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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

REVISION OF ANNUAL CAPS FOR THE MT SALES AGREEMENT

Reference is made to the announcement (the “**2020 Announcement**”) issued by Yancoal Australia Ltd (the “**Company**”) on 17 December 2020 in relation to, among other things, the continuing connected transactions for the purchase of coal by the Group from POSCO under the MT Sales Agreement in relation to the Mount Thorley Mining Operations. Unless otherwise defined, capitalised terms used in this section A shall have the same meanings as those defined in the 2020 Announcement.

As disclosed in the 2020 Announcement, the maximum annual transaction amount to be distributed by the MT SalesCo to POSCO pursuant to the MT Sales Agreement for the year ending 31 December 2022 will not exceed US\$90 million (the “**Original 2022 Annual Cap**”) and the maximum annual transaction amount to be distributed by the MT SalesCo to POSCO pursuant to the MT Sales Agreement for the year ending 31 December 2023 will not exceed US\$90 million.

During the review of the transaction amounts under the MT Sales Agreement, it has come to the attention of the Company that the actual transaction amount for the eight months ended 31 August 2022 had exceeded the Original 2022 Annual Cap due to the recent increases in coal prices globally. Based on the Company’s management accounts, the actual transaction amounts under the MT Sales Agreement for the seven months ended 31 July 2022 and the eight months ended 31 August 2022 were approximately US\$72.6 million and US\$112.6 million, respectively. Accordingly, on 26 September 2022, the Company revised the annual caps for the transactions under the MT Sales Agreement for the years ending 31 December 2022 and 31 December 2023 to US\$200 million and US\$350 million respectively. The terms of the MT Sales Agreement remain unchanged and the major terms of the MT Sales Agreement were set out in the 2020 Announcement.

**For identification purposes only*

The revised annual caps have been determined based on (i) the historical transaction amounts and (ii) the expected amount and price of the coal to be sold by the MT SalesCo, with reference to the annual production capacity of Mount Thorley and the recent increase in energy prices.

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that the terms of the MT Sales Agreement (including the revised annual caps) are fair and reasonable, the transactions are 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.

None of the Directors has a material interest in the MT Sales Agreement and the transactions contemplated thereunder, and therefore no Director abstained from voting on the relevant resolutions of the Board in respect of the revised annual caps under the MT Sales Agreement and the transactions contemplated thereunder.

Internal Controls Procedures

The Company has a system to monitor its connected transactions and the renewal of connected transactions, which includes maintaining and regularly updating the list of connected persons of the Company, maintaining a list of connected transactions including details in relation to their expiration dates, checking the contracting party in each transaction to confirm whether it is a connected person, monitoring the value of transactions that are identified as connected transactions against the threshold for triggering disclosure and shareholder approval requirements under the Listing Rules and ensuring that relevant business departments are regularly updated in relation to the renewal of connected transactions.

In view of the recent historical record breaking increases in energy prices globally, the Company has further strengthened its internal controls to ensure that the transaction amounts for the continuing connected transaction will not exceed its annual cap, which involves a monthly review of the transaction.

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 Chapter 14A of the Listing Rules.

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

Information in relation to the Company 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 ASX and the Stock Exchange since 2012 and 2018, respectively.

POSCO was launched on 1 April 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. POSCO has been contributing to the development of mankind through endless innovation and technology development, and became the most competitive steel maker in the world.

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 27 September 2022

As of the date of this announcement, the executive Director is Mr. Ning Zhang, the non-executive Directors are Mr. Baocai Zhang, Mr. Xiangqian Wu, Mr. Yaomeng Xiao, 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.