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LR14.58 (1)



**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)

LR13.51A

## **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2019 DIESEL FUEL SUPPLY AGREEMENT**

On 25 October 2019, HV Operations Pty Ltd ("**HV Operations**"), a subsidiary of the Company, entered into the 2019 Diesel Fuel Supply Agreement, pursuant to which HV Operations has agreed to purchase diesel fuel from Glencore Australia Oil Pty Ltd ("**GAO**") during the period from 1 November 2019 to 31 October 2022.

As GAO is a subsidiary of Glencore plc, which is the holding company of Anotero Pty Ltd, a substantial shareholder of HV Operations, GAO is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company's subsidiary.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the maximum annual transaction amount to be paid by HV Operations to GAO for the purchase of diesel fuel pursuant to the 2019 Diesel Fuel Supply Agreement is more than 1% but all of the percentage ratios (other than the profits ratio) are less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the continuing connected transactions under the 2019 Diesel Fuel Supply Agreement are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but are subject to the reporting, announcement and annual review requirements.

### **INTRODUCTION**

On 25 October 2019, HV Operations entered into a diesel fuel supply agreement with GAO (the "**2019 Diesel Fuel Supply Agreement**"), pursuant to which HV Operations has agreed to purchase diesel fuel from GAO during the period from 1 November 2019 to 31 October 2022.

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### **THE 2019 DIESEL FUEL SUPPLY AGREEMENT**

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#### **Material Terms**

*\*For identification purposes only*

The 2019 Diesel Fuel Supply Agreement will become effective on 1 November 2019 and will expire on 31 October 2022. Pursuant to the 2019 Diesel Fuel Supply Agreement, HV Operations agrees to purchase, and GAO agrees to sell at a price agreed and applicable to the monthly quantity delivered as measured in accordance with the agreement. HV Operations will generate a purchase order prior to the month of delivery. GAO will deliver the volume of fuel in the purchase order by the date specified in that purchase order and HV Operations will make the payments after the delivery of the fuel. The basis for calculating the payments to be made is based on the volume delivered and the price determined following the tender process.

To ensure a fair and open tender process, an Independent Third Party has been engaged with extensive involvement in the commercial business-to-business diesel supply market to assist in the tender document preparation, submission evaluations and subsequent engagement with suppliers in negotiating the optimal outcome. A tender has been issued to several prospective suppliers. The negotiation process cycled three or four times with each supplier, including reviewing and verifying the accuracy and consistency of each submission made by the suppliers and ensuring that pricing is evaluated on consistent basis. Potential suppliers were determined and approved based on a variety of criteria, including reputation, reliability and the pricing submitted.

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**Historical Transaction Amounts**

As the 2019 Diesel Fuel Supply Agreement was entered into on 25 October 2019, there was no historical transaction amount with GAO for the three years ended 31 December 2016, 2017 and 2018, as fuel was sourced from other non-connected suppliers.

**Annual Cap**

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The maximum annual transaction amount to be paid by HV Operations to GAO for the purchase of diesel fuel pursuant to the 2019 Diesel Fuel Supply Agreement during the term of the 2019 Diesel Fuel Supply Agreement will not exceed A\$180 million each year, details of which are set out below:

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Period / Year	1 November 2019 to 31 December 2019	Year ending 31 December 2020	Year ending 31 December 2021
Caps	A\$30 million	A\$180 million	A\$180 million

This annual cap was calculated by reference to (i) the tender price and (ii) the expected demand for diesel fuel from the Group during the term of the 2019 Diesel Fuel Supply Agreement.

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Prior to 31 December 2021, the Company will comply with the relevant approval procedures under Chapter 14A of the Hong Kong Listing Rules, and set the transaction cap for the period between 1 January 2022 and 31 October 2022.

**REASONS FOR, AND BENEFITS OF, THE 2019 DIESEL FUEL SUPPLY AGREEMENT**

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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 2019 Diesel Fuel Supply Agreement, which was entered into following a fair and open tender process as

described above, will provide certainty in the supply to HV Operations' production and operations, so as to generate revenue for the Company.

## **DIRECTORS' CONFIRMATION**

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2019 Diesel Fuel Supply Agreement (including the proposed annual caps) 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.

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None of the Directors has a material interest in the 2019 Diesel Fuel Supply Agreement and the transactions contemplated thereunder, and therefore no Director abstained from voting on the relevant resolution of the Board in respect of the 2019 Diesel Fuel Supply Agreement and the annual caps.

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## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, HV Operations was 51% indirectly owned by the Company and 49% owned by Anotero Pty Ltd. Accordingly, HV Operations is a subsidiary of the Company under the Listing Rules.

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As GAO is a subsidiary of Glencore plc, which is the holding company of Anotero Pty Ltd, a substantial shareholder of HV Operations, GAO is a connected person of the Company by virtue of being an associate of a substantial shareholder of the Company's subsidiary.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the maximum annual transaction amount to be paid by HV Operations to GAO for the purchase of diesel fuel pursuant to the 2019 Diesel Fuel Supply Agreement is more than 1% but all of the percentage ratios (other than the profits ratio) are less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, the continuing connected transactions under the 2019 Diesel Fuel Supply Agreement are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but are subject to the reporting, announcement and annual review requirements.

## **INFORMATION IN RELATION TO THE COMPANY AND GAO**

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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 Australian Securities Exchange and the Stock Exchange since 2012 and 2018, respectively.

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GAO's principal business activity is the supply of fuel needs of mining, agricultural and other customers. Its business extends into the wholesale fuel market supplying oil majors where required, as well as being a large supplier to independents and large volume end users. GAO is a member of Glencore plc, the shares of which are listed on the London Stock Exchange and the Johannesburg Stock Exchange. Glencore plc is one of the largest global diversified natural resource companies in the world.

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## **DEFINITIONS**

"Board" the board of Directors of the Company

“Company”	Yancoal Australia Ltd, a company incorporated under the laws of Australia with limited liability, whose ordinary shares are listed on The Australian Securities Exchange and The Stock Exchange of Hong Kong Limited
“Director”	a director of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party”	any party who is not connected (within the meaning of the Listing Rules) with the Company, so far as the Directors are aware after having made reasonable enquiries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

*By order of the Board*  
**Yancoal Australia Ltd**  
**Baocai ZHANG**  
Chairman

Hong Kong, 25 October 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 Mould and Ms. Helen Jane Gillies.*

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