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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 TRANSACTIONS UNDER THE MANAGEMENT AND TRANSITIONAL SERVICES AGREEMENT, THE POSCO COAL SALES AGREEMENTS AND THE 2021 YIT FRAMEWORK AGREEMENT FOR COAL SALES

A. REVISION OF ANNUAL CAP FOR THE MANAGEMENT AND TRANSITIONAL SERVICES AGREEMENT

References are made to (i) the prospectus issued by the Company on 26 November 2018 which set out, among other things, the continuing connected transactions under the Management and Transitional Services Agreement, pursuant to which the Company has agreed to provide to the Recipients the services in respect of the assets owned by the Recipients; and (ii) the announcement (the “**2020 Announcement**”) issued by the Company on 17 December 2020, pursuant to which 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. 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 charged by the Group from the Recipients for the year ending 31 December 2023 will not exceed A\$12 million.

In view of inflationary cost pressures and their impact on corporate costs, the Company estimates that the annual cap for the year ending 31 December 2023 previously set out in the 2020 Announcement will not be sufficient. Accordingly, on 20 April 2023, the Company revised the annual cap for the transactions under the Management and Transitional Services Agreement for the year ending 31 December 2023 to A\$20 million. The terms of the Management and Transitional Services Agreement remained unchanged and the major terms of the Management and Transitional Services Agreement were set out in the 2020 Announcement.

**For identification purposes only*

The revised annual cap has been determined with reference to (i) the historical transaction amounts, in particular, the actual transaction amount of A\$11.7 million for the year ended 31 December 2022, (ii) inflationary cost pressures and their impact on corporate costs and (iii) the expected demand for services by the Recipients in the year ending 31 December 2023.

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that the terms of the Management and Transitional Services Agreement (including the revised annual cap) 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.

Mr. Baocai Zhang, Mr. Xiangqian Wu, Mr. Yaomeng Xiao and Mr. Qingchun Zhao declared that they hold certain positions in Yankuang Energy Group Co., Ltd ("**Yankuang Energy**", formerly known as Yanzhou Coal Mining Co., Ltd) or Shandong Energy Group Company Limited ("**Shandong Energy**"). 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 in respect of the revised annual cap under the Management and Transitional Services Agreement and the transactions contemplated thereunder.

Listing Rules Implications

As 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, (ii) Shandong Energy is the controlling company of Yankuang Energy, and (iii) the Recipients (other than Yankuang Energy) are indirectly subsidiaries of Shandong Energy. 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 the cap 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.

Information in relation to the Company and the Recipients

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.

Yankuang Energy is principally engaged in the business of mining, preparation, processing and sales of coal and coal chemicals. Yankuang Energy'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 Yankuang Energy are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. The Recipients 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 Shandong Energy, a state-owned enterprise in Shandong Province of the PRC. Premier

Coal is a wholly-owned subsidiary of Yankuang Energy, which operates a major open cut coal mine in Collie, Western Australia.

B. REVISION OF ANNUAL CAPS FOR THE POSCO COAL SALES AGREEMENTS

Reference is also made to the announcement (the “**POSCO Announcement**”) issued by the Company on 22 December 2021 in relation to the continuing connected transactions for the purchase of coal from the Group by POSCO and/or its associates under the POSCO Coal Sales Agreements. Unless otherwise defined, capitalised terms used in this section B shall have the same meanings as those defined in the POSCO Announcement.

As disclosed in the POSCO Announcement, the maximum annual transaction amounts to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the POSCO Coal Sales Agreements for the years ending 31 December 2023 and 2024 will not exceed US\$300 million and US\$300 million, respectively.

In view of appreciating metallurgical coal prices (applicable to sales to POSCO), the Company estimates the annual caps for the years ending 31 December 2023 and 2024 previously set out in the POSCO Announcement will not be sufficient. Accordingly, on 20 April 2023, the Company decided to revise the annual caps for the years ending 31 December 2023 and 2024 to US\$510 million and US\$510 million, respectively. The terms of the POSCO Coal Sales Agreements remained unchanged and the major terms of which were set out in the POSCO Announcement.

The revised annual caps have been determined with reference to (i) the historical transaction amounts, in particular, the actual transaction amount of US\$337.1 million for the year ended 31 December 2022, (ii) the expected demand for coal from POSCO and/or its associates, and (iii) the estimated sale price for the coal the Company typically charges.

Directors’ Confirmation

The Directors (including the independent non-executive Directors) are of the view that the terms of the POSCO Coal Sales Agreements (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 POSCO Coal Sales Agreements 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 POSCO Coal Sales Agreements and the transactions contemplated thereunder.

Listing Rules Implications

As POSCO (through its wholly-owned subsidiary POSCO Australia Pty Ltd) is interested in 20% of the Mount Thorley JV, a subsidiary of the Company under the Listing Rules, POSCO is a connected person of the Company by virtue of being a substantial shareholder of the Company’s subsidiary.

The highest applicable percentage ratio in respect of the maximum annual transaction amount to be received by the Group from POSCO and/or its associates for the sale of coal pursuant to the POSCO Coal Sales Agreements exceeds 5%. As the continuing connected transactions under the POSCO Coal Sales Agreements (i) are between the Group and a connected person at the subsidiary level, (ii) are on normal commercial terms or better, (iii) have been approved

by the Board and the independent non-executive Directors have confirmed the matters set out in Rule 14A.101 of the Listing Rules, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Information in relation to POSCO

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.

C. REVISION OF ANNUAL CAPS FOR THE 2021 YIT FRAMEWORK AGREEMENT FOR COAL SALES

References are further made to (i) the announcement issued by the Company on 19 November 2020 (the **"YIT Announcement"**) in relation to, among other things, the continuing connected transactions under the 2021 YIT Framework Agreement for Coal Sales, pursuant to which the Group agreed to sell coal to YIT and/or its associates (excluding Yankuang Energy and its subsidiaries) during the three years ending 31 December 2023; and (ii) the announcement (the **"Revision of YIT Annual Cap Announcement"**) issued by the Company on 5 October 2022 in relation to revision of annual caps for the 2021 YIT Framework Agreement For Coal Sales. Unless otherwise defined, capitalised terms used in this section C shall have the same meanings as those defined in the YIT Announcement.

As disclosed in the Revision of YIT Annual Cap Announcement, in view of the then historical record-breaking increases in coal prices globally, the Company revised the annual caps for the transactions under the YIT Framework Agreement for Coal Sales for the year ending 31 December 2023 to US\$155 million. The terms of the 2021 YIT Framework Agreement for Coal Sales remained unchanged.

In view of the lifting of restrictions on Australian coal exports to China, the Company estimates that the annual cap for the year ending 31 December 2023 previously set out in the Revision of YIT Annual Cap Announcement will not be sufficient. Accordingly, on 20 April 2023, the Company further revised the annual cap for the transactions under the YIT Framework Agreement For Coal Sales for the year ending 31 December 2023 to US\$240 million. The terms of the 2021 YIT Framework Agreement For Coal Sales remained unchanged and the major terms of the 2021 YIT Framework Agreement For Coal Sales were set out in the YIT Announcement.

The revised annual cap has been determined with reference to (i) the historical transaction amounts, in particular, the actual transaction amount of US\$123 million for the year ended 31 December 2022; (ii) the expected spot demand for coal from YIT and/or its associates (excluding Yankuang Energy and its subsidiaries) after the lifting of the relevant export restrictions; and (iii) the estimated sale price of the coal the Company typically charges taking into consideration elevated energy prices globally.

Directors' Confirmation

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2021 YIT Framework Agreement For Coal Sales (including the further revised annual cap) 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.

Mr. Baocai Zhang, Mr. Xiangqian Wu, Mr. Yaomeng Xiao and Mr. Qingchun Zhao declared that they hold certain positions in Yankuang Energy or Shandong Energy. 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 in respect of the further revised annual cap under the 2021 YIT Framework Agreement For Coal Sales and the transactions contemplated thereunder.

Listing Rules Implications

As at the date of this announcement, YIT is a wholly-owned subsidiary of Shandong Energy, the controlling shareholder of Yankuang Energy. Yankuang Energy is a controlling shareholder of the Company, holding approximately 62.26% of the total issued shares of the Company. Accordingly, YIT is a connected person of the Company by virtue of being an associate of Yankuang Energy and the transactions contemplated under the 2021 YIT Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the YIT Announcement, since the Coal Sales Transactions (including the 2021 Yankuang Energy Framework Agreement For Coal Sales and the 2021 YIT Framework Agreement For Coal Sales) were entered into by the Company with parties who are connected with one another, such transactions 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 contemplated under the Coal Sales Transactions is more than 0.1% but less than 5%, the further revision of the annual cap for the transactions under the 2021 YIT Framework Agreement For Coal Sales 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 YIT

YIT is principally engaged in the business of sales of coal and coal chemicals in the PRC. As at the date of this announcement, YIT is a wholly owned subsidiary of Shandong Energy, the controlling shareholder of Yankuang Energy, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively.

By order of the Board
Yancoal Australia Ltd
Baocai ZHANG
Chairman

Hong Kong, 20 April 2023

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. Changyi Zhang and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby and Ms. Helen Jane Gillies.