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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)

**CONTINUING CONNECTED TRANSACTION IN RELATION TO
THE YIT FRAMEWORK AGREEMENT FOR COAL SALES**

THE YIT FRAMEWORK AGREEMENT FOR COAL SALES

The Company had been supplying coal to YIT pursuant to the Framework Coal Sales Agreement which governs the sales of coal by the Company to Yanzhou and/or its subsidiaries. On 30 April 2020, YIT ceased to be a subsidiary of Yanzhou and became an associate of Yanzhou. As the Company expects to continue to sell coal to YIT for the remainder of 2020, on 26 May 2020, the Company entered into the YIT Framework Agreement For Coal Sales with YIT, pursuant to which the Group agreed to sell coal to YIT and/or its associates (excluding the Yanzhou Group) from the date of the YIT Framework Agreement For Coal Sales to 31 December 2020.

LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) Yanzhou is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company; and (ii) YIT is a wholly owned subsidiary of Yankuang, the controlling shareholder of Yanzhou. Accordingly, YIT is a connected person of the Company by virtue of being an associate of Yanzhou and the transactions contemplated under the YIT Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the cap for the continuing connected transactions contemplated under the YIT Framework Agreement For Coal Sales is more than 0.1% but less than 5%, such continuing connected transactions will be subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

**For identification purposes only*

A. INTRODUCTION

On 26 May 2020, the Company entered into the YIT Framework Agreement For Coal Sales with YIT, pursuant to which the Group agreed to continue to sell coal to YIT and/or their associates (excluding the Yanzhou Group) from the date of the YIT Framework Agreement For Coal Sales to 31 December 2020.

B. MATERIAL TERMS OF THE YIT FRAMEWORK AGREEMENT FOR COAL SALES

(a) Subject Matter

The YIT Framework Agreement For Coal Sales provides that all transactions in relation to the sale of coal by the Group to YIT and/or its associates (excluding the Yanzhou Group) 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, and (iv) in compliance with, among other things, the Listing Rules and applicable laws.

(b) Basis of Consideration

Considering the nature of coal, the sale price will be determined with reference to industry index prices and coal quality characteristics under the respective contracts.

(c) Historical Amounts and Annual Cap

The aggregate annual transaction amounts received by the Group from YIT and/or its associates (excluding the Yanzhou Group) for the sale of coal for the three years ended 31 December 2017, 2018 and 2019 were approximately US\$5 million, US\$172 million and US\$95 million, respectively.

The maximum transaction amount to be received by the Group from YIT and/or its associates (excluding the Yanzhou Group) during the term of the YIT Framework Agreement For Coal Sales will not exceed US\$93 million.

The cap was determined with reference to (i) the actual transaction amount with YIT during the past three years and taking into consideration the business requirements of YIT, the Company expects to maintain such sales volume in future years, (ii) the expected additional spot demand for coal from YIT and/or its associates (excluding the Yanzhou Group) over the next three years and (iii) the estimated sale price for the coal the Company typically charges.

C. REASONS FOR, AND BENEFIT OF, THE YIT FRAMEWORK AGREEMENT FOR COAL SALES

The Company's principal business activity is the production of thermal and metallurgical coal. YIT is engaged in the business of sales of coal in the PRC. The Company had been supplying coal to YIT pursuant to the Framework Coal Sales Agreement which governs the sales of coal by the Company to Yanzhou and/or its subsidiaries. On 30 April 2020, YIT ceased to be a subsidiary of Yanzhou and became an associate of Yanzhou. As the Company expects to continue to sell coal to YIT, the Company has entered into the YIT Framework Agreement For Coal Sales. The Company believes that through supplying coal to YIT in the Company's ordinary and usual course of business, the Company could further expand its business operation in the Asia markets and generate revenue.

D. DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the YIT Framework Agreement For Coal Sales (including the relevant cap thereunder) are fair and reasonable. The continuing connected transactions contemplated under the YIT Framework Agreement For Coal Sales are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang and Mr. Qingchun Zhao declared that they hold certain positions in Yanzhou or Yankuang. However, the articles of association of the Company does not preclude such Directors from voting. Accordingly, none of the Directors abstained from voting on the relevant resolutions of the Board approving the continuing connected transactions (including the relevant cap).

E. LISTING RULES IMPLICATIONS

As at the date of this announcement, (i) Yanzhou is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company; and (ii) YIT is a wholly owned subsidiary of Yankuang, the controlling shareholder of Yanzhou. Accordingly, YIT is a connected person of the Company by virtue of being an associate of Yanzhou and the transactions contemplated under the YIT Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the cap for the continuing connected transactions contemplated under the YIT Framework Agreement For Coal Sales is more than 0.1% but less than 5%, such continuing connected transactions will be subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

F. INFORMATION IN RELATION TO THE COMPANY AND YIT

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 Hong Kong Stock Exchange since 2012 and 2018, respectively.

YIT is principally engaged in the business of sales of coal and coal chemicals in the PRC. As at the date of this announcement, YIT is a wholly owned subsidiary of Yankuang, the controlling shareholder of Yanzhou.

G. 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 Hong Kong Stock Exchange
"Director"	a director of the Company

“Framework Coal Sales Agreement”	the framework coal sales agreement entered into between the Company and Yanzhou on 8 October 2018 in relation to the sales of coal by the Group to Yanzhou Group (excluding the Group)
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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
“Shareholders”	the shareholders of the Company
“Yankuang”	Yankuang Group Company Limited (兗礦集團有限公司), a company with limited liability reformed and established under the laws of the PRC on 12 March 1996, the controlling shareholder of Yanzhou and the ultimate controlling shareholder of the Company
“Yanzhou”	兗州煤業股份有限公司 (Yanzhou Coal Mining Company Limited), a joint stock limited company established under the laws of the PRC in 1997, and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Yanzhou Group”	Yanzhou and its subsidiaries
“YIT”	兗煤國際貿易有限公司 (Yancoal International Trading Co., Ltd.), a company limited by shares incorporated under the laws of Hong Kong in 2011
“YIT Framework Agreement For Coal Sales”	the framework agreement for the sales of coal entered into between the Company and YIT on 26 May 2020 in relation to the sale of coal by the Group to YIT and/or its associates (excluding the Yanzhou Group)

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 26 May 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.