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HKEx Continuing Connected Transaction

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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTION

On 19 December 2019, the Company entered into four coal sales agreements with POSCO and/or its associates (the “**2020 POSCO Coal Sales Agreements**”), pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group.

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 2020 POSCO Coal Sales Agreements exceeds 5%. As the continuing connected transactions under the 2020 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 announcement of the Company dated 29 March 2019 (the “**Announcement**”) in relation to the 2019 POSCO Coal Sales Agreements.

In order to renew the 2019 POSCO Coal Sales Agreements, on 19 December 2019, the Company entered into four coal sales agreements with POSCO and/or its associates (the “**2020 POSCO Coal Sales Agreements**”), pursuant to which POSCO and/or its associates have agreed to purchase coal from the Group.

**For identification purposes only*

THE 2020 POSCO COAL SALES AGREEMENTS

Material Terms

The 2020 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.

Of the 2020 POSCO Coal Sales Agreements, two will become effective on 1 January 2020 and will expire on 31 December 2019, and the other two will become effective on 1 April 2020 and will expire on 31 March 2021. Upon the 2020 POSCO Coal Sales Agreements becoming effective, the 2019 POSCO Coal Sales Agreements will cease to have any effect in accordance with their terms.

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 two years ended 31 December 2017 and 2018 and the ten months ended 31 October 2019 were approximately US\$260 million, US\$428 million and US\$ 298 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 for the financial year ending 31 December 2020 will not exceed US\$600 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 financial year ending 31 December 2020, (iii) the estimated sale price for the coal the Group typically charges and (iv) in particular, the estimated sales volume of approximately 2.7 million tonnes for the financial year ending 31 December 2020, based on the spot opportunities that may exist.

The annual cap for the period from 1 January 2021 to 31 March 2021 will be announced as soon as practicable.

REASONS FOR, AND BENEFITS OF, THE 2020 POSCO COAL SALES AGREEMENTS

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 2020 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 2020 POSCO Coal Sales Agreements and the transactions contemplated thereunder, and therefore no Director abstained from voting on the relevant resolutions of the Board in respect of the 2020 POSCO Coal Sales Agreements and the annual cap for the year ending 31 December 2020.

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 2020 POSCO Coal Sales Agreements exceeds 5%. As the continuing connected transactions under the 2020 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 Australian Securities Exchange and the Stock Exchange since 2012 and 2018, respectively.

POSCO was launched on April 1, 1968 with the national mission of industrialisation. The shares of POSCO are listed on the Korean Exchange. 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.

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
"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

“POSCO”

POSCO Australia Pty Ltd, a company incorporated under the laws of Korean, whose shares are listed on the Korean Exchange

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 19 December 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.