



2020 **SUSTAINABILITY** REPORT



FROM THE CEO, *Shane Hansen*



2020 presented a challenging year for Australian communities and industry. We faced a global pandemic, national bushfires and pressures on overseas exports. Through all this, Kestrel maintained its resilience and found agile solutions, which allowed us to continue to service our customers and community. Kestrel Coal Resources continued to deliver excellence in mining operations and customer delivery, providing high-quality coking coal to numerous countries, helping power the global steel industry.

Our value prospect is based on production of a high-quality commodity that has a strong future while energy and steel innovation develops. We have low environmental impact, but high social value: a respectful and supportive neighbour and community partner.

Kestrel aligns to the International Council on Mining and Metals 10 Mining Principles as a reporting framework. Additionally, we report against the UN Sustainable Development Goals (SDGs) as part of our commitment to ongoing sustainable performance. We are building on the strength of our actions and reporting models to better align with the development goals.

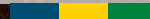
During 2020, Kestrel invested \$94.6m into the local Emerald business economy and surrounding towns, through supply relationships and buying local. Local and regional suppliers make up 38% of Kestrel's supplier relationships, which extends to 61% across Queensland. In employment, 73% of our full-time workforce are based in the region.

In 2020 we reviewed and improved our company values to better reflect who we are, and the meaningful work that we do. We are proud of our people and their achievements in 2020. Over 40 sessions, we met with 610 Kestrel people and made over 2000 personal commitments to the Kestrel values.

Looking ahead, Kestrel will submit our first Modern Slavery statement and progress with continued assurance across our supply chain. We plan to further invest in local and regional communities through indigenous employment, development and procurement. Our inclusion strategy will be finalized and include a range of strategies to improve workplace gender equality, including unconscious bias training and flexible working arrangements.

Our sustainability outlook is positive: we operate a meaningful place of employment and give back to our community. We strive to be leaders in our industry as we work towards reducing our carbon footprint, upholding water protections and developing heritage, biodiversity and equality recognition.

At the end of the day, we want a sustainable future for our environment and our community.



Full-time workforce

408 employees – 67%
202 FTE contractors – 33%

Local/regional workforce employment

73%
(declined 5%)

TRIFR – Total recordable frequency injury rate
(medical treatment, restricted or lost work time)

3.9
per 100 people/year
(5.9 industry average, reduced by 0.2)

AIFR – All injury frequency rate
(including first aid, mental health)

14.2
per 100 people/year
(at industry average, reduced by 2.2)

Gender diversity

6% female / 94% male
(female representation decreased by 2%)

Carbon footprint

1,103,999t CO2-e
0.25t CO2-e/t coal product
(57% increase total footprint due to range of factors, – see report)

Total payments to government
(royalties are currently predominantly to private)

\$19m
(increased by \$7m)

Direct community investment

\$88k + time
(Consistent)

Expenditure with local & regional suppliers

32%
(increased by 1%)

Cultural heritage investment

\$900k
(increased by 50% for year)

Expenditure with Queensland suppliers

87%
(increased by 11%)

Number of local & regional suppliers we deal with

302, or 38%
(increased by 7%)

Raw water use rate
(external water potable & specific use only – all other water recycled)

119
litres/t coal product
(moved from average 1.2 to 2.1ML/d)

Land rehabilitated

571ha certified, 1,936ha established
60% of disturbance to date rehabilitated
(No change)

Water releases
(fully contained site)

0
(Consistent)



Kestrel Coal Resources acknowledges the **Western Kangoulu** people as the registered native title claimants for the land surrounding our mining operations. We recognise the deep cultural connections linking Indigenous people with their traditional Country, & we pay our respects to Elders past & present of the Country on which we operate.

As part of our commitment to reconciliation, we have joined with the **Western Kangoulu** people under a voluntary cultural heritage agreement to achieve effective management of local heritage & heritage values. In our relationship with **Western Kangoulu**, we proudly work with our business network, suppliers & service groups to create meaningful, sustainable opportunities for Indigenous peoples, employment & business.

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KESTREL IS AN AUSTRALIAN METALLURGICAL COAL COMPANY

We produce low-ash metallurgical coal as a global demand product to help make steel around the world. We mine safely underground, while cattle graze in the landscape above.

Our namesake is the Nankeen kestrel (also known as the Australian kestrel), a native bird to our operations region which can often be seen around our site & landscape. We feature a kestrel in our logo, & the symbol is part of who we are.

Our VALUES are



**WE ARE
RESPECTFUL**

We act with honesty, integrity & aim to be the team member everyone wants to work with.



**WE ARE
AGILE**

We approach our work through a different lens. We do it safely & get the results few others can.



**WE ARE
COMMITTED**

Whether its safety, hitting our targets, caring for people, community or environment, we're committed to doing it right.



**WE ARE
ONE**

We are a diverse group with varied skills working together as one team.



Kestrel Coal is a joint venture between Kestrel Coal Resources (80%) & Mitsui Coal Holdings Pty Ltd (20%).

Kestrel Coal Resources is the operating entity with a shared ownership model between EMR Capital & Adaro Capital.

Important notices and disclaimer

This document has been prepared by Kestrel Coal Resources (ABN 98 624 245 325) (Kestrel) for informational purposes only.

Kestrel has prepared this document based on information available to it at the time of preparation. The information contained in this document is general in nature & does not purport to be complete. The document does not contain an offer, solicitation, invitation to apply, recommendation or advice to buy, sell or hold any securities of Kestrel.

This report has been prepared in accordance with the International Council on Mining and Metals (ICMM) Mining Principles. Metrics describing health, safety, environment, people and community related performance in a joint venture operation, from 1 July 2019 to 30 June 2020 (FY20).

This document may contain forward-looking statements, including statements about plans, strategies and objectives of management; and anticipated productive lives of projects, mines and facilities; and climate change, other environmental and energy transition scenarios (which are potential scenarios and not forecasts). These forward-looking statements are not guarantees, or predictions of future performance.

Certain information contained in this document is based on information prepared by third parties (for example the Intergovernmental Panel on Climate Change). Kestrel has not prepared and is not responsible for this third-party material and accordingly Kestrel does not make any representation or warranty that this third-party material is accurate, complete or up to date. Kestrel accepts no obligation to correct or update this third-party material and all persons relying on this information do so at their own risk.

KESTREL MINE

IS SITUATED IN BOWEN COAL BASIN, CENTRAL HIGHLANDS QUEENSLAND & FORMS A VITAL PART OF THE LOCAL COMMUNITY.



1

Kestrel mine is based 40km north of the vibrant town of Emerald, where most of our workforce lives with their families. A small team is based in Brisbane for finance, sales & marketing, strategy & planning & corporate leadership.

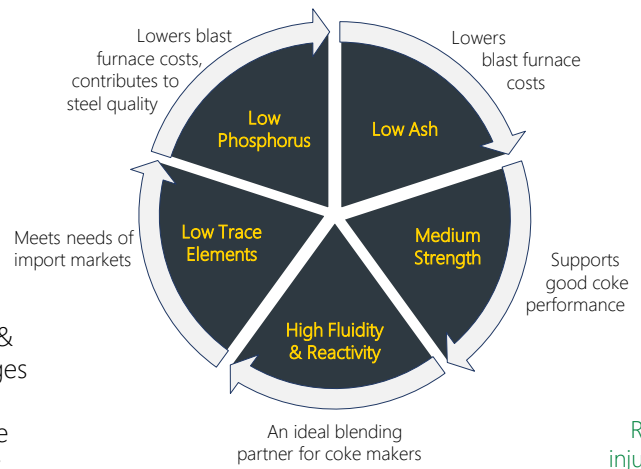
Our production process is straightforward: single longwall production underground, delivered on a 7km overland conveyor to be washed in our own plant using recycled water, onto rail for delivery to Gladstone port for international customers.

2

We mine coal from the German Creek Seam: our coking coal has high value properties essential to steel production. We produce 8-10Mt/year of run of mine coal at 75-80% yield.

Our resource is continuous as coking coal over the life of mine, with long-term value return.

Kestrel started operation in 1992, & we are currently mining latter stages of the 400-panel series at ~350m below ground. Current life of mine expectations are to approximately 2050.



3.9
TRIFR

Recordable injury rate / 100 people per year against a 5.9 industry average

Limited surface footprint

3.7%

Of total mine lease area disturbed with mining infrastructure area

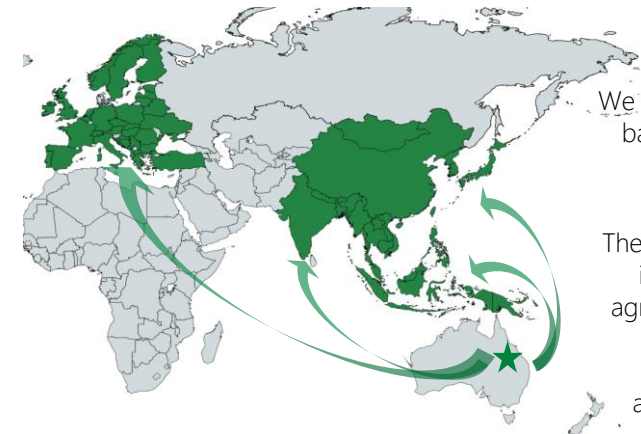
Rich heritage in landscape

90%

Of mining area heritage surveyed, with heritage values areas in place

73%
Employees

Live local or regional to Kestrel

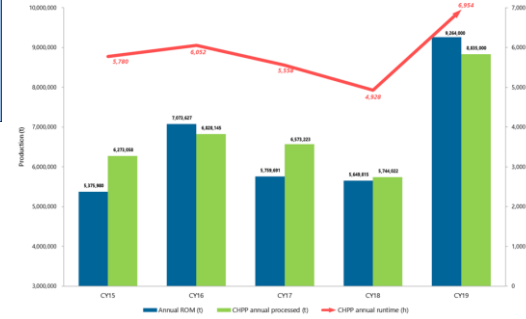


We have a diversified customer base & an ability to tailor our product for a range of applications.

3

The majority of Kestrel product is supplied under long term agreements. Kestrel is a stable exporter offering personal customer service and advanced technical support.

ROM production & CHPP step-change performance (no additional capital spend)



We were recognised in 2020 as Australian Mine of the Year as we transformed performance in 2019.

4

- ROM production up 80% to 9.4Mt: highest production in Australia and world class.
- CHPP processing improved 60% to 8.8Mt.
- Underground development up 75% to 21km.

5

Our safety, social & environment performance is a key pride – we are proud of our history, & trust-based relationships & take our obligations to responsible & respectful operations seriously.



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STAKEHOLDERS & PARTNERS

HOW WE FIT



WHY METALLURGICAL COAL

WHY WE MINE COAL

In today's world, there's a lot of talk about coal.

Addressing climate change is a key challenge for our world & requires action to mitigate & realise carbon reductions. As a target, net carbon zero 2050 is not exclusive of coal, as carbon is required in many existing & modern technologies – instead, net zero drives commodity markets to higher value uses, reduces carbon footprints & transforms our energy economy.

There are two main types of coal, suitable for different purposes: thermal (brown) coal with a higher water content & lower heat efficiency, & coking coal (also called metallurgical coal) – a harder, higher quality coal. Metallurgical coal is required for production of steel: powering heat & transferring carbon to meld with iron ore into a strong construction material. In today's world there are alternative ways to create steel which are less efficient & more expensive, & emerging new technology using hydrogen is fast developing. While this new technology develops, for the next few decades coking coal is the primary means to create steel for our world.

Coal mining has a proud history & remarkable culture which has helped take the world to where it is today: it is full of hard working, resourceful & adaptive people, & we are rising to the challenge of mining in a modern, reduced carbon world.

For us, mines are about people & what we achieve together. Our workforce, our stakeholders, Traditional Owners & local community, along with people & society which benefit from the use of Kestrel metallurgical coal in the world. We're about Kestrel being the best it can be & delivering good outcomes as win-wins for our stakeholders & partners.

We operate as a business near Emerald due to geology: but we're important to the families & businesses who make their life there, & they're important to us. Emerald & Central Highlands is our home.

Kestrel operates under a full Environment Authority & several other permits outlining obligations on footprint & performance areas of values around land, water, noise, light, dust, vegetation, rehabilitation & visual amenity which we fully comply with. We're a low impact mine which challenges the stereotype of mining you might think of – we're a low water use site, most of our land area is undisturbed pastoral property, which is cropped & farmed in peace as we mine far below. Our surface operations are small footprint, & we constantly strive to improve.

20,164m

Development

Or 28m/shift

8.2Mt

Run of mine

production

11.2kt/shift

75%

Yield

Mined tonnes to
product tonnes

6.6Mt

Saleable product

8,526t

Steel produced
770kg coal to make
one tonne of steel





OUR SUSTAINABILITY APPROACH

Each organisation across the world has a unique sustainability position: based on their place in the world, context & nature of business. Whilst Kestrel mine started in 1992, Kestrel Coal Resources is a new business formed in May 2018. This report marks our first formal sustainability report as a commitment to transparent communication, modern sustainability performance, & inputs into our strategy moving forward. Our Sustainability 2030 strategy will be released in 2021.

At Kestrel, our sustainability outlook is formed through looking inwards & outwards: we operate a important place of employment & community to State economy with pride in the history & quality of our people & operation. We have key sustainability policies in place: Sustainability & Climate Change, Environment & Land, Indigenous People & Country. There is no greater time for sustainability leadership as the world moves to address global response to COVID-19 & climate change, to achieve net carbon zero targets whilst upholding water protections & developing heritage, biodiversity & equality recognition. We look to reduce our carbon footprint, re-use our energy sources, & build greater outcomes for environment & community.

Our value prospect is based on production of a high-quality commodity, with a strong market future for several decades to come while energy & steel innovation develops. We manage sustainability across our full life cycle: we are a low environment impact, but high social value business: a respectful & supportive neighbour & partner with strong roots to country.



We live & operate in a shared & interconnected world across people, environment, cultures & economy. Whilst we are local in our everyday, we are global in our reach.

Kestrel is a long-life, productive & vibrant underground metallurgical (coking) coal business. Over the life of our operation, from home to country to overseas: some things will stay the same, & some things will change.

Sustainability is an outcome of the value we generate from use of resources, how we adapt to change & the values we protect.

Sustainability is the choices we make for the future.

OUR SUSTAINABILITY GUIDES

1. A clear need in society for metallurgical coal to produce steel.
2. Transparent respect & action in protection & support of shared values & rights:
 - Human rights, health & safety, heritage, environment, community, climate action & economy.
4. Ensure fit-for-purpose business integrity & viability.
5. Identification & navigation of risk, change & opportunity.
6. Resource stewardship – minimise use, protect quality & create beneficial impacts.
7. Beneficial legacy of our investment & operation.

FRAMEWORK

FOR SUSTAINABILITY REPORTING

Kestrel reports in reference & alignment to the International Council on Mining & Metals 10 Mining Principles as a reporting framework, which addresses key risk & performance areas for the mining industry. As part of our commitment to ongoing sustainable performance & contribution, we also report against the UN Sustainable Development Goals (SDG's) to rank against the world stage.



Ten (10) principles common across the global mining community as an industry benchmark & sustainability framework. The ICMM 10 Mining Principles are built to incorporate UN Sustainable Development Goals (SDG's), Paris Agreement climate targets & responsible production as good practice.



The 2030 Agenda for Sustainable Development provides a shared blueprint for peace & prosperity for people & the planet, now & into the future. The 17 Sustainable Development Goals (SDGs) are an urgent call for action by all countries - developed & developing - in a global partnership to recognise ending poverty & human rights abuse. This must go hand-in-hand with strategies that improve health & education, reduce inequality, & spur economic growth – all while tackling climate change & working to preserve our oceans and forests.



CARBON & climate change

Australia as a country is currently aligned to a National Deemed Contribution to the Paris Agreement, whilst Queensland has confirmed support of full Paris Agreement Climate targets, including 30% carbon reduction by 2030, & net carbon zero by 2050.

Kestrel is registered & complies to the National Greenhouse Emissions Reporting (NGER) requirements under the Kestrel Coal Group, which is publicly accessible.

Paris Agreement Climate Targets
Limit global level warming to ~1.5C
(compared to pre-industrial levels)
Carbon neutral world by 2050

Australia National Deemed Contribution
26-28% emissions reduction by 2030
444-457Mt/year CO2e effective reduction

Queensland Climate Strategy
Carbon neutral by 2050
50% renewable power by 2030
30% emissions reduction by 2030
Lead by example
Actions to create the jobs of the future
Support businesses & households to increase sustainability



GOVERNANCE & INTEGRITY

ICMM Principles



Sustainable Development Goals



CORPORATE GOVERNANCE

Kestrel Coal Resources is a privately owned company, though with materiality public listing commitments through Adaro Capital, & also our JV Partner, Mitsui Coal Holdings. Kestrel operates under the guidance of a full Board of Directors as described by the KCR Shareholders Agreement, with an Operating Sub-Committee (OpCo) as an advisory group to the Board.

Both the Board & the Operating Committee meet regularly for key decisions & diligence reporting. Our current Board consists of 10 Directors nominated by our owner companies:

- Adaro Capital
 - Christian Ariano Rachmat (Chair)
 - Chia Ah Hoo
 - M. Syah Indra Aman
 - Nine Handajani (OpCo member)
 - Mark Small (OpCo member)
- EMR Capital
 - Ian Smith (current Chair of OpCo)
 - Owen Hegarty
 - Jason Chang
 - Tony Manini
 - Ralph Ferguson
 - Damian Pearson (appointed observer, OpCo)

Our Chief Executive Officer is responsible for the sustainability performance of our business. We deliver our sustainability strategy based on foresight guidance, managed change, our values, Code of Conduct, the direction set by the Board & our Sustainability & Climate Change Policy.

Each Board meeting reviews material matters & governance requirements, including compliance tracking & reporting, Whistleblower registry, audit outcomes & material reviews, major decisions & targets.



INTEGRITY & TRANSPARENCY

We are committed to respectful, integrity-based relationships with our stakeholders & workforce. We demonstrate & communicate this formally in our Kestrel values & Code of Conduct & provide transparency to stakeholders in relevant areas of performance.

The Kestrel Code of Conduct lays out requirements of working as part of Kestrel, & applies to Board, employees & contractors. The Code of Conduct addresses integrity & transparency in:

- Data privacy.
- Discrimination, bullying & harassment.
- Theft & fraud.
- Conflict of interest.
- Use of IT resources, & external communications.

Kestrel operates two mechanisms of whistleblower capacity:

- Coal Mining Health & Safety Act (1999) S275AA requiring reporting of concerns to be free of fear of reprisal.
- Your Voice Matters, an independent hotline as a Whistleblower to raise concerns anonymously.

Kestrel received whistleblower reports during the 2020 reporting period. Each matter was independently investigated, & resolved to legal & Kestrel acceptable behavior satisfaction, with required actions implemented.

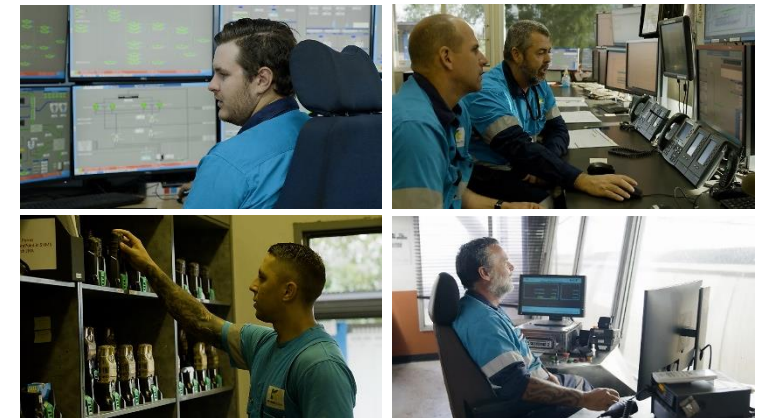


ANTI-BRIBERY, FRAUD & CORRUPTION

Kestrel acts to prevent anti-bribery, fraud & corruption within our business & in all our dealings.

The Kestrel Code of Conduct prohibits any form of fraud, bribery & corruption in any form, & requires compliance with applicable anti-bribery & corruption laws. Checks & balances are in place through our financial processes, such as delegations of authority, audits & supplier validity confirmations. Our Whistleblower line is also available for reporting of potential areas of concern.

Being part of our supply chain also carries an obligation to comply with anti-bribery laws & Kestrel Code of Conduct via standard contract conditions & purchase order terms, which is applicable to all business dealings.



We are a privately owned company who are subject to public ownership materiality requirements through joint venture partners. We report resources & reserves to JORC requirements & apply independent reviews to reserves & planning models, & we maintain a media & information release policy across our business.

RISK MANAGEMENT

Approach

Risk management in a coal mine in Queensland requires some of the most stringent controls in the world to ensure health & safety of every person in the workforce. Kestrel risk management is aligned to International Standard 31000:2018 – Risk Management, Coal Mining legislation & ICMM Risk Management Good Practice Guides, including critical controls & assurance. As outlined in our Risk & Opportunity policy, our system is based on risk & opportunity management to reduce potential for adverse events, whilst allowing for growth & adaptation as our business matures. Our risk system incorporates enterprise & reputation across all aspects of our business, including health, safety, environment, changing context, business continuity, major projects, finance, compliance, heritage, & security risks. There are five levels in Kestrel risk management:

1. Business enterprise risk – strategic, governance & material risks which meet materiality risk threshold for the business.
2. Operations broad based risk assessment (BBRA) – to identify key hazards which are present at Kestrel operation & require management.
3. Hazard control plans – for principal & critical risk (risk of 1 or more fatality), environment performance & process.
4. Activity planned work – Job Hazard Analysis (JHA).
5. On the job checks by teams prior to work – Take 5.

Risk assessments & control plans are a core coal operation process: work activity with potential harm is risk assessed by a representative section of the workforce which are reviewed & authorised by leadership to ensure standards are met to achieve an acceptable level of risk. Participants include supervisors, content experts & people involved in the work. Controls are identified, with responsibilities & actions to ensure controls are in place & effective. People must be fit for work, trained & competent in work plans with appropriate supervision.

In quality, management system documents & records are managed in alignment with AS/NZS: 4801 Occupational Health and Safety Management Systems. We also undertake two to four independent audits per year on a priority health or safety performance area & ensure our visible safety leadership through safety interactions. We also commission an independent safety health management system (SHMS) effectiveness review each year which is reported to our Board.

Outcomes

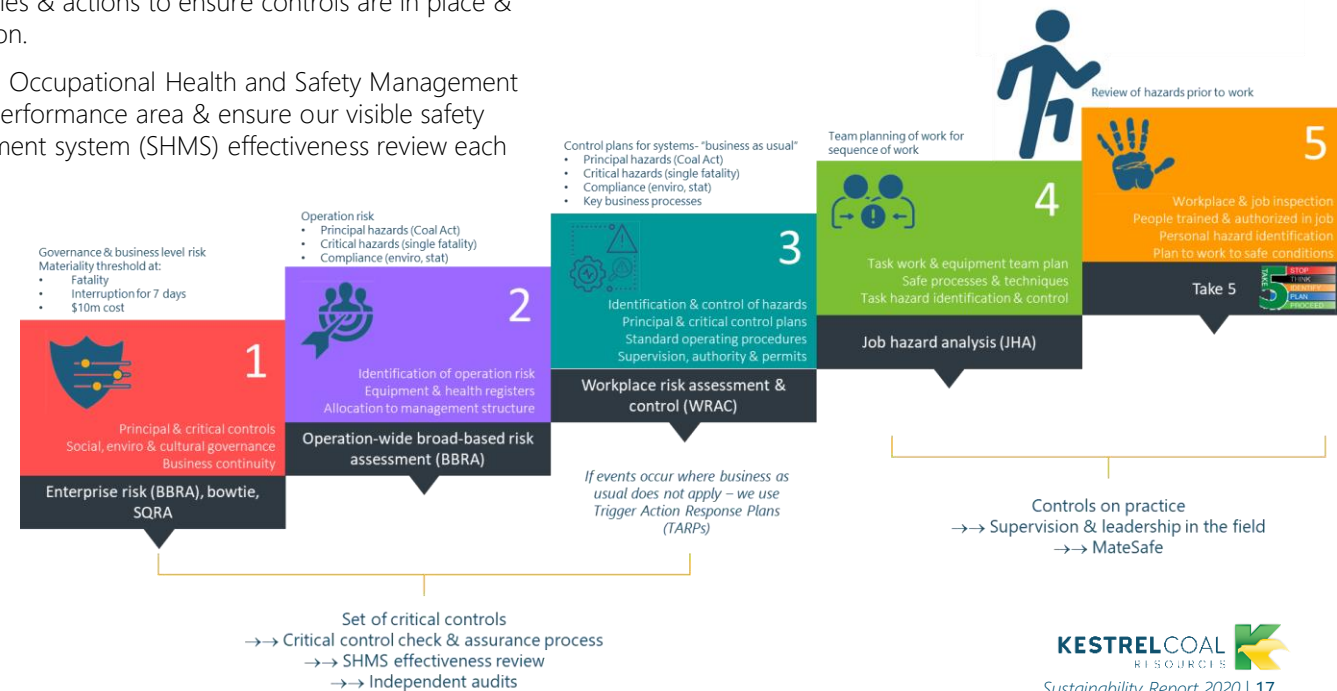
In 2020, Kestrel delivered:

- Early adoption & active COVID management.
- Completion of bow-tie & SQRA analysis of 11 key risks for the business, building on an enterprise risk assessment from 2019/20.
- Review & update of all principal hazard risk management & controls plans to updated Kestrel & legislation requirements, with identification of critical controls & implementation of assurance.

The year ahead

In 2021, Kestrel aims to:

- Further develop enterprise risk management mapping & systems to be inclusive to all material business risk.
- Update & establish environment management system & tailings management system, with independent audit on each to assess quality.
- Review all critical risk systems, identify a critical controls, & update assurance.







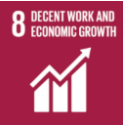
DELIVERING OUR OBLIGATIONS



ICMM Principles



Sustainable Development Goals



RESPONDING TO COVID-19



Before the declaration of COVID-19 as a pandemic by the WHO, Kestrel met as a leadership team early in March 2020 to review the emerging data of COVID infections in Australia, & the potential risk to Kestrel operations & part of our community.

After highlighting the issue in the previous week & reaching out to the regional stakeholders, Kestrel had mapped infection rates across the country in the preceding weeks (before there was coordinated reporting) & observed the start of the exponential infection growth rates we would see in the weeks following across Australia.

Kestrel quickly decided to implement their COVID response, taking steps well before many others: closing the site to everyone except essential personnel & implementing full risk systems: including health & travel declarations, health surveillance & health checks (temperature & later heat cameras), protecting vulnerable people, setting up control & action response plans, deploying from office locations, & building in social distancing across our operation. At a site of 600 people, we offset shift start times, separated pre-start areas, washing facilities, camp facilities (privately owned) & on bus transport. For our limited group of FIFO workers, we implemented charter flights with social distancing & separation from community. We also implemented an intensive cleaning regime across working environments, with assurance. To keep pace & convey key information, an adaptable management system was implemented, designed to be rapidly updatable as situations changed. We implemented pay coverage for contractors & employees who required to isolate.

Within 2 weeks, through our rapid response & leadership team implementation, Kestrel had completely transformed our systems & methods to offer the best protection possible for our teams & our community. We offered flu vaccinations to our workforce & their families for 2020 & made quiet donations of supplies to community groups when required. Kestrel consulted closely with industry & regional stakeholders throughout this period to coordinate responses & became aware of community concern for virus risk in relation to FIFO workers coming into the Central Highlands area.

As reassurance, we felt there would be value in releasing public commitments to the Central Highlands community. What started as something Kestrel might do, in a matter of days became an initiative all mining operations within Central Highlands had agreed to support. It was a rapid & tremendous response, & we were able to share our commitments with the region as a united group. This may be the first joint agreement between all mines in the Central Highlands: made possible through a Resources Roundtable industry group, shared care for our communities & industry collaboration in the face of COVID-19.

The Kestrel response to COVID stands as a shining light of what people can achieve together when united towards a common goal or threat. It showed us how well mining manages risk: when a new risk emerges, we develop controls & we implement with commitment. We are grateful & proud of our workforce & suppliers in helping us manage COVID risk, & to getting us to where we are today. We remain ready to respond & rapidly adapt.

CENTRAL HIGHLANDS RESOURCES ROUNDTABLE

OUR COMMITMENT

TO THE PEOPLE OF EMERALD, BLACKWATER & ALL OF CENTRAL HIGHLANDS

We will:

1. Uphold health & welfare of our community & people at the forefront of our minds & decisions.
2. Be conscious & active in responsible operation for sustainable health & regional economic strength.
3. Be steadfast in our support & consideration of local business, service groups & livelihoods.
4. Be involved & play a meaningful role in our local community.
5. Be active in the aid, protection & support of our local vulnerable people.
6. Be attentive to demands upon our shared healthcare providers to support & manage impact.
7. Proactively adapt practices to reduce risk to our people & shield our community, including:
 - Enacting standards & principles aligned to Public Health expectations.
 - Thorough application of social distancing across our business & activities to protect our community.
 - Comprehensive health surveillance & declaration checks across all our people: at point of origin, prior to transport or entry to site.
 - Limiting travel to essential people, & travel with social distancing only.
 - Widespread, effective cleaning & hygiene across transport, sites & accommodation places, including food preparation.
 - Planning for incident & crisis response for our operations & our community.
 - Educating & informing our people to be aware & responsible in protecting themselves, their teams & meeting our community expectations to stop the spread & incidence of COVID-19.

AS LEADERS OF THE MINING OPERATIONS THAT ARE CENTERED IN, OR TRAVEL THROUGH EMERALD, BLACKWATER & ALL OF CENTRAL HIGHLANDS WE ARE COMMITTED TO PROACTIVELY MANAGING & REDUCING RISK OF COVID-19 OCCURRENCE & TRANSMISSION IN OUR LOCAL COMMUNITY.

TOGETHER WE RECOGNISE THE THREAT OF CORONAVIRUS (COVID-19) UPON BOTH THE PUBLIC HEALTH & ECONOMIC PROSPERITY OF AUSTRALIA, THE STATE OF QUEENSLAND, & MOST IMPORTANTLY OUR LOCAL COMMUNITIES & WORKFORCES.

WE ACKNOWLEDGE THE ESSENTIAL REQUIREMENT TO WORK TOGETHER AS INDUSTRY & COMMUNITY PARTNERS TO RESPOND.



#stopthespread #weareinthistogether

COVID CONTROLS

1. STAY HOME IF UNWELL, & GET TESTED
PERSONAL HEALTH RESPONSIBILITY EVERYDAY
2. TRAVEL & HEALTH DECLARATION
EVERY ROSTER, EVERY SWING
3. TEMPERATURE TEST BEFORE WORK, EVERY SHIFT
4. KEEP SOCIAL DISTANCE ON BREAK & AT WORK WHEREVER POSSIBLE
5. MAINTAIN HYGIENE WASH HANDS, COVER COUGHS WEAR MASKS IN CLOSE SITUATIONS

KEEP YOUR DISTANCE

Manage risk of COVID-19 transmission

STAY 1.5M APART FOR SOCIAL DISTANCE

#stopthespread



ECONOMIC CONTRIBUTIONS

Outcomes

Kestrel observes all required support & payments to local, state & national government & shared support of key industry organisations as part of our industry & community.

We are members of research organisations of ACARP (Australian Coal Research Program), Queensland Resources Council (QRC) & Fitzroy River Basin Partnership for River Health, a collaboration across industry, research, government & NFP to promote a healthy river basin.

Beyond obligation, we also deploy discretionary & planning related spend, including:

- Extensive fieldworks for seismic investigations, with a large heritage program to support & protect heritage.
- Taking the voluntary decision to support jobs when COVID-19 developed into Australia through charter flights to transport 140-155 of our workers from/to Brisbane. With most of our workforce living locally – our FIFO component was a minority at our site, & traditionally transport to Kestrel is an individual responsibility if living outside of Emerald area. By hosting the charter, Kestrel enabled safe transport for workers across all shifts to be able to live at home & remain in paid work.

Local government payments
\$3.5m

State payments, including community infrastructure fund
\$13.0m

Federal payments
\$2.5m

Industry research & support groups
\$0.5m

Cultural heritage investment
\$0.9m

Charter flights during COVID to maintain 60 essential jobs
\$0.5m

Queensland Mines Rescue Service (pool fund)
\$1.8m

HUMAN RIGHTS & RESPONSIBLE VALUE CHAIN

Approach

Any Australian business entity has a responsibility to respect human rights in their operations & supply chains as outlined in the United Nations Guiding Principles on Business and Human Rights, plus the Australian Commonwealth Modern Slavery Act 2018. As of 2021, every Australian company meeting the threshold must provide a Modern Slavery report.

Kestrel takes a zero-tolerance approach to any form of modern slavery within their business & supply chain, which is confirmed in our Code of Conduct. Working against modern slavery in all forms aligns to Kestrel core values as:

- We are respectful – acting with honesty & integrity.
- We are committed – we're committed to doing it right.

Kestrel is committed to, & has taken action to prevent, detect & respond to slavery and human trafficking within our business & our supply chain.

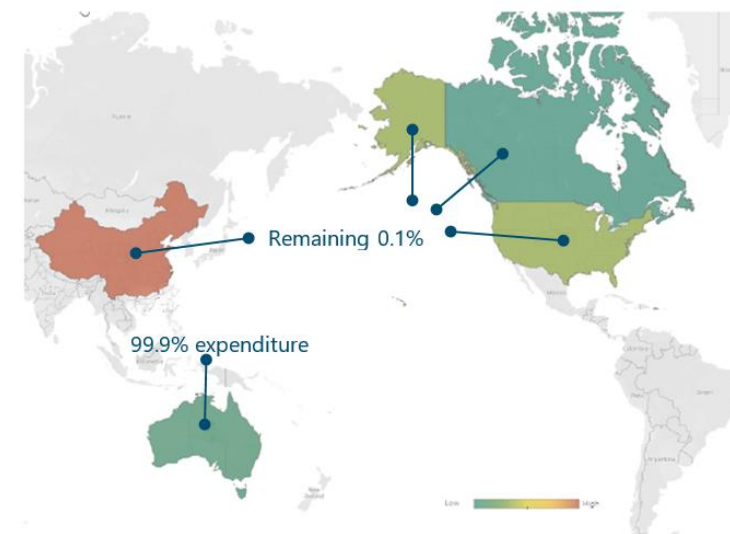
Outcomes

In 2020, Kestrel undertook a risk assessment of our value chain for responsible sourcing & risk of human rights. Heat mapping indicated 99.9% of our suppliers are sourced within Australia, an area with limited exposure to modern slavery. We also asked major suppliers for their modern slavery efforts & reporting.

All employees at Kestrel are engaged through formal Enterprise Agreements & contracts. For all employees & contractors, we verify identity & payment details as part of our onboarding.

The year ahead

In 2021, Kestrel will submit our first Modern Slavery statement, & progress on further assurance across our supply chain. We will progress with our independent efforts along with industry collaboration to play our part in eliminating human slavery.





LOCAL & REGIONAL INVESTMENT

ICMM Principles



Sustainable Development Goals



BUYING LOCAL, LIVING LOCAL

Approach

Kestrel is strongly committed to supporting local, state & regional economies through buying local, building capacity, economy & capabilities, keeping services & supporting families.

Where local or regional is not feasible, we look to buy Queensland, & then Australian businesses.

We look to employ local & regional people into our workforce (unless required in Brisbane) to support local economy, vibrancy, work-life balance & community services such as health & schools.

Outcomes

In 2020 (despite COVID), Kestrel invested \$94.6m into the local Emerald business economy (& surrounding towns) through buying local as direct supply, & a further \$138.9m into the regional business economy (total \$233.5m).

Local & regional suppliers make up 38% of all suppliers, Queensland 61%. The remainder (with the exception of a handful of suppliers, are Australian businesses).

In employment, 73% of our 610 strong full time workforce are based in the region, with only 13% calling home outside of Queensland.

The year ahead

In 2021, Kestrel will continue to buy & employ local, to support our community & local to Queensland to national economy. We're looking to further invest in local & regional communities through indigenous employment, development & procurement, launching in early 2021.

Local suppliers

135, 17% of total

Local spend

\$94.6m

Regional suppliers

167, 21% of total

Regional spend

\$138.9m

Rest of Queensland suppliers

179, 23% of total

Rest of Australia suppliers

405, 38.5% of total

Kestrel full time workforce home base



99.5% of suppliers are based in Australia.





LAND PARTNERSHIPS

CASE IN POINT: AACo On The Move

Kestrel owns approximately 17,000 hectares of land overlaying our mining lease areas, & our limited mine infrastructure footprint means most of the land is available for agriculture. For many years prior to Kestrel mine, the property has been known as Gordon Downs & has been operated as a productive farm. The soil is rich & high yielding, making land suitable for cropping or livestock. The property host dwellings, yards, workshops: all the infrastructure required for operations of an agricultural business.

To keep land productive & in fitting with our regional community land use, in 2018 Kestrel entered into lease arrangements with Australian Agricultural Company (AACo) to operate a productive cattle farm across the lands of Kestrel, & care for the land. AACo is a significant Australian beef producer & operates another property to the south of Emerald: the AACo team live & work on the property: including a farm manager, family & several farm hands. We work together in actively coordinating activities & needs for both parties.

In 2019/20, a big change for the AACo team required careful collaboration & a test to working together. Whilst Kestrel is low impact on the land while we mine below, underground mining does lead to subtle subsidence at surface as our longwall excavates a panel below. The maximum subsidence is ~2.4m but which might occur over a 400m panel width. This is often difficult to spot to the eye in the large landscape of Kestrel & is fully reshaped to restore drainage in within a few years of mining, but for buildings & their foundations: it's a different matter.

In 2019/20, Longwall 407 was planned to mine underneath the Gordon Downs Homestead area & had the potential to impact the living & working quarters of the AACo team. We'd raised it during lease talks, & agreed we'd work out a mutual plan. We'd come to the time when their operation needed to be moved – but we did it in a different way than what you might expect!

As per our commitments, before LW407 approached the current Gordon Downs homestead, we re-established living & working quarters for AACo several kilometers away to the southwest, away from any future mining footprint as a permanent homestead area. We did this through renovation of an existing Queenslander, & unusually – by relocating/reuse of a couple of houses from Gordon Downs through picking them up, putting them on the back of a truck, & transporting to a new site for reinstallation. Within several weeks, a lot of packing & coordination for details – we had the manager & family, plus 2 farm hands moved & settled in. It did take some patience – all house moving does – but AACo has been a terrific partner to Kestrel, & we thank them for working with us.

Now, we're looking to re-use the Gordon Downs area, as with post inspections showed the area came through subsidence well, & most buildings remain intact.







OUR PEOPLE

ICMM Principles



Sustainable Development Goals



ENGAGEMENT

Approach

At Kestrel, our people are the foundation of our success. In 2020, our full-time workforce consisted of 610 people: 408 employees & 202 contractors.

Our strategy is to unleash opportunity, to realise the full value of our business through engaging & connecting our people to our goals & vision. To achieve this engagement, we embarked on a program to implement our values across Kestrel & design the Kestrel experience. The Kestrel experience is focused on values, safety & business planning, & links to connected communities, growing leaders, good work & great people.

Outcomes

During 2020:

- The Kestrel values were finalised & implemented across the business. Over 40 team sessions, more than 2,000 personal commitments were made to the values, & every team developed a set of team behaviors.
- We took steps to improve performance in a changing market, including developing & rolling out a Management Operating System (MOS) across site operations.
- We began formally training our leaders (supervisors, superintendents & managers) in leadership behaviours & organisation thinking.

The year ahead

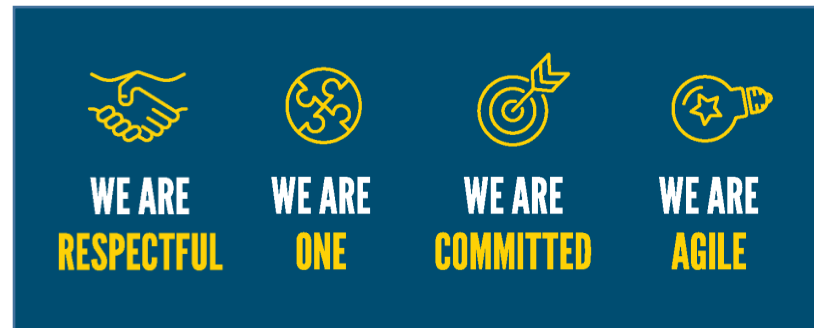
In 2021, Kestrel continues to build the Kestrel experience, striking into development programs, leadership growth & evolution of the Kestrel experience culture model.

The coming year also brings an updated Enterprise Agreement for our general staff on site.

Workforce employment

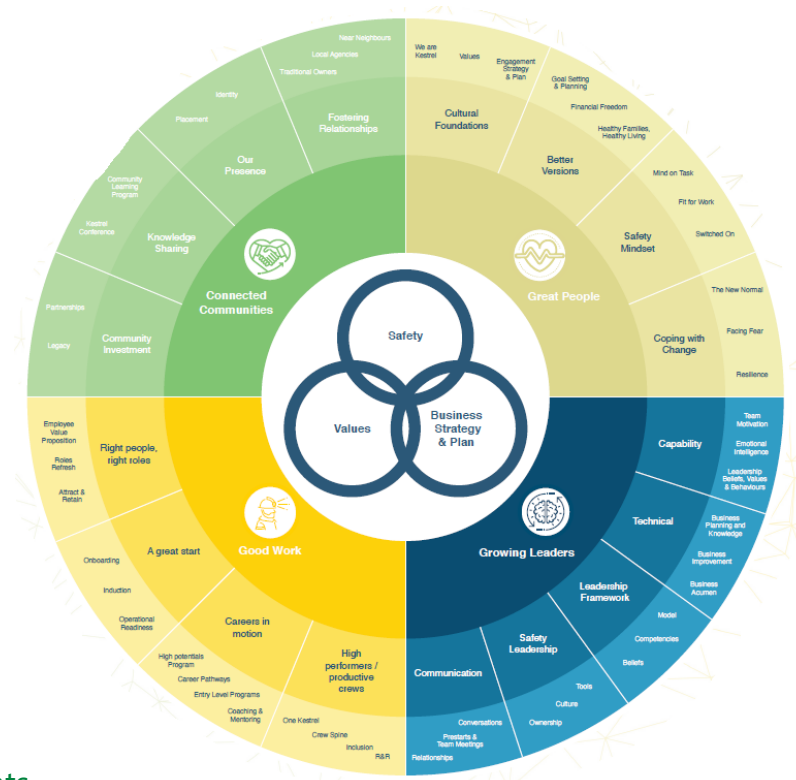
408 **202**

Employees Contractors



4 **610** **40** **2,052**
Values People Sessions Personal commitments

3.9% **7.1%**
Unplanned leave Employee turnover



KESTREL EXPERIENCE MODEL

DIVERSITY & INCLUSION

Outcomes

Over 2020, gender diversity declined from 2019 levels: moving from 8% female representation to 6%, with 34 females employed by Kestrel.

Female representation is strongest in administration (particularly Brisbane roles), & business partners. Professional & management roles have some representation, & there are several role types where no or 1-2 women may be present, including trades, engineering, coordinators & supervisors.

It is recognised underground coal mining has traditionally been predominantly male, often considered to be a result of the tough physical work of underground coal work & conditions. However, gender diversity is an industry challenge for coal mining in general & Kestrel as there is opportunity for growth in trades, surface operations, professional & leadership roles. Excluding underground mining roles, female gender representation is 9.2% of remaining roles.

In 2020, we also undertook a voluntary survey to update details & heritage background as a benchmark for indigenous representation. Approximately 50% of employees responded, indicating indigenous employment at 2.6% approximately 2.6% of our overall workforce.

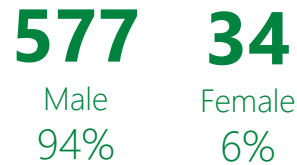
The year ahead

Looking forward to 2021, we plan to:

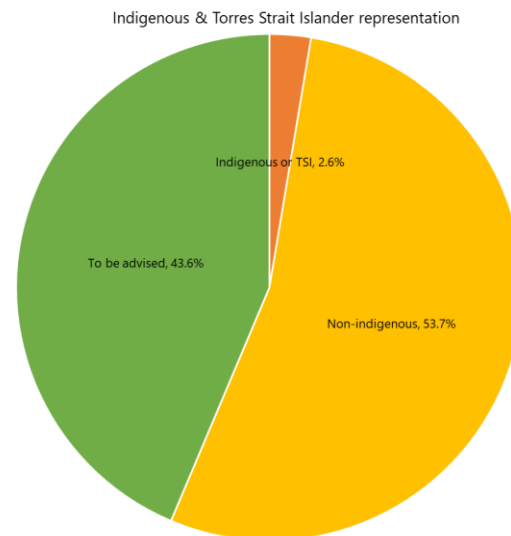
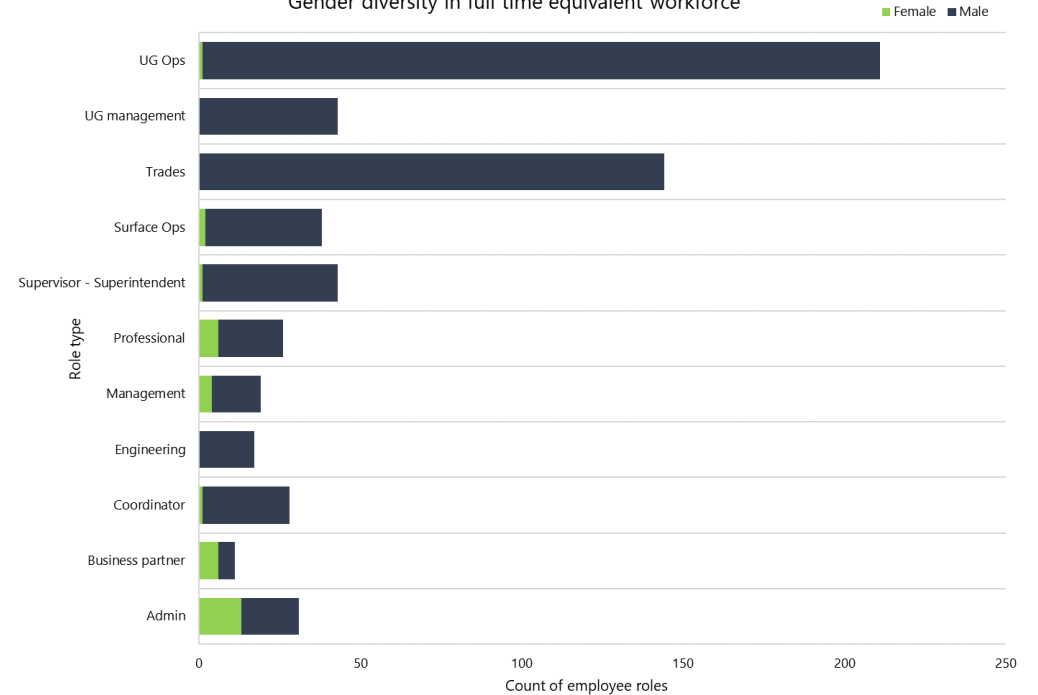
- Develop an inclusion strategy, including setting of diversity targets, a range of initiatives to improve workplace gender diversity & equality, including unconscious bias training & potential flexible working arrangements.
- Improve sanitation facilities underground & at surface.
- Initiate & track indigenous & heritage statistics where possible to track our performance towards improved indigenous employment opportunity.



Gender diversity



Gender diversity in full time equivalent workforce



Indicative Indigenous representation in workforce
2.6%





HEALTH, SAFETY & WELLNESS



ICMM Principles



Sustainable Development Goals



A SAFE WORKPLACE

Approach

One of the deepest core values for any miner or leader alike is protection of people from harm. At Kestrel, our Health, Safety & Wellness policy lays out our vision for everyone to work well & go home well everyday, in good physical & mental health.

To deliver this, we systematically identify risk, & construct formal, organised plans & work practices with controls to reduce risk as low as reasonably achievable (ALARA). We establish & maintain conditions of safety through acceptable standards of work: we hold 7 unbreakable Golden Rules for personal safety, & through formal risk assessment process, with requirements in being fit for work, fit for purpose equipment, engineering controls, work planning, authorisation & work process, plus competency & supervision. We capture plans & requirements into our safety health management system (SHMS) which are formally reviewed & approved by our Senior Site Executive to authorise work. As duty of care all employees & contractors are required to follow requirements of the SHMS as a condition of work at Kestrel.

Our major risks are known as principal & critical risks: risks where potential for fatality exists. Principal & critical risks have specific risk assessments, critical controls identified & assurance processes, to check & verify critical controls are in place.

In performance, we track & investigate hazard reports, incidents, injuries, illnesses, accidents & near misses. Incidents are investigated using the ICAM method to identify key causal factors, with learnings published to the site. Occupational exposures to respirable coal dust, silica dust or vibration are regular monitored & reported to the workforce.

Actions identified by investigations, risk assessments, scheduled inspections or interactions & assurance are formally tracked to facilitate applied learning, continual improvement & improved risk control.

Metrics

Safety performance key metrics are calculated as a factor of equivalent working hours of 100 people over a year (200,000 hours):

- All injury frequency rate (AIFR) – all injuries including first aid.
- Total recordable injury frequency rate (TRIFR) – injuries requiring medical treatment or more.
- High potential incident frequency rate (HPIFR) – Incidents or events which are specified in legislation as potential for significant impact on health & safety.
- Serious accident frequency rate (SAFR) – Injury or illness where a person requires immediate in-patient care at a hospital.

Outcomes

During 2020, safety performance remained at better than industry average (lower rates). Injury rates improved, with serious accident frequency rates reducing from 2.6 to 0.6 during the reporting period, all injury frequency rate reducing from 17.4 to 15.1, & total recordable injuries (TRIFR) from 4.8 to 3.8.

High potential incident frequency remained below industry average throughout the year, however, the rate of high potential incidents for Kestrel increased from July 2019 until June 2020, hitting a HPIFR of 29 before declining to a frequency of 24 by October 2020. A reporting culture is a safer culture, & in each incident a full investigation to identify causal factors was undertaken, & controls reestablished or adjusted to ensure control of risk.

Key high potential incidents in the year include (limited injury occurred):

- Interaction between underground loader & worker on a failure to stop.
- Several light to moderate single vehicle incidents involving lapse of attention.
- 2x small frictional ignition events as part of mining LW408 through a fault, related to small pockets of gas trapped in joint planes.

Our most common injury type relates to soft tissue & manual handling: backs, necks, shoulders, legs & knees, with the highest injury rates within development teams given the highly physical nature of work. Kestrel employs a physiotherapist as part of our team to help our operators in technique & ergonomics, we provide rest periods within shifts to reduce load, & we continuously look for improvements in equipment technology & methods.

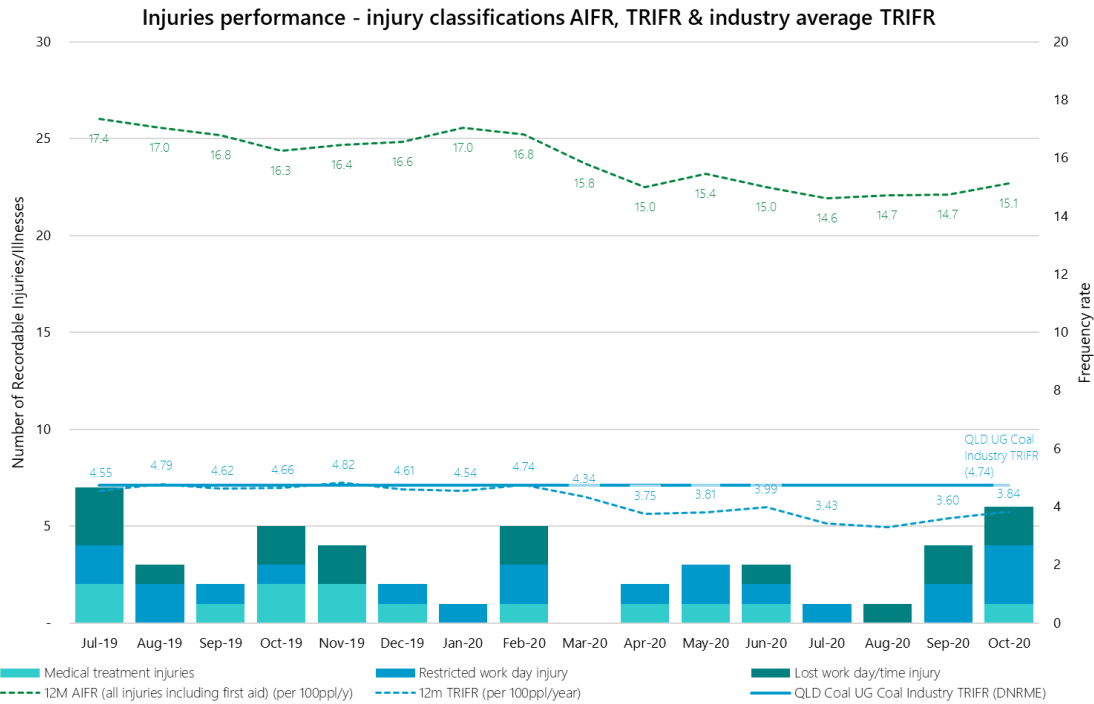
Over 2019/20, <1.5% of more than >480 monitoring events exceeded exposure limits for (respirable coal or silica dust). Where exceedances were detected, working environments included VCD installation & development, respirable silica associated with cutting roof materials. Occupational exposures exceedances are rated as an incident for full investigation.

In safety systems: all principal hazards & several critical hazards were reviewed & updated, as well as major updates to Fit for Work, contractor management, fatigue management & COVID-safe management plans.

A well workplace

Kestrel maintains an independent employee assistance program support group (Gryphon Psychology) as a confidential resource for all employees to improve & strengthen mental health & foster a healthy psychological culture.

INJURIES & INCIDENTS



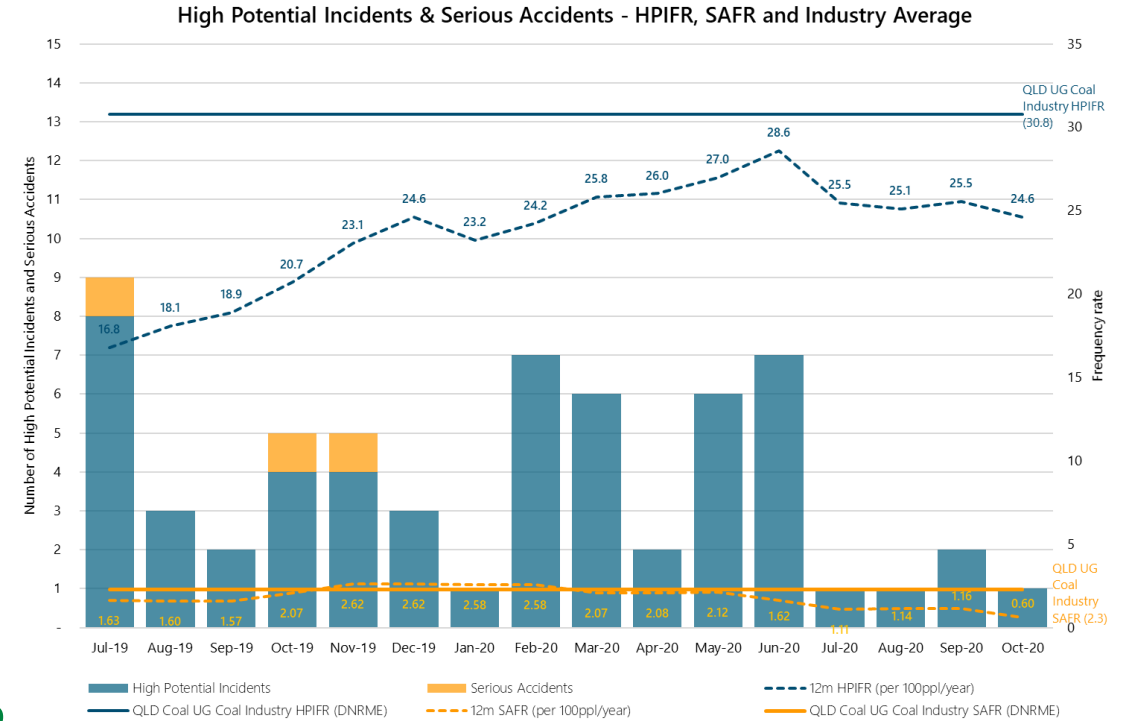
15.1
AIFR

3.8
TRIFR

0.6
SAFR

24
HPIFR

<1.5%
OEL exceedance



	Surface								Underground											
	Total	CHPP Dozer	CHPP Maintenance	CHPP other	CHPP Production	Surface Maintenance	Surface other	Gas Drainage	Development Production	ERZ Controller	Longwall Moves	Longwall Production	Outbye Construction / Infrastructure	Outbye Supplies	Production Support / bullgang	Second Support	Shift Co-ordinator / Management	Stone Drivage	Underground Maintenance	VCD Installer
2019 total monitoring events	305	10	11	7	12	19	0	0	42	20	12	42	25	23	14	20	4	0	23	21
Coal respirable exceedances		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4
Silica respirable exceedances		0	0	0	0	0	0	0	2	1	0	1	0	0	0	0	0	0	0	0
2020 total monitoring events	179	3	2	0	2	2	12	11	35	8	13	30	4	0	38	0	2	0	6	11
Coal respirable exceedances		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Silica respirable exceedances		0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0



READY TO RESPOND

CASE IN POINT: Kestrel Mines Rescue

Our purpose

We strive for excellence through leadership, teamwork, training, accountability, personal development & commitment.

Our team

60 x Underground
5 x Mine Inertisation
4 x Surface

Our responses

Team Members to NZ Pike River disaster, North Goonyella mine fire & re-entry to Crinum Mine

Our achievements

2nd Place Australian Mines Rescue Competition 2019





CARBON & CLIMATE CHANGE

ICMM Principles



Sustainable Development Goals



CARBON FOOTPRINT & ENERGY

Kestrel is committed to action to reduce our carbon footprint, as part of responsible operation & conversion of coal mine related gas into usable energy & is backed in our Sustainability & Climate Change Policy. For underground coal mining, extraction of gas is fundamental to ensure safe working conditions: gas naturally occurs within the German Creek & other coal seams as part of their formation, which needs to be removed to make it safe for our mining teams. Kestrel is currently mining into the deepest part of the Kestrel deposit, & with depth comes increased concentrations & intensities of methane.

We track & report carbon emissions each year as required under National Pollutant Inventory (NPI) & National Greenhouse Emissions Reporting (NGER) requirements. Our emissions footprint for FY20 was a reported 1.1Mt CO₂e, an increase of 60% from FY19 (see box inset for explanation). In 2020, Kestrel submitted an updated calculated Safeguard baseline to FY22, & will undergo a voluntary reasonable assurance audit to ensure veracity & transparency in FY21. For action, part of our challenge is time: our increased profile is relatively short-lived as we mine the deeper parts of the German Creek Seam, & we expect rapid reduction around 2030.

The main sources of carbon emissions currently at Kestrel include:

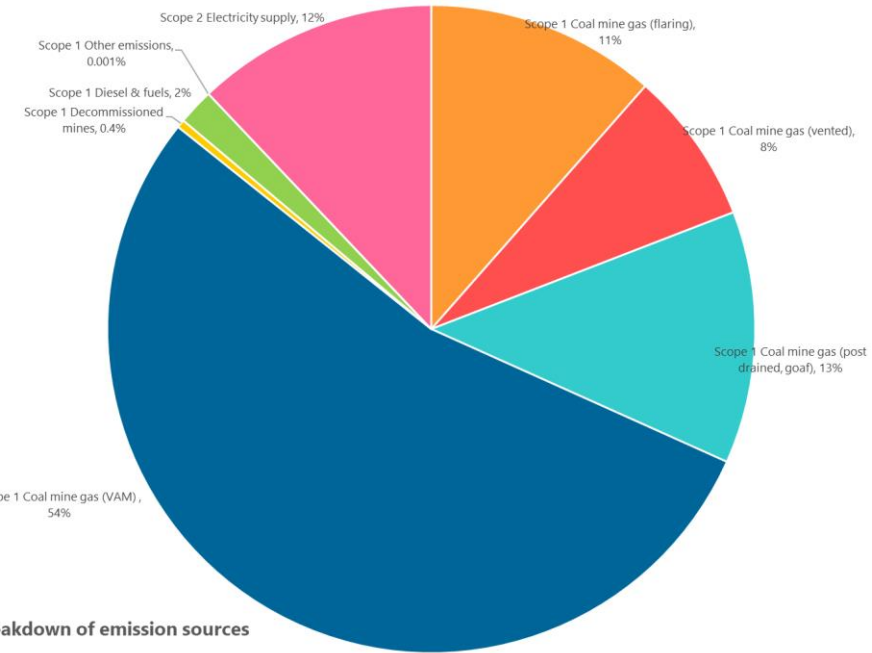
- Coal related gas (Scope 1) – either flared or vented:
 - Pre-drainage extraction to reduce gas content in the seam ahead of mining, currently in place for early 500 series panels. Majority of pre-drainage gas is flared to alter methane to CO₂.
 - Post-drainage extraction (also known as goaf) to remove gas from overlying seams during longwall advance. Post-drainage is flared as much as possible to alter methane to CO₂.
 - Mine ventilation (VAM) is gas extraction at very low concentrations from the mine environment via the ventilation system. VAM is our largest footprint as it is vented as methane: flaring is not currently possible.
 - Decommissioned mines – allowance for potential minor leakage from sealed previous mining areas.
- Diesel, greases & fuels use (Scope 1) – vehicles & generators, which comprise a minor component of our profile.
- Grid electricity supply (Scope 2) – current power demand at Kestrel is 18-25MWh, for an average unit rate of 25kW per tonne of coal product. Power demand is driven by conveyors, the CHPP & ventilation fans.

For efficiency, we already pre-drain as much gas as possible from the seam prior to mining entry, enabling us to flare & convert as much of the methane as possible to CO₂ (lower greenhouse factor) prior to release to the atmosphere. In 2018, Kestrel investigated potential for a permanent gas power station on our property, & also large-scale solar farm. However, our short-lived increased carbon footprint works against large scale power generation as the asset life was too short, & our need for an independent solar farm was reduced as renewable grid sources became more accessible. We are better to support other renewable energy development for our electricity replacement.

Nevertheless, Kestrel continues to investigate energy production methods, & pursue available technologies. We are committed: we expect to set an appropriate carbon reduction target in 2021 & seek to be able to work with partners to fast track carbon reduction options. Potential options include methane powered generation for air cooling or generators, increased extraction efficiency or configurations to increase pre-drainage, re-use of gas as LNG or pipeline product, methane destruction, hydrogen conversion, soil capture, & renewable grid power availability. In 2021, we expect to be commencing our first carbon abatement projects to reduce our footprint & play our part in effective reduction of carbon.

0.25
tCO₂-e/t
coal product

25kW
energy used /t
coal product



Why did
our
emissions
increase?

- FY2020 is our first full year of targeted gas extraction (limited extraction prior).
- We are now mining deeper areas of the mine (400-450m depth). With depth, we increase concentration of gas & change gas nature from carbon dioxide (CO₂) to methane (CH₄).
- Pre-drainage requires 3-4 years to prepare the seam – we've put in multiple lines for mining areas to be ready as planned.
- We are mining at increased rates to previous operations.
- Our mine ventilation is removing most of the post-drainage methane (can only be vented), which will be improved through changing strategy & carbon management technology/re-use.
- Regulation adjusted methane factor from to 27x.

CLIMATE CHANGE ACTION

Approach

Kestrel is engaged & active in climate change response: we are committed to reducing carbon from our operation, planning for transition to a net carbon zero world as our context changes, & preparation for impacts of climate change.

For Kestrel, we have identified four main drivers of changing context:

1. Physical: change or interruption to natural & built environment – either direct, community or our supply chain.
2. Economic & social: sentiment & reputation, national & international carbon policy, supply chain, markets, financial requirements (disclosure, insurance, lenders).
3. Liability: mitigation & adaptation costs, legal challenges, social contract expectations.
4. Technology: industry disruption from new technologies or emerging energy sources, changing energy markets.

With those four areas of changing context, we are moving to address seven areas of climate change related risk for Kestrel:

1. Natural environment change: temperatures, rainfall (water supply & intensity of events), flooding, fires, changing flora/fauna, rising sea level.
2. Social environment change: changing stakeholder & shareholder expectations & sense of business value for coal mining & carbon footprint.
3. Technology & energy sources change in supply chain: steel makers, transport, materials..
4. Economy & institutional change: carbon net zero commitments, carbon walls, increasing governance, performance & reporting.
5. Finance & insurance landscape: asset life, values, impairments, provisions, contracts & debt risk.
6. Major change to supply chain or customers requirements as the system changes
7. Rising litigation environment for coal miners in approval processes & climate change impacts to the future,

Current state

Kestrel is well positioned to be able to negotiate natural environment changes: our site area is not subject to major interruption from flooding (though our community is), we have reduced demand on raw water supply through extensive recycling, & we have installed reverse osmosis water treatment as a contingency water supply.

In our social & environment context: we are aware, accountable & moving to reduce our carbon footprint. We have strong environment & social performance with commitment to our region & play a significant role in the local economy. Our mining has minimal impact on the landscape & we rehabilitate effectively.

The year ahead

In 2021, Kestrel will extend climate change preparation & establish a formal risk assessment & scenario planning aligned to requirements outlined in the Taskforce on Climate Related Financial Disclosures (TCFD) & European Sustainable Finance. We will also introduce sustainability criteria to any new capital to invest where possible to reduce carbon with investments where possible & tangibly assess sustainability as part of any major investment decision. At our site level, we will begin to transition across to renewable energy & find partners for re-use of coal mine gas. We will research our ecology & biodiversity in detail.

In our direct region, we are also conscious of climate change impacts to our community & stakeholders: access to water, agricultural practices & vegetation is likely to change in our local region. In 2021, we will participate in local government initiatives around planning post-mining & climate change transitions as an industry linkage: with research on how mine closure outcomes may influence community resilience.

In the broader world, in the rapidly evolving carbon, energy & technology landscape, we will continue to scan for coming change & search for partnerships, work with the renewables industry, other mines, the steel industry & our stakeholders to adapt to the coming future, & new energy sources. Metallurgical coal is expected to be in demand for 20-30 years to the steel industry as a minimum: however we are mindful technology & processes may change & nature of change may be rapid. We will benefit from good relationships in the broader world to navigate the transition & play our part in creation of a sustainable future.



In the future, the region can expect:

- higher temperatures
- hotter and more frequent hot days
- fewer frosts
- more intense downpours
- rising sea level
- more frequent sea-level extremes
- warmer and more acidic seas

https://www.qld.gov.au/_data/assets/pdf_file/0020/68141/central-qld-climate-change-impact-summary.pdf

Climate change model ranges for Central Highlands

Rainfall (% Δ)	Average	Wet	Dry
2030	0.0%	4.8%	-9.3%
2050	-2.5%	5.4%	-9.9%
2070	-3.7%	8.7%	-11.0%
Temperature (C°) Δ	Average	Wet	Dry
2030	1.1	0.5	1.5
2050	1.9	1.3	2.4
2070	3.0	2.0	3.9
Pan evaporation (% Δ)	Average	Wet	Dry
2030	6.7%	6.7%	11.0%
2050	16.0%	7.4%	20.0%
2070	23.0%	7.5%	34.0%

<https://www.longpaddock.qld.gov.au/qld-future-climate/dashboard/>



ENVIRONMENT STEWARDSHIP

ICMM Principles



Sustainable Development Goals



LAND & BIODIVERSITY

Approach

Land management & biodiversity are linked performance areas at Kestrel: we lay out our commitment in our Environment & Land policy. In 2020, 96% of our mining lease area is used for agriculture as an active, productive cattle farm in partnership with Australian Agricultural Company (AACo).

Kestrel land is a rich resource located in the Brigalow Belt region, ranging with black soils which has been actively farmed for many years running with livestock, but also capable of forage cropping like sorghum. Except for Crinum mine to the north, surrounding land-uses is largely pastoral, including two adjacent organic farms. Even now during peak operation, it is hard to discern in the landscape where our property begins & ends as land use is continuous, & the landscape is largely undisturbed outside of our mining infrastructure areas.

At Kestrel, we look at land management & biodiversity through the values of:

- Productivity & economics return.
- Ecology & sustainability of natural environment.
- Cultural & social connections, such as heritage & indigenous country.
- Aesthetic & recreational activities.

We do this through considering biodiversity at each stage of our operation:

- At project design - strategic assessment of land & biodiversity in regional & local context to measure significant, limits & sensitivity to prevent biodiversity loss & productivity.
- During operation – to manage resilience, develop/conservate value habitat & soils, & minimise impacts through managing development, controlling invasive species & operating as a contained site.
- At closure – to rehabilitate & establish a stable, sustainable environment.

Key features of the Kestrel landscape which are important to biodiversity include:

- Protection of endangered protected species such as bluegrass communities (*Dicanthium queenslandicum*), & high value areas such as riparian habitats, waterways & remnant vegetation areas.
- Abundant birdlife & insects, drawn to grasslands of the area, including our namesake, the Nankeen kestrel.
- Land management including stocking levels, weed & chemicals management, along with sustaining capital to maintain & improve the property over time.

The year ahead

Focus areas for 2021 include:

- Updated ecology & soil mapping across our operation, including interest to benchmark neighboring properties.
- Development of a biodiversity framework to measure progress & setting at Kestrel, appropriate to landuse.
- Resilience research & study of key interest species such as bluegrass in different settings.
- Potential for placement of bee-hives on the property as an Indigenous business opportunity.
- Review of soil productivity associated with pasture & mining as a review of predicted to actual impacts.

We are aligning to ICMM Good practice Guide for Mining & Biodiversity for 2021 -

17,000

Hectares of land

96%

Active cattle farm



WATER RESOURCES

The region of Emerald & Kestrel has experienced relatively dry conditions since 2012/3, with Kestrel operating as a zero-discharge site since 2014 (containing all water on site). Kestrel maintains available dam storage onsite to manage rainfall events to a 5% risk of discharge. We recycle all water onsite, & our coal is washed with 100% recycled water. We prepare a wet season plan each year to be ready to respond to ensure we can contain water onsite, & we actively seek ways to reduce water use & demand across our operations.

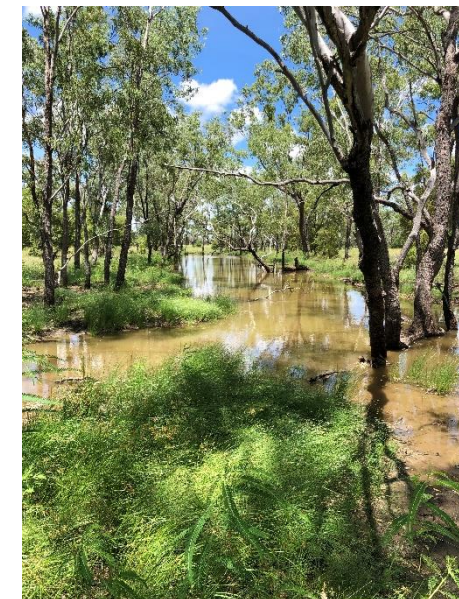
Water management at Kestrel includes:

- Water balance & demand:
 - Water sources include raw (river) used for potable & washing purposes, dewatering, gas drainage, rainfall & options for supplementary water from historical workings.
 - All water onsite is recycled for reuse through our dam system, excluding human consumption & sewage. A major water reduction program in 2016/17 reduced our raw water demand (river water) by 65%, & integrated water re-use across the site.
- Raw water supply:
 - Raw water supplies potable use water from the Nogoia River via Fairbairn Dam (Selma Weir) near Emerald & Gregory pipeline. Kestrel holds a high priority water allocation from the Fairbairn system, as does the Emerald township, other mines near to Kestrel & many other agricultural businesses in the area. We minimise our take from the system to ensure maximum volume is available for our community. In 2020, our average raw water usage was 1.9MI/d.
- Groundwater environment:
 - Groundwater values for our neighbours is water from a shallow basalt aquifer & a basal sands aquifer of limited extents. Kestrel maintains an extensive groundwater monitoring network for levels & quality, including site areas (including tailings), mine periphery, neighbours' wells & regional locations as background. Monitoring is conducted quarterly by an independent group, & neighbours are provided with performance reports for transparency & posted online. Monitoring to date indicates aquifers in the area are currently in slight regional decline due to low rainfall conditions across the region since 2012, with no discernible impact from mining in the area.
 - Kestrel holds make good agreements with most landholders, to be activated if mining activity impacts neighbour groundwater levels beyond 2m drawdown. Groundwater modelling indicates impact to private wells is not expected, & impacts have not occurred to date.
- Surface water receiving environment:
 - A limited network of ephemeral drainage lines run across parts of the pastoral areas of Kestrel operation, meaning creeks which flow only after rainfall. River monitoring telemetry is installed upstream & downstream of our operation to measure flows & quality automatically when flows occur.
 - We review our receiving environment each year to assess health of riparian areas which informs ongoing management. To date, there has been limited to no degradation from mining: we will be reviewing our creek rehabilitation approaches on subsidence in the coming year.

The year ahead

Key focus areas for 2021 include:

- Management of water balance with conversion to dry stack tailings storage to maintain water levels within planned risk limits (see case study for tailings).
- Installation of additional groundwater monitoring wells for Kestrel North, to track & monitor water performance around dams & tailings areas.
- Integrate reverse osmosis into water management systems.
- Major update & transition of the joint Kestrel-Sojitz groundwater model to improve groundwater understanding, assess potential for impacts & inform water planning for mining.
- Entry into MCA Water Accounting Framework to demonstrate water balance quality standards in water management.
- Designs for creek rehabilitation after subsidence to restore flow & dynamics.
- Policemans Lagoon hydrological study – a surface transient lagoon to assess for potential groundwater interaction.
- Ongoing receiving environment assessments & reviews.

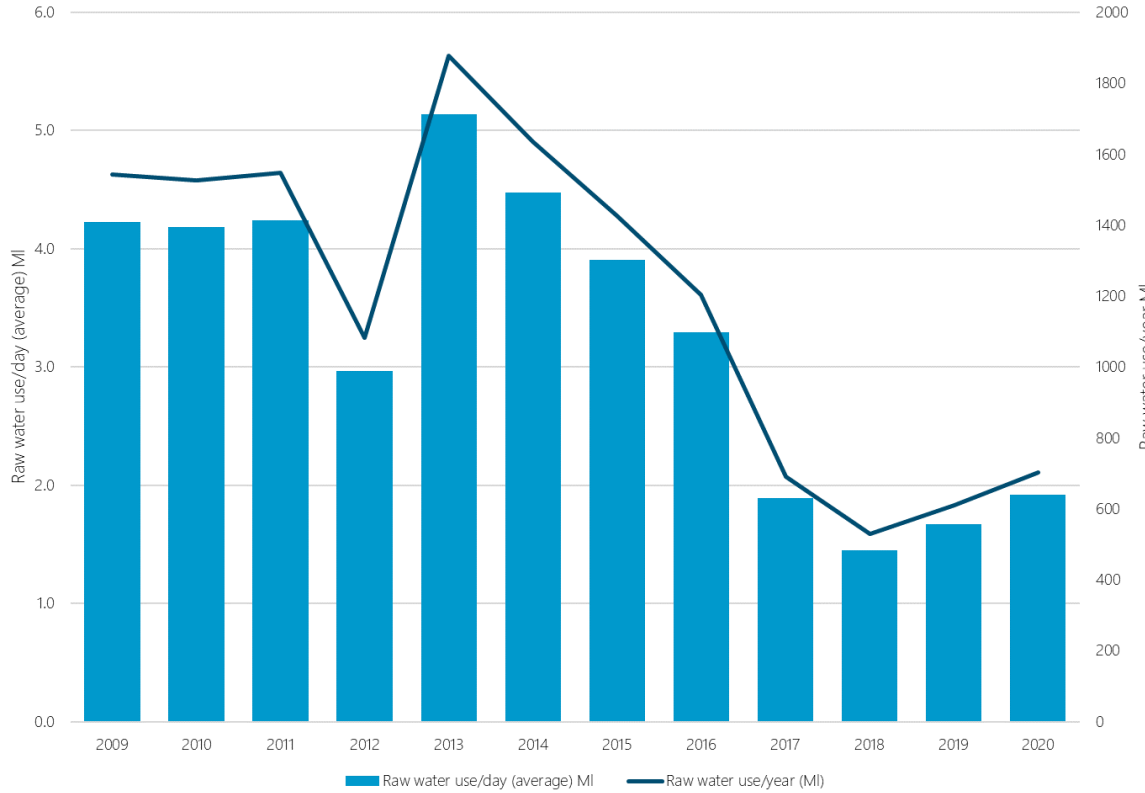


In respect & commitment to water resources in our area, Kestrel names our site & office meeting rooms after rivers & creeks of our site & river basin. Our main site meeting room is Nogoia (river, source of our operations water supply), & our Boardroom in Brisbane is “Dalgji”, the Kangoulou word for the river also known as Nogoia.

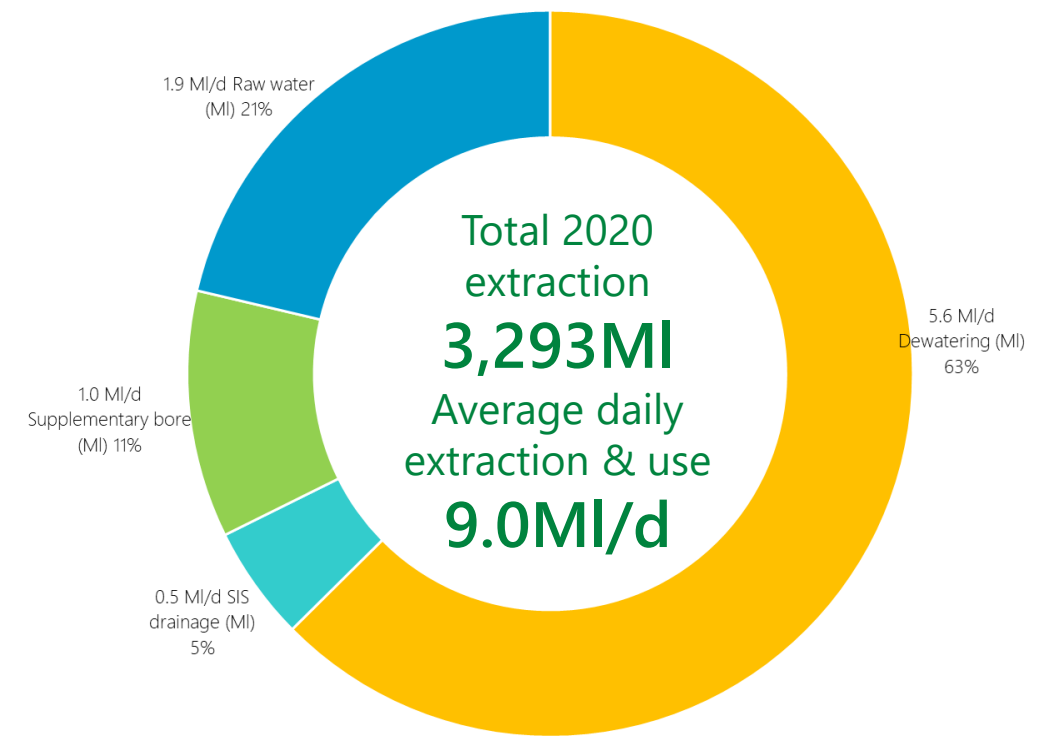


WATER USE PROFILE

River (raw) water use for Kestrel mine



Water source contributions 2020



Kestrel has operated as a zero-discharge site since 2014.

Dewatering is from the German Creek seam, which is hydraulically separate at depth to shallow aquifers our neighbours use.

River (raw) water is only used for potable uses at Kestrel. All water (except consumption & sewage) is recycled & reused on site. Our coal is washed in 100% recycled water.

HEALTHY WATER OUTCOMES

CASE IN POINT: Fitzroy Basin Partnership For River Health

The Fitzroy Basin of Central Queensland is comprised of over 20,000km of waterways, with six major river systems: Fitzroy, Dawson, Mackenzie, Nogoa, Comet & Isaac/Connors.

Kestrel mine sits in the Theresa & upper reaches of the Nogoa sub-catchments. The Nogoa River flows into the Mackenzie River, then finally merges into the Fitzroy River. At end of basin, the Fitzroy River flows into the ocean between Rockhampton & Gladstone, a region which hosts the Great Barrier Reef offshore. We share our sub-catchment with other land uses & values: several coal mine operations, townships, protected natural forests & agricultural activities.

The Fitzroy Partnership for River Health was formed in 2012, & is a collaboration between government, industry, research & community who all have an interest in the health of waterways across the Fitzroy Basin. Partners share a common goal to provide a more complete picture of river health. The key task of the partnership is for an annual measurement of cross basin health, & key water health influences across the basin. Assessment is undertaken through an appointed Independent Science Panel which scrutinises results, ensuring they are verified & underpinned by the best available science. Each year, the partnership produces an annual Fitzroy Basin report card, along with numerous additional reports & research results across the breadth of waterway health.

Kestrel is a proud supporter & participant in the partnership for several years, contributing water quality data & contribution to the body of knowledge on water resources in the Fitzroy Basin.

Although Kestrel has not released or discharge any waters since 2014, we remain keenly interested & committed to water health across our region to play our part in sustainable outcomes for our region. The Fitzroy Partnership provides Kestrel a coordinated way to support river health works, science research, cross industry collaboration & communication, & to stay in touch with key issues of our broader community. We are one part of an important river basin, & we respect we need to protect water related values.

The overall health of the Fitzroy Basin is rated as (B) – or good, which is great news for the ecosystems, people of the Fitzroy Basin, & for the Great Barrier Reef.



Fitzroy Basin 2018-19

What does the Report Card measure?



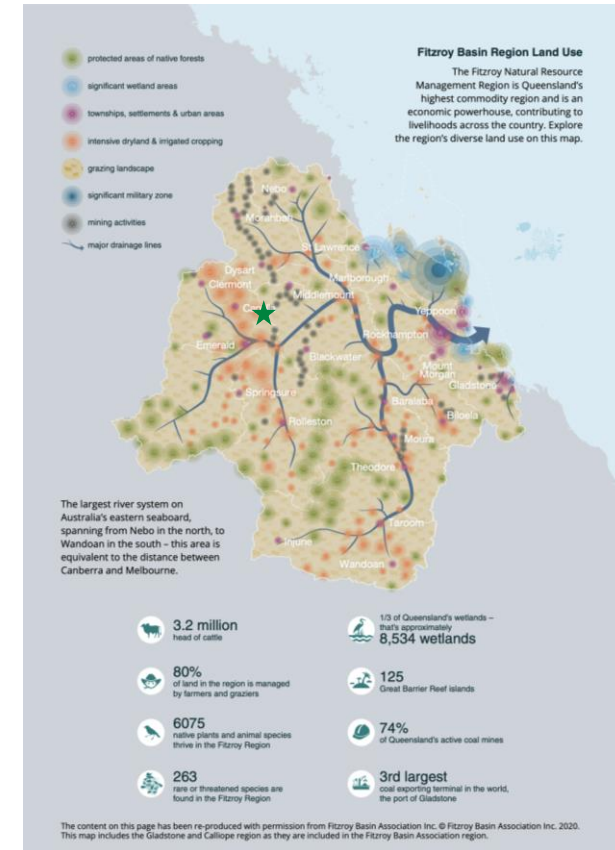
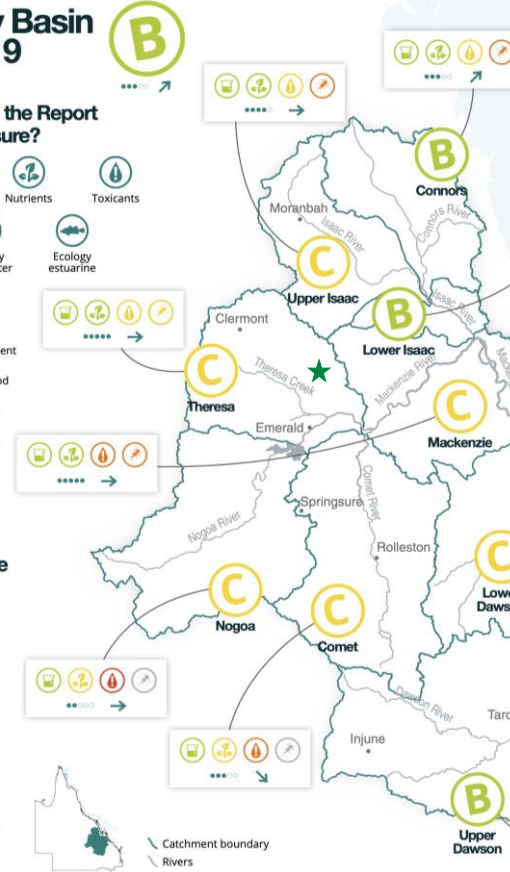
Grading



Confidence



Trend



The Theresa Creek catchment is rated by the independent panel as of overall (C) health, or a rating of fair overall, with high confidence given the data available. Health for our catchment is maintained for another year – a catchment in drought since 2021/13.

The breakdown includes:

- Good physical & chemical quality (B)
- Low presence of nutrients (B)
- Fair levels of toxicants at end of sub-catchment (C)
- Fair level of freshwater ecology (C).





COMMUNITY & GOOD NEIGHBOURS



ICMM Principles



Sustainable Development Goals



COMMUNITY SUPPORT & PARTICIPATION

As part of participating & contributing to social development in our community, Kestrel offers a sponsorship & grants program each year, & we are strongly connected with key social support groups in the area. We also support an Indigenous Future Fund for indigenous development.

Not for profit groups or community service organisations within the Emerald & Central Highlands surrounding area are able to apply to the grants program which is reviewed & decided by a peer group at Kestrel, made up of people from the Kestrel workforce who are passionate about community, as well as a collaborating supplier Nortec & representatives from the community. The types of programs we look to support is to extend a helping hand for:

- Human needs & social support.
- Community spirit events & initiatives.
- Programs to open pathways for people, such as health & education.
- Initiatives which develop inclusion & equality.

In 2020, Kestrel supported 43 grants across events, health initiatives, sporting teams or attendance or coaching, community social support, kindergarten & school events or programs, or local art group developments. Highlights include:

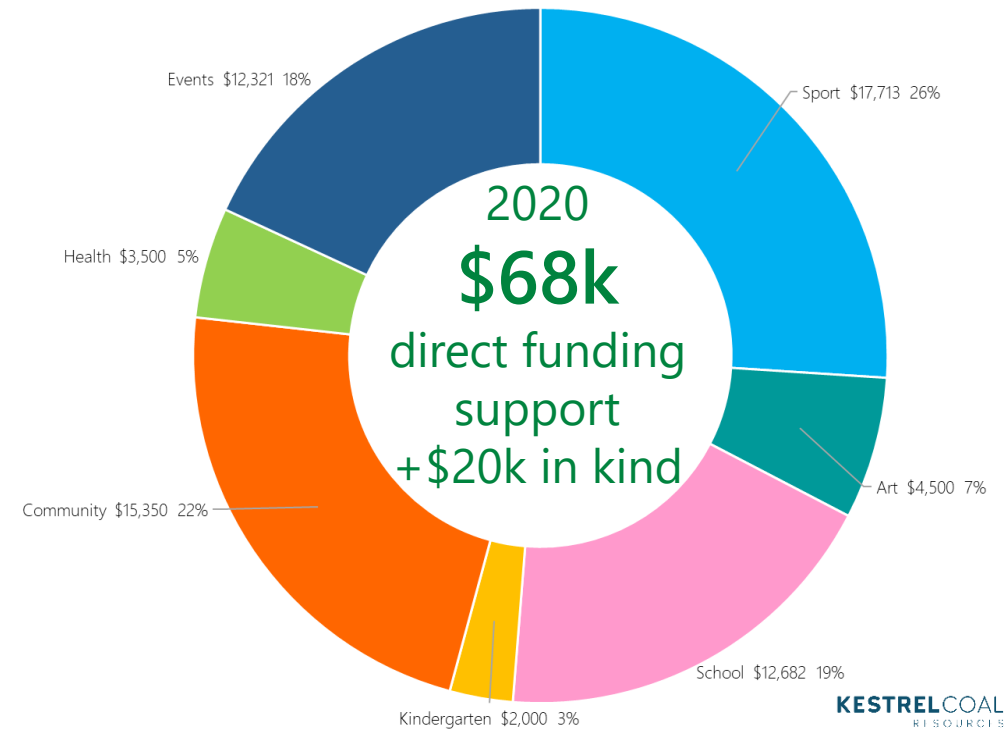
- "Filling up the freezer" for neighborhood safety net services.
- Local sporting teams uniforms or for event attendance.
- Support & sponsorship to enable young women & women play rugby.
- School based anti-bullying programs & defensive driving.
- Defibrillation machines.
- Speech pathology services.
- Health education.
- NAIDOC week Mob Fest.
- Local event hosting & sponsorship support such as AgGrow & GemFest.

In local support, our regular contributions include:

- Providing ongoing sponsorship to CQ Rural Health via housing for medical residents to undertake residency in Emerald, providing medical services to the region during their training & a positive experience of rural lifestyle which may lead to increased medical professionals in the region.
- A charity gift drive each year in the lead up to Christmas which is distributed to our local neighbourhood safety net center.



Community direct funding profile



BEING A GOOD NEIGHBOUR

CASE IN POINT: Eliminating Noise Nuisance

Kestrel operates in a rural landscape, where neighbours live on the land away from the bustle of town. Our neighbours come from different walks of life, individuals & families - they live here, & we work here. But we share a place under the sun, & at Kestrel we take the responsibility of sharing space seriously.

Our aim at Kestrel is to be good neighbours: to be personable, reliable, trustworthy & respectful. We do what's fair & reasonable to be a good neighbour & hold ourselves accountable to our performance.

When Kestrel Coal Resources took ownership of Kestrel in August 2018, the site was under pressure as a result of noise constraints. It was mid-winter, & in our part of the world the winter nights can be so still & cold that a situation known as temperature inversion occurs: a phenomenon where colder air sits at surface underneath warmer air above. Temperature inversion allows noise to carry further than it normally would, & a key piece of infrastructure – the overland conveyor (OLC) which runs 7.7km from Kestrel South to Kestrel North to convey coal from the mine to the CHPP - was creating concerns in noise levels overnight for a neighbour 4km away.

In 2015, Kestrel had moved to reduce noise through building a \$1.6m sound barrier wall along part of the OLC alignment. The wall helped but did not resolve noise concerns.

In 2019, following a detailed investigation we confirmed the source of the noise as unevenly fatigued rollers, causing rough flow of the belt & creating a greater noise profile. That same year, Kestrel embarked on the roller replacement through investing \$1.9m along much of the length of the OLC & confirmed a strong reduction in noise to below compliance levels. In 2020, we went further to install real time noise & air quality monitoring at key locations across the site to enable self-management & transparency in monitoring of our noise & dust performance, siting direct to neighbouring properties for performance monitoring. The monitoring also allowed us to take proactive data informed management actions & have transparent, fair consultation.

Late in 2020, at our annual neighbour onsite visiting day, we sought feedback from our neighbour on the performance, to which he replied that he hadn't heard it this year, & though he may not always agree with us, he knows if there's an issue, we'll be able to work it out.

Noise targets

33dBA
During day

28dBA
At night

A whisper is rated @ 40dBA





HERITAGE & INDIGENOUS DEVELOPMENT

ICMM Principles



Sustainable Development Goals





HERITAGE & WESTERN KANGOULU COUNTRY

Approach

The land on which Kestrel operates is currently under Native Title claim to the Western Kangoulu, following claim lodgment in 2013. Kestrel & the Western Kangoulu are joined by a shared Cultural Heritage Management Plan known as a CHIMA, a Cultural Heritage Investigation & Management Agreement, an extended version of a Cultural Heritage Management Plan. The CHIMA lays out an agreed way for Kestrel & Western Kangoulu to work together for the protection of heritage with mine activities. Kestrel has supported the CHIMA & other heritage outcomes through adopted heritage values & an Indigenous Peoples & Country policy.

The CHIMA is written on paper as a legal foundation, but our relationship with Western Kangoulu goes beyond legal obligations – it's a partnership of trust, with shared respect of values, recognition of aspirations, & determination to deliver mutual outcomes. From the beginning, our approach was to form an equal-equal relationship: in listening to our Traditional Owners & being prepared to do things differently to achieve win-win outcomes, we have formed a bond of working together & deep respect. Kestrel recognises the Western Kangoulu as Traditional Owners: as people, their culture & lived experience, their places & connection to the land, & our responsibility in stewardship of heritage values.

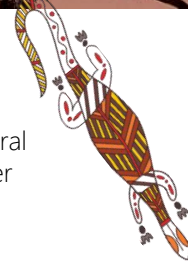
We have lived this commitment as we moved heritage from a transaction of drill pads & tracks across to block surveys. Block surveys cover large areas of the mine to maximise heritage survey information, reconstruct stories & ways the land was used, & at the same time - simplify drill planning. The move means we can now invest in work exploring the nature of heritage values, & shared management strategies. We meet regularly as a Committee, we learn from WK, & we place WK front & centre in ownership of heritage onsite.

Kestrel hosts a rich heritage landscape, consisting of stone artefacts, resource areas & quarries, scarred trees & cultural areas, including shelter trees & camping areas. There are over 80 scarred trees across the landscape within Kestrel leases. We use a traffic light zone system to denote status of land areas across Kestrel, & are advised by archaeologists at each stage, both within Western Kangoulu & independent advice.

Outcomes

2020 achieved highs & lows in heritage management at Kestrel. From the achievements of undertaking surveys across the entire 500 series to set up the next 10 years of heritage management, & a large scale salvage program ahead of a 3D seismic survey; to the distress & regret of a heritage incident where unauthorised disturbance occurred in several places, including the periphery of a restricted area.

Fortunately, harm to heritage was limited – but for Kestrel, we had work to do to improve our controls & processes to protect heritage values, & to continue our solid relationship with WK. We were fortunate in the quality of our relationship: Western Kangoulu focused to getting the good from the situation, & our relationship was able to grow stronger & keep moving forward. The incident transformed how we manage heritage at Kestrel, & our approach to working with Western Kangoulu for the better: clear responsibilities, maturing our processes & further opening-up dialogue & trust.



400 & 500 panel surveys complete

19
Traditional Owner Field Officers

365
Cumulative days on site

3,195
hectares surveyed

12
Terms of Reference (each project)

1,609 heritage sites
1,328 isolated artefacts
37 scarred trees
6 resource places
6 quarry areas
234 low-high density scatters
2 shelter trees (Gunyah)

27 Survey trips
5 Goaf surveys
151 Drill pads & tracks



The year ahead

Focus areas for 2021 include:

- Investigation of Policemans Lagoon (significance): archaeology, ethnographic & technical.
- Mapping, dating & catalogue of scarred trees with management plan.
- Review of CHIMA & development of Heritage Management System.
- Heritage awareness & induction program for all of Kestrel site.
- Update of heritage controls for 2021 seismic program, including involving WK in risk assessments & installation
- Detailed survey of basalt & chert quarries, including an indigenous burn technique with Kestrel fire officers.
- Gordon Downs historical investigation.

INDIGENOUS DEVELOPMENT

In 2020, Western Kangoulu & Kestrel commenced planning & strategy for indigenous business development: an initiative to develop employment, training & procurement opportunities for Western Kangoulu & indigenous people.

Indigenous business development & employment is a fundamental priority for Kestrel moving forward: we lay out our commitment in our Indigenous Peoples & Country policy.

Western Kangoulu are clear on their priorities: to be able to be back on country (on their heritage lands) with a livelihood & means of support. They seek for parents to have work, so kids see their parents going to work each day, & their kids can see the potential in their future: full of respect, inspiration, choice & achievement. Indigenous development is about reframing, adjusting the setting to make opportunities accessible, structuring our approach for development, finding partners, & valuing diversity which recognises indigenous culture.

Our agreed approach has four components:

- Agree on our partnership goals & timings: including a shared strategic plan & focus areas of development.
- Align business drivers to support the opportunity: business & supplier policy, promotion of WK business & introductions, & identify potential opportunities in our supply chain.
- Grow presence & network in Emerald: setup office space in Emerald, host indigenous development introduction events, & develop local & regional group to work together.
- Set targets & review stages to track progress.

Our milestone target horizons are at 2 years & 5 years, with good retention of roles. Western Kangoulu already operate joint ventures in mining environment services & construction in Queensland, & we look forward to working with them to further diversify their portfolio through Kestrel, our stakeholders & supplier network in Central Highlands. Indigenous development is something we can work on together with our stakeholders, & we are committed to making our plans & aspirations real for the individuals & families of Western Kangoulu.



4+
on-country opportunities on the drawing board

Partnership lease arrangements for agricultural operations

Bee-keeping & indigenous honey production in partnership with AACo

Key consultation & work in rehabilitation programs

Indigenous services as part of landscape works – fire management, bore drilling, field works for heritage demarcation.

5+
ways to build network in Central Highlands

Kick start office & support presence in Emerald

Indigenous development introduction, network & supplier events

Education packages for primary schools to learn about Western Kangoulu culture – in person & on YouTube

Regional heritage research with other mines & partners

Promotion on Kestrel website & social media



7+
ways to increase indigenous business & employment

Supplier & procurement selection alignment to support indigenous opportunity

Flexible business models for employers & joint venture partners

Partnership development with other industry in Central Highlands – mining, agriculture, education, technology, environment, services

Introduction to key suppliers & partners, criteria development

Traineeships, education, apprenticeships, career planning

Link in with existing indigenous development & employment groups

Employment diversity

Find opportunity in regional development



RESPONSIBLE PRODUCTION

ICMM Principles



Sustainable Development Goals



TAILINGS MANAGEMENT

CASE IN POINT: Dry Stack Tailings Storage

Approach

Since start of operation in 1992, Kestrel has managed tailings as a wet co-disposal earthen landform: where a mix of tailings & water is pumped to decant cells for settlement of solids, then water is recovered & recycled into our water system. Coarse tailings are used to construct continuous raises as upstream lifts to provide ongoing storage capacity as deposition continues. The Kestrel tailings landform (or CDSF) is 140 hectares in size, & in 2020 stood at 225mAHD (or 20m above the ground) reaching final height as a designed wet storage & holding ~37.5Mt of tailings.

Outcomes

In 2018, Kestrel took the decision to move to a changed method of tailings storage, called Dry Stack. The decision built on a feasibility study conducted over ownership change, & was selected based on key factors of remaining within existing footprint, improved environment performance through reduced percolation & ongoing encapsulation for improved water quality, ability for progressive rehabilitation, & capacity through to end of the planned 500 panel series. Final height of the legacy landform will be 255mAHD, or 40-45m above ground for a total storage capacity of 65Mt around 2034.

The system is based on dewatering of tailings prior to deposition: using a process of removing coarse tailings from the tailings stream, & then rapid rotation centrifuges to dewater finer grained materials. The drained materials are recombined, & then stacked on top of the existing landform, pushed down & compacted, tightly packing materials together.

Kestrel has the largest solid bowl centrifuge installation in Australian coal & is the first underground coal mine to adapt the stacking technology. We've proactively installed noise & air quality real-time monitoring around the facility, & near sensitive receptors to measure performance & ensure we deliver on our obligations as the facility progresses.

The year ahead

In 2021, Kestrel will look to embed dry stack operation, updating & embedding a new tailings operating manual to Global Industry Tailings Standards, improving operations reliability & addressing site water balance changes. We will also look to securing the final closure & rehabilitation design of the facility as a final landform & valid land-use. We will be undertaking trials for progressive rehabilitation, & community consultation with our neighbours, local government & Western Kangoolu on final closure landform design.

Plans are also underway for life of mine studies to identify tailings storage solutions (600 & 700 series) with a full life cycle assessment to deliver strong environment & operations performance.



REHABILITATION, CLOSURE & LEGACY

Approach

Progressive rehabilitation & return of any disturbed land across the Kestrel landscape to full land productivity is a key closure objective for Kestrel. We commit to a positive legacy & stewardship in our Environment & Land policy. Disturbance is managed with care: we minimise footprint, manage through a spatial & conditioned disturbance permit process which considers soils, water, ecology & heritage. Progressive rehabilitation runs with the cycle of land becoming available for rehabilitation: any temporary disturbance is managed back to rehabilitated state within 15-30 months (dependent on rainfall). In 2015, Kestrel was the first coal mine in Queensland to achieve certified rehabilitation status for 571 hectares over most of our 200 panel series. We look to continue that leading practice throughout our mine life.

At a high level, rehabilitation has three (3) broad types at Kestrel:

- Landscape after subsidence, including creeks - rehabilitated progressively through mine life.
- Permanent landforms such as tailings storage – constructed & monitored to a final design, including cover, vegetation, landuse & water shedding design to create a stable, sustainable landform.
- Mine infrastructure such as buildings, structures, dams, pipelines & stockpiles: expected to be removed from site & landscape restored (unless through consultation with stakeholders it is preferred to remain for land use).

The process of underground mining through longwall retreat creates a subdued subsidence at surface given the width of each panel: depending on depth of the seam, subsidence can range from 1m to 2.4m at surface. This can be often difficult to see with the eye over 400m panel widths as it is gentle on the landscape: rehabilitation consists of landscape contouring to reshape the land gently, maintain productivity of land & mimic the original geomorphology & flow regimes.

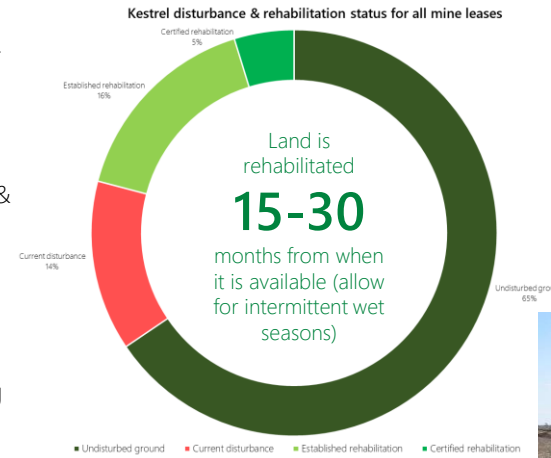
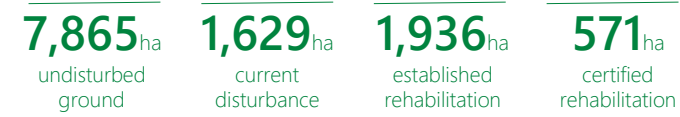
Our rehabilitation values include landuse, water flow & quality, ecology, productivity & heritage: managed for a sustainable outcome.

Outcomes

Our current disturbance footprint is only 14% of our mine leases, with a further 25% of already rehabilitated previous mining areas progressively rehabilitated. Further, at closure, all mining areas will have an appropriate post-mining land use: all land, including legacy landforms will be able to be productive, useful & beneficial to our environment, local economy & way of life when our mining is finished, & we will be able to hand over the land on which we operate to the next custodians.

The year ahead

In 2020, Kestrel will undertake formal Progressive Closure & Rehabilitation Planning (PRCP) studies to transition to the new regulatory framework, with a view to submission in 2022. We will update our rehabilitation processes with a view to our next rehabilitation certification land package & undertake key closure studies to design final tailings landform cover, creek & drainage rehabilitation designs. We will also consult extensively & transparently regarding post-mining land use with our Traditional Owners, neighbours & stakeholders.



12,001 ha
total mine lease area

