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HKEX - Continuing Connected Transactions

Authorised for lodgement by the Board of Yancoal Australia

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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

Reference is made to (i) the continuing connected transactions entered into by the Company and disclosed in the Connected Transactions section of the prospectus issued by the Company on 26 November 2018 (the "**Prospectus**") and (ii) the announcement of the Company dated 17 December 2020 (the "**Announcement**") pursuant to which the Board resolved to renew the agreements and/or approve the annual caps (as the case may be) for the continuing connected transactions for the three years ending 31 December 2023.

As the Company expects to continue to carry on the relevant continuing connected transactions from 1 January 2024, on 12 December 2023, the Board resolved to renew the relevant agreements and/or approve the annual caps (as the case may be) from 1 January 2024 to 31 December 2026 for the continuing connected transactions as set out in this announcement. Yankuang Energy, the Company's controlling shareholder, confirmed the renewals and/or the annual caps for the three years commencing retrospectively from 1 January 2024 on 15 January 2024.

As the highest applicable percentage ratios in respect of the transaction amount under each of the continuing connected transactions for the period from 1 January 2024 to 15 January 2024 are less than 1%, such transactions are fully exempt transactions under Rule 14A.76(1)(b) of the Listing Rules.

A. INTRODUCTION

On 12 December 2023, the Board resolved to renew the agreements and/or approve the annual caps (as the case may be) from 1 January 2024 to 31 December 2026 for the following continuing connected transactions:

**For identification purposes only*

- (1) the sale of coal by the Group to Glencore, a connected person at the Company's subsidiary level, pursuant to the Glencore Framework Coal Sales Agreement;
- (2) the purchase of coal by the Group from Glencore pursuant to the Glencore Framework Coal Purchase Agreement; and
- (3) the purchase of coal by the Group from Anotero, a wholly-owned subsidiary of Glencore, pursuant to the HVO Sales Agreement in relation to Hunter Valley mining operations only.

Yankuang Energy, the Company's controlling shareholder, confirmed the renewals and/or the annual caps for the three years commencing retrospectively from 1 January 2024 on 15 January 2024.

B. MATERIAL TERMS OF THE CONTINUING CONNECTED TRANSACTIONS

(1) Sales of Coal by the Group to Glencore pursuant to the Glencore Framework Coal Sales Agreement

The Company and Glencore Coal Pty Limited ("**Glencore**") entered into a framework coal sales agreement (the "**Glencore Framework Coal Sales Agreement**") on 29 June 2018 to govern all existing and future sales of coal by the Group to Glencore and/or its subsidiaries and/or its related entities. As disclosed in the Announcement, the Glencore Framework Coal Sales Agreement was renewed for a period of three years commencing from 1 January 2021 and ending 31 December 2023.

The Glencore Framework Coal Sales Agreement will expire on 31 December 2023 and will be automatically renewable for successive periods of three years thereafter, subject to compliance with the applicable provisions of the Listing Rules and unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms thereunder.

On 12 December 2023, the Board resolved to renew the Glencore Framework Coal Sales Agreement for a further three years commencing from 1 January 2024 and set the annual caps for the three years ending 31 December 2026 for the transactions thereunder. Yankuang Energy confirmed the renewal and the annual caps for the three years commencing retrospectively from 1 January 2024 on 15 January 2024.

Subject Matter

The Glencore Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Glencore and/or its subsidiaries and/or its related entities 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, amongst other things, the Listing Rules and applicable laws.

Basis of Consideration

Considering the nature of coal, the sale price will be determined with reference to the prevailing market price for the relevant type of coal, taking into account (i) the industry index prices, depending on the quality of coal, typically being globalCOAL Newcastle Coal ("**GCNewC**"), API5 and Platts Semi-Soft Coking Coal Index, (ii) coal quality characteristics and (iii) market alternatives to optimise value for the Company. The Company will take into account relevant industry benchmarks and indices when determining the market price.

Historical Amounts and Annual Caps

The aggregate annual transaction amount received by the Group from Glencore and/or its subsidiaries and/or its related entities for the sale of coal for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 were approximately US\$155.2 million, US\$188.5 million and US\$52 million, respectively. The historical transaction amounts were less than the existing annual caps as the Group's coal production had been impacted by the wet weather disruptions during 2021 to 2023 which led to less coal for spot sales.

The maximum annual transaction amount to be received by the Group from Glencore and/or its subsidiaries and/or its related entities for the three years ending 31 December 2024, 2025 and 2026 will not exceed US\$350 million, US\$350 million and US\$350 million, respectively.

These caps were calculated by reference to (i) the historical transaction amounts; (ii) the expected increase in coal saleable production by the Group in the next three years; (iii) the expected demand for coal from Glencore and/or its subsidiaries and/or its related entities based on further spot opportunities that may exist; and (iv) the estimated increase in the sale price for the coal.

Reasons for, and Benefits of, the Glencore Framework Coal Sales Agreement

The Company's principal business activity is the production of thermal and metallurgical coal. Glencore has been a consistent, and one of the major customers of the Company since 2017. The Company believes that through supplying coal to Glencore in the Company's ordinary and usual course of business, the Company could maintain its good business relationship with Glencore, further expand its business operation and generate revenue.

Listing Rules Implications

As at the date of this announcement, Anotero Pty Ltd ("**Anotero**"), a wholly-owned subsidiary of Glencore, (i) holds 49% of the interest in HV Operations Pty Ltd and HVO Coal Sales Pty Ltd, being subsidiaries of the Company, and (ii) has a 49% participating interest in the HVO JV, the unincorporated joint venture holding the Hunter Valley mining operations, in which the Company holds a 51% participating interest. Accordingly, Anotero is a connected person of the Company by virtue of being a substantial shareholder of the Company's subsidiaries and Glencore will be a connected person of the Company by virtue of being an associate of a connected person of the Company.

As the continuing connected transaction under the Glencore Framework Coal Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(2) Purchase of Coal by the Group from Glencore pursuant to the Glencore Framework Coal Purchase Agreement

The Company entered into a framework coal purchase agreement with Glencore (the "**Glencore Framework Coal Purchase Agreement**") on 6 August 2018 to govern all existing and future purchases of coal by the Group from Glencore and/or its subsidiaries and/or its related entities. As disclosed in the Announcement, the Glencore Framework Coal Purchase Agreement was renewed for a period of three years commencing from 1 January 2021 and ending 31 December 2023.

The Glencore Framework Coal Purchase Agreement will expire on 31 December 2023 and will be automatically renewable for successive periods of three years thereafter, subject to compliance with the applicable provisions of the Listing Rules and unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms thereunder.

On 12 December 2023, the Board resolved to renew the Glencore Framework Coal Purchase Agreement for a further three years commencing from 1 January 2024 and set the annual caps for the three years ending 31 December 2026 for the transactions thereunder. Yankuang Energy confirmed the renewal and the annual caps for the three years commencing retrospectively from 1 January 2024 on 15 January 2024.

Subject Matter

The Glencore Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Glencore and/or its subsidiaries and/or its related entities 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, amongst other things, the Listing Rules and applicable laws.

Basis of Consideration

Considering the nature of coal, the sale price will be determined with reference to the prevailing market price for the relevant type of coal, taking into account (i) the industry index prices, depending on the quality of coal, typically being GCNewC, API5 and Platts Semi-Soft Coking Coal Index, (ii) coal quality characteristics and (iii) market alternatives to optimise value for the Company. The Company will take into account relevant industry benchmarks and indices, when determining the market price.

Historical Amounts and Annual Caps

The aggregate annual transaction amount paid by the Group to Glencore and/or its subsidiaries and/or related entities for the purchase of coal for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 were approximately US\$75.6 million, US\$78.7 million, and US\$49.7 million, respectively. The lower historical transaction amounts compared with the existing annual caps was due to flooding at the mines which resulted in lower coal production and saleable volume by Glencore.

The maximum annual transaction amount to be paid by the Group to Glencore and/or its subsidiaries and/or its related entities for the three years ending 31 December 2026 will not exceed US\$250 million, US\$250 million and US\$250 million, respectively.

These caps were calculated by reference to (i) the existing demand from the Company's customers for coal from Glencore and/or its subsidiaries; (ii) the expected further demand for coal from the Group considering the Company's strategy to optimise blend values and to minimise shortfalls to meet specific customer requirements and (iii) the estimated increase in the purchase price for the coal.

Reasons for, and Benefits of, the Glencore Framework Coal Purchase Agreement

The Group has purchased, and expects to continue to purchase, coal from Glencore and/or its subsidiaries and/or its related entities in order to maintain customer relationships or to meet specific customer requirements for coal (noting that the Group does not produce certain specifications of coal). Considering the benefits of maintaining customer relationships and that

the coal is to be purchased at market price, the Company believes that the transactions under the Glencore Framework Coal Purchase Agreement are in the best interest of the Company and its shareholders as a whole.

Listing Rules Implications

As the continuing connected transaction under the Glencore Framework Coal Purchase Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(3) Purchase of Coal by the Group from Anotero pursuant to the HVO Sales Agreement in relation to Hunter Valley Mining Operations only

As part of the sale by the Company of a 16.6% interest in Hunter Valley mining operations to Glencore, which was completed on 4 May 2018, resulting in the 51:49 HVO JV between the Company and Glencore, Coal & Allied Operations Pty Ltd ("**CNAO**"), a wholly-owned subsidiary of the Company, HVO Coal Sales Pty Ltd ("**HVO SalesCo**") and Anotero entered into a sales contract – Hunter Valley Operations Joint Venture (the "**HVO Sales Agreement**") on 4 May 2018. The HVO Sales Agreement is a long-term contract and terminates upon the termination of the joint venture agreement in relation to the HVO JV in accordance with its terms.

On 12 December 2023, the Board resolved to set the annual caps for the three years ending 31 December 2024, 2025 and 2026 for the transactions under the HVO Sales Agreement. Yankuang Energy confirmed the annual caps for the three years ended 31 December 2024, 2025 and 2026 on 15 January 2024. The existing terms of the HVO Sales Agreement remain unchanged.

Subject Matter and Basis of Consideration

Pursuant to the HVO Sales Agreement, (i) each of CNAO and Anotero agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the HVO JV to the HVO SalesCo only and the HVO SalesCo agrees to purchase each of CNAO's and Anotero's entitled portion of coal product (other than coal product to be sold to Glencore and/or its subsidiaries); (ii) the amount payable to each of CNAO and Anotero by the HVO SalesCo shall be the total amount received by the HVO SalesCo for that portion of the products under each sales contract entered into between the HVO SalesCo and its customers; and (iii) payment by the HVO SalesCo to CNAO and Anotero shall be no later than 3 business days after receipt by the HVO SalesCo of payment from its customers. In respect of any sales to Glencore and/or its subsidiaries that fall within the Glencore Framework Coal Sales Agreement, each of CNAO and Anotero agrees that HVO SalesCo will be treated as if it has entered into the sale as agent for and on behalf CNAO and Anotero in proportion to their respective participating interests in the HVO JV.

Historical Amounts and Annual Caps

The amount of revenue distributed by the HVO SalesCo to Anotero for the two years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 were approximately US\$741 million, US\$1.56 billion, and US\$754 million, respectively.

The maximum annual transaction amount to be distributed by the HVO SalesCo to Anotero for the three years ending 31 December 2024, 2025 and 2026 will not exceed US\$1.3 billion, US\$1.3 billion and US\$1.3 billion, respectively.

The estimated maximum annual transaction amounts are determined mainly based on (i) the expected amount and price of coal to be sold by the HVO SalesCo, with reference to the Yancoal forward marketing price guidance (2024-2026) and the annual production capacity of Hunter Valley mining operations as per the current budget; and (ii) coal price fluctuations.

Reasons for, and Benefits of, the HVO Sales Agreement

The reason for entering into the HVO Sales Agreement and the business objective of the HVO SalesCo are to facilitate the sale of coal produced by the HVO JV, given the HVO JV, which is an unincorporated joint venture, does not have the legal capacity to enter into sales agreements itself. The arrangement under the HVO Sales Agreement is to make the coal attributable to the relevant participants available to the HVO SalesCo for its on-sale and following such coal sales, the HVO SalesCo will distribute all amounts received by it to the participants. Accordingly, the HVO SalesCo is not operated for profit as it does not retain any sales revenue received by it and does not receive any fees from the participants for the sales function carried out by it. Considering the above, the Company considers that the transactions under the HVO Sales Agreement are in the best interest of the Company and its shareholders as a whole.

Listing Rules Implications

As the continuing connected transaction under the HVO Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Listing Rules, the continuing connected transaction is only subject to reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

C. DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of continuing connected transaction agreements as set out in this announcement (including the relevant annual caps thereunder) are fair and reasonable. The transactions under the continuing connected transaction agreements as set out in this announcement 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.

None of the Directors abstained from voting on the relevant resolutions of the Board approving the transactions under the continuing connected transaction agreements as set out in this announcement (including the relevant annual caps thereunder).

D. INFORMATION IN RELATION TO THE COMPANY AND GLENCORE

(i) The Company

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.

(ii) Glencore

Glencore is a member of Glencore plc, which is one of the largest global diversified natural resource companies in the world. The shares of Glencore plc are listed on the London Stock Exchange and the Johannesburg Stock Exchange.

E. DEFINITIONS

“Board”	the board of Directors
“Company”	Yancoal Australia Ltd, a company incorporated under the laws of Australia with limited liability, whose shares are listed on the ASX and the Hong Kong Stock Exchange
“Director”	a director of the Company
“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 Energy”	Yankuang Energy Group Co. Limited* (兗礦能源集團股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively, and the controlling shareholder of the Company, holding 62.26% of the total issued shares of the Company

By order of the Board

Yancoal Australia Ltd

Gang RU

Chairman

Hong Kong, 15 January 2024

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.