrying out authorised activities under a tenement, the holder must not enter restricted land without the written consent of each owner and occupier of that land.

In order for a QLD ML to be granted over the surface of restricted land, the applicant for that lease must obtain the written consent of each owner and occupier of that land. There is no obligation for the owner or occupier to agree to the inclusion of restricted land in the QLD ML, giving landholders an effective right of veto to applications for surface rights.

Industrial Relations Legislation

The following industrial relations laws and regulations are applicable to the Group's operations in Queensland:

(a) *Fair Work Act 2009* (Cth);

(b) *Fair Work Regulations 2009* (Cth);

(c) *Industrial Relations Act 2016* (QLD);

(d) *Industrial Relations Regulation 2018* (QLD); and

(e) *Coal Mining Industry (Long Service Leave Funding) Act 1992* (Cth).

Work Health and Safety Legislation

The following work health and safety laws and regulations are applicable to the Group's operations in Queensland:

(a) *Mining and Quarrying Safety and Health Act* 1999 (QLD);

(b) *Mining and Quarrying Safety and Health Regulation* 2017 (QLD);

(c) *Coal Mining Safety and Health Act 1999* (QLD);

(d) *Coal Mining Safety and Health Regulation 2017* (QLD);

(e) *Work Health and Safety Act 2011* (QLD);

(f) *Work Health and Safety Regulation 2011* (QLD);

(g) *Explosives Act 1999* (QLD); and

(h) *Explosives Regulation 2017* (QLD).

Workers Compensation Legislation

The following workers compensation laws and regulations are applicable to the Group's operations in Queensland:

(a) *Workers' Compensation and Rehabilitation Act 2003* (QLD); and

(b) *Workers' Compensation and Rehabilitation Regulation 2014* (QLD).

Western Australia

The following is a brief summary of the laws and regulations in Western Australia which apply to Yanzhou's Premier Coal mine operation in Western Australia, which the Company manages on Yanzhou's behalf.

Mining

The *Mining Act 1978* (WA) (**WA Mining Act**) is the primary piece of legislation that regulates exploration and development of mineral resources in Western Australia. We also understand that the *Collie Coal (Western Collieries) Agreement Act 1979* (WA) applies to the Premier coal mine.

Prospecting Licence

The holder of a prospecting licence (**P**) may excavate, extract, or remove (subject to any conditions imposed under the Mining Act) earth, soil, rock, stone fluid or mineral bearing substances not exceeding 500 tonnes (or larger tonnage approved by the Minister) during the term of the licence. The holder of a P also has a priority entitlement to the grant of a mining lease or a general purpose lease over the land covered by the licence (subject to the WA Mining Act, any conditions to which the P is subject and to the term of the P being in force at the time of the application).

The term of a P is a period of 4 years. In respect of a P which was applied for on or after 10 February 2006, the Minister has discretion to extend the term of the licence for an additional 4 year period if satisfied that a prescribed ground for extension exists, and, in certain circumstances, by a further 4 year period or periods. Once an application for renewal is made and the term of the licence would otherwise expire, the licence shall continue in force until the application is determined. A P which was in force or applied for before 10 February 2006 cannot be extended.

Exploration Licence

An exploration licence (**E**) grants the holder of the licence a right to explore for minerals specified in the grant within the area of the licence. The holder may excavate, extract or remove earth, soil, rock, stone, fluid or mineral bearing substances up to a maximum volume of 1,000 tonnes (or another amount approved by the Minister) during the term of the licence.

Once granted, an E will remain in force for a period of 5 years and may, in prescribed circumstances, at the discretion of the Minister, be extended over whole or part of the E for a further period of 5 years, followed by 2 year periods. An E which was in force or applied for before 10 February 2006 remains in force for a period of 5 years and may, in prescribed circumstances, at the discretion of the Minister, be extended over the whole or part of the E by a further period or periods of one or two years.

At the end of the third and fourth years of the term of an E which was granted or applied for before 10 February 2006, the holder must relinquish an area which constitutes not less than half of the area of the licence as at each relinquishment date. A holder may apply for an exemption from the requirement to relinquish an area of the E. In respect of an E applied for on or after 10 February 2006, the holder must relinquish an area which constitutes not less than 40% of the area of the licence at the end of 5 years and the earlier relinquishments are not required. A holder may apply to the Minister for a deferral of the requirement to relinquish an area of the E for a period of 12 months.

The WA Mining Act confers on the holder of an E which is in force, the right to apply for and, subject to the Mining Act, have granted one or more mining leases over any part of the land the subject of that licence. Once an application for renewal is made and the term of the licence would otherwise expire, the licence shall continue in force until the application is determined.

Mining Lease

A Mining Lease (**M**) authorises the holder of the lease to mine for and dispose of any minerals from the land in respect of which the lease was granted. The holder has exclusive rights to use, occupy and enjoy the land for mining purposes and owns all minerals that are lawfully mined from the land which is the subject of the lease.

An M remains in force for a period of 21 years and may be renewed for successive periods of 21 years with the tenement holder entitled to the first renewal as of right.

An M may only be applied for in instances where the Director of Geological Survey is satisfied that significant mineralisation exists or where a mining proposal has been prepared. "Significant mineralisation" is defined in the WA Mining Act as a deposit of minerals where there is a reasonable prospect of those minerals being obtained by mining operations. A mining proposal is a document which sets out in detail the mining operations proposed to be carried out on the area of the application.

Miscellaneous Licence

A Miscellaneous Licence (**L**) may be granted for various purposes (including, but not limited to, the construction of roads, pipelines and water extraction) provided that they are directly connected with mining operations. Ls may be granted over land which is the subject of an existing mining tenement.

Ls applied for or granted before 10 February 2006 remain in force for 5 years and may be renewed for 2 successive periods not exceeding 5 years, at the discretion of the Minister. Ls applied for or granted on or after 10 February 2006 remain in force for 21 years and can be renewed for one further period of 21 years as of right. Thereafter, on application and at the discretion of the Minister, the licence may be further renewed for successive periods not exceeding 21 years.

General Purpose Lease

A General Purpose Lease (**G**) entitles the holder of the lease to exclusive occupation of the land for one or more of the purposes for which the lease is granted. These purposes include the erecting, placing and operating of machinery in connection with mining operations, the depositing or treating of minerals or tailings obtained from any land in accordance with the WA Mining Act and use of the land for any other specified purpose directly connected with mining operations, all in relation to which the G was granted.

A G can be granted over an area of land not exceeding 10 hectares, unless the Minister is satisfied that more land is needed, and will be limited to the depth stipulated by the lease, or if no depth is stipulated, then a depth of 15 metres below the lowest part of the natural surface of the land.

Gs are granted for a term that coincides with the associated M upon which mining operations are occurring, or, a date that is 21 years from the date upon which the G commenced, whichever is the later. It may be renewed for successive periods of 21 years, with the tenement holder entitled to the first renewal as of right.

Retention Licence

The holder of a P or E granted, or applied for before 10 February 2006, and the holder of an M (whenever granted or applied for) may apply for a Retention Licence (**R**). An R, while it remains in force, authorises the holder to enter the subject land for further exploration for minerals, and to carry on such operations and carry out such works necessary for that purpose including digging pits, trenches and holes, excavating, extracting and removing earth, soil, rock, stone, fluid or mineral bearing substances not exceeding 1,000 tonnes and to take and divert water. The land in respect of which an R is granted must be, in the opinion of the Minister, sufficient to include the land in, on or under which an identified mineral resource is located and also additional land as may be required for future mining operations.

An R remains in force for a term of 5 years and may, at the discretion of the Minister, be renewed for successive periods of up to 5 years. An application for a retention licence must be accompanied by a statutory declaration to the effect that there is an identified mineral resource within the proposed licence area and mining of that resource is for the time being impracticable for either economic or political reasons or because it is required to sustain the future operations of an existing or proposed mining operation.

The holder of a P or E granted or applied for after 10 February 2006 can no longer apply for a retention licence but may apply for "retention status". The "retention status" provisions are similar to the current retention licence provisions but a separate title will not be required. The Minister may approve retention status in respect of parts of the licence if a mineral resource is identified but it is impractical to mine because the resource is not economic at the time but may become so in the future, or the resource is required to sustain an existing or proposed mining operation, or there are existing political, environmental or other difficulties in obtaining requisite approvals. Once retention status has been granted, the holder of a P or E is not required to comply with the prescribed expenditure conditions.

Royalty

Royalties payable to the State of Western Australia are prescribed under the WA Mining Act and the *Mining Regulations 1981* (WA). The royalties payable in respect of coal are as follows:

(a) for coal (including lignite) that is not exported, A$1 per tonne, to be adjusted each year at 30 June in accordance with the percentage increase in the average ex-mine value of Collie coal for the year ending on that date when compared with the corresponding value of Collie coal for the year ending on 30 June 1981; and

(b) for coal that is exported, 7.5% of the royalty value, where royalty value means the gross invoice value of the mineral less any allowable deductions for the mineral.

Subject to the Regulations, royalties for a mineral shall be paid within 30 days after the end of the quarter during which the relevant amount of the mineral was produced or obtained.

Land Access

Under the WA Mining Act, a granted tenement will not give access to the area of that tenement that is 30 metres from the natural surface of private or pastoral lease land and is within a specified distance of certain infrastructure or improvements on that land without the consent of the private land owner and occupier or occupier of the pastoral lease (as applicable). A tenement application can still be granted without that consent but access will be limited to the area that is below a depth of 30 metres from the natural surface of the land in the relevant areas and the tenement register will be endorsed accordingly. The consent is commonly given under the terms of an access agreement whereby the tenement holder also agrees to pay compensation to the owner and/or occupier for losses including damage or disturbance caused to the surface of the land, damage to improvements or loss of earnings.

Industrial Relations

The following industrial relations laws and regulations are applicable to Yanzhou's Premier Coal mine operation in Western Australia, which the Company manages on Yanzhou's behalf:

(a) *Fair Work Act 2009* (Cth);

(b) *Fair Work Regulations 2009* (Cth); and

(c) *Coal Mining Industry (Long Service Leave Funding) Act 1992* (Cth).

Work Health and Safety Legislation

The following work health and safety laws and regulations are applicable to Yanzhou's Premier Coal mine operation in Western Australia, which the Company manages on Yanzhou's behalf:

(a) *Mines Safety and Inspection Act* 1994 (WA);

(b) *Mines Safety and Inspection Regulations* 1995 (WA);

(c) *Occupational Safety and Health Act* 1984 (WA); and

(d) *Occupational Safety and Health Regulations* 1996 (WA).

Workers compensation

The following workers compensation laws and regulations are applicable to Yanzhou's Premier Coal mine operation in Western Australia, which the Company manages on Yanzhou's behalf:

(a) *Workers' Compensation and Injury Management Act 1981* (WA);

(b) *Workers' Compensation and Injury Management Regulations 1982* (WA); and

(c) *Workers' Compensation Code of Practice (Injury Management) 2005* (WA).

Aboriginal Cultural Heritage

The *Aboriginal Heritage Act 1972* (WA) provides for (amongst other things) the preservation of objects and places customarily used by, or traditional to, Aboriginal people. It is an offence to (amongst other things) alter or damage an Aboriginal object or place without the authorisation of the Registrar (in the case of a proposed excavation) or the consent of the Minister (in the case of a proposed use of land by "the owner of any land" as defined in s. 18(1).) The authorisations in question are generally administrative. That is, they are operationally important but are unlikely to have material impact on the value of the asset.

2. REGULATIONS IN RELATION TO FOREIGN INVESTMENT IN AUSTRALIA

Restrictions on the acquisition of Shares under the FATA

The main laws and regulations that regulate foreign investment in Australia are the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**), the *Foreign Acquisitions and Takeovers Fees Imposition Act 2015* and the *Foreign Acquisitions and Takeovers Regulation 2015* (**FATR**). Together these rules give the Australian Treasurer (**Treasurer**) the power to review foreign investment proposals that meet certain criteria and to block such proposals that are contrary to the national interest, or apply conditions to the way such proposals are implemented to ensure they are not contrary to the national interest (these proposals are called 'significant actions'). Some significant actions must be notified – failure to do so is an offence under the law (these are called 'notifiable actions'). Other significant actions do not have to be notified, but doing so and obtaining a statement of no objection cuts off the Treasurer's power.

The Foreign Investment Review Board (**FIRB**) is a non-statutory body which provides advice to the Treasurer in connection with foreign investment proposals. The process of notifying a transaction and obtaining a statement of no objection in relation to it is known as obtaining 'FIRB approval'.

Whether an investment is a significant action (including a notifiable action) requiring FIRB approval depends on the background of the investor (particularly whether the investor is a "foreign government investor" (as defined in the FATR) (**Foreign Government Investor**)), the type and value of the asset(s) to be acquired, and the sector in which the investment is to be made.

Whether FIRB approval is required for a foreign investor to acquire an interest in the Company is determined on a case by case basis. It is the responsibility of the investor to determine if it requires FIRB approval before acquiring Offer Shares under the Global Offering, and it is the responsibility of the investor to otherwise ensure that it complies with the FATA in relation to investments in Australian companies or businesses, including the obtaining of any governmental or other consents which may be required, and that it complies with other necessary approval and registration requirements and other formalities.

A "foreign person" (as defined in the FATA) (**Foreign Person**) is required to obtain FIRB approval from the Treasurer to acquire Offer Shares as part of the Global Offering if they are a Foreign Government Investor from the PRC. Due to the operation of association rules under the FATA and the current level of ownership of the Company by Foreign Government Investors from the PRC, any acquisition of Offer Shares by Foreign Government Investors from the PRC will require prior approval by the Treasurer. In addition, a Foreign Person is required to obtain prior approval from the Treasurer to acquire Offer Shares as part of the Global Offering if they are a Foreign Government Investor from a country other than the PRC and they are acquiring 10% or more of the Shares of the Company as part of the Global Offering. These approvals are 'notifiable actions' – that is, failure to notify is an offence under the law.

This is not necessarily an exhaustive description of the circumstances in which an acquisition of Offer Shares as part of the Global Offering will require FIRB approval. Investors should seek independent legal advice prior to making an acquisition of Offer Shares as part of the Global Offering.

If FIRB approval for an acquisition of Offer Shares under the Global Offering was required, but was not obtained, the Treasurer may, among other things, direct the disposal of the acquired Shares, restrain the exercise of rights attached to the acquired Shares, or prohibit or defer the payment of any sums due in respect of the acquired Shares.

FIRB Approval for certain Foreign Government Investors from PRC

In order to facilitate the participation by certain Foreign Government Investors from the PRC in the Global Offering, the Company has made an application for FIRB Approval on their behalf. This application only covers Foreign Government Investors from the PRC who have been advised of that by the Company and who have also provided a written consent to the Company to have the application for FIRB Approval made on their behalf.

Any allocation of Shares under the Global Offering to the Foreign Government Investors from the PRC referred to above will be conditional upon receipt of FIRB Approval.

The Company expects that the Treasurer may impose "standard tax conditions" as a requirement of his approval of that investment into Offer Shares under the Global Offering. The standard tax conditions can be found at Attachment B of FIRB's guidance note 47 (https://cdn.tspace.gov.au/uploads/sites/79/2016/11/GN47-tax-conditions.pdf).

The standard tax conditions do not change the amount of tax that would otherwise apply. Instead, they require applicants and their controlled groups to abide by Australian tax laws (including co-operating with tax authorities and paying tax debts (if any) on time) and to report to FIRB within 60 days of a change in their Shareholdings in the Company.

Under the standard tax conditions, applicants must also provide a simple annual report to FIRB confirming their compliance with the conditions. Each report must be provided by the due date for lodgement of the applicant's tax return for that year.

Investors should seek independent taxation advice prior to making an acquisition of Offer Shares as part of the Global Offering in order to ascertain whether they may have any Australian taxation obligations arising from their acquisition, ownership or disposal of Offer Shares. As noted above, the standard tax conditions do not change the amount of tax that would otherwise apply.

Investment restrictions on the Company under the FATA

Due to the identity of the Company's major shareholders, the Company is currently considered to be a Foreign Person and Foreign Government Investor for the purposes of the FATA. The Company will remain a Foreign Person and Foreign Government Investor following the Global Offering, regardless of what percentage of the Offer Shares are issued to other Foreign Persons or Foreign Government Investors.

As a Foreign Person and Foreign Government Investor, certain further investments in Australia by the Company may be subject to review and prior approval by the Treasurer, which may or may not be given or may be given only subject to conditions that the Company may need to comply with. If such approval is required and not obtained in relation to an investment, the Company will not be able to proceed with that investment.