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Yancoal Australia Ltd
ACN 111 859 119

兗煤澳大利亞有限公司*

(Incorporated in Victoria, Australia with limited liability)

(Hong Kong stock code: 3668)

(Australian Stock Code: YAL)

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2019 COAL SALES AGREEMENT WITH POSCO

On 29 March 2019, the Company formally agreed to enter into four coal sales agreements with POSCO and/or its associates (the “**2019 POSCO Coal Sales Agreements**”) pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group during the financial year ending 31 December 2019.

As POSCO is interested in 20% of the Mount Thorley JV, a subsidiary of the Company under the Listing Rules, POSCO is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary.

The highest applicable percentage ratio in respect of the maximum annual transaction amount to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the 2019 POSCO Coal Sales Agreements exceeds 5%. As the continuing connected transactions under the 2019 POSCO Coal Sales Agreements (i) are between the Group and a connected person at the subsidiary level, (ii) are on normal commercial terms or better, (iii) have been approved by the Board and the independent non-executive Directors have confirmed the matters set out in Rule 14A.101 of the Listing Rules, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the continuing connected transaction in relation to the sale of coal by the Group to POSCO and/or its associates as disclosed on page 287 of the prospectus issued by Company on 26 November 2018 (the “**Prospectus**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those ascribed to them in the Prospectus.

**For identification purposes only*

As the POSCO Coal Sales Agreements have or are about to expire, the Company has agreed to enter into four coal sales agreement with POSCO for coal sales during the year ended 31 December 2019 (the “**2019 POSCO Coal Sales Agreements**”) pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group.

THE 2019 POSCO COAL SALES AGREEMENT

Material Terms

The 2019 POSCO Coal Sales Agreements provide that all transactions in relation to the sale of coal by the Group to POSCO and/or its associates must be (i) in the ordinary and usual course of business of the Group, (ii) on an arm’s length basis, (iii) on normal commercial terms with the sale price being negotiated between the parties on an arm’s length market related basis relative to industry benchmark prices and reflecting coal quality, and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The 2019 POSCO Coal Sales Agreements will become effective on signing, with two expiring on 31 December 2019 and two expiring on 31 March 2020.

Historical Transaction Amounts

The aggregate annual transaction amounts received by the Group from POSCO and/or its associates for the sale of coal for the three years ended 31 December 2016, 2017 and 2018 were approximately US\$156 million, US\$260 million and US\$428 million, respectively.

Annual Cap

The maximum annual transaction amount to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the 2019 POSCO Sales Agreements for the year ending 31 December 2019 will not exceed US\$780 million.

This annual cap was calculated by reference to (i) the historical transaction amounts, (ii) the expected demand for coal from POSCO and/or its associates for the year ending 31 December 2019, (iii) the estimated sale price for the coal the Company typically charges and (iv) in particular, the estimated sales volume of approximately 3.3 million tonnes for the year of 2019 based on the spot opportunities that may exist.

REASONS FOR, AND BENEFITS OF, THE 2019 POSCO COAL SALES AGREEMENT

The Company’s principal business activity is the production of thermal and metallurgical coal. POSCO has been a consistent, and one of the major customers of the Company since at least 2006, with the Company now being one of POSCO’s major coal supplier by volume. The Company believes that through supplying coal to POSCO in the Company’s ordinary and usual course of business, the Company could maintain its good business relationship with POSCO, further expand its business operation and generate revenue.

DIRECTORS’ CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2019 POSCO Coal Sales Agreements are fair and reasonable, the transactions are in the ordinary and usual course of business of the Group, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

None of the Directors has a material interest in the 2019 POSCO Coal Sales Agreement and the transactions contemplated thereunder, and therefore no Director abstained from voting on the relevant resolutions of the Board in respect of the 2019 POSCO Coal Sales Agreements and the annual cap for the year ending 31 December 2019.

LISTING RULES IMPLICATIONS

As POSCO is interested in 20% of the Mount Thorley JV, a subsidiary of the Company under the Listing Rules, POSCO is a connected person of the Company by virtue of being a substantial shareholder of the Company's subsidiary.

The highest applicable percentage ratio in respect of the maximum annual transaction amount to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the 2019 POSCO Coal Sales Agreement exceeds 5%. As the continuing connected transactions under the 2019 POSCO Coal Sales Agreements (i) are between the Group and a connected person at the subsidiary level, (ii) are on normal commercial terms or better, (iii) have been approved by the Board and the independent non-executive Directors have confirmed the matters set out in Rule 14A.101 of the Listing Rules, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION IN RELATION TO THE COMPANY AND POSCO

The Company's principal business activity is the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. The shares of the Company have been listed on the ASX and the Stock Exchange since 2012 and 2018, respectively.

POSCO was launched on April 1, 1968 with the national mission of industrialisation. As the first integrated steel mill in Korea, it has grown to produce 41 million tons of crude steel a year, and it is conducting various global businesses, e.g. production and sales in 53 countries in the world. POSCO has been contributing to the development of mankind through endless innovation and technology development, and became the most competitive steel maker in the world.

By order of the Board

Yancoal Australia Ltd

Baocai ZHANG

Chairman

Hong Kong, 29 March 2019

As of the date of this announcement, the executive Director is Mr. Fucun Wang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby, Mr. David James Moulton and Ms. Helen Jane Gillies.