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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 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**”). As disclosed in the Prospectus, the Company has set the annual caps for several continuing connected transactions of the Company for the three years ending 31 December 2020.

As the Company expects to continue to carry on the relevant continuing connected transactions after the end of 2020, on 16 December 2020, the Board resolved to renew the relevant agreements and/or approve the annual caps for the continuing connected transactions (as the case may be) as set out in this announcement for the three years ending 31 December 2023.

A. INTRODUCTION

On 16 December 2020, the Board resolved to renew the agreements and/or approve the annual caps (as the case may be) for the following continuing connected transactions:

- (1) the purchase of coal by the Group from Yanzhou Group pursuant to the Framework Coal Purchase Agreement;
- (2) the provision of management services by the Group to the Recipients, which are subsidiaries of Yankuang, pursuant to the Management and Transitional Services Agreement;
- (3) the provision of a loan facility by the Company to Premier Coal, an indirect wholly-owned subsidiary of Yanzhou, pursuant to the Premier Coal Loan Agreement;

**For identification purposes only*

- (4) the sales of coal by the Group to Glencore, a connected person at the Company's subsidiary level, pursuant to the Glencore Framework Coal Sales Agreement;
- (5) the purchase of coal by the Group from Glencore pursuant to the Glencore Framework Coal Purchase Agreement;
- (6) 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; and
- (7) the purchase of coal by the Group from POSCO, a connected person at the Company's subsidiary level, pursuant to the MT Sales Agreement in relation to Mount Thorley mining operations only.

B. CONTINUING CONNECTED TRANSACTIONS

(1) Purchase of Coal by the Group from Yanzhou Group pursuant to the Framework Coal Purchase Agreement

As disclosed in the Prospectus, the Company entered into a framework coal purchase agreement with Yanzhou (the "**Framework Coal Purchase Agreement**") on 8 October 2018 to govern all existing and future purchases of coal by the Group from Yanzhou Group. The Framework Coal Purchase Agreement expires on 31 December 2020 and is 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 of the Framework Coal Purchase Agreement.

On 16 December 2020, the Board resolved to renew the Framework Coal Purchase Agreement for a further three years commencing from 1 January 2021 and to set the annual caps for the three years ending 31 December 2023 for the transactions thereunder.

Subject Matter

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

Basis of Consideration

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

Historical Amounts and Annual Cap

The aggregate annual transaction amounts paid by the Group to Yanzhou Group for the two years ended 31 December 2018, 2019 and the nine months ended 30 September 2020 were US\$20.8 million, US\$5.3 million and US\$3.5 million, respectively.

The maximum annual transaction amount to be paid by the Group to Yanzhou Group for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$40 million, US\$40 million and US\$40 million, respectively.

The annual caps were determined primarily with reference to (i) historical transaction amounts, in particular the transaction amount in 2018, (ii) the expected increase in the spot demand for coal from Yanzhou Group for back-to-back on-sale of such coal by the Group to its end customers over the next three years and (iii) the estimated sale price for the coal.

Reasons for, and benefits of, the Framework Coal Purchase Agreement

The Group has purchased, and expects to continue to purchase, coal from Yanzhou Group, in particular Australian based subsidiaries of Yanzhou holding mines which are managed by the Group, for back-to-back on-sale to end customers. Considering that the purpose of such purchase is to fulfil customer requirements and maintain customer relationships and the coal will be purchased at market price, the Company believes the transactions under the Framework Coal Purchase Agreement are in the best interest of the Company and its shareholders as a whole.

Listing Rules Implications

As at the date of this announcement, Yanzhou is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company. Accordingly, Yanzhou is a connected person of the Company and the transactions contemplated under the Framework Coal Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the caps is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction 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.

(2) Provision of Management Services by the Group to the Recipients pursuant to the Management and Transitional Services Agreement

As disclosed in the Prospectus, as one of the conditions imposed by the Foreign Investment Review Board of the Australian Government in relation to the merger of the Company with Gloucester Coal Ltd in 2012, the Management and Transitional Services Agreement was entered into between the Company and the Existing Recipients (as amended by the deed of variation, accession and termination agreement entered into between 7 December 2016 between the Company and the Recipients), pursuant to which the Company has agreed to provide to the Recipients the services in respect of the assets owned by the Recipients. The Management and Transitional Services Agreement shall continue in force and effect until the services thereunder are terminated in accordance with the terms of the Management and Transitional Services Agreement.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2023 for the transactions under the Management and Transitional Services Agreement. The existing terms of the Management and Transitional Services Agreement remain unchanged.

Subject Matter

The services provided to each Recipient and each of their respective subsidiaries include (i) general corporate services, which comprise HR services, treasury services, financial accounting/reporting services, compliance services, marketing and logistic services, corporate communications services, government and industry relations services, business development services and other general corporate services, (ii) operations services, which comprise carrying out exploration programs, preparing business plans, monitoring and reporting on environmental issues, using all reasonable endeavours to meet business KPIs, preparing plans of operations as may be required by laws and other operational services and (iii) IT services, which comprise the granting of the permission to use the Company's hardware or software and the provision of IT support services (the "**Services**").

Basis of Consideration

The Services charges for provisions of the Services will be at cost plus a 5% margin, except for any third party charges attributable to the provision of the relevant services which will be charged at cost. The cost base upon which 5% margin is to be applied are to be determined on the basis of management's reasonable estimate of such costs at the commencement of each calendar year having regard to certain principles, including (i) in respect of coal-mining operations, the total budgeted corporate administration costs of the Company and the budgeted proportion of overall product tonnes of the relevant mining operation, (ii) in respect of non-coal mining businesses, the estimated management hours and the hourly rate for such work and (iii) in respect of disbursement, full recovery of any hard disbursements incurred by the Company.

At the end of each financial year (or such other times as the parties may agree), the parties will undertake a reconciliation of the fees charged during that financial year against the actual cost and services provided. The Company will refund the excess charges or the Recipients will pay the shortfall charges to the Company, in each case, within 14 days of determination of the fee adjustment required. The Company will invoice the Recipients quarterly in arrears for services provided and the Recipients must pay to the Company within 30 days after the receipt of the invoice.

Historical Amounts and Annual Cap

The aggregate services fees charged by the Group from the Recipients for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 were approximately A\$7.9 million, A\$8.9 million and A\$7.6 million, respectively.

The maximum annual transaction amount to be charged by the Group from the Recipients for the three years ending 31 December 2021, 2022 and 2023 will not exceed A\$12 million, A\$12 million and A\$12 million, respectively.

These caps were calculated by reference to (i) the historical transaction amounts, (ii) the expected increase in the administration costs and hourly rates which are consistent with the expected increase in market rates and (iii) the expected demand for services by the Recipients over the next three years.

Reasons for, and Benefits of, the Management and Transitional Services Agreement

Considering (i) the reason for entering into the Management and Transitional Services Agreement, which was a condition imposed by the Foreign Investment Review Board of the Australian Government in relation to the strategic merger with Gloucester Coal Ltd by the Company, following the completion of which, the shares of the Company began to trade on the ASX, (ii) the types of services to be provided and (iii) the fees to be charged by the Company, the Company considers the provision of the Services is in the best interest of the Company and its shareholders as a whole.

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, (ii) Yankuang is the controlling company of Yanzhou, holding approximately 56.01% of the total share capital of Yanzhou, and (iii) the Recipients (other than Yanzhou) are indirectly subsidiaries of Yankuang. Accordingly, the Recipients are connected persons of the Company by virtue of being a substantial shareholder of the Company or associates of the Company's connected person, and the transactions contemplated under the Management and Transitional Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the caps is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction 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.

(3) Provision of a loan facility by the Company to Premier Coal pursuant to the Premier Coal Loan Agreement

As disclosed in the Prospectus, Premier Coal Holdings Pty Ltd ("**Premier Coal**", as the borrower) and the Company (as the lender) entered into the Premier Coal Loan Agreement on 15 June 2016. The termination date will be the date 12 months after the date of the Premier Coal Loan Agreement, subject to automatic extension on a rolling 12 months basis, or any earlier date on which the facility is terminated or cancelled in full or on which all the money owing becomes due and payable.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2023 for the transactions under the Premier Coal Loan Agreement.

Subject Matter and Basis of Consideration

Pursuant to the Premier Coal Loan Agreement, the Company has agreed to provide an A\$50 million uncommitted revolving loan with a fixed interest rate of 7% per annum.

Historical Amounts and Annual Cap

The maximum daily drawn-down principal of the loan under the Premier Coal Loan Agreement (including the interest accrued thereon) for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 were nil, nil and nil, respectively. As at 30 September 2020, no amount remained drawn down under the Premier Coal Loan Agreement.

The maximum daily drawn-down principal of the loan under the Premier Coal Loan Agreement (including the interest accrued thereon) for the three years ending 31 December 2021, 2022 and 2023 will not exceed A\$53.5 million, A\$53.5 million and A\$53.5 million, respectively.

The annual caps represent the facility limit under the Premier Coal Loan Agreement and the maximum interest to be received.

Reasons for, and Benefits of, the Premier Coal Loan Agreement

The Company has the headroom to provide the proposed facility under the Premier Coal Loan Agreement. If the relevant funds are not utilised for a loan facility proposed, the funds would remain in deposit accounts which have interest rate only between 0.3% to 1%. It is therefore most cost effective for the funds to be loaned to Premier Coal and to be earning interest at a fixed interest rate of 7%. The 7% yield on a short term fund placement to Premier Coal on the terms of the Premier Coal Loan Agreement is better than other third party loans or financing structures available to the Company.

In addition, the Premier Coal Loan Agreement has been drafted to give maximum flexibility to the Company. As the facility is uncommitted loan facility, the Company can decline a request for funds if it does not believe that it has the capacity at the time to provide the funds. Further, as the Company can demand repayment of drawn down funds at any time, the Company maintains the flexibility to use the funds at any time if the Company determines that it requires the loan funds for its own purposes.

Having considered the reasons and benefits as set out above, the Company considers the entering into of the Premier Coal Loan Agreement is in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As the highest applicable percentage ratio for the continuing connected transaction under the Premier Coal Loan Agreement is, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction 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.

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

As disclosed in the Prospectus, on 29 June 2018, the Company and Glencore International AG ("**Glencore**") entered into a framework coal sales agreement (the "**Glencore Framework Coal Sales Agreement**") to govern all existing and future sales of coal by the Group to Glencore and/or its subsidiaries. The Glencore Framework Coal Sales Agreement expires on 31 December 2020 and is 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 16 December 2020, the Board resolved to renew the Glencore Framework Coal Sales Agreement for a further three years commencing from 1 January 2021 and set the annual caps for the three years ending 31 December 2023 for the transactions thereunder.

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 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. The Company will take into account relevant industry benchmarks and indices when determining the market price.

Historical Amounts and Annual Cap

The aggregate annual transaction amount received by the Group from Glencore and/or its associates for the sale of coal for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 were approximately US\$297 million, US\$243 million and US\$113 million, respectively. The decrease in the transaction amount for the nine months ended 30 September 2020 as compared to that for the previous year was due to depressed global coal prices and demand for coal. The Company noted that the historical transaction amount for the transactions under the Glencore Framework Coal Sales Agreement for the year ended 31 December 2019 as disclosed in the Company's 2019 annual report was mistakenly stated as US\$68.3 million due to an inadvertent oversight when compiling the relevant data as the transactions between an unincorporated joint venture established by the Company and Glencore was inadvertently classified as non-connected transactions when compiling the data. However, such oversight did not affect the sales volume of coal in 2019 as disclosed in the 2019 annual report and the revenue from the sales of coal for the year of 2019 remained correct. In addition, while the historical transaction amount for the year ended 31 December 2019 was still within the annual cap, the Company has taken additional measures to strengthen the internal reporting systems and control procedures to ensure timely monitoring and reporting of continuing connected transactions. These measures include re-circulating the list of connected persons and connected transactions maintained by the Company internally, updating such list and providing such updated list to internal business departments regularly as well as monitoring the value of transactions that are identified as connected transactions and reporting such transaction value on a regular basis.

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 2023 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 demand for coal from Glencore and/or its subsidiaries and/or its related entities based on further spot opportunities that may exist and (iii) the estimated sale price of 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, a subsidiary 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 in section C below, 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.

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

As disclosed in the Prospectus, on 6 August 2018, the Company entered into a framework coal purchase agreement with Glencore (the "**Glencore Framework Coal Purchase Agreement**") to govern all existing and future purchase of coal by the Group from Glencore and/or its subsidiaries. The Glencore Framework Coal Purchase Agreement expires on 31 December 2020 and is 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 16 December 2020, the Board resolved to renew the Glencore Framework Coal Purchase Agreement for a further three years commencing from 1 January 2021 and set the annual caps for the three years ending 31 December 2023 for the transactions under thereunder.

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 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 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. The Company will take into account relevant industry benchmarks and indices when determining the market price.

Historical Amounts and Annual Cap

The aggregate annual transaction amount paid by the Group to Glencore and/or its subsidiaries for the purchase of coal for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 were approximately US\$105.2 million, US\$71.8 million, and US\$62.5 million, respectively.

The maximum annual transaction amount to be paid by the Group to Glencore and/or its subsidiaries for the three years ending 31 December 2023 will not exceed US\$250 million, US\$250 million and US\$250 million, respectively.

These caps were calculated by reference to (i) the historical transaction amounts, (ii) the existing demand from one of the Company's customers for a minimum of 1 Mt of coal with an option by such customer to purchase additional 1 Mt of coal, (iii) the expected further demand for coal from the Group considering the Company's strategy to expand its trading business over the next three years, (iv) the estimated sale price of coal by reference to the average selling price of the coal of the Company and (v) the estimated sales volume based on the delivery of contracted purchases and spot opportunities that may exist.

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 in order to maintain customer relationships or to meet specific customer requirements when the coal to be purchased by the clients are for certain specifications which are not manufactured by the Company. Considering the benefits of maintaining customer relationship and the coal are 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.

(6) 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 on 4 May 2018 (the "**HVO Sales Agreement**").

The HVO Sales Agreement shall commence on the date of the HVO Sales Agreement and terminate upon the termination of the joint venture agreement in relation to the HVO JV in accordance with its terms.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2023 for the transactions under the HVO Sales Agreement. 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 product 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 Cap

The amount of revenue distributed by the HVO SalesCo to Anotero for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 were approximately US\$551 million, US\$620.5 million, and US\$313.6 million, respectively.

The maximum annual transaction amount to be distributed by the HVO SalesCo to Anotero for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$750 million, US\$750 million and US\$750 million, respectively.

The estimated maximum annual transaction amounts are determined mainly based on the expected amount and price of coal to be sold by the HVO SalesCo, with reference to the historical transaction amount and the annual production capacity of Hunter Valley mining operations.

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 HVO SalesCo distributes all amount received by it from the sales of coal to the participants. Accordingly, 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.

(7) Purchase of Coal by the Group from POSCO pursuant to the MT Sales Agreement in relation to Mount Thorley Mining Operations only

The participants of the unincorporated joint venture in relation to Mount Thorley operations (the "**MT JV**") namely, POSCO Australia Pty Ltd (previously known as Pohang Steel Australia Pty Ltd) ("**POSCO**") and Mount Thorley Operations Pty Ltd (previously known as R. W. Miller & Co. Pty Limited) ("**MT Operations**"), a wholly-owned subsidiary of the Company holding the relevant mining and exploration licences of Mount Thorley on behalf of the MT JV, entered into a sales contract with Miller Pohang Coal Co. Pty Limited (the "**MT SalesCo**") on 10

November 1981 (the “**MT Sales Agreement**”). The MT Sales Agreement will last during the economic life of the Mount Thorley coal mine.

On 16 December 2020, the Board resolved to set the annual caps for the three years ending 31 December 2023 for the transactions under the MT Sales Agreement. The existing terms of the MT Sales Agreement remain unchanged.

Subject Matter and Basis of Consideration

Pursuant to the MT Sales Agreement: (i) each of POSCO and MT Operations agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by the MT JV to the MT SalesCo only and the MT SalesCo agrees to purchase each of POSCO’s and MT Operations’ entitled portion of coal product; (ii) the amount payable to each of POSCO and MT Operations shall be the total amount received by the MT SalesCo for that portion of product under each sales contract entered into between the MT SalesCo and its customers; and (iii) payment by the MT SalesCo to POSCO and MT Operations shall be no later than 7 days after receipt by the MT SalesCo of payment from its customers.

Historical Amounts and Annual Cap

The aggregate annual transaction amount distributed by the MT SalesCo to POSCO for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 were approximately US\$89.5 million, US\$71.9 million and US\$38.5 million, respectively.

The maximum annual transaction amount to be distributed by the MT SalesCo to POSCO for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$90 million, US\$90 million and US\$90 million, respectively.

The estimated maximum annual transaction amounts are determined mainly based on the expected amount and price of the coal to be sold by the MT SalesCo, with reference to the historical transaction amount and the annual production capacity of Mount Thorley.

Reasons for, and Benefits of, the MT Sales Agreement

The reason for entering into the MT Sales Agreement and the business objective of the MT SalesCo are to facilitate the sale of coal produced by the MT JV, given the MT JV, which is an unincorporated joint venture, does not have the legal capacity to enter into sales agreements itself. The arrangement under the MT Sales Agreement is to make the coal attributable to the relevant participants available to the MT SalesCo for its on-sale and MT SalesCo distributes all amount received by it from the sales of coal to the participants. Accordingly, MT 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 MT Sales Agreement are in the best interest of the Company and its shareholders as a whole.

Listing Rules Implications

As at the date of this announcement, MT SalesCo is a company jointly controlled by MT Operations and POSCO with MT Operations and POSCO holding 80% and 20% of its interest, respectively. Both the MT SalesCo and the MT JV are subsidiaries of the Company under the Listing Rules. As POSCO holds more than 10% of the interest in the MT SalesCo and has more than 10% participating interest in the MT JV, POSCO will be a connected person of the Company by virtue of being a substantial shareholder of the subsidiaries of the Company. Accordingly, the transaction between the MT SalesCo and POSCO constitutes a continuing connected transaction of the Company under the Listing Rules.

As the continuing connected transaction under the MT 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.

With respect to the transactions under the Framework Coal Purchase Agreement, the Management and Transitional Services Agreement and the Premier Coal Loan Agreement, Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu 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 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, YANZHOU, GLENCORE 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 Hong Kong Stock Exchange since 2012 and 2018, respectively.

Yanzhou is principally engaged in the business of mining, preparation, processing and sales of coal and coal chemicals. Yanzhou's main products are steam coal for use in large-scale power plants, coking coal for metallurgical production and prime quality low sulphur coal for use in pulverized coal injection. The H Shares and A Shares of Yanzhou are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. The Recipients (other than Yanzhou) are companies incorporated under the laws of Australia with limited liability, which are engaged in the business of mining of coal and which are subsidiaries of Yankuang, a state-owned enterprise in Shandong Provinces of the PRC. Premier Coal is a wholly-owned subsidiary of Yanzhou, which operates a major open cut coal mine in Collie, Western Australia.

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.

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.

E. 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
“Existing Recipients”	(i) Yanzhou, (ii) Yancoal Technology Development Holdings Pty Ltd, (iii) Premier Coal Holdings Pty Ltd, (iv) Athena Holdings Pty Ltd, (v) Tonford Holdings Pty Ltd, (vi) Wilpeena Holdings Pty Ltd and (vii) Yancoal Energy Pty Limited
“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
“Recipients”	the Existing Recipients, Yankuang Resources Pty Ltd and Yankuang (Australia) Metal Mining Pty Ltd.
“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 (other than the Group)

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 17 December 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. 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.