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## CONNECTED TRANSACTIONS

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### OVERVIEW

Prior to the Listing, the Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Details of the continuing connected transactions of the Company following the Listing are set out below.

#### A. Exempt Continuing Connected Transactions

Following the Listing, the following transactions will be regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

##### 1. *Loans from Yanzhou and/or Its Subsidiaries*

###### (a) *Description of the Transaction*

The Company (as borrower) entered into a coupon payment loan agreement with Yanzhou (as lender) on 22 December 2014 in relation to a US\$807 million (subject to adjustment) unsecured and subordinated loan for the purposes of payment of the coupon on the subordinated capital notes issued by the Company for the first 5 years post their issuance. As all outstanding subordinated capital notes have been redeemed and/or converted as of January 2018, this loan cannot be further drawn down. As at the Latest Practicable Date, approximately US\$234 million principal amount of the loan remained drawn-down.

The Company (as borrower) entered into a debt support loan agreement (as amended and restated) with Yanzhou and four subsidiaries of Yanzhou (as lenders) on 31 December 2014 in relation to an A\$1.4 billion unsecured and subordinated loan, of which, A\$1,125 million remained drawn-down as at the Latest Practicable Date.

The above loans were obtained in the ordinary and usual course of business and on normal commercial terms or better to the Group and for which security over the assets of the Group is not provided by the Company as the borrower.

###### (b) *Listing Rules Implications*

The loans described above constitute financial assistance provided by connected persons for the benefit of the Group on normal commercial terms (or better to the Group) where no security over the assets of the Group is granted and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

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### 2. **Guarantees Provided by Yankuang and Yanzhou in respect of the Loan Obligation of the Group**

#### (a) *Description of the Transaction*

The Company (as borrower) entered into a syndicated facility agreement (as amended and restated) with Bank of China Limited, Sydney Branch (as the “**Agent**”) and a syndicate of banks led by the Agent on 19 October 2009 in relation to the Syndicated Facility, of which, US\$1,525 million provided by Bank of China Limited Sydney Branch and China Construction Bank Corporation Sydney branch remained drawn-down as at the Latest Practicable Date. Yanzhou has guaranteed the Company’s obligations under such loan agreement. See “*Financial information of the Group – Secured Bank Loans – Syndicated Facility*”.

As part of the transfer of interest in the Ashton, Austar and Donaldson mines to Watagan on 31 March 2016, Watagan, an unconsolidated wholly-owned subsidiary of the Company (as the borrower) and the Company (as the lender) entered into a loan facility agreement on 17 February 2016 in relation to an A\$1.36 billion loan facility bearing interest at the bank bill swap bid rate plus 7.06% with a maturity date of 1 April 2025, of which A\$798 million remained drawn-down as at the Latest Practicable Date. Yankuang has guaranteed Watagan’s obligations under such loan facility agreement.

The above guarantees in respect of the Group’s loan obligations are in the ordinary and usual course of business and on normal commercial terms or better to the Group and for which security over the assets of the Group has not been provided by the Company and/or Watagan as the borrower.

#### (b) *Listing Rules Implications*

The guarantees described above constitute financial assistance provided by connected persons for the benefit of the Group, are on normal commercial terms (or better to the Group) where no security over the assets of the Group has been granted and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

### 3. **Marketing services received from Yancoal International Trading**

#### (a) *Description of the Transaction*

The Company entered into a seller’s helper agreement (the “**Seller’s Helper Agreement**”) with Yancoal International Trading Co., Limited (“**Yancoal International Trading**”), a wholly-owned subsidiary of Yanzhou, in November 2017, pursuant to which Yancoal International Trading has agreed to assist the Company with all activities deemed necessary or desirable by the Company for the marketing and sale of coal to customers and will receive a commission from the Company for any sales of coal completed as a direct result of facilitation by Yancoal International Trading. The Seller’s Helper Agreement is for a term of three years unless terminated by either party in accordance with the term of such agreement.

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*(b) Listing Rules Implications*

The transaction described above is entered into in the ordinary and usual course of business the Company, on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 0.1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

#### **4. Management Services in relation to the HVO JV**

*(a) Description of the Transaction*

As part of the Glencore Transaction, details of which are set out in "*Business – Acquisitions and Disposals – Glencore Transaction*", Coal & Allied Operations Pty Ltd ("**CNAO**"), a wholly-owned subsidiary of the Company, Anotero Pty Ltd ("**Anotero**"), a wholly-owned subsidiary of Glencore, and HV Operations Pty Ltd ("**HV Ops**"), which is 51% owned by CNAO and 49% owned by Anotero, entered into a management agreement in relation to the HVO on 4 May 2018 (the "**HVO Management Agreement**"), pursuant to which HV Ops has agreed to conduct and manage the HVO JV and the HVO JV activities in accordance with the terms of the HVO Management Agreement and the joint venture agreement in relation to the HVO (the "**HVO Joint Venture Agreement**"). The HVO JV is an unincorporated joint venture constituted by CNAO and Anotero, with CNAO and Anotero having 51% and 49% of the participating interest of the HVO JV, respectively.

As Anotero holds more than 10% of the interest in HV Ops and has more than 10% participating interest in the HVO JV, both are subsidiaries of the Company under the Listing Rules, Anotero will be a connected person of the Company immediately upon Listing by virtue of being a substantial shareholder of the subsidiaries of the Company.

Pursuant to the HVO Management Agreement, HV Ops is not entitled to and will not charge the HVO JV or CNAO or Anotero any management fee or similar fee in respect of the roles and duties it performs under the HVO Management Agreement, but will perform its obligation on a full cost recovery basis and will be paid by CNAO and Anotero in proportion to their respective participating interests in the HVO JV.

*(b) Listing Rules Implications*

The transaction described above is between the Group and a connected person at the subsidiary level on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

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### 5. *Provision of Services by Glencore Coal in relation to the HVO JV*

#### *(a) Description of the Existing Hunter Valley Operations Services Agreement*

As part of the Glencore Transaction, the participants of the HVO JV have agreed that, to best achieve efficiencies, the day-to-day performance of certain support obligations of HV Ops under the HVO Management Agreement should be delegated partially or wholly to Glencore Coal Assets Australia Pty Ltd (“**Glencore Coal**”), through the provision by Glencore Coal of a range of support services utilising their existing capacity and experience. Accordingly, HV Ops and HVO Coal Sales Pty Ltd (the “**SalesCo**”), both 51%-owned subsidiaries of the Company, entered into a service agreement with Glencore Coal, as Service Provider, on 4 May 2018 (the “**HVO Services Agreement**”). Glencore Coal is a wholly-owned subsidiary of Glencore. Pursuant to the HVO Services Agreement, Glencore Coal has agreed to provide (i) support services, which include, among others, providing services to enable the HVO JV partners to perform their respective obligations and maintaining the HVO in good standing, procurement, treasury services, IT services and legal services and (ii) coal sale services, which include, among others, sales documentation and revenue collection, management of transportation activities. Glencore Coal will perform its obligations under the HVO Services Agreement on a full cost recovery basis.

In addition to the HVO Services Agreement and as part of the Glencore Transaction, Glencore International AG (“**Glencore International**”), a wholly-owned subsidiary of Glencore PLC, also agreed to provide to the SalesCo (i) marketing services pursuant to a marketing agency agreement dated 4 May 2018 between Glencore International and the SalesCo and (ii) contract management services pursuant to a HVO legacy customer contracts – administration and coal supply agreement dated 4 May 2018 among Glencore International, the SalesCo and other subsidiaries of the Company. Glencore International did not charge any fees for the services provided under the two agreements described above.

#### *(b) Listing Rules Implications*

The transaction under the HVO Services Agreement is between the Group and a connected person at the subsidiary level on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules.

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### 6. *Management and Marketing Services in relation to the Moolarben JV*

#### (a) *Description of the Transaction*

As part of the joint venture arrangement in relation to Moolarben, details of which are set out in “*Business – Joint Venture Agreements – Moolarben*”, a joint venture management agreement (the “**Moolarben Management Agreement**”) was entered into among Moolarben Coal Mines Pty Ltd (“**MCM**”, a wholly owned subsidiary of the Company), Sojitz Moolarben Resources Pty Limited (“**Sojitz**”) and Moolarben Coal Operations Pty Ltd (“**MCO**”, a wholly owned subsidiary of the Company) on 21 September 2007, pursuant to which, MCO was appointed as the manager to carry out all operations as the sole and exclusive agent for and on behalf of and for the account of the participants of the Moolarben JV. In addition, on 20 February 2008, a coal marketing agreement (the “**Moolarben Marketing Agreement**”) was entered into among MCM, Sojitz, Moolarben Coal Sales Pty Ltd (“**MCS**”, a wholly owned subsidiary of the Company) and other participants of the Moolarben JV, pursuant to which, MCS was appointed as the marketing manager, as agent for the joint venture participants, to be responsible for the promotion, marketing, sale and distribution of all coal for the account of the participants of the Moolarben JV.

As Sojitz is interested in 10% participating interest in the Moolarben JV, which is a subsidiary of the Company under the Listing Rules, Moolarben will be a connected person of the Company immediately upon Listing by virtue of being a substantial shareholder of the subsidiary of the Company.

Pursuant to the Moolarben Management Agreement, MCO may charge reasonable head office costs to the participants of the Moolarben JV, recover all its actual costs or expenses incurred for performing its duties and receive a management fee of 2% of the value of all coal sold. Pursuant to the Moolarben Marketing Agreement, MCS will perform its obligation on a full cost recovery basis. The relevant fees and expenses will be paid by the participants of the Moolarben JV, including Sojitz, in proportion to their respective participating interests in the Moolarben JV.

#### (b) *Listing Rules Implications*

The transaction described above is between the Group and a connected person at the subsidiary level on normal commercial terms where each of the applicable percentage ratios in respect of such transaction will, as the Company currently expects, be less than 1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules.

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### B. Non-Exempt Continuing Connected Transactions

#### 1. Sale of Coal by the Group

##### (a) Description of the Transaction

From time to time, Yanzhou and/or its subsidiaries (excluding the Group) may purchase coal from the Group primarily for their own trading purposes.

The Company entered into a framework coal sales agreement with Yanzhou (the “**Yanzhou Framework Coal Sales Agreement**”) on 8 October 2018 to govern all existing and future sale of coal by the Group to Yanzhou and/or its subsidiaries (excluding the Group). The Yanzhou Framework Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Yanzhou and/or its subsidiaries (excluding the 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 with the sale price being determined with reference to market indices, adjusted for coal characteristics and an optional analysis to ensure the price is negotiated on an arm’s length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Yanzhou 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 then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months’ prior notice or otherwise in accordance with the terms of the Yanzhou Framework Coal Sales Agreement.

##### (b) Historical Transaction Amounts

The aggregate annual transaction amount received by the Group from Yanzhou and/or its subsidiaries (excluding the Group) for the sale of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US\$12.6 million, US\$30.6 million, US\$5.1 million and US\$104.5 million, respectively.

The variation in the historical transaction amounts over the last three years is a result of the ad-hoc nature of contracts, price movements, spot volume variations and quality limitations imposed on imports into PRC. In 2017, the Company only entered into one transaction with Yanzhou in the second half of 2017 due to the competitiveness in the market. However, as part of a strategy to increase sales into China, in January 2018, the Company entered into an annual coal sales agreement with a subsidiary of Yanzhou for a contracted 2.0 million tonnes per annum supply and it is expected that this business will be carried out on a continuing basis.

##### (c) Caps on Future Transaction Amounts

The maximum annual transaction amount to be received by the Group from Yanzhou and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 will not exceed US\$250.0 million, US\$250.0 million and US\$250.0 million, respectively.

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These caps were calculated by reference to (i) the actual transaction amount for the six months ended 30 June 2018 which was US\$104.5 million and the contracted 2.0 million tonnes per annum. Considering the business requirement of Yanzhou, the Company expects to maintain such sales volume in future years, (ii) the expected additional spot demand for coal from Yanzhou and/or its subsidiaries (excluding the Group) over the next three years and (iii) the estimated sale price for the coal the Company typically charges.

*(d) Listing Rules Implications*

As the highest applicable percentage ratio in respect of each of the caps is, on an annual basis, more than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

### **2. Purchase of Coal by the Group**

*(a) Description of the Transaction*

The Group has purchased and may, from time to time, purchase coal from Yanzhou and/or its subsidiaries, in particular Australian based subsidiaries of Yanzhou holding mines which are managed by the Group, for back-to-back on sale to end customers in order to fulfil customer requirements and maintain customer relationships.

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 and/or its subsidiaries (excluding the Group). The Framework Coal Purchase Agreement provides that all transactions in relation to the purchase of coal by the Group from Yanzhou and/or its subsidiaries (excluding the 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 with the sale price being determined with reference to industry index prices and coal quality characteristics under the respective contracts and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

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 then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Framework Coal Purchase Agreement.

*(b) Historical Transaction Amounts*

The aggregate annual transaction amount paid by the Group to Yanzhou and/or its subsidiaries (excluding the Group) for the purchase of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US\$5.0 million, US\$22.6 million, US\$29.7 million and US\$21.1 million, respectively.

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The increase in 2017 was due to the success in securing new markets for Yanzhou via the Company's sales channel. The transaction volume for the first half of 2018 represents an increase of 1% as compared to that for the corresponding period of 2017. It is expected to further expand the sales in 2018 and maintain these in the future years.

*(c) Caps on Future Transaction Amounts*

The maximum annual transaction amount to be paid by the Group to Yanzhou and/or its subsidiaries (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 will not exceed US\$65.0 million, US\$65.0 million and US\$65.0 million, respectively.

These caps were calculated by reference to (i) the current transaction amounts in 2018, (ii) the expected increase in demand for coal by the Group from the Yanzhou Group over the next three years as a result of, among other things, the success in securing new markets for Yanzhou, which was evidenced by the substantial increase in transaction amount for the first half of 2018, (iii) the estimated purchase volume of 0.5 million tonnes for the second half of 2018 as at the Latest Practicable Date based on contracted sales and spot opportunities that may exist. Considering the strengthened relationship with customers, the Company expects to further increase the volume of back-to-back sales in future years through leveraging the sales channel of the Company and (iv) the estimated purchase price of coal.

*(d) Listing Rules Implications*

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, upon the Listing, 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 Management Services by the Company**

*(a) Description of the Existing Management and Transitional Services Agreement*

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 in 2012, a management and transitional services agreement (the "**Management and Transitional Services Agreement**") was entered into between the Company and the following entities (the "**Existing Recipients**"), comprising (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, in 2012, pursuant to which the Company has agreed to provide to the Existing Recipients each Services (as described below) in respect of certain assets owned by the Existing Recipients.



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On 7 December 2016, a deed of variation, accession and termination agreement of the Management and Transitional Services Agreement was entered into among the Existing Recipients, Yankuang Resources Pty Ltd (“**Yankuang Resources**”), Yankuang (Australia) Metal Mining Pty Ltd. (“**Yankuang (Australia) Metal Mining**”), together with Yankuang Resources and the Existing Recipients, the “**Recipients**”) and the Company, pursuant to which Yankuang Resources and Yankuang (Australia) Metal Mining will become parties to the Management and Transitional Services Agreement and be entitled to all rights and benefits of an Existing Recipient under the Management and Transitional Services Agreement. Yankuang Resources and Yankuang (Australia) Metal Mining are both wholly-owned subsidiaries of Yankuang.

See “*Business – Our Mining Operations – Managed Mines*” for further details. Details of the terms of the Management and Transitional Services Agreement are set out below.

### (I) Services

The Services provided to each Recipient and each of their respective subsidiaries (excluding the Group and Yanzhou) 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.

During the term, each party may request that the Company provide an additional service or the Company may change or modify the provision of an existing service by notifying the parties in writing. Following receipt of the notice, representatives of each party must promptly meet to discuss in good faith the proposed new services or modified services.

### (II) Services Fees

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.

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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.

### (III) Payment of the Services Fees

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.

### (IV) Termination of the Services

The Company must provide to the Recipients the Services until the Services are terminated in accordance with the term of the Management and Transitional Services Agreement. The Services can be terminated in the following circumstances:

- (i) A Recipient may terminate any Services it receives without cause by giving not less than 30 days' notice to the Company. The Company may terminate any Services it provides without cause by giving not less than 12 months' notice to the Recipients (provided that any such notice must not be given before 31 December 2016).
- (ii) If any asset in respect of which the Services are provided ceases to be controlled by Yanzhou and/or its subsidiaries, any Recipient or the Company may terminate the Services in relation to such asset by giving no less than 30 days' notice to the other parties.
- (iii) In respect of one Recipient, the Company or the Recipient may terminate the Management and Transitional Services Agreement, if the other party materially breaches any of its terms and such breach is incapable of remedy or such breach is capable of remedy but that party fails to remedy that breach within 30 days of written notice to do so.
- (iv) In addition, if an insolvency event occurs, in relation to the Company, each Recipient may elect by notice in writing to terminate the Management and Transitional Services Agreement as it relates to that Recipient, or in relation to a Recipient, the Company may elect by notice in writing to terminate the Management and Transitional Services Agreement as it relates to that Recipient.

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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 merger with Gloucester by the Company for purpose of ensuring the continued support to operations owned by Yanzhou (in particular the Premier mine and Cameby Downs mine) (ii) the types of services to be provided and (iii) the nature of such transactions, which are to be carried out on a continuing basis, it was commercially agreed that the Management and Transitional Services Agreement, which provides detailed pricing policies and events for termination, be entered into for an unspecified term so as to ensure continuous and uninterrupted support.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reasons for entering into the Management and Transitional Services Agreement as set out above, (ii) the nature and types of the Services provided and (iii) the termination rights each party has under the Management and Transitional Services Agreement, it is reasonable for the Management and Transitional Services Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

*(b) Historical Transaction Amounts*

The aggregate services fees charged by the Group from the Recipients for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately A\$10.6 million, A\$9.7 million, A\$8.1 million and A\$4.0 million, respectively.

*(c) Caps on Future Transaction Amounts*

Notwithstanding that the term of the Management and Transitional Services Agreement may exceed three years, the Company has set the annual caps for the transactions under the Management and Transitional Services Agreement for a term of three years and will re-comply with the applicable requirements of the Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be charged by the Group from the Recipients for the three years ending 31 December 2018, 2019 and 2020 will not exceed A\$15 million, A\$15 million and A\$15 million, respectively.

These caps were calculated by reference to (i) the historical transaction amount, (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, including an increased level of exploration drilling.

*(d) Listing Rules Implications*

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, upon the Listing, 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.

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### 4. *Loan Facility Provided by the Company*

#### (a) *Description of the Transaction*

Premier Coal Holdings Pty Ltd, an indirect wholly-owned subsidiary of Yanzhou (“**Premier Coal**”) (as the borrower), entered into a loan agreement with the Company (as lender) on 15 June 2016 in relation to an A\$50 million uncommitted revolving loan with a fixed interest rate of 7% per annum (the “**Premier Coal Loan Agreement**”). Pursuant to the Premier Coal Loan Agreement, the Company may terminate or cancel the facility at any time and draws already advanced to Premier Coal prior to the termination or cancellation are required to be repaid immediately. 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.

As at the Latest Practicable Date, no amount remained drawn down under the Premier Coal Loan Agreement.

#### (b) *Reasons and benefits*

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.

#### (c) *Historical Transaction Amounts*

The maximum daily drawn-down principal of the loan under the Premier Coal Loan Agreement (including the interest accrued thereon) for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately nil, A\$46.6 million, A\$45.8 million and A\$29.3 million, respectively.

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(d) *Caps on Future Transaction Amounts*

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 2018, 2019 and 2020 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.

(e) *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, upon the Listing, 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.

### 5. **Bank Guarantees Provided in favour of Yanzhou's Subsidiaries**

(a) *Description of the Transaction*

In addition to the Syndicated Facility, details of which are set out in "Financial information of the Group – Secured Bank Loans – Syndicated Facility", Yancoal Resources Limited ("**Yancoal Resources**"), a wholly-owned subsidiary of the Company, entered into a syndicated facility agreement (as most recently amended on 31 August 2017) (the "**Local Banks Secured Syndicated Facility Agreement**") with financiers who are independent third party commercial banks, on 11 October 2005, pursuant to which the financiers have agreed to grant to the borrowers, being Yancoal Resources and any new borrowers as agreed by the financiers, a dollar contingent liability facility (which may also be drawn in US\$), under which, the financiers will issue credit support documents, including bank guarantee and letter of credit, in the name of the borrowers. Subject to amendment and restatement from time to time, the Local Banks Secured Syndicated Facility Agreement is for a term of three years.

As set out in "*Business – Our Mining Operations – Managed Mines*", the Company manages certain mines on behalf of Yanzhou. In the ordinary and usual course of business, the subsidiaries of Yanzhou holding the managed mines may require credit support documents issued by commercial banks for their respective business operations. Given the relevant commercial banks 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 commercial banks 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 subsidiaries of Yanzhou holding the managed mines will use the overall bank guarantee facilities, including the Syndicated Facility and the facility under the Local Banks Secured Syndicated Facility Agreement, and pay the Company bank guarantee fees, which are equal to the fees to be paid by the Company to the commercial banks.

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

*(b) Historical Transaction Amounts*

The aggregate maximum daily outstanding principal amount and the bank guarantee fees received under the credit support documents issued by commercial banks in favour of the subsidiaries of Yanzhou (excluding the Group) for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately A\$121 million, A\$117 million, A\$114 million and A\$114 million, respectively.

*(c) Caps on Future Transaction Amounts*

The aggregate maximum daily outstanding principal and the bank guarantee fees to be received under the credit support documents issued by commercial banks in favour of the subsidiaries of Yanzhou (excluding the Group) for the three years ending 31 December 2018, 2019 and 2020 will not exceed A\$123.4 million, A\$128.6 million and A\$133.7 million, respectively.

These caps were calculated by reference to the historical transaction amounts as well as the future demand for bank support documents by the subsidiaries of Yanzhou holding the managed mines.

*(d) Listing Rules Implications*

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

### **6. Purchase of Coal by Glencore**

*(a) Description of the Transaction*

From time to time, Glencore and/or its associates may purchase coal from the Group for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements.

The Company entered into a framework coal sales agreement with Glencore (the "**Glencore Framework Coal Sales Agreement**") on 29 June 2018 to govern all existing and future sales of coal by the Group to Glencore and/or its subsidiaries and/or related entities. 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 with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price.

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## CONNECTED TRANSACTIONS

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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 then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Glencore Framework Coal Sales Agreement.

*(b) Historical Transaction Amounts*

The aggregate annual transaction amount received by the Group from Glencore and/or its associates for the sale of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately nil, nil, A\$143 million and A\$140.7 million, respectively.

*(c) Caps on Future Transaction Amounts*

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 2020 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, in particular, sales revenue of A\$140.7 million for the six months ended 30 June 2018. There was no sale of coal made to Glencore during the first half of 2017, (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, the Company expects that Glencore and/or its subsidiaries and/or its related entities may purchase an estimated 0.4 million tonnes of coal for the second half of 2018 and (iii) the estimated sale price of coal.

*(d) Listing Rules Implications*

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 D 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.

### **7. Purchase of Coal by Sojitz**

*(a) Description of the Transaction*

From time to time, Sojitz Moolarben Resources Pty Ltd ("**Sojitz**") and/or its subsidiaries may purchase coal from the Group primarily for their own trading purposes and for sale to end customers, typically into Japan. Specifically, Moolarben Coal Sales Pty Ltd has entered into a coal supply contract for a term of three years with Sojitz Corporation in March 2016 for onward supply of coal to a major industrial user in Japan. This contract is likely to be renewed and it is expected that this business will be ongoing. Sojitz is a substantial shareholder of the Moolarben joint venture, a subsidiary of the Company under the Listing Rules.

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## CONNECTED TRANSACTIONS

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The coal sales agreement between the Company and Sojitz (the “**Sojitz Coal Sales Agreement**”) dated 6 August 2018 governs all existing and future sales of coal by the Group to Sojitz and/or its subsidiaries. The Sojitz Coal Sales Agreement provides that all transactions in relation to the sale of coal by the Group to Sojitz and/or its subsidiaries 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 with the sale price being determined with reference to market indices, coal quality and an optional analysis to ensure the price is negotiated on an arm’s length basis and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws.

The Sojitz Coal Sales Agreement expires on 31 December 2020 and is automatically renewable for successive periods of one year thereafter, subject to compliance with the then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months’ prior notice or otherwise in accordance with the terms of the Sojitz Coal Sales Agreement.

*(b) Historical Transaction Amounts*

The aggregate annual transaction amount received by the Group from Sojitz and/or its subsidiaries for the sale of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US\$20.1 million, US\$29.1 million, US\$21.0 million and US\$27.0 million, respectively.

The transaction volume for the first half of 2018 represents an increase of 122% as compared to that for the corresponding period of 2017.

*(c) Caps on Future Transaction Amounts*

The maximum annual transaction amount to be received by the Group from Sojitz and/or its subsidiaries for the three years ending 31 December 2018, 2019 and 2020 will not exceed US\$100 million, US\$100 million and US\$100 million, respectively.

These caps were calculated by reference to (i) the current known 2018 transaction amounts, including Sojitz’s recent success in selling to new industrial customers in Japan, (ii) the expected demand for coal from Sojitz and/or its subsidiaries over the next three years, taking into consideration the substantial increase in transaction amount for the first half of 2018, (iii) the estimated sale price for the coal the Company typically charges and (iv) the estimated sales volume of 0.5 million tonnes for the second half of 2018 as at the Latest Practicable Date based on the delivery of contracted sales and spot opportunities that may exist. Considering the strengthened relationship with customers, the Company expects to maintain or further expand the sales in future years.



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## CONNECTED TRANSACTIONS

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(d) *Listing Rules Implications*

As the continuing connected transaction under the Sojitz 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 D 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.

**8. Sales of Coal by the Group to POSCO and/or its Associates**

(a) *Description of the Transaction*

From time to time, POSCO Australia Pty Ltd (previously known as Pohang Steel Australia Pty Ltd) ("**POSCO**") and/or its associates may purchase coal from the Group for their own utilisation in the manufacturing of steel or generation of electricity. POSCO is a substantial shareholder of the subsidiaries of the Company under the Listing Rules.

The Group has entered into five coal sales agreements with POSCO group companies that govern the sale of coal by the Group to POSCO and/or its associates on 21 December 2017 (the "**POSCO Coal Sales Agreements**"). The POSCO Coal Sales Agreements provide that all transactions in relation to the sale of coal by the Group to POSCO 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 with the sale price being negotiated between the parties on an arm's length market related basis relative to market benchmarks and reflecting coal quality, and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws. The Group has been supplying POSCO and/or its associates for several years under annual contracts which are renewed annually, but where volume and price is re-negotiated annually.

(b) *Historical Transaction Amounts*

The aggregate annual transaction amount received by the Group from POSCO and/or its associates for the sales of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US\$213 million, US\$156 million, US\$260 million and US\$168.9 million, respectively.

The transaction volume for the first half of 2018 represents an increase of 45% as compared to that for the corresponding period of 2017.

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## CONNECTED TRANSACTIONS

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### *(c) Caps on Future Transaction Amounts*

The maximum annual transaction amount to be received by the Group from POSCO and/or its associates for the year ending 31 December 2018 will not exceed US\$780 million. As the POSCO Coal Sales Agreements are renewed annually, the Company has set the annual cap for the transactions under the POSCO Coal Sales Agreements for a term of one year and will re-comply with the applicable requirements of the Listing Rules when the relevant agreements are renewed.

This cap was calculated by reference to (i) the currently known 2018 transaction amounts, (ii) the expected demand for coal from POSCO and/or its associates for the year ending 31 December 2018, (iii) the estimated sale price for the coal the Company typically charges and (iv) in particular, the estimated sales volume of 1.5 million tonnes for the second half of 2018 as at the Latest Practicable Date based on the delivery of contracted sales and spot opportunities that may exist.

### *(d) Listing Rules Implications*

As the continuing connected transactions under the POSCO Coal Sales Agreements 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 in section D below, the continuing connected transactions are only subject to reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **9 Purchase of Coal from Glencore**

### *(a) Description of the Transaction*

From time to time, the Group may purchase coal from Glencore and/or its associates for on sale to end customers, in order to maintain customer relationships or to meet specific customer requirements.

The Company entered into a framework coal purchase agreement with Glencore (the "**Glencore Framework Coal Purchase Agreement**") on 6 August 2018 to govern all existing and future purchase of coal by the Group from Glencore and/or its subsidiaries. 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 with the sale price being determined with reference to the prevailing market price for the relevant type of coal and (iv) in compliance with, amongst other things, the Listing Rules and applicable laws. The Company will take into account relevant industry benchmarks and indices when determining the market price.

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## CONNECTED TRANSACTIONS

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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 then applicable provisions of the Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Glencore Framework Coal Purchase Agreement.

*(b) Historical Transaction Amounts*

The aggregate annual transaction amount paid by the Group to Glencore and/or its subsidiaries for the purchase of coal for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US\$1.0 million, nil, US\$6.8 million, and US\$16.8 million, respectively.

The transaction volume for the first half of 2018 represents an increase of 366% as compared to that for the corresponding period of 2017.

*(c) Caps on Future Transaction Amounts*

The maximum annual transaction amount to be paid by the Group to Glencore and/or its subsidiaries for the three years ending 31 December 2020 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 the Group, (iii) the estimated sale price of coal by reference to the average selling price of the coal of the Company and (iv) the estimated 2 million tonnes for the second half of 2018 based on the delivery of contracted purchases and spot opportunities that may exist. Considering the strengthened relationship with customers, the Company expects to maintain such purchase volume in future years.

*(d) 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 in section D 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.

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## CONNECTED TRANSACTIONS

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### 10. *Purchase of Coal from Anotero*

(a) *Description of the Existing Sales Contract – Hunter Valley Operations Joint Venture*

As part of the Glencore Transaction, CNAO, a wholly-owned subsidiary of the Company, the SalesCo and Anotero entered into a sales contract – Hunter Valley Operations Joint Venture on 4 May 2018 (the “**HVO Sales Agreement**”). The relevant mining and exploration licences of HVO are held directly by CNAO and Anotero as tenants in common in proportion to their respective participating interest in the HVO JV. 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 SalesCo only and the SalesCo agrees to purchase each of CNAO’s and Anotero’s entitled portion of coal product;
- (ii) the amount payable to each of CNAO and Anotero by the SalesCo shall be the total amount received by the SalesCo for that portion of product under each sales contract entered into between the SalesCo and its customers; and
- (iii) payment by the SalesCo to CNAO and Anotero shall be no later than 3 business days after receipt by the SalesCo of payment from its customers.

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.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reason for entering into the HVO Sales Agreement and the business objective of the SalesCo, which is 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, (ii) the substance of the transaction under the HVO Sales Agreement, which is an arrangement of making the coal attributable to the relevant participants available to the SalesCo for its on-sale, (iii) the fact that the 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 and (iv) the fact that the HVO Sales Agreement was negotiated on an arms-length basis before Glencore and Anotero became connected persons of the Company, it is reasonable for the HVO Sales Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

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## CONNECTED TRANSACTIONS

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*(b) Historical Transaction Amounts*

As the HVO Sales Agreement was entered into on 4 May 2018, there was no historical transaction amount for the three years ended 31 December 2015, 2016 and 2017. The amount of revenue distributed by the SalesCo to Anotero during the period from 4 May 2018 to 30 June 2018 amounted to approximately US\$134.4 million.

*(c) Estimated Maximum Annual Transaction Amounts*

Notwithstanding that the term of the HVO Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the HVO Sales Agreement for a term of three years and will re-comply with the applicable requirements of the Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be distributed by the SalesCo to Anotero for the three years ending 31 December 2018, 2019 and 2020 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.

*(d) Listing Rules Implications*

As disclosed in “– 4. Management Services in relation to the HVO JV” and “– 5. Provision of Services by Glencore Coal in relation to the HVO” of this section, the SalesCo is a subsidiary of the Company under the Listing Rules and Anotero is a connected person of the Company immediately following the Listing. Accordingly, the transaction between the SalesCo and Anotero constitutes a continuing connected transaction of the Company under the Listing Rules.

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 in Section D 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.

### **11. Purchase of Coal from POSCO**

*(a) Description of the Existing Sales Contract – Mount Thorley Joint Venture*

The participants of the unincorporated joint venture in relation to Mt Thorley (the “**MT JV**”) namely 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

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## CONNECTED TRANSACTIONS

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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**”), respectively.

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 immediately following the Listing by 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.

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.

The MT Sales Agreement was entered into on 10 November 1981 and will last during the economic life of the Mount Thorley coal mine.

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reason for entering into the MT Sales Agreement and the business objective of the MT SalesCo, which is 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, (ii) the substance of the transaction under the MT Sales Agreement, which is an arrangement of making the coal attributable to the relevant participants available to the MT SalesCo for its on-sale, (iii) the fact that the 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 and (iv) the fact that the MT Sales Agreement was negotiated on an arms-length basis before POSCO became a connected person of the Company, it is reasonable for the MT Sales Agreement to be for a duration of more than three years and it is normal business practice for agreements of this type to be of such duration.

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## CONNECTED TRANSACTIONS

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*(b) Historical Transaction Amounts*

The interest in the Mount Thorley was acquired by the Company as part of the C&A Acquisition. See “*Business – Acquisitions and Disposals – C&A Acquisition*”. Accordingly, the transactions prior to the completion of the acquisition are not connected transactions of the Group. For reference, the aggregate annual transaction amount distributed by the MT SalesCo to POSCO for the three years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 were approximately US\$61.1 million, US\$64.0 million, US\$85.4 million and US\$44.8 million, respectively.

*(c) Estimated Maximum Annual Transaction Amounts*

Notwithstanding that the term of the MT Sales Agreement may exceed three years, the Company has set the estimated maximum annual transaction amounts for the transactions under the MT Sales Agreement for a term of three years and will re-comply with the applicable requirements of the Listing Rules after the expiry of the initial three years.

The maximum annual transaction amount to be distributed by the MT SalesCo to POSCO for the three years ending 31 December 2018, 2019 and 2020 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.

*(d) Listing Rules Implications*

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 in Section D 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.

### **C. Waiver Application For Non-Exempt Continuing Connected Transactions**

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the reporting, announcement and/or independent shareholders’ approval requirements under the Listing Rules would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting, announcement and/or independent shareholders’ approval requirements in relation to the non-exempt continuing connected transactions described in this section.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

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## CONNECTED TRANSACTIONS

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### **D. Confirmation From The Directors And The Joint Sponsors**

The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group (other than the financial assistance in relation to the loan facility provided by the Company and the bank guarantee arrangement as described in paragraphs 4 and 5 of “– *B. Non-Exempt Continuing Connected Transactions*” above), on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by the Company relating to the non-exempt continuing connected transactions described in this section, and have obtained confirmations from the Company. Based on the Joint Sponsors’ due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group (other than the financial assistance in relation to the loan facility provided by the Company and the bank guarantee arrangement as described in paragraphs 4 and 5 of “– *B. Non-Exempt Continuing Connected Transactions*” above), on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.