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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 THE MASTER LEASE AGREEMENTS**

**The Master Lease Agreements**

On 22 December 2021, each of WML and MTO (each a “**Lessee**”), both being subsidiaries of the Company, and Zhongyin (Hong Kong) Co., Limited (the “**Lessor**”) entered into a Master Lease Agreement, pursuant to which the Lessor agreed to lease the Equipment to the Lessees in accordance with the terms of the relevant Master Lease Agreement.

**Listing Rules Implications**

At the date of this announcement, (i) Yankuang Energy is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company, and (ii) Zhongyin is an indirect wholly-owned subsidiary of Yankuang Energy. Accordingly, Zhongyin is a connected person of the Company by virtue of being an associate of Yankuang Energy, a connected person of the Company.

In accordance with the Australian Accounting Standards applicable to the Group, the Group will recognise each Lease under the Master Lease Agreements as a right-of-use asset representing its right to use the relevant Equipment and a lease liability representing its obligation to make lease payments. A right-of-use asset will be recognised at the commencement date of the individual Lease. Leases will be recognised by the Company pursuant to the Master Lease Agreements in the year ending on 31 December 2022. The transactions under the Master Lease Agreements will be treated as continuing connected transactions under Chapter 14A of the Listing Rules and the Company is required to set annual cap on the total value of right-of-use assets to be recognised by the Company for the year ending on 31 December 2022 under the Master Lease Agreements.

As the Master Lease Agreements are entered into between the Group and Zhongyin, the Leases as contemplated under the Master Lease Agreements will need to be aggregated pursuant to Rule 14A.82 of the Listing Rules. As the highest applicable percentage ratio in respect of the annual cap for the transactions under the Master Lease Agreements exceeds 0.1% but is less than 5%, the transactions under the Master Lease Agreements are subject to

*\*For identification purposes only*

the notification, announcement and annual review requirements, but are exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **1. INTRODUCTION**

On 22 December 2021, each of WML and MTO (each a **Lessee**) and Zhongyin (as the **Lessor**) entered into a Master Lease Agreement pursuant to which the Lessor agreed to lease certain items of the Equipment to each Lessee for a term of five years from the relevant lease commencement date in accordance with the terms of the relevant Master Lease Agreement.

## **2. MASTER LEASE AGREEMENTS**

The principal terms of the Master Lease Agreements are set out below:

### **(a) Equipment**

Up to a total of 15 ultra-class trucks will be leased across both Lessees, in respect of which, WML and MTO have agreed to lease 12 and 3 ultra-class trucks, respectively.

Each Lessee will execute a lease schedule in respect of each unit of Equipment leased by it, setting out the details of the Lease, including the lease commencement date, rent payment date and rent in respect of the lease of such Equipment.

### **(b) Payment of Rent and Fees**

During the term of the lease of each unit of Equipment, which will be five years from the date of commencement of such lease, the relevant Lessee will pay to the Lessor the rent on each rent payment date as specified in the relevant lease schedule. The amount of the rent in respect of a Lease will be determined by reference to the acquisition cost of the relevant Equipment (being the applicable purchase price, interest payable on the amount of that price that has been paid by the Lessor, from the date it pays that component of the price and the term of the lease).

On the commencement date for the first lease of Equipment, the relevant Lessee will pay to the Lessor a cost recovery fee in the amount of US\$200,000 as a cost recovery in respect of the entire Equipment financing.

On the lease commencement date for each Lease, the relevant Lessee will pay to the Lessor a front end recovery fee calculated as the amount equal to 0.5% of the total amount of the payments that have been made by the Lessor to the supplier of the Equipment as at the lease commencement date; and on the final milestone payment date (being the date when the Lessor makes the last instalment of the payments to the supplier of the Equipment), the relevant Lessee will pay to the Lessor a front end recovery fee calculated as the amount equal to 0.5% of the final milestone payment that has been paid by the Lessor to the supplier of the Equipment which is the subject to the relevant Lease.

On the expiry date in respect of a Lease, the Lessee will pay to the Lessor a final amount of US\$1,000.

The above payments were determined after arm's length negotiation between the relevant Lessee and the Lessor with reference to aggregate purchase price of the Equipment and is no less favourable to the Group as compared to the terms of similar transactions previously entered into by the Group with independent third parties / available to the Group from independent third parties.

The total amount of purchase price for the acquisition of the Equipment paid and/or to be paid by the Lessor would be US\$64.57 million.

**(c) Conditions precedent to the Lease**

The Lessor must lease the Equipment to the Lessee unless the following conditions, among others, have not been met to its satisfaction:

- (i) it has received a lease schedule in respect of the proposed Lease completed and duly executed by the Lessee;
- (ii) it has received good title to the Equipment, free and clear of security interests;
- (iii) it is satisfied that it will not be illegal or contrary to law for it to lease the Equipment to the Lessee and to enter into and perform the transactions contemplated under the transaction documents in relation to the Lease (including that it has obtained all applicable authorisations in order for it to be able to do so); and
- (iv) there is no loss or damage to the Equipment.

**(d) Transfer of Title to Equipment**

On the expiry date in respect of a Lease, where the relevant Lessee has paid all of the amounts in respect of such Lease in accordance with the terms of the relevant Master Lease Agreement (including the final amount of US\$1,000), unless a casualty event has occurred, such as the relevant unit of Equipment is lost, stolen, seized, forfeited, destroyed or damaged, and provided that the Lessee is not subject to an insolvency event, the Lessor agrees to transfer the Equipment to the Lessee and no additional payment is required from the Lessee.

**(e) Purchase of Equipment**

The Lessee may at any time elect to purchase any or all of the Equipment by giving the Lessor notice in writing. Upon serving the notice, the Lessee must pay the Lessor by no later than 30 business days after such notice, (i) the sum of any amount of the rent for the month immediately following the month in which the relevant day occurs, plus the principal component of all rent determined at the commencement of the lease that are still to fall due and that are attributable to the Equipment, plus the final amount of US\$1,000 and (ii) all other money owing under the relevant Lease.

**(f) Termination**

The Lessor may terminate the relevant Master Lease Agreement or any or all Leases if, in respect of the Warkworth joint venture or the Mt Thorley co-venture, any of the following events occurs:

- (i) any of the joint venture arrangements or any joint venture document is terminated;

- (ii) a joint venture party increases its interest in the joint venture as a result of the exercise of powers by the joint venture party to do so which arise due to a default (howsoever described) or other breach by another joint venture party in the joint venture;
- (iii) there is a change in interests of the joint venture parties in the joint venture which results in the Group having an interest in the joint venture of less than the Group's existing holding; or
- (iv) the deed of cross guarantee entered into by Coal & Allied, a subsidiary of the Company, as acceded to from time to time, is terminated or any joint venture party, that is a party to such deed as at the date of the Master Lease Agreement, ceases to be a party to such deed;
- (v) there is any change or variation to the joint venture arrangements or joint venture documents which:
  - (1) is likely to affect the ability of the Lessee to comply with any of its obligations under the transaction documents in relation to the Lease;
  - (2) relates to a joint venture party's rights in relation to a breach or default (howsoever described) by another joint venture party under the joint venture documents; or
  - (3) relates to the provisions in the joint venture documents under which a joint venture party may exercise any power to increase its proportion in the relevant joint venture, upon the payment of an outstanding amount owed by a defaulting joint venture party to the Lessee (in any capacity whatsoever).

Each Lessee shall also ensure that no event of default occurs. The occurrence of any event of default will constitute a repudiation of the relevant Master Lease Agreement and each Lease by the relevant Lessee, entitling the Lessor to accept that repudiation.

**(g) Annual Cap**

The Company has not leased equipment from Zhongyin previously.

The annual cap for the Leases to be entered into by the Group under the Master Lease Agreements, which are based on the total value of the right-of-use assets relating to such Leases, for the year ending 31 December 2022 is not expected to exceed US\$70 million.

The annual cap has been determined with reference to (i) the pricing basis as explained in section 2 above, (ii) the expected aggregate purchase price of the Equipment, (iii) the Company's demand for the equipment leasing service, and (iv) the expected delivery schedule of the Equipment.

### **3. REASONS FOR, AND BENEFITS OF, THE MASTER LEASE AGREEMENTS**

In the ordinary and usual course of business, the Company purchases and/or leases equipment for its mining exploration activities. In preparation for the planned mining operations in the Mount Thorley Warkworth operations, the Group has entered into a supply agreement with an independent third party for the purchase of the Equipment. Considering, among other things, the current market conditions, the Company has agreed to novate its rights to purchase the Equipment to Zhongyin, a company engaged in equipment leasing business and has entered into the Master Lease Agreements with Zhongyin. Through entering into the Master Lease Agreements, the Company could preserve cash for its business development. It is also expected that the cooperation with Zhongyin could provide an important new funding channel for the Group.

Having taken into account the reasons for, and benefits of, the Master Lease Agreements as set out above, and save as disclosed below, the Directors are of the view that the terms of the Master Lease Agreements are fair and reasonable, the Lease as contemplated under the Master Lease Agreements is in the ordinary and usual course of business of the Group, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu and Mr. Qingchun Zhao declared that they hold certain positions in Yankuang Energy and/or its associates. However, the articles of association of the Company do not preclude these Directors from voting and accordingly, none of these Directors abstained from voting on the relevant resolutions of the Board approving the Master Lease Agreements and the transactions thereunder.

### **4. LISTING RULES IMPLICATIONS**

At the date of this announcement, (i) Yankuang Energy is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company, and (ii) Zhongyin is an indirect wholly-owned subsidiary of Yankuang Energy. Accordingly, Zhongyin is a connected person of the Company by virtue of being an associate of Yankuang Energy, a connected person of the Company.

In accordance with the Australian Accounting Standards applicable to the Group, the Group will recognise the Lease as a right-of-use asset representing its right to use the Equipment and a lease liability representing its obligation to make lease payments. A right-of-use assets will be recognised at the commencement date of the individual Lease. Leases will be recognised by the Company pursuant to the Master Lease Agreements in the year ending on 31 December 2022. The transactions under the Master Lease Agreements will be treated as continuing connected transactions under Chapter 14A of the Listing Rules and the Company is required to set annual cap on the total value of right-of-use assets to be recognised by the Company for the year ending on 31 December 2022 under the Master Lease Agreements.

As the Master Lease Agreements are entered into between the Group and Zhongyin, the Leases as contemplated under the Master Lease Agreements will need to be aggregated pursuant to Rule 14A.82 of the Listing Rules. As the highest applicable percentage ratio in respect of the annual cap for the transactions as contemplated under the Master Lease Agreements exceeds 0.1% but is less than 5%, the Leases are subject to the notification, announcement and annual review requirements, but are exempt from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

## 5. INFORMATION ON THE LESSEE AND THE LESSOR

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. WML and MTO are subsidiaries of the Company established to act as the operator and manager of the Warkworth joint venture and the Mt Thorley co-venture.

Zhongyin is principally engaged in finance leasing, leasing, purchase of domestic and foreign leased assets, disposal of residual value or repair of leased assets, advise or guarantee on leasing business; commercial factoring arising from main business. As at the date of this announcement, Zhongyin is an indirect wholly-owned subsidiary of Yankuang Energy. The H shares and A shares of Yankuang Energy are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively.

## 6. DEFINITIONS

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

<b>“Board”</b>	the board of Directors of the Company
<b>“Company”</b>	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
<b>“Director”</b>	a director of the Company
<b>“Equipment”</b>	up to a total of 15 ultra-class trucks across both Lessees, which are the subject of the Lease
<b>“Group”</b>	the Company and its subsidiaries
<b>“Lease”</b>	an agreement to lease any or all Equipment between the Lessor and the Lessee on the terms of the relevant Master Lease Agreement and the lease schedule for the relevant Equipment
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
<b>“Master Lease Agreements”</b>	the master lease agreements entered into between each Lessee and the Lessor on 22 December 2021 in respect of the lease of the Equipment and each, a <b>“Master Lease Agreement”</b>
<b>“MTO”</b>	Mount Thorley Operations Pty Limited (ACN 000 013 249), a company incorporated in Australia with limited liability and a wholly-owned subsidiary of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

**“WML”**

Warkworth Mining Limited (ACN 001 385 842), a company incorporated in Australia with limited liability that is 84.5% indirectly owned by the Company

**“Yankuang Energy”**

兗礦能源集團股份有限公司 (Yankuang Energy Group Company Limited) (formerly known as 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 Stock Exchange and the Shanghai Stock Exchange, respectively

**“Zhongyin”**

Zhongyin (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of Yankuang Energy

*By order of the Board*  
**Yancoal Australia Ltd**  
**Baocai ZHANG**  
Chairman

Hong Kong, 22 December 2021

*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.*