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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 TRANSACTION IN RELATION TO BANK GUARANTEES
PROVIDED IN FAVOUR OF SUBSIDIARIES OF CONTROLLING SHAREHOLDER**

Reference is made to the continuing connected transaction in relation to the use of the overall bank guarantee facilities by certain subsidiaries of Yanzhou under the financing facilities entered into by the Group as disclosed on page 283 of the prospectus issued by the Company on 26 November 2018 (the “**Prospectus**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those ascribed to them in the Prospectus.

On 19 December 2019, the Company entered into a framework bank guarantee agreement with Athena Holdings Pty Ltd, Tonford Holdings Pty Ltd, Wilpeena Holdings Pty Ltd, Premier Coal Holdings Pty Ltd and Yancoal Energy Pty Ltd (together, the “**Australian Entities**”) (the “**Framework Bank Guarantee Agreement**”), pursuant to which the Australian Entities and/or their subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group, and pay the Company bank guarantee fees, which are equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 Business Days after the payment by the Company.

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 and each Australian Entity is a wholly-owned subsidiary of Yanzhou. Accordingly, each Australian Entity is a connected person of the Company by virtue of being an associate of the Company’s Controlling Shareholder. Accordingly, the use of bank guarantees under the financing facilities entered into by the Group by any Australian Entity and/or its subsidiaries constitutes a continuing connected transaction of the Company.

As the highest applicable percentage ratio in respect of the cap for the continuing connected transaction described above is more than 0.1% but less than 5%, such continuing connected transaction will be subject to the reporting, announcement and annual review requirements,

**For identification purposes only*

but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the continuing connected transaction in relation to the use of the overall bank guarantee facilities by certain subsidiaries of Yanzhou under the financing facilities entered into by the Group as disclosed on page 283 of the Prospectus.

On 19 December 2019, the Company entered into the Framework Bank Guarantee Agreement, pursuant to which the Australian Entities and/or their subsidiaries may use overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group.

MATERIAL TERMS OF THE FRAMEWORK BANK GUARANTEE AGREEMENT

The Framework Bank Guarantee Agreement provides that all transactions in relation to the use of bank guarantees by the Australian Entities and/or their subsidiaries must be (i) on an arm's length basis, (ii) on normal commercial terms with bank guarantee fees to be paid by the Australian Entities and/or their subsidiaries to the Company equal to the bank guarantee fees to be paid by the Group to the relevant financiers plus a 5% margin within 20 Business Days after the payment by the Group, and (iii) in compliance with, amongst other things, the Listing Rules and applicable laws.

The initial term of the Framework Bank Guarantee Agreement is for a period of three years expiring on 31 December 2022 and is automatically renewed for a successive period of three years thereafter, subject to the compliance with the Listing Rules.

REASONS FOR, AND BENEFIT OF, THE CONTINUING CONNECTED TRANSACTION

As set out in the Prospectus, the Company manages certain mines, which are located in Australia, on behalf of the Australian Entities and/or their subsidiaries. In the ordinary and usual course of business, the Australian Entities and/or their subsidiaries holding the managed mines may require credit support documents issued by commercial banks or other financiers for their respective business operations. Given the relevant commercial banks or other financiers can issue credit support documents pursuant to existing facility agreements generally within 5 business days after receiving a request, which is a much shorter period of time and simpler process as compared to those required by other financiers to issue credit support documents without an existing facility agreement and the relationship between the Company and the managed mines, as an integral part of the management services rendered by the Company in support of the operation of the managed mines, the Australian Entities and/or their subsidiaries holding the managed mines will use the overall bank guarantee facilities under the financing facilities entered or to be entered into by the Group and pay the Company bank guarantee fees.

Having considered the reasons set out above and that the Company also receives management fees from the Australian Entities and/or their subsidiaries in relation to the managed mines, the Company considers that the using of the overall bank guarantee facilities by the Australian Entities and/or their subsidiaries holding managed mines is in the interest of the Company and the Shareholders as a whole.

HISTORICAL TRANSACTION AMOUNTS

The aggregate maximum daily outstanding principal amount and the bank guarantee fees received under the credit support documents issued by the relevant financiers in favour of the

Australian Entities and/or their subsidiaries for the two years ended 31 December 2017 and 2018 and ten months ended 31 October 2019 were approximately A\$114 million, A\$114 million and A\$113.3 million, respectively.

ANNUAL CAPS

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by the financiers in favour of the Australian Entities and/or their subsidiaries for the three years ending 31 December 2020, 2021 and 2022 will not exceed A\$170 million, A\$170 million and A\$170 million, respectively.

These caps were calculated by reference to the historical transaction amounts as well as the expected future demand for bank support documents by the Australian Entities and/or their subsidiaries.

DIRECTORS' CONFIRMATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Bank Guarantee Agreement and the continuing connected transactions between the Company and Australian Entities in relation to the use of bank guarantees are fair and reasonable. Although the continuing connected transaction is not in the ordinary and usual course of business of the Group, it is on normal commercial terms and in the interests of the Company and its shareholders as a whole.

Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang and Mr. Qingchun Zhao declared that they hold certain positions in Yankuang and Yanzhou (as applicable). 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 continuing connected transaction (including the relevant annual caps).

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 and each Australian Entity is a wholly-owned subsidiary of Yanzhou. Accordingly, each Australian Entity is a connected person of the Company by virtue of being an associate of the Company's Controlling Shareholder. Accordingly, the use of bank guarantees under the financing facilities entered into by the Group by any Australian Entity and/or its subsidiaries constitutes continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of the cap for the continuing connected transaction described above is 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 AUSTRALIAN ENTITIES

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.

The Australian Entities are wholly-owned subsidiaries of Yanzhou. The Australian Entities and/or their subsidiaries hold Yanzhou's mining assets in Australia, comprising the Cameby

Downs mines located in Queensland, Australia, the Premier mine located in Western Australia and exploration projects not currently in production. In 2012, a Management and Transitional Services Agreement was entered between, among others, Yanzhou, the Australian Entities and the Company, pursuant to which the Company agreed to manage the Cameby Downs mine and the Premier mine on behalf of Yanzhou.

By order of the Board

Yancoal Australia Ltd

Baocai ZHANG

Chairman

Hong Kong, 19 December 2019

As of the date of this announcement, the executive Director is Mr. Fucun Wang, the non-executive Directors are Mr. Baocai Zhang, Mr. Cunliang Lai, Mr. Xiangqian Wu, Mr. Fuqi Wang, Mr. Qingchun Zhao and Mr. Xing Feng and the independent non-executive Directors are Mr. Gregory James Fletcher, Dr. Geoffrey William Raby, Mr. David James Moulton and Ms. Helen Jane Gillies.