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HKEX - Continuing Connected Transactions

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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 TRANSACTIONS IN RELATION TO BANK GUARANTEES
PROVIDED IN FAVOUR OF ASSOCIATES OF THE CONTROLLING SHAREHOLDER**

Reference is made to the continuing connected transaction in relation to the use of the overall bank guarantee facilities by certain subsidiaries of Yankuang Energy Group Company Limited (“**Yankuang Energy**”) under the financing facilities entered into by the Group as disclosed in the Company’s announcement on 23 December 2022 (the “**2022 Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those ascribed to them in the prospectus issued by the Company on 26 November 2018 (the “**Prospectus**”) and the 2022 Announcement. The existing Framework Bank Guarantee Agreement will expire on 31 December 2023.

On 20 December 2023, the Company entered into (i) a framework bank guarantee agreement (the “**Australian Entities Framework Bank Guarantee Agreement**”) with Athena Holdings Pty Ltd, Tonford Holdings Pty Ltd, Wilpeena Holdings Pty Ltd and Yancoal Energy Pty Ltd (together, the “**Australian Entities**”) for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026, pursuant to which the Australian Entities and/or their subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group, and pay the Company bank guarantee fees, which are equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 Business Days after the payment by the Company; and (ii) a framework bank guarantee agreement (the “**Premier Coal Framework Bank Guarantee Agreement**”, together with the Australian Entities Framework Bank Guarantee Agreement, the “**2023 Framework Bank Guarantee Agreements**”) with Premier Coal Holdings Pty Ltd (“**Premier Coal**”) for a term of one year commencing on 1 January 2024 and expiring on 31 December 2024, pursuant to which Premier Coal and/or its subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group, and pay the Company bank guarantee fees, which are equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 Business Days after the payment by the Company.

**For identification purposes only*

As at the date of this announcement, Yankuang Energy is a Controlling Shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company and each of the Australian Entities and Premier Coal is a wholly-owned subsidiary of Yankuang Energy. Accordingly, each of the Australian Entities and Premier Coal is a connected person of the Company by virtue of being an associate of the Company's Controlling Shareholder. Accordingly, the use of bank guarantees under the financing facilities entered into by the Group by any of the Australian Entities, Premier Coal and/or their subsidiaries constitutes a continuing connected transaction of the Company.

As the 2023 Framework Bank Guarantee Agreements were entered into by the Company with parties who are connected with one another, the transactions contemplated under the 2023 Framework Bank Guarantee Agreements are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate annual caps for the continuing connected transactions under the 2023 Framework Bank Guarantee Agreements 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 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 use of the overall bank guarantee facilities by certain subsidiaries of Yankuang Energy under the financing facilities entered into by the Group as disclosed in the 2022 Announcement.

On 20 December 2023, the Company entered into (i) the Australian Entities Framework Bank Guarantee Agreement for a term of three years commencing on 1 January 2024 and expiring on 31 December 2026, pursuant to which the Australian Entities and/or their subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group; and (ii) the Premier Coal Framework Bank Guarantee Agreement for a term of one year commencing on 1 January 2024 and expiring on 31 December 2024, pursuant to which Premier Coal and/or its subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group.

MATERIAL TERMS OF THE AUSTRALIAN ENTITIES FRAMEWORK BANK GUARANTEE AGREEMENT

The Australian Entities Framework Bank Guarantee Agreement provides that all transactions in relation to the use of bank guarantees by the Australian Entities and/or their subsidiaries must be (i) on an arm's length basis, (ii) on normal commercial terms with bank guarantee fees to be paid by the Australian Entities and/or their subsidiaries to the Company equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 Business Days after the payment by the Group, and (iii) in compliance with, amongst other things, the Listing Rules and applicable laws.

The term of the Australian Entities Framework Bank Guarantee Agreement is for a period of three years commencing on 1 January 2024 and expiring on 31 December 2026.

MATERIAL TERMS OF THE PREMIER COAL FRAMEWORK BANK GUARANTEE AGREEMENT

The Premier Coal Framework Bank Guarantee Agreement provides that all transactions in relation to the use of bank guarantees by Premier Coal and/or its subsidiaries must be (i) on an arm's length basis, (ii) on normal commercial terms with bank guarantee fees to be paid by

Premier Coal and/or its subsidiaries to the Company equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 Business Days after the payment by the Group, and (iii) in compliance with, amongst other things, the Listing Rules and applicable laws.

The term of the Premier Coal Framework Bank Guarantee Agreement is for a period of one year commencing on 1 January 2024 and expiring on 31 December 2024.

REASONS FOR, AND BENEFIT OF, THE CONTINUING CONNECTED TRANSACTIONS

As set out in the Prospectus, the Company manages certain mines, which are located in Australia, on behalf of the Australian Entities, Premier Coal and/or their subsidiaries. In the ordinary and usual course of business, the Australian Entities, Premier Coal and/or their subsidiaries holding the managed mines may require credit support documents issued by commercial banks or other financiers for their respective business operations. Given the relevant commercial banks or other financiers can issue credit support documents pursuant to existing facility agreements generally within 5 business days after receiving a request, which is a much shorter period of time and simpler process as compared to those required by other financiers to issue credit support documents without an existing facility agreement and the relationship between the Company and the managed mines, as an integral part of the management services rendered by the Company in support of the operation of the managed mines, the Australian Entities, Premier Coal and/or their subsidiaries holding the managed mines will use the overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group and pay the Company bank guarantee fees.

Having considered the reasons set out above and that the Company also receives management fees from the Australian Entities, Premier Coal and/or their subsidiaries in relation to the managed mines, the Company considers that the using of the overall bank guarantee facilities by the Australian Entities, Premier Coal and/or their subsidiaries holding managed mines is in the interest of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

The aggregate maximum daily outstanding principal amount and the bank guarantee fees received under the credit support documents issued by the relevant financiers in favour of the Australian Entities and/or their subsidiaries for the three years ended 31 December 2020, 2021 and 2022 were approximately A\$65 million, A\$61 million and A\$56 million respectively.

The aggregate maximum daily outstanding principal amount and the bank guarantee fees received under the credit support documents issued by the relevant financiers in favour of Premier Coal and/or its subsidiaries for the three years ended 31 December 2020, 2021 and 2022 were approximately A\$29 million, A\$29 million and A\$29 million respectively.

ANNUAL CAPS

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by the financiers in favour of the Australian Entities and/or their subsidiaries pursuant to the Australian Entities Framework Bank Guarantee Agreement for each of the years ending 31 December 2024, 2025, and 2026 will not exceed A\$60 million.

The above annual caps were calculated by reference to the historical transaction amounts as well as the expected future demand for bank support documents by the Australian Entities and/or their subsidiaries.

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by the financiers in favour of Premier Coal and/or its subsidiaries pursuant to the Premier Coal Framework Bank Guarantee Agreement from 1 January 2024 to 31 December 2024 will not exceed A\$35 million.

The above annual cap was calculated by reference to the historical transaction amounts as well as the expected future demand for bank support documents by Premier Coal and/or their subsidiaries.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2023 Framework Bank Guarantee Agreements and the continuing connected transactions between the Company and Australian Entities as well as the Company and Premier Coal in relation to the use of bank guarantees are fair and reasonable. Although the continuing connected transactions are not in the ordinary and usual course of business of the Group, they are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Mr. Ning Yue, Mr. Gang Ru, Mr. Yaomeng Xiao, and Mr. Xiaolong Huang declared that they hold certain positions in Yankuang Energy or Shandong Energy Group Company Limited, the holding company of Yankuang Energy. However, the articles of association of the Company do 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 under the 2023 Framework Bank Guarantee Agreements (including the relevant annual caps).

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yankuang Energy is a Controlling Shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company and each of the Australian Entities and Premier Coal is a wholly-owned subsidiary of Yankuang Energy. Accordingly, each Australian Entity and Premier Coal is a connected person of the Company by virtue of being an associate of the Company's Controlling Shareholder. Accordingly, the use of bank guarantees under the financing facilities entered into by the Group by any of the Australian Entities, Premier Coal and/or their subsidiaries constitutes a continuing connected transaction of the Company.

As the 2023 Framework Bank Guarantee Agreements were entered into by the Company with parties who are connected with one another, the transactions contemplated under the 2023 Framework Bank Guarantee Agreements are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the aggregate annual caps for the continuing connected transactions under the 2023 Framework Bank Guarantee Agreements 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 exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION IN RELATION TO THE COMPANY, THE AUSTRALIAN ENTITIES AND PREMIER COAL

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.

Both of the Australian Entities and Premier Coal are wholly-owned subsidiaries of Yankuang Energy incorporated in Australia. Yankuang Energy is 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. The Australian Entities, Premier Coal and/or their subsidiaries hold Yankuang Energy and/or its associates' mining assets in Australia, comprising the Cameby Downs mines located in Queensland, Australia, the Premier mine located in Western Australia and exploration projects not currently in production. In 2012, a Management and Transitional Services Agreement was entered between, among others, Yankuang Energy, the Australian Entities, Premier Coal and the Company, pursuant to which the Company agreed to manage the Australian Entities, Premier Coal and their subsidiaries and their mining assets.

By order of the Board

Yancoal Australia Ltd

Gang RU

Chairman

Hong Kong, 20 December 2023

As of the date of this announcement, the executive Director is Mr. Ning Yue, the non-executive Directors are Mr. Gang Ru, Mr. Yaomeng Xiao, Mr. Xiaolong Huang and Mr. Changyi Zhang and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby and Ms. Helen Jane Gillies.