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ASX Release:

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF A 10% INTEREST IN THE MOOLARBEN COAL JOINT VENTURE

Authorised for lodgement by the Yancoal Disclosure Committee

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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF A 10% INTEREST IN THE
MOOLARBEN COAL JOINT VENTURE**

Proposed Acquisition

On 27 March 2020, Yancoal Moolarben, a wholly-owned subsidiary of the Company (as Buyer), the Company (as guarantor), MCM (another wholly-owned subsidiary of the Company) and Sojitz (as Seller) entered into the Joint Venture Interest Sale Deed pursuant to which the Buyer agreed to purchase Sojitz's 10% interest in the Moolarben Coal Joint Venture for a purchase price of A\$300 million (subject to adjustment). The Company (through MCM) currently owns an 85% interest in the Moolarben Coal Joint Venture.

Completion of the Proposed Acquisition is expected to occur on or before 31 March 2020 (or such other date as the Buyer and the Seller may agree), as the conditions, namely, Foreign Investment Review Board approval in Australia and waiver or expiry of the pre-emptive rights procedure in relation to the Proposed Acquisition, have been satisfied.

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Accordingly, the Proposed Acquisition is subject to the notification and announcement requirements, but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, Sojitz is interested in 10% of the Moolarben Coal Joint Venture, a subsidiary of the Company under the Listing Rules. Sojitz is therefore a connected person of the Company by virtue of having a substantial interest in an unincorporated joint venture that the Company has a majority interest in. Accordingly, the Proposed Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Proposed Acquisition (i) is entered into between the

**For identification purposes only*

Group and a connected person at the subsidiary level, (ii) is on normal commercial terms or better, (iii) has been approved by the Board and (iv) the independent non-executive Directors have confirmed that the terms of the Proposed Acquisition are fair and reasonable, the Proposed Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Proposed Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. INTRODUCTION

On 27 March 2020, Yancoal Moolarben, a wholly-owned subsidiary of the Company (as Buyer), the Company (as guarantor), MCM (another wholly-owned subsidiary of the Company) and Sojitz (as Seller) entered into the Joint Venture Interest Sale Deed pursuant to which the Buyer agreed to purchase the Sale Interest from the Seller.

2. JOINT VENTURE INTEREST SALE DEED

The principal terms of the Joint Venture Interest Sale Deed are set out below:

(a) Sale Interest

The Sale Interest comprises the Seller's entire 10% interest as a participant of the Moolarben Coal Joint Venture, including its 10% interest in all of the assets of the Moolarben Coal Joint Venture and the right, title and interest, both present and future, in all assets that are held by or on behalf of the Moolarben Coal Joint Venture, but excluding certain excluded assets as set out in the Joint Venture Interest Sale Deed.

(b) Consideration

The consideration payable by the Buyer for the Sale Interest will comprise (i) a purchase price of A\$300 million (the "**Purchase Price**") and (ii) the Adjustment Amount (as defined below), and is payable in cash.

The Company intends to finance the consideration payable for the Proposed Acquisition by using (i) part of the net proceeds which the Company received from the global offering and listing of the Company's shares on the Stock Exchange which were allocated for potential acquisitions and (ii) internal funds.

Purchase Price

The Purchase Price will be paid by the Buyer to the Seller in four instalments as follows:

- (i) A\$50 million at Completion (the "**First Instalment**");
- (ii) A\$50 million on 30 June 2020;
- (iii) A\$100 million on 31 December 2020; and
- (iv) A\$100 million on the first anniversary of the Completion Date.

The Purchase Price was determined by the Buyer and the Seller after arms' length negotiations with reference to the current book value of the Moolarben Coal Joint Venture.

Adjustment Amount

To ensure that the Buyer will receive the economic benefit of the Sale Interest from the Effective Time until Completion, the Buyer and the Seller have agreed an adjustment mechanism whereby (i) any joint venture cash calls either due or made between the Effective Time and the Completion Date which have been paid by the Seller pursuant to the Moolarben Coal Joint Venture Agreement prior to the Completion Date will result in an adjustment in favour of the Seller minus (ii) any revenues from the sale of coal from the Moolarben mine recognised after the Effective Time and until the Completion Date will result in an adjustment in favour of the Buyer (the "**Adjustment Amount**").

On Completion, a provisional Adjustment Amount, which is based on the Buyer's good faith estimate, will be paid by way of a separate payment and such amount will not be adjusted against the payment of the First Instalment. If the provisional Adjustment Amount is positive, the Buyer will pay such amount to the Seller and if the provisional Adjustment Amount is negative, the Seller will pay such amount to the Buyer.

The final Adjustment Amount will be determined within 20 business days of Completion and any difference between the final and provisional Adjustment Amount will be paid by either the Buyer or the Seller (as the case may be) within 5 business days. If the parties cannot agree on the adjustment amount, then an expert will be appointed to resolve the matters in dispute. The Company will make an announcement when the final Adjustment Amount has been determined.

(f) Completion

Completion will take place on 31 March 2020, or such other date the Buyer and the Seller may agree in writing, as the conditions, namely, Foreign Investment Review Board approval in Australia and waiver or expiry of the pre-emptive rights procedure in relation to the Proposed Acquisition, have been satisfied.

(g) Guarantee and Indemnity by the Company

The Company has agreed to guarantee the obligations of the Buyer and MCM under the Joint Venture Interest Sale Deed and indemnify the Seller against the failure of the Buyer or MCM to perform its obligations thereunder. The Company has no liability under the guarantee unless and until Completion occurs. The Company's liability under the guarantee is capped at A\$250 million and the cap is reduced by the amount of each purchase price instalment received by the Seller after Completion. The Company is released and discharged from the guarantee upon payment of the final purchase price instalment to the Seller.

3. REASONS FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION

Located within the Western Coalfields of New South Wales, the Moolarben mine is a world class low cost, long life open-cut and underground coal asset producing export quality thermal coal. The Moolarben mine was the leading contributor to the Company's attributable saleable coal production during 2019. The Proposed Acquisition represents an attractive opportunity for the Company to increase its interest in the Moolarben Coal Joint Venture

from 85% to 95% and thereby result in the Company consolidating 95% of the financial results of Moolarben Coal Joint Venture. The immediate benefit will be the increase in attributable revenue which the Company will consolidate into its financial results from this low cost, tier-1 asset, and with potential for the Moolarben Coal Joint Venture to increase its production profile in the future, subject to ongoing work with external stakeholders.

Having taken into account the reasons for, and benefits of, the Proposed Acquisition as set out above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Joint Venture Interest Sale Deed are fair and reasonable, the Proposed Acquisition, although is not in the ordinary and usual course of business of the Group, is 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 Joint Venture Interest Sale Deed and the Proposed Acquisition, and therefore no Director abstained from voting on the relevant resolutions of the Board approving the Joint Venture Interest Sale Deed and the Proposed Acquisition.

4. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Proposed Acquisition exceeds 5% but is less than 25%, the Proposed Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. Accordingly, the Proposed Acquisition is subject to the notification and announcement requirements, and is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As at the date of this announcement, Sojitz is interested in 10% of the Moolarben Coal Joint Venture, a subsidiary of the Company under the Listing Rules. Sojitz is therefore a connected person of the Company by virtue of having a substantial interest in an unincorporated joint venture that the Company has a majority interest in. Accordingly, the Proposed Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Proposed Acquisition (i) is entered into between the Group and a connected person at the subsidiary level, (ii) is on normal commercial terms or better, (iii) has been approved by the Board and (iv) the independent non-executive Directors have confirmed that the terms of the Proposed Acquisition are fair and reasonable, the Proposed Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Proposed Acquisition is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. INFORMATION ON THE MOOLARBEN COAL JOINT VENTURE

As the Moolarben Coal Joint Venture is an unincorporated joint venture, it does not have any share capital. The initial acquisition cost in respect of the Moolarben Coal Joint Venture, being the total application fees initially paid by the participants for obtaining the exploration licenses in accordance with the Australian laws and regulations, was approximately A\$75,210.

As the Moolarben Coal Joint Venture is an unincorporated joint venture, it does not itself earn any revenue or profits. The operating cost incurred by Moolarben Coal Joint Venture for the financial years ended 31 December 2018 and 2019 prepared in accordance with the Australian Accounting Standards were A\$1,026.7 million and A\$1,001.1 million, respectively. Moolarben Coal Sales Pty Ltd, a wholly-owned subsidiary of the Company, sells the coal on behalf of the participants of the Moolarben Coal Joint Venture and distributes revenue and

profits directly to the participants in proportion to their respective participating interests in the Moolarben Coal Joint Venture (“**MCS**”). The participants of the Moolarben Coal Joint Venture directly pay the tax on the profits received from MCS and MCS does not include tax in its financial statements. Based on the audited financial statements of MCS for the financial years ended 31 December 2018 and 2019 prepared in accordance with the Australian Accounting Standards, the net profits before taxation and extraordinary items of MCS (which are the amounts received by the participants of the Moolarben Coal Joint Venture) for the financial years ended 31 December 2018 and 2019 are set out below:

A\$ (million)	For the year ended 31 December	
	2018	2019
Net profit before taxation and extraordinary items	1,894.8	1,535.7

For the financial years ended 31 December 2018 and 2019, the Company had income tax expense of approximately A\$462 million and A\$393 million in respect of its proportion of the revenue received from MCS, respectively.

Based on the audited financial statements of the Moolarben Coal Joint Venture for the financial year ended 31 December 2019 prepared in accordance with the Australian Accounting Standards, the audited net assets of the Moolarben Coal Joint Venture as at 31 December 2019 was approximately A\$1,232 million.

6. INFORMATION ON THE COMPANY AND SOJITZ

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 Company’s shares have been listed on the Australian Securities Exchange and the Stock Exchange since 2012 and 2018, respectively.

Sojitz is a wholly-owned subsidiary of Sojitz Corporation. Sojitz Corporation is a general trading company and the Sojitz Corporation group is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services, and planning and coordinating projects, in Japan and overseas. The Sojitz Corporation group also invests in various sectors including those related to automobiles, plants, aerospace, medical infrastructure, energy, mineral resources, chemicals, foodstuff resources, agricultural and forestry resources, consumer goods, and industrial parks. Sojitz Corporation’s shares are listed on the Tokyo Stock Exchange.

7. DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise

“Board”	the board of Directors of the Company
“Buyer” or “Yancoal Moolarben”	Yancoal Moolarben Pty Ltd (ACN 638 942 588), a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company
“Company”	Yancoal Australia Ltd (ACN 111 859 119), a company incorporated in Australia with limited liability, whose ordinary shares are listed on The Australian Securities

	Exchange and the Stock Exchange
“Completion”	completion of the Proposed Acquisition
“Completion Date”	the date on which Completion occurs
“Director”	a director of the Company
“Effective Time”	12:00 a.m. on 1 January 2020
“Group”	the Company and its subsidiaries
“Joint Venture Interest Sale Deed”	the joint venture interest sale deed entered into between the Buyer, the Company, MCM and Sojitz on 27 March 2020 in relation to the Proposed Acquisition
“Korean Consortium”	a consortium of South Korean companies comprising Korea Resources Corporation, Korea Southern Power Co., Ltd, Korea Midland Power Co., Ltd, Korea Western Power Co., Ltd and Korea South-East Power Corporation, which collectively owns a 5% interest in the Moolarben Coal Joint Venture as at the date of this announcement
“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
“MCM”	Moolarben Coal Mines Pty Ltd (ACN 108 601 672), a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company
“Moolarben Coal Joint Venture”	the unincorporated joint venture which owns the Moolarben mine and which is owned as to 85% by the Company (through MCM), 10% by Sojitz and 5% by the Korean Consortium as at the date of this announcement
“Moolarben Coal Joint Venture Agreement”	the Moolarben Coal Joint Venture Agreement dated 21 September 2007 (as amended and supplemented from time to time) entered into by the participants of the Moolarben Coal Joint Venture
“Proposed Acquisition”	the proposed acquisition of the Sale Interest by the Buyer pursuant to the Joint Venture Interest Sale Deed
“Remaining Participants”	MCM and the Korean Consortium
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sojitz”	Sojitz Moolarben Resources Pty Ltd (ACN 126 287 027), a company incorporated in Australia with limited liability and a wholly-owned subsidiary of Sojitz Corporation

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 27 March 2020

As of the date of this announcement, the executive Director is Mr. Ning Zhang, 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 and Ms. Helen Jane Gillies.