LONERGAN EDWARDS
& ASSOCIATES LIMITED

ABN 53 095 445 560
AFS Licence No. 246532
Level 7, 64 Castlereagh Street
Sydney NSW 2000 Australia

Telephone: +61 2 8235 7500
www.lonerganedwards.com.au

The Independent Directors
Yancoal Australia Ltd
Level 18 Darling Park 2
201 Sussex Street
Sydney NSW 2000

2 November 2026

Subject: Independent Expert's Report - Disposal of an asset to a related party / Granting of financial benefit to a related party

Dear Independent Directors

Introduction

1 Yancoal Australia Ltd (Yancoal or the Company) is a major Australian coal producer selling into the global seaborne market. It is listed on both the Australian Securities Exchange (ASX) and the Stock Exchange of Hong Kong Limited (HKEX). The Company produces a mix of thermal, semi-soft coking and PCI[1] coals for export. Yancoal's thermal coal range is purchased by customers for the provision of power to the Asian region. Coal is currently sourced from eight mines, six of which Yancoal holds ownership interests[2] and two of which are managed by the Company.

2 The Company announced the acquisition of an 80% interest in the Kestrel Mine in April 2026. This acquisition completed on 1 October 2026 and diversifies Yancoal's portfolio of mines by adding predominantly hard coking coal to its production mix, increasing its proportion of metallurgical coal production.

3 The largest shareholder in Yancoal is Yankuang Energy Group Co., Ltd (Yankuang Energy), which holds approximately 62.26% of Yancoal shares on issue. Yankuang Energy is one of China's largest integrated energy companies. It operates a range of coal mining, power generation, logistics, chemical and equipment manufacture businesses.

4 Yancoal is party to Framework Agreements dated 14 September 2023 with entities related to Yankuang Energy and Yancoal International Trading Co., Ltd (YIT) for the sale of coal (2023 Framework Agreements). These agreements expired on 31 October 2026 and on 25 August 2026 were renewed for a two month period from 1 November 2026 to

1 PCI (pulverised coal injection) coal is a metallurgical coal which is injected directly into blast furnaces as part of the steelmaking process.

2 In late June 2026, Yancoal announced its decision to cease operations at the Ashton Mine from early 2028 due to technical, geotechnical and economic challenges.

Authorised Representatives:
Julie Planinic* • Nathan Toscan • Hung Chu • Grant Kepler* • Martin Hall • Jorge Resende • Brett Aalders • Wayne Lonergan • Craig Edwards

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation

31 December 2026 (Current Framework Agreements). As a result, the Company proposes to enter into the following new Framework Agreements (collectively the 2027 Framework Agreements):

(a) the 2027 Yankuang Energy Framework Agreement For Coal Sales with Yankuang Energy, pursuant to which Yancoal agrees to continue to sell coal to Yankuang Energy and/or its subsidiaries (excluding Yancoal); and

(b) the 2027 YIT Framework Agreement For Coal Sales with YIT, pursuant to which Yancoal agrees to continue to sell coal to YIT and/or its associates (excluding Yankuang Energy),

in each case for the period from 1 January 2027 to 31 December 2029. The 2027 Framework Agreements renew the Current Framework Agreements. Pursuant to the ASX Listing Rules, the 2027 Framework Agreements must be approved by way of an ordinary resolution (at a general meeting) by the shareholders of Yancoal that are not associated with Yankuang Energy (the Yancoal Shareholders[3]). The 2027 Framework Agreements do not come into effect until all required approvals are received.

5 Pursuant to the 2027 Framework Agreements, Yancoal proposes to enter into the following:

(a) three coal sales contracts (Proposed Coal Sales Agreements), between Yancoal and subsidiaries of Yankuang Energy and Shandong Energy Group Co. Ltd[4] (Shandong Energy Group); and

(b) a proposed Memorandum of Understanding (Proposed MOU) between Yancoal and Shandong Energy Group Theme International Trading Co., Ltd (SETI) for the sale of coal sourced from Yancoal's mines, including the Kestrel Mine, or coal which has been sourced from third parties,

to come into effect from 1 January 2027, once all the required approvals are received.

Scope

6 As an ASX listed company Yancoal is subject to the ASX Listing Rules, in particular the rules that apply to related party transactions. The level of sales under the Proposed Coal Sales Agreements and the Proposed MOU, entered into with persons in a position of influence, are expected to be at levels that exceed the related party threshold in the ASX Listing Rules.

7 Accordingly, the sales under the Proposed Coal Sales Agreements and the Proposed MOU are considered related party transactions under ASX Listing Rule 10.1 and must be approved by way of an ordinary resolution (at a general meeting) by Yancoal Shareholders. The ASX Listing Rules require the notice of meeting sent to shareholders to include an independent expert's report (IER) stating whether the transaction is "fair" and "reasonable" to Yancoal Shareholders.

8 Further, Chapter 2E of the *Corporations Act 2001* (Cth) (Corporations Act) covers related party benefits and s208 of the Corporations Act states that shareholder approval must be obtained before giving a financial benefit to a related party.

---

3 For the purposes of this report, all future references to "Yancoal Shareholders" are references to the Yancoal non-associated shareholders.

4 Shandong Energy Group holds approximately 52.85% of shares in Yankuang Energy.

9 Accordingly, the Independent Directors (i.e. the Directors of Yancoal that are not associated with Yankuang Energy) have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER in accordance with ASX Listing Rule 10.5.10[5] and taking into consideration the test under Chapter 2E, stating whether, in our opinion, the Proposed Coal Sales Agreements and the Proposed MOU are "fair" and "reasonable" to Yancoal Shareholders.

10 The IER will accompany the Circular to be sent by Yancoal to Yancoal Shareholders in connection with the Proposed Coal Sales Agreements and the Proposed MOU. LEA is independent of Yancoal and has no involvement or other interest in the Proposed Coal Sales Agreements and the Proposed MOU.

Proposed Coal Sales Agreements and Proposed MOU

11 Details of the Proposed Coal Sales Agreements and the Proposed MOU are as follows:

(a) Proposed Coal Sales Agreements – all three of the Proposed Coal Sales Agreements will run for three years from 1 January 2027 (conditional on the receipt of the required approvals) with an annual coal volume of 2 million tonnes per annum (Mtpa). The coal quality to be supplied is 5,500 (Product A), 5250 (Product B) and 5,100 (Product C) kilocalories per kilogram (kcal/kg) and prices are to be based on the Argus / McCloskey's All-Published Index 5 (API5 Index) coal price index (with applicable calorific value adjustment) plus an adjustment for "Annual Relativity". The Annual Relativity is the weighted average adjustment applicable to the API5 Index price applied to contracts with non-related Chinese customers for large volume orders of the same products in the same delivery period.

The Proposed Coal Sales Agreements are to be entered into with:

(i) Shandong Energy (Hainan) Intelligent International Technology Co., Ltd (HII), which is 49.83% owned by Shandong Energy Group and 5.67% owned by Yankuang Energy

(ii) Yankuang Lucky (HK) Limited (YLHK), which is 51% owned by Yankuang Energy

(iii) YIT, a 100% owned subsidiary of Shandong Energy Group

(b) Proposed MOU – the Proposed MOU is between Yancoal and SETI, with Shandong Energy Group owning 51% of SETI. The Proposed MOU is for the purchase of up to 2 Mtpa of coal for a three-year period from 1 January 2027 to 31 December 2029 that will automatically renew for a further three-year period unless terminated by one of the parties. The coal to be supplied under the Proposed MOU will be at the buyer's request and the price for each shipment will be negotiated at arm's length having regard to coal quality and the conditions of the coal market at the time of sale.

12 The majority of the coal to be sold under the Proposed Coal Sales Agreements will be sourced from the Moolarben Mine, near Mudgee in the Upper Hunter Valley in New South Wales (NSW). Smaller quantities may also be sourced from the Mount Thorley Warkworth (MTW) and Hunter Valley Operations (HVO) mines. The coal products sold under the Proposed

5 ASX Listing Rule 10.5.10 requires that the notice of general meeting include a report from an independent expert stating whether the proposed transactions are "fair" and "reasonable" to the holders of the entity's ordinary securities who are eligible to vote.

MOU will also be sourced from the newly acquired Kestrel Coal Group Pty Ltd and/or from third parties.

Summary of opinion

13 Pursuant to Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111), a proposed related party transaction:

(a) is "fair" if the value of the financial benefit (in this case the sale proceeds) to be received by the entity from the related party is equal to or greater than the value of the asset (in this case the coal produced by Yancoal) being sold to the related party. This comparison is required to be made assuming an arm's length transaction between knowledgeable and willing, but not anxious parties

(b) is "reasonable" if it is "fair". A related party transaction may also be "reasonable" despite being "not fair" if the expert believes there are other reasons for non-associated shareholders to vote to approve the proposed arrangements.

14 In the circumstances of the Proposed Coal Sales Agreements between Yancoal and subsidiaries of Yankuang Energy and Shandong Energy Group and the Proposed MOU between Yancoal and SETI we have determined that:

(a) Proposed Coal Sales Agreements – the sale of coal by reference to the API5 Index with an Annual Relativity adjustment as contained in the Proposed Coal Sales Agreements between Yancoal and each of HII, YLHK and YIT should be unlikely to give rise to any significant difference in sales proceeds received from related parties as compared to third parties over the same delivery term

(b) Proposed MOU – in the case of the pricing for the Proposed MOU, reference to spot prices (from which the API5 Index or other relevant indices are derived) and other bids / offers available contemporaneously in the market by canvassing existing customers and other potential buyers to determine the best overall commercial outcome[6] is, in our opinion, indicative of market based arm's length pricing.

Fairness

15 Having regard to the market based arm's length pricing and contract terms consistent with contracts entered into with third parties, in our opinion, **the Proposed Coal Sales Agreements and the Proposed MOU are "fair" to Yancoal Shareholders** whose votes in favour of the transaction are not to be disregarded under Listing Rule 14.11 based on the guidelines set out in RG 111.

Reasonableness

16 Pursuant to RG 111, the Proposed Coal Sales Agreements and the Proposed MOU are "reasonable" if they are "fair". Consequently, in our opinion, **the Proposed Coal Sales Agreements and Proposed MOU are also "reasonable" to Yancoal Shareholders** whose votes in favour of the transaction are not to be disregarded under Listing Rule 14.11.

6 We note that a sale to SETI will only proceed where the Yancoal marketing team determines that the proposed transaction is commercially equivalent to, or more favourable than, the next best reliably available alternative.

Advantages and disadvantages

17 Whilst we have assessed the Proposed Coal Sales Agreements and the Proposed MOU as "fair" and "reasonable" (under RG 111), we have also considered the relative advantages, disadvantages and other factors inherent in the proposed arrangements. Our observations in this regard are summarised below.

Advantages

18 As the contracted Proposed Coal Sales Agreements with HII, YLHK and YIT contain contracted quantities, we have considered how these quantities would impact sales of Yancoal product. Yancoal has capacity to produce 19 Mtpa of coal from the Moolarben Mine in the range of 4,700 kcal/kg to 5,750 kcal/kg (with an average of 5,450 kcal/kg). The Company's MTW and HVO Mines produce approximately 1 Mtpa to 2 Mtpa of 5,400 kcal/kg to 5,600 kcal/kg coal. We understand that Yancoal targets 70% to 80% of sales as being under contract and, since the resumption of trading with China, has secured several long term contracts with third party Chinese customers. The Proposed Coal Sales Agreements provide contractual certainty over 6 Mtpa (circa 40% of production) of 5,100 kcal/kg to 5,500 kcal/kg grade coal produced by the Moolarben and other Hunter Valley mines and enable the Company to manage planned production, rail and shipping schedules.

19 The Proposed Coal Sales Agreements with HII, YLHK and YIT enable the Company to:

(a) sell a relatively large proportion of its coal to companies which have historically exhibited low counterparty risk;

(b) remove additional administration that would otherwise be required with managing a large number of spot sales; and

(c) provide greater flexibility as regards selling its remaining coal of a similar quality.

20 The Proposed MOU provides Yancoal with an opportunity to increase its trading operations on terms that are commercially equivalent to, or more favourable than, the next best reasonably available alternative.

21 Now that China has lifted its ban on the importation of Australian coal, the Proposed Coal Sales Agreements and the targeted annual tonnage of 2 Mtpa under the Proposed MOU enable Yancoal to increase its market share of Australia's exports into China, the largest coal market in the world (by a significant margin) and a valuable market for Yancoal product.

Disadvantages

22 As the pricing is based on market indices (API5 Index), third party contract pricing arrangements (via the Annual Relativity adjustment for the Proposed Coal Sales Agreements), the conditions of the coal market at the time of any transactions under the Proposed MOU and the contract terms are consistent with Yancoal's standard terms and conditions, there are no apparent disadvantages.

Other factors

23 If the Proposed Coal Sales Agreements are not approved, Yancoal would lose secured supply contracts for 6 Mtpa of production over the next three years. An increase in uncontracted tonnes may result in excess stock quantities, disruption to production and shipping operations and could increase short-term sales risk. Under this scenario Yancoal would need to seek

other customers in China or other markets and may not be able to ship product in the large quantities covered by the Proposed Coal Sales Agreements. Nor would there be any constraints on the Chinese third party purchasers on-selling the coal in competition to Yancoal's other sales.

24 If the Proposed MOU is not approved, Yancoal loses the opportunity to increase its trading operations by up to 2 Mtpa. The Proposed MOU also provides Yancoal with a potential market for the metallurgical coal produced by the Kestrel Mine.

25 The Independent Directors unanimously recommend that Yancoal shareholders vote in favour of the Proposed Coal Sales Agreements and the Proposed MOU.

General

26 This report is general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual Yancoal Shareholders. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

27 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether Yancoal Shareholders should vote for, or against, the Proposed Coal Sales Agreements and the Proposed MOU. The ultimate decision whether to approve the Proposed Coal Sales Agreements and the Proposed MOU is a matter for each Yancoal Shareholder's assessment of their own circumstances. If Yancoal Shareholders are in doubt about the actions they should take in relation to the Proposed Coal Sales Agreements and the Proposed MOU or matters dealt with in this report, Yancoal Shareholders should seek independent professional advice.

28 For our full opinion on the Proposed Coal Sales Agreements and the Proposed MOU, and the reasoning behind our opinion, we recommend that Yancoal Shareholders read the remainder of our report.

Yours faithfully

Julie Planinic
Authorised Representative

Jorge Resende
Authorised Representative

Table of contents

Section		Page
I	**Background to the Proposed Coal Sales Agreements and the Proposed MOU**	**8**
	The Proposed Coal Sales Agreements and the Proposed MOU	9
II	**Scope of our report**	**11**
	Purpose	11
	Basis of assessment	12
	Limitations and reliance on information	13
III	**Overview of Yancoal operations**	**15**
	Overview of Yancoal	15
	History and overview of Yancoal operations	15
	Major coal assets in NSW	16
	Yancoal production	19
	Reserves and resources	19
	Kestrel Mine	20
	Yancoal's port interests	20
IV	**Coal industry overview**	**21**
	Overview	21
	Primary types of coal	21
	Australian coal industry	22
	Chinese coal industry	24
	Coal pricing	25
V	**Valuation methodology**	**29**
	Valuation approaches	29
	Selected valuation methodology	29
VI	**Evaluation of the Proposed Coal Sales Agreements and the Proposed MOU**	**31**
	The Proposed Coal Sales Agreements and Proposed MOU	31
	Fairness	32
	Reasonableness	34
	Summary of advantages and disadvantages	34

Appendices

A	**Financial Services Guide**
B	**Qualifications, declarations and consents**
C	**Glossary**

I Background to the Proposed Coal Sales Agreements and the Proposed MOU

29 Yancoal has historically made sales of coal to related parties including Yankuang Energy and YIT under a series of Framework Agreements.

30 The Company has entered into Framework Agreements as follows:

(a) on 8 October 2018, Yancoal entered into an agreement with Yankuang Energy for the period to 31 December 2020, renewable for successive three-year periods

(b) on 19 November 2020, the Company announced that it had entered into Framework Agreements with each of Yankuang Energy and YIT for the sale of coal to these entities and/or their subsidiaries / associates for the period 1 January 2021 to 31 December 2023 (2021 Framework Agreements)

(c) on 14 September 2023, Yancoal announced that it had entered into Framework Agreements with each of Yankuang Energy and YIT for the sale of coal to these entities and/or their subsidiaries / associates for the period 1 November 2023[7] to 31 October 2026 (2023 Framework Agreements)

(d) on 25 August 2026, the Company announced that it had entered into Framework Agreements with each of Yankuang Energy and YIT for the sale of coal to these entities and/or their subsidiaries / associates for the period 1 November 2026 to 31 December 2026, effectively renewing the 2023 Framework Agreements for a two month period (Current Framework Agreements); and

(e) on 23 October 2026, the Company renewed the 2026 Framework Agreements as follows:

(i) the 2027 Yankuang Energy Framework Agreement For Coal Sales with Yankuang Energy, pursuant to which Yancoal agrees to continue to sell coal to Yankuang Energy and/or its subsidiaries (excluding Yancoal); and

(ii) the 2027 YIT Framework Agreement For Coal Sales with YIT, pursuant to which Yancoal agrees to continue to sell coal to YIT and/or its associates (excluding Yankuang Energy),

in each case for the period from 1 January 2027 to 31 December 2029 (collectively the 2027 Framework Agreements).

31 The total sales under the 2023 Framework Agreements represented more than 5% of the net reported equity of Yancoal at the date of the last reported balance sheet and accordingly, these agreements required Yancoal Shareholder approval under the ASX Listing Rules. Further, these agreements constituted continuing connected transactions with related parties under the Rules Governing the Listing of Securities on the HKEX and were subject to caps on an annual basis. The maximum annual transaction amount to be received by Yancoal from:

7 The commencement date of the 2023 Framework Agreements was before the expiry date of the 2021 Framework Agreements as the annual cap for coal sales transactions under the 2021 Framework Agreement with YIT were expected to be exceeded prior to 31 October 2023.

(a) Yankuang Energy and/or its subsidiaries (excluding Yancoal) for the two years ending 31 December 2025 and the 10 months to 31 October 2026 would not exceed US$300 million, US$300 million and US$233.3 million, respectively

(b) YIT and/or its associates (excluding Yankuang Energy) for the two years ending 31 December 2025 and the 10 months to 31 October 2026 would not exceed US$600 million, US$600 million and US$466.6 million, respectively.

The Proposed Coal Sales Agreements and the Proposed MOU

32 Due to the impending expiry of the Current Framework Agreements and the continued opportunities for export of higher ash thermal coal exported out of the Port of Newcastle on Australia's eastern coast to China, Yancoal management have negotiated the terms of the Proposed Coal Sales Agreements and the Proposed MOU to take effect from 1 January 2027 with the following related parties.

Shandong Energy (Hainan) Intelligent International Technology Co., Ltd.

33 HII, the Hainan regional headquarters of Shandong Energy Group, was established in September 2018. HII is 49.83% owned by Shandong Energy Group and 5.67% owned by Yankuang Energy. The company's main business operations are bulk commodity trade, intelligent trading finance services and warehouse logistics. HII has a large pool of customers in China including steel, power, cement and petrochemical operators. HII will stock and sell Yancoal's Australian coal at major ports in China.

34 HII is willing to commit to a three-year contract with Yancoal for 2 Mtpa of coal to support its business in the coal stock and sale process which further penetrates smaller domestic thermal coal markets.

Yancoal International Trading Co., Ltd

35 YIT is a wholly owned subsidiary of Shandong Energy Group and was established in Hong Kong in 2011. Yancoal's first business with YIT occurred in 2014 and the companies have transacted since that time. YIT's main businesses are bulk commodity trading providing supply chain services such as logistics, and financial services for end users and traders. YIT primarily deals in the import, export, and domestic trade, with an annual sales volume of more than 4 Mtpa. YIT has acted as an intermediary, enabling smaller Chinese customers who are unfamiliar with international trading terms to purchase Australian coal.

36 YIT's operations and customer base have now reached a level whereby it is willing to commit to a long term fixed volume contract (previously YIT entered into a memorandum of understanding). The proposed coal sales agreement is a three-year contract with Yancoal for the purchase of 2 Mtpa of coal.

Yankuang Lucky (HK) Limited

37 YLHK is owned 51% by Yankuang Energy and 49% by Century Lucky Group Corporation. The company undertakes domestic and international trading and logistics of bulk commodities including iron ore, coal, steel, steel scrap etc. The business has relationships with power plants, general industry customers and steel plants in China.

38 YLHK is willing to commit to a three-year contract for 2 Mtpa of coal with Yancoal to support its trading business in the supply of thermal coal to smaller Chinese customers.

Proposed MOU with SETI

39 It is also proposed that Yancoal and SETI enter into a memorandum of understanding for a three-year term, which will come into force on 1 January 2027, for the sale of coal sourced from Yancoal's mines, including the Kestrel Mine, or coal which has been sourced from third parties (the Proposed MOU). The Proposed MOU will automatically renew for a further three-year period unless one party provides the other party with written notice at least three months prior to the end of the first three-year term.

40 The Proposed MOU is intended to be a more flexible arrangement whereby short term purchases are made on an ongoing basis to satisfy customer requirements, and it is anticipated that the purchases on an annual basis will accumulate to up to 2 Mtpa (pro-rata to time allowed under the Annual Caps[8]).

8 Being the maximum annual transaction amount to be received by Yancoal from Yankuang Energy and/or its subsidiaries (excluding Yancoal) for the term of the 2027 Framework Agreements.

II Scope of our report

Purpose

Corporations Act

41 Chapter 2E of the Corporations Act prohibits (in all but limited circumstances) a public company from "giving a financial benefit" to a "related party" without the approval of the securityholders that are not a party to the transaction. Giving a financial benefit to a related party includes buying an asset from or selling an asset to a related party.

42 Whilst there is no specific requirement for an IER under the Corporations Act, the notice of meeting sent to securityholders must include all information that is reasonably required in order for the securityholders to decide whether it is in their best interests to pass the proposed resolution.

ASX Listing Rules

43 ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from or dispose of a substantial asset to (amongst others) a related party, or a substantial securityholder[9], or associates of either without the approval of the holders of the entity's ordinary securities. ASX Guidance Note 24 contains an expansive definition of an "asset", which includes inventory produced by the company. Approval is required by resolution at a general meeting.

44 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity as set out in the latest accounts provided to the ASX under the ASX Listing Rules.

45 As a result of the total sales of coal under the Proposed Coal Sales Agreements and the Proposed MOU exceeding 5% of the book value of the equity in Yancoal as set out in the financial statements given to the ASX for the calendar year ending 31 December 2025 (CY25), and the parties to the Proposed Coal Sales Agreements and the Proposed MOU being considered related parties of Yancoal by virtue of the fact that they are subsidiaries of Yankuang Energy (the largest shareholder in Yancoal) and Shandong Energy Group (the largest shareholder in Yankuang Energy), the Proposed Coal Sales Agreements and the Proposed MOU are considered to be related party transactions under ASX Listing Rule 10.1.

46 ASX Listing Rule 10.5.10 requires that the notice of general meeting include a report from an independent expert stating whether the proposed transactions are "fair" and "reasonable" to the holders of the entity's ordinary securities who are eligible to vote.

Our engagement

47 Given the above, the Independent Directors of Yancoal have requested that LEA prepare an IER stating whether the Proposed Coal Sales Agreements and the Proposed MOU are "fair" and "reasonable" to Yancoal Shareholders and the reasons for that opinion.

48 This report has been prepared by LEA for the benefit of Yancoal Shareholders to assist them in considering the resolutions to approve the Proposed Coal Sales Agreements and the

9 A substantial securityholder is a person that holds a relevant interest in the entity of 10% or more (or has held the same at any time in the last six months).

Proposed MOU. Our report will accompany the Circular to be sent to Yancoal Shareholders. The sole purpose of our report is to determine whether, in our opinion, the Proposed Coal Sales Agreements and the Proposed MOU are "fair" and "reasonable" to Yancoal Shareholders. This report should not be used for any other purpose.

49 However, it should be noted that this report is general financial product advice only and has been prepared without taking into account the personal objectives, financial situations or needs of individual Yancoal Shareholders. Accordingly, before acting in relation to the Proposed Coal Sale Arrangements and the Proposed MOU, Yancoal Shareholders should have regard to their own objectives, financial situation and needs. Yancoal Shareholders should also read the Circular that has been issued by Yancoal in relation to the Proposed Coal Sales Agreements and the Proposed MOU.

50 Furthermore, this report does not constitute advice or a recommendation (inferred or otherwise) as to whether Yancoal Shareholders should vote for, or against the Proposed Coal Sales Agreements and/or the Proposed MOU. This is a matter for individual Yancoal Shareholders based upon their expectations about future economic and market conditions and their particular personal circumstances. If Yancoal Shareholders are in doubt about the Proposed Coal Sales Agreements, the Proposed MOU or matters dealt with in this report, Yancoal Shareholders should seek independent professional advice.

Basis of assessment

51 In preparing our report, we have had regard to the Regulatory Guides issued by ASIC, particularly Regulatory Guide 76 – *Related party transactions* and RG 111, as well as the ASX Listing Rules.

52 The ASX Listing Rules do not define the meaning of or describe the test to be applied in determining whether a related party transaction is "fair" and "reasonable". We note, however, that RG 111 expressly states that the evaluation of a related party transaction (whether for the purposes of Chapter 2E of the Corporations Act or ASX Listing Rule 10.1) should be based upon a separate assessment of "fairness" and "reasonableness". RG 111 further states that the transaction should not be assessed simply by reference to the advantages and disadvantages of the transaction (as ASIC does not consider this to provide shareholders with sufficient valuation information).

53 Pursuant to RG 111, a related party transaction:

(a) is "fair" if the value of the financial benefit (in this case the sale proceeds) to be received by the entity from the related party is equal to or greater than the value of the asset (in this case coal produced by Yancoal) being sold to the related party. Importantly, the value of the asset being sold is to be determined based upon market value principles (i.e. assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length, noting that any special value that may be derived by a particular "bidder" should not be taken into account)

(b) is "reasonable" if it is "fair". A related party transaction may also be "reasonable" despite being "not fair" if the expert believes there are other reasons for non-associated shareholders to vote to approve the proposed arrangements.

54 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposed Coal Sales Agreements and the Proposed MOU are "fair" and "reasonable" to Yancoal Shareholders is to consider:

(a) the value of the sale proceeds to be received by Yancoal from the sale of coal to the related parties pursuant to the Proposed Coal Sales Agreements and the Proposed MOU

(b) the value that would be received by Yancoal if as an alternative the coal products were sold to other customers of Yancoal

(c) the extent to which (a) and (b) differ in order to assess whether the Proposed Coal Sales Agreements and the Proposed MOU are "fair"

(d) the implications for Yancoal if the Proposed Coal Sales Agreements and the Proposed MOU were not in place

(e) the net benefits inherent in the Proposed Coal Sales Agreements and the Proposed MOU

(f) the advantages and disadvantages of the Proposed Coal Sales Agreements and the Proposed MOU from the perspective of Yancoal Shareholders.

Limitations and reliance on information

55 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

56 Our report is also based upon financial and other information provided by Yancoal. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

57 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the proposed new offtake agreements. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

58 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the commercial and financial implications of the transactions, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion.

59 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and

review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

60 In forming our opinion, we have also assumed that the information set out in the Circular is complete, accurate and fairly presented in all material respects.

III Overview of Yancoal operations[10]

Overview of Yancoal

61 Yancoal is a public company, listed on both the ASX and the HKEX. It is a major Australian coal producer with attributable saleable coal production of some 39 Mt for CY25 and 20 Mt for the half year to 30 June 2026, with this coal primarily sold into the global seaborne market. The Company produces a mix of premium thermal, semi-soft coking and PCI coals for export. Its primary export customers are located throughout the Asia-Pacific region with China, Japan, South Korea and Taiwan comprising some 81% of coal sales revenue in FY25. Exports to China made up 24% of the Company's coal sale revenue in FY25 (29% in FY24), noting that by volume China comprised 31% of the coal sales (41% in FY24).

62 Coal is sourced from eight mines across NSW, Queensland (QLD) and Western Australia (WA), which are either owned, operated or managed by the Company. Yancoal also has a 30% shareholding in Port Waratah Coal Services Limited (PWCS), the primary coal export operation in the Hunter Valley region, located at the Port of Newcastle, and a 27% interest in Newcastle Coal Infrastructure Group (NCIG), which owns and operates a major coal export terminal at the Port of Newcastle. In addition, Yancoal has a 33.3% interest in WICET Holdings Pty Ltd, which owns the Wiggins Island coal export terminal in Gladstone, QLD.

History and overview of Yancoal operations

63 Yancoal was formed in 2004 through the acquisition of the Austar underground mine in the Hunter Valley region of NSW. Since then, the Company has expanded its operations through a number of strategic acquisitions, including:

(a) **2009** – Yancoal completed the successful takeover of Felix Resources Limited, which had interests in the Yarrabee Mine in QLD, in addition to the Moolarben and Ashton Mines in NSW. The takeover resulted in Yancoal becoming a key player and employer within the NSW coal industry

(b) **2012** – Yancoal merged with Gloucester Coal Limited, which resulted in Yancoal acquiring all shares in Gloucester in exchange for new securities in Yancoal to be quoted on the ASX. Gloucester Coal Limited had interests in the Middlemount Mine in QLD, in addition to the Stratford, Duralie, and Donaldson[11] Mines in NSW

(c) **2017** – Yancoal acquired 100% of the shares in Coal & Allied Limited, which operated the MTW and HVO Mines in the Hunter Valley region of NSW

(d) **2025** – Yancoal acquired an additional 3.75% interest in the Moolarben joint venture (JV) for consideration of $110.5 million, increasing its economic interest in the Moolarben Mine to 98.75%

(e) **2026** – on 14 April 2026, Yancoal entered an agreement to acquire an 80% interest in the Kestrel Mine in the Bowen Basin, QLD, for consideration of up to US$2.4 billion. The acquisition completed on 1 October 2026.

10 Highlighting the key mining operations that are relevant to this report.

11 The Donaldson Mine was sold to the Bloomfield Group during the December 2025 quarter.

64 Yancoal's current mining operations comprise six mines across NSW and QLD[12] that Yancoal either owns, operates or participates in, as well as two mines in QLD and WA that Yancoal operates on behalf on the mine owner, Yankuang Energy. An overview of Yancoal's mining operations as at 30 June 2026 is provided below:

Yancoal – operations

Mine	Mine type[(1)]	Location	Saleable production[(2)] Mt	Economic interest %	Mine operator
Moolarben	OC / UG	Western Hunter Valley, NSW	19.1	98.75	Yancoal
MTW	OC	Hunter Valley, NSW	11.8	83.6	Yancoal
HVO	OC	Hunter Valley, NSW	14.1	51.0	HVO JV
Yarrabee	OC	Bowen Basin, QLD	2.7	100.0	Yancoal
Middlemount	OC	Bowen Basin, QLD	2.6	49.9997	Middlemount JV
Ashton[(3)]	UG	Hunter Valley, NSW	0.5	100.0	Yancoal
Mines managed by Yancoal[(4)]					
Premier	OC	Collie Coal Basin, WA	2.7	nil	Yancoal
Cameby Downs	OC	Surat Basin, QLD	2.7	nil	Yancoal

Note:
1 OC – open cut mine, UG – underground mine.
2 Based upon total saleable coal produced over the 12 months ended 31 December 2025 (on a 100% basis).
3 On 30 June 2026, Yancoal announced that mining operations at the Ashton Mine will cease in early 2028, with a staged closure commencing immediately.
4 These mines are not owned by Yancoal.

65 Yancoal also operated the Stratford and Duralie Mines in the Gloucester Basin of NSW. Coal extraction at the Duralie Mine ceased in 2021 and decommissioning and closure works then commenced. Coal extraction at the Stratford Mine ceased in 2024 and decommissioning and closure works commenced. Rehabilitation at both the mines is expected to be complete in 2028.

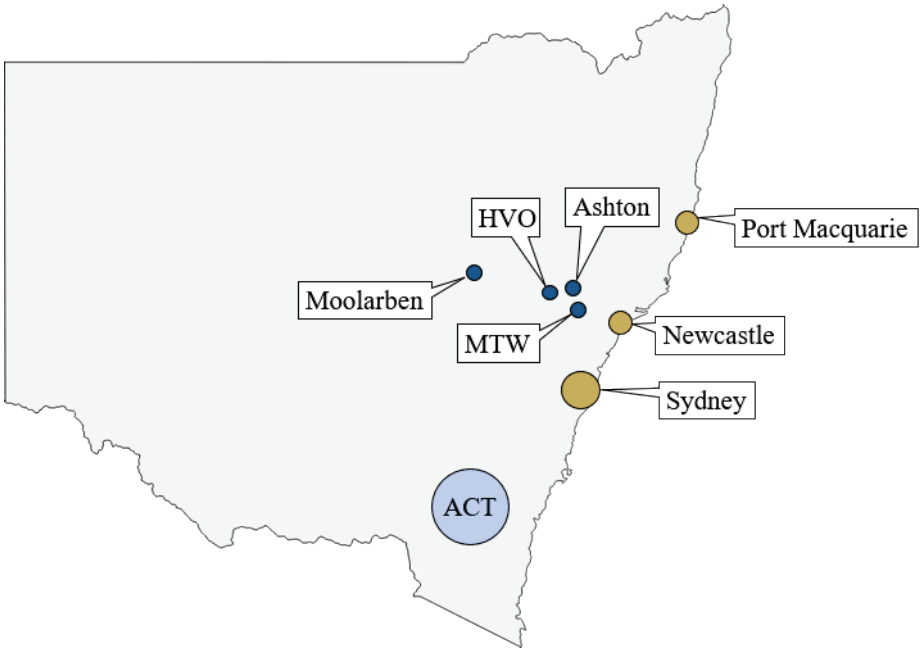
Major coal assets in NSW

66 The higher ash coal products which will be supplied under the Proposed Coal Sales Agreements will principally be sourced from the Moolarben Mine as well as the MTW and HVO Mines, and will be shipped to HII, YLHK and YIT from the Port of Newcastle. These three mines are Yancoal's major coal producing assets. Accordingly, this section outlines these operations below.

67 Yancoal's Moolarben Mine is located in the Western Hunter Valley of NSW, and the MTW and HVO Mines are located in the Hunter Valley of NSW, the location of which is illustrated below:

12 Yancoal also owns additional mines in NSW that are no longer in operation, including the Duralie and Stratford operations, which ceased mining in 2021 and 2024 respectively, and Austar, which has been closed.

Yancoal – major mine locations



Moolarben Mine

68 The Moolarben Mine comprises both open pit (truck and shovel) and underground (longwall) operations that produce export quality thermal coal. The current mining operations comprise four approved open cut mining areas, three approved underground mining areas, and other mining related infrastructure including coal and transport facilities. The mines are operational 24 hours a day, seven days a week.

69 The Moolarben Mine is currently owned by a JV between Yancoal, which holds a 98.75% interest and a Korean power company Komipo Australia Pty Ltd, which holds the remaining 1.25%. It is located approximately 40 kilometres (km) north of Mudgee in the Western Coalfields of NSW. Operations are currently approved until 31 December 2038 and there are a number of proposals to extend its open cut operations. The Moolarben Mine is Yancoal's largest producing mine, with output of 19.1 Mt of saleable coal in CY25 (on a 100% basis).

70 Yancoal is currently investigating options to extend the open cut mining operations to the south and east of its existing open cut mine. The indicative additional mine and supporting infrastructure would be located within Yancoal's exploration licence boundary and would integrate with the existing Moolarben Mine operations (without changing the duration or intensity of current mining areas). This proposal, the Moolarben Coal Complex OC3 Extension Project, would add approximately 30 Mt to the mine's run of mine production without any change to approved annual production rates. The application has been referred to the NSW Independent Planning Commission for determination and, following amendments lodged by Yancoal, remained undetermined as at 30 June 2026.

MTW Mine

71 The MTW Mine is an integrated operation of two open cut mines located adjacent to each other, 15 km south-west of Singleton in the Hunter Valley region of NSW. The majority of coal produced is destined for export markets as either thermal or semi-soft coking coals. The operation produced 11.8 Mt of saleable coal during CY25 (on a 100% basis) and mining operations are approved until 15 February 2037.

72 Both the Warkworth and Mount Thorley Mines have been in operation since 1981. Yancoal manages the MTW Mine on behalf of the JV partners, with ownership of the operations as follows:

(a) **Mount Thorley** – Yancoal (80%) and POSCO Australia Pty Limited (20%)

(b) **Warkworth** – Yancoal (84.5%), Nippon Steel Australia Pty Limited (9.5%) and Mitsubishi Materials (Australia) Pty Limited (6%).

73 In January 2004, the Mount Thorley and Warkworth JVs sought to improve efficiency by entering into an Operational Integration Agreement (OIA) that allowed the operations to be managed together. Under the terms of the OIA, export coal can be produced from either mine and is allocated between the two JVs based on a tonnage commitment ratio that is agreed at the beginning of each year. Costs are also allocated in accordance with this ratio. Each JV is then responsible for marketing and sale of its respective tonnages. The OIA was renewed from 1 February 2024, increasing the Warkworth JV contribution from 65% to 80% and reducing the Mt Thorley JV contribution from 35% to 20%, resulting in Yancoal's effective interest increasing from 82.9% to 83.6%.

74 Both the Mount Thorley and Warkworth Mines are open cut and utilise conventional dragline / truck and shovel methods. Coal is hauled to one of two coal handling preparation plants located at the Mount Thorley and Warkworth Mines. Coal is washed, blended and prepared for sale and loaded for transportation to PWCS and NCIG in Newcastle for export. The mines are operational 24 hours a day, seven days a week.

HVO Mine

75 The HVO Mine is located 24 km north-west of Singleton in the Hunter Valley and 90 km from PWCS. Coal production is a mixture of thermal and semi-soft coking coals and the operation produced 14.1 Mt of saleable coal during CY25 (on a 100% basis).

76 The HVO Mine is jointly owned by Yancoal, which owns 51% of operations, and Glencore Coal Pty Ltd, which owns the remaining 49%. The HVO operations are managed by Yancoal and Glencore via a JV management committee.

77 The HVO Mine is a geographically vast, multi-pit mine operation that utilises conventional dragline / truck and shovel methods. Operations are centred in the Whittingham Coal Measures of the Hunter Coalfield, which is part of a Permian coal basin known as the Sydney Basin. After being washed and prepared for sale, the coal is loaded onto trains for transportation to PWCS and NCIG in Newcastle for export. The mine is operational 24 hours a day, seven days a week.

78 HVO's existing development consent for the North Mine expires in December 2026. The HVO Continuation Project, which sought to extend mining at HVO North to 2045 and at

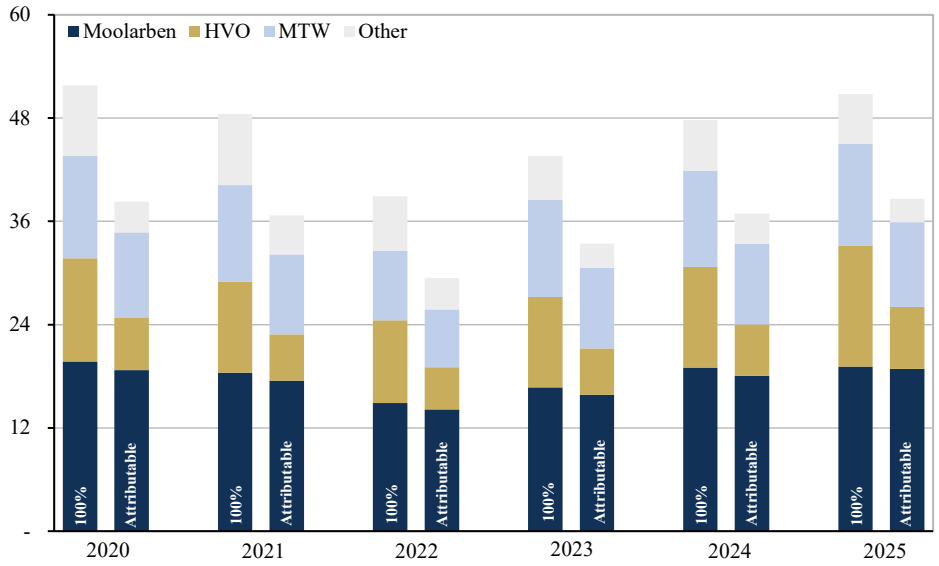
HVO South to 2042 within the existing mining leases was approved by the Independent Planning Commission on 30 September 2026.

Yancoal production

79 Over the three years ended 31 December 2022, Yancoal experienced a number of external challenges that impacted mining operations, including severe flooding, COVID-19, and industry-wide labour shortages. Production recovered progressively from CY23 to CY25, initially through mine recovery plans focused on overburden removal and re-establishing mining inventory, and subsequently through improved equipment productivity and investment in additional water storage capacity:

Yancoal – production profile[(1)]

Mtpa of saleable coal



Note:

1 Attributable production represents Yancoal's economic interest.

Reserves and resources

80 A summary of Yancoal's reserves and resources as at 31 December 2025 is shown below, noting that a significant proportion of Yancoal's reserves and resources are represented by HVO:

Yancoal – resources and reserves (100% basis)

	Proven and probable reserves	Resources		
		Measured and indicated	Inferred	Total
Mine or JV	**Mt**	**Mt**	**Mt**	**Mt**
Moolarben	166	705	150	855
Mt Thorley	19	350	75	425
Warkworth	193	710	165	875
HVO	752	2,030	1,700	3,730
Other assets	167	468	141	609
Total	1,297	4,263	2,231	6,494

Source: Yancoal FY25 Financial Results Presentation; FY25 Annual Report.

Kestrel Mine

81 On 14 April 2026, Yancoal announced that it will acquire 80% of the Kestrel Mine via the acquisition of Kestrel Coal Group Pty Ltd, which holds an 80% participating interest[13] in the unincorporated JV that owns and operates the mine. The Kestrel Mine produces high-quality metallurgical coal (around 6 Mtpa of Saleable coal on a 100% basis) and has 156 Mt of marketable coal reserves and 397 Mt of coal resources, with an estimated mine life of 25 years. The mine is located in the Bowen Basin in QLD, relatively close to Yancoal's other QLD mines.

82 Coal from the Kestrel Mine will be used to supply the metallurgical coal product sales under the Proposed MOU.

Yancoal's port interests

Port Waratah Coal Services

83 Yancoal owns a 30% interest in PWCS. PWCS is located at the Port of Newcastle and operates the world's largest and one of the most efficient coal handling port operations. The facility incorporates the Carrington and Kooragang terminals and has ship loading capacity of 145 Mtpa. All planning and scheduling of coal exports from the Hunter Valley is facilitated by the Hunter Valley Coal Chain Co-ordinator Limited (HVCCC).

84 PWCS handles a wide range of coal types from over 35 mines, using sophisticated blending and quality control techniques. It works closely with coal exporters, rail and port organisations and the HVCCC to improve communication and joint planning within the Hunter Valley Coal Chain. Coal handled by PWCS is exported to more than 20 countries globally and is used in export markets for energy production and steel manufacturing. PWCS employs approximately 330 employees and operates its Carrington and Kooragang terminals on a 24 hour basis, seven days a week

Newcastle Coal Infrastructure Group

85 Yancoal holds 27% of the ordinary shares of NCIG. NCIG owns and operates a coal handling export terminal on Kooragang Island, in the Port of Newcastle, NSW with an operational capacity of approximately 79 Mtpa.

86 NCIG can accommodate ships up to 300 metres long with 165,000 tonne capacity. The terminal receives an average of 20 trains per day and has capacity to store 4.5 Mt of coal. Coal shipped is predominantly high energy thermal coal bound for Japan, China, Taiwan, Singapore and India. In addition to ship loading, NCIG also facilitates the sampling of coal for quality assurance.

Wiggins Island Coal Export Terminal

87 Yancoal holds a 33.3% interest in WICET Holdings Pty Ltd, the entity that owns the Wiggins Island Coal Export Terminal (WICET). The terminal is located at Golding Point within the Port of Gladstone, QLD, immediately to the west of the existing RG Tanna Coal Terminal, and was developed to provide additional export capacity servicing mines in the Surat and southern Bowen Basins. WICET provides 27 Mtpa of export capacity and the site is capable of expansion to approximately 120 Mtpa of long term export capacity if fully developed.

---

13 The remaining 20% interest is owned by Mitsui Resources Pty Ltd.

IV Coal industry overview

Overview

88 As set out in paragraph 12, the majority of the coal to be sold under the Proposed Coal Sales Agreements will be sourced from the Moolarben Mine, near Mudgee in the Upper Hunter Valley in NSW. Smaller quantities may also be sourced from the MTW and HVO Mines. The coal sold under the Proposed Coal Sales Agreements is a high ash thermal coal around 5,000 kcal/kg to 5,500 kcal/kg, which is sold primarily into the Chinese market.

89 The coal products sold under the Proposed MOU will be sourced from the newly acquired Kestrel Mine and/or from third parties. Coal from the Kestrel Mine is high-quality metallurgical coal (predominantly hard coking coal).

90 This section therefore provides an overview of the Australian and Chinese coal industries, including the variables that impact coal pricing, which is of relevance for the Proposed Coal Sales Agreements and the Proposed MOU.

Primary types of coal

Thermal coal

91 Thermal coal is the most common coal type and is typically used in the production of electricity by power stations. The coal is first crushed or pulverised and then burnt in large boilers. These boilers create steam, which drives the turbines that create electricity[14]. Thermal coal is also used as a fuel in the manufacture of cement, bricks and tiles, and other energy intensive industries. As a result, thermal coal is generally traded by reference to its energy content (referred to as calorific value (CV) or net calorific value (NCV)).

92 Thermal coal demand is therefore primarily driven by electricity generation and, to a lesser extent, demand from other energy-intensive industries. Consequently, demand for thermal coal is influenced by economic activity, particularly in Asia, and the overall health of the global economy. Stronger economic growth generally supports higher demand for thermal coal, and vice versa.

93 There are various types of thermal coal, and pricing of products can vary materially based upon a number of factors, including:

(a) **CV** – represents the amount of heat energy that can be released when the coal is burned and is measured in kcal/kg. Higher CV coal produces more energy per unit of weight and can produce lower carbon emissions per unit of energy. CV ranges are generally stated on a net as received (NAR) basis, or gross as received (GAR) basis;

(b) **ash content** – represents the amount of ash that is left behind after the coal is burned. Coal with a higher ash content is typically less valuable due to the negative impacts on power plant efficiency and other factors such as increased waste;

(c) **moisture content** – higher moisture content reduces the effective CV of the coal, as part of the energy released during combustion is used to evaporate the moisture, and may also increase transport and handling costs; and

14 Thermal coal is also sometimes referred to as steaming coal for this reason.

(d) **other factors** – such as the sulphur content and volatile matter content, which can affect combustion efficiency, operating costs and the level of pollutant emissions when the coal is burned.

94 Thermal coal is generally priced by reference to a benchmark (which are categorised based upon benchmark CV values), with further adjustments made to reflect the actual CV, ash content and other factors (as described above) of the saleable product.

Metallurgical (or coking) coal

95 Metallurgical coal (also known as coking coal) is primarily used to produce coke, which is an essential input in the blast furnace production of iron for steelmaking. This reflects its particular characteristics, including its caking properties, relatively high carbon content and generally low moisture and impurity levels, which enable it to produce strong coke suitable for use in the blast furnace steelmaking process.

96 The metallurgical coal market is segregated based on coking properties into hard-coking, semi-hard, semi-soft coking and PCI coal. Hard-coking coal commands the highest price owing to its high levels of coking properties. Semi-hard and semi-soft coking coals are lower in coking properties and thus attract a price discount. They are often blended with hard-coking coal in order to meet blast furnace specifications. Semi-soft coking coal can also be used as thermal coal depending on pricing economics.

97 Metallurgical coal is less abundant than thermal coal and therefore commands a price premium. Among metallurgical coals, premium hard coking coal, and to a lesser extent semi-hard coking coal, are relatively scarce, contributing to their higher prices compared with other metallurgical coal types.

Australian coal industry

98 Australia is the fifth largest coal producer globally and holds the third largest recoverable reserves of coal[15]. However, due to its relatively low domestic needs, Australia is the world's largest and second largest exporter of metallurgical and thermal coal respectively. The coal industry is also one of Australia's largest export sectors, worth A$93.7 billion in FY24 and A$73.9 billion in FY25[16]. Looking to FY26 and FY27, the Department of Industry, Sciences, Energy and Resources (DISER) is forecasting coal export earnings of A$67.6 billion and A$68.5 billion respectively, as shown below:

Australian coal statistics	Actual FY21	Actual FY22	Actual FY23	Actual FY24	Actual FY25	Forecast FY26	Forecast FY27
Australian production							
Metallurgical coal (Mt)	171	163	156	151	147	150	160
Thermal coal (Mt)	192	196	182	205	205	213	209
Total exported (Mt)	363	359	338	356	352	363	369
Total domestic (Mt)	36	43	34	34	54	37	41
Total (Mt)	399	402	372	390	406	400	410

15 Source: https://www.ga.gov.au/ aecr2025/coal.

16 Commodity prices, and energy related commodities in particular, increased significantly following Russia's invasion of Ukraine and have remained relatively high since.

Australian coal statistics	Actual FY21	Actual FY22	Actual FY23	Actual FY24	Actual FY25	Forecast FY26	Forecast FY27
Value of exports[(1)]							
Metallurgical coal (A$bn)	24.2	72.4	61.3	55.5	40.7	38.0	38.6
Thermal coal (A$bn)	16.7	49.5	68.1	38.2	33.1	29.6	29.9
Total (A$bn)	40.9	121.9	129.4	93.7	73.9	67.6	68.5
Implied price per tonne (exports)[(1)]							
Metallurgical coal (A$/t)	141.5	444.2	392.9	367.5	277.0	253.2	241.1
Thermal coal (A$/t)	87.0	252.6	374.2	186.3	161.6	139.0	143.0

Note:
1 Value of exports and implied prices per tonne are expressed in real terms.
Source: DISER: *Resources and Energy Quarterly* reports dated June 2022, June 2023, June 2024, June 2025 and June 2026.

99 Australian production and export volumes over the period have been affected by[17]:

(a) severe weather events – unusually heavy rainfall, driven by consecutive La Niña weather cycles in 2021 and 2022, resulted in large scale disruptions to mine, rail and port operations in NSW and QLD. Weather related events have continued to impact exports from Australia negatively, such as the flooding of the Hunter Valley River System in May 2025 and Cyclone Koji in January 2026

(b) COVID-19 – the outbreak of COVID-19 and associated containment measures introduced by governments around the world had a severe impact on industrial production and steelmaking across most countries. In response to weaker demand, a number of Australian coal miners introduced temporary mine closures or restrictions on production, which contributed to coal production decreasing in FY21 (as compared to FY19 and FY20)

(c) labour shortages – industry-wide labour shortages disrupted operations for coal miners in FY23 and continued to affect operations during FY24, with both maintenance and mining activities being impacted by a shortage of skilled and semi-skilled labour

(d) lower Chinese steel output – Chinese imports of metallurgical coal have reduced alongside lower steel output, which declined by 4.6% in 2025, pushing Chinese steel output below 1 billion tonnes for the first time in five years. The decline in steel production has been driven by the prolonged downturn in China's property sector, which has weakened demand for construction steel

(e) electronic arc furnace usage – increasing usage of these furnaces, which use electricity rather than coal to melt scrap steel, is expected to further limit Chinese metallurgical coal demand; and

(f) Middle East conflict – during 2026, thermal coal prices have been supported by disruptions to liquefied natural gas (LNG) supply through the Strait of Hormuz. The resulting increase in global LNG prices has supported thermal coal prices, reflecting the ability of coal and natural gas to substitute for one another in electricity generation where fuel switching is possible.

17 Source: DISER: *Resources and Energy Quarterly* reports dated June 2022, June 2023, June 2024, June 2025 and June 2026.

100 In addition to production disruptions, export volumes were impacted by informal import restrictions on Australian coal introduced by China. The restrictions took effect in the second half of 2020 and resulted in a 15% decline in thermal coal exports in the September 2020 quarter[18] relative to the prior corresponding period[19]. Restrictions were eased in January 2023 and coal trade between Australia and China has since recovered, albeit not to levels prior to the coal restrictions. With effect from 1 January 2024, China reinstated a 3% import tariff on metallurgical coal. However, Australian coal is exempt from this import tariff under the China-Australia Free Trade Agreement.

Chinese coal industry

101 China is the world's largest coal producer, producing approximately 4.7 billion tonnes of coal in 2025, representing more than half of global coal production[20]. China is therefore (by far) the world's largest producer and consumer of coal. China is reliant on coal due to the country's energy infrastructure, with coal representing the primary source for power generation, industrial production, and residential heating. However, growth in renewable energy has seen electricity generation from coal fall from approximately two thirds of China's power supply in 2023 to 51.4% in 2025[21]. The Chinese Government regularly intervenes in China's power and steel markets, setting production quotas, imposing safety and environmental regulations, and implementing measures to curb excess capacity and promote industry consolidation.

102 Notwithstanding being a major coal producer, China imports coal to supplement its domestic supply and meet specific quality requirements. China is the world's largest importer of coal (as shown in the table below), with both thermal and metallurgical coal imports playing a significant role in China's energy and steelmaking industries. Imports allow China to access higher-quality coal for specific industrial processes, fulfil demand during peak periods, diversify its sources of supply, and in certain instances, imported coal is more commercially competitive.

Coal trade statistics – largest three coal importers

	Actual 2024	Estimate 2025	Forecast 2026	Forecast 2027
Total coal imports (Mt)				
China	543	483	456	446
India	253	259	261	262
Japan	162	156	152	145
Total	958	898	869	853

18 Source: DISER: *Resources and Energy Quarterly* report dated March 2021.

19 Whilst restrictions were announced by China's National Development Reform and Commission in December 2020, media reports indicate that Chinese state-owned steelmakers and power plants were advised to stop importing Australian coal a number of months earlier. Source: https://www.afr.com/world/asia/china-orders-some-steelmakers-to-stop-buying-australian-coal-traders-20201013-p564hs.

20 International Energy Agency: *Coal 2025 Analysis and forecast to 2030*.

21 Source: https://www.reuters.com/article/china-coal-idUSL4N38S113; https://www.reuters.com/business/energy/chinas-coal-power-rise-again-2026-reversing-first-in-a-decade-decline-2026-06-24/

Coal trade statistics – largest three coal importers	Actual 2024	Estimate 2025	Forecast 2026	Forecast 2027
Metallurgical coal imports (Mt)				
China	122	118	111	105
India	75	85	88	91
Japan	38	36	35	34
Total	235	239	234	230
Thermal coal imports (Mt)				
China	421	365	345	341
India	178	174	173	171
Japan	124	120	117	111
Total	723	659	635	623

Source: DISER: *Resources and Energy Quarterly* report dated June 2026.

103 China imported approximately 483 Mt of coal in 2025, some 10% below the 543 Mt imported in 2024. The reduction reflects increasing domestic Chinese production, declines in Chinese coal fired power generation, and the continued rapid expansion of renewable energy generation capacity.

Coal pricing

104 As discussed above, demand for thermal coal is primarily influenced by electricity generation, while demand for metallurgical coal is driven by steel production. Whilst electricity generation is generally more stable than steel production, both remain influenced by broader economic conditions. Supply is dependent on mine production and adequate coal infrastructure (including rail and port capacity) and may be constrained by infrastructure bottlenecks and insufficient investment in new mining and logistics capacity.

Thermal coal supply and demand[22]

105 According to Wood Mackenzie, forecasts for global coal-fired power generation capacity have been revised upwards in recent years, reflecting stronger-than-expected electricity demand, delays in the retirement of existing coal-fired power stations, the continued construction of new coal-fired generating capacity in some jurisdictions, and challenges associated with integrating intermittent renewable energy into electricity grids. These revisions have resulted in forecasts for peak coal-fired generation capacity being progressively deferred, with more recent outlooks indicating peak capacity may not be reached until around 2029. The outlook also reflects the ongoing difficulty of substituting coal in certain industrial applications.

106 Recent market forecasts indicate that growth in global seaborne thermal coal supply is expected to remain constrained over the medium term. This reflects reserve depletion at existing operations, a lack of investment in new mine development and increasing financing constraints for new thermal coal projects. Indonesian exports are expected to decline over time, while Australia's relative share of the seaborne market is forecast to increase, supported by the quality and reliability of its thermal coal exports. Accordingly, supply constraints are expected to remain an important feature of the seaborne thermal coal market.

22 Source: Yancoal Financial 2025 Results presentation, dated 25 February 2026.

Metallurgical coal supply and demand[22]

107 According to Wood Mackenzie, global seaborne metallurgical coal demand is expected to increase modestly over the medium term, supported by growing steel production in emerging economies. Whilst imports by mature steel-producing markets such as Japan, South Korea, Taiwan and Europe are forecast to gradually decline, this is expected to be more than offset by increasing demand from India and South East Asia, where ongoing industrialisation, urbanisation and infrastructure investment continue to support steel consumption. Overall, market forecasts remain broadly consistent with previous expectations, reflecting resilient long term demand for seaborne metallurgical coal.

108 Recent market forecasts indicate that global seaborne metallurgical coal supply is expected to increase over the medium term in response to growing demand from emerging economies. Australia is expected to maintain its position as the largest exporter of seaborne metallurgical coal, with its relative market share forecast to increase through to 2030. This reflects Australia's extensive high-quality metallurgical coal resources, well-established export infrastructure and the continued importance of reliable supply to global steel producers.

Other influences on coal prices

109 In addition to supply and demand, coal prices are typically based on the quality of the coal, which may result in the price received being a premium or discount to benchmark prices. There are a number of other factors that also impact coal prices, such as:

(a) the availability and price of alternative fuels and energy sources (for thermal coal, as there is no practical substitute for metallurgical coal);

(b) adverse weather and natural disasters;

(c) the proximity, capacity and cost of transportation infrastructure;

(d) foreign exchange movements, particularly fluctuations in the Australian dollar against the United States of America (US) dollar, as internationally traded coal is generally priced in US dollars;

(e) geopolitical events and trade policies, including sanctions, tariffs, export restrictions and changes to import policies, which may disrupt global trade flows; and

(f) government policies, regulations and taxes, including those establishing air emission standards for coal fired power plants.

110 The thermal coal that will be supplied under the Proposed Coal Sales Agreements is relatively high in ash and has a CV of between 5,100 kcal/kg and 5,500 kcal/kg, with the pricing of this coal determined by reference to the API5 Index price. The API5 Index is a US dollar-based index that represents sales and offers from Newcastle for 5,500kcal/kg NAR coal on a free on board (FOB) basis. This index is generally the benchmark pricing of thermal coal of this quality from Newcastle into China.

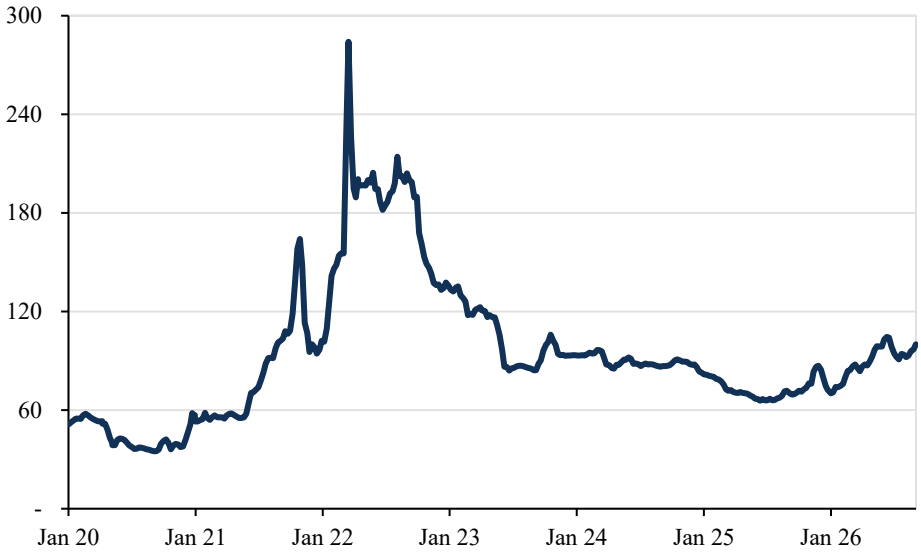
111 Coal contracts typically have price adjustments for energy content and other coal characteristics. Typically, thermal coal produced in the Hunter Valley tends to have higher CV values and is priced against indices such as the globalCOAL NEWC Index (GC NEWC Index). In contrast, coal produced west of the Hunter Valley tends[23] to have quality

23 Such as the Moolarben Mine.

characteristics more closely aligned with the API5 Index (or otherwise pricing tends to range between these two indices). API5 Index coal is generally characterised by a higher ash content (at least relative to Hunter Valley coal), with China representing the principal export market for this grade of coal[24]. However, there are multiple coal seams mined in each region, and coal quality can vary between mines and over time depending on the specific seam and mining area being extracted.

112 The below chart sets out the API5 Index prices over the period from 1 January 2020 to 4 September 2026:

API5 Index coal prices
US$/tonne



Source: Yancoal.

113 Coal prices have been particularly volatile over the period shown above. This volatility has been driven by a range of factors, including the onset of COVID-19, the subsequent global economic recovery, and geopolitical events, each of which has materially affected the supply and demand balance in global coal markets, as detailed further below:

(a) from 2020, coal prices declined as the COVID-19 pandemic reduced industrial activity and electricity demand globally, leading to lower seaborne thermal coal demand;

(b) in 2021, coal prices rose sharply as economic activity rebounded after COVID-19. Coal demand recovered faster than supply, while low inventories, supply chain disruptions and strong LNG prices increased coal-fired power generation;

(c) in February 2022, Russia's invasion of Ukraine resulted in a significant increase in coal prices amid concerns over Russian coal exports, European energy security and the need to replace Russian natural gas with alternative fuels, including thermal coal;

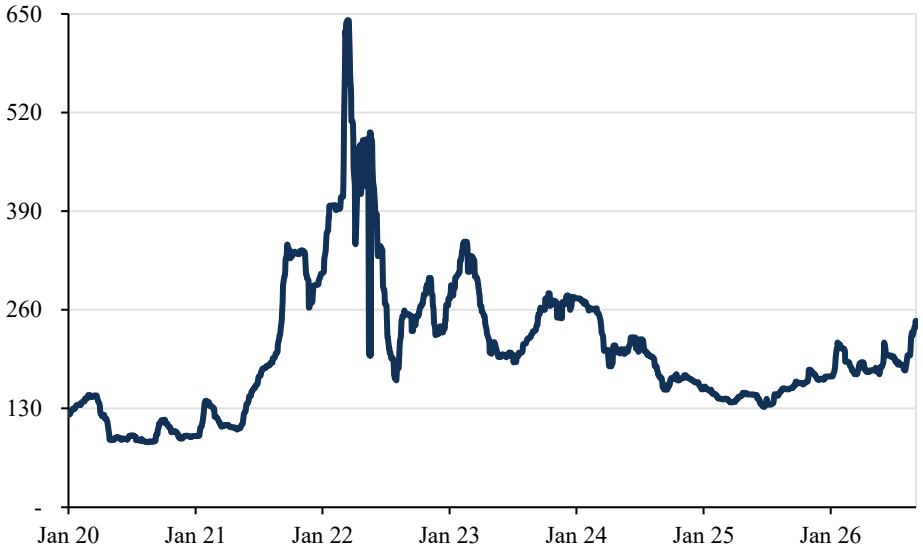
(d) from late 2022 and into 2023, coal prices declined as coal production increased, supply chains improved, Europe rebuilt energy inventories, LNG availability recovered and concerns over immediate energy shortages eased; and

24 Other key coal importing markets, such as Japan, Korea and Taiwan tend to import higher energy, lower ash coals.

(e) in 2026 coal prices increased due to the disruption to Middle East energy supply following the closure of the Strait of Hormuz in February 2026 and damage to Qatari LNG infrastructure. This removed a material volume of LNG (with Asian LNG spot prices increasing by more than 75%) and has supported increased coal demand for electricity generation as utilities switched from gas to coal.

114 The metallurgical coal which may be supplied under the Proposed MOU (based on spot metallurgical coal supply opportunities) is generally priced by reference to Platts Low Vol Hard Coking Coal Index (PLV HCC Index). The PLV HCC Index is a global benchmark for high-quality metallurgical coal that represents sales of cargos exported FOB from the east coast of Australia. A summary of PLV HCC Index coal prices from 1 January 2020 to 4 September 2026 is set out below:

PLV HCC Index coal prices
US$/tonne



Source: Yancoal.

115 Similar to thermal coal, hard coking coal prices were significantly influenced by the COVID-19 pandemic, the subsequent global economic recovery, and Russia's invasion of Ukraine. However, the hard coking coal market generally experienced greater price volatility, reflecting its relatively smaller and less liquid seaborne market and greater sensitivity to supply disruptions.

116 Unlike the Russia-Ukraine conflict, the current Middle East conflict has had only a modest impact on coal prices. This largely reflects the fact that the conflict has not materially disrupted global coal supply or trade flows. Instead, its principal effect has been indirect, with higher oil and LNG prices increasing the competitiveness of coal for electricity generation and providing some support to thermal coal prices. The impact on hard coking coal has been more limited, as demand is primarily driven by global steel production rather than energy markets.

V Valuation methodology

Valuation approaches

117 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, schemes of arrangement, takeovers, share buy-backs, selective capital reductions and prospectuses. These include:

(a) the discounted cash flow (DCF) methodology

(b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets

(c) the amount that would be available for distribution to shareholders in an orderly realisation of assets

(d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis

(e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

118 Each of these methodologies is appropriate in certain circumstances.

Selected valuation methodology

119 LEA has assessed the value of the Proposed Coal Sales Agreements and the Proposed MOU using the concept of market value. For the purposes of our assessment, we have adopted the following definition:

"Market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length within a reasonable timeframe."

120 With respect to the fairness of the Proposed Coal Sales Agreements and the Proposed MOU, RG 111 requires the independent expert to compare the value of the financial benefit being provided by Yancoal to each of HII, YLHK, YIT and SETI with the value of the consideration being provided to Yancoal by each of HII, YLHK, YIT and SETI.

121 The value of the consideration provided to Yancoal by each of HII, YLHK and YIT relates to the value of Yancoal's 5,100 kcal/kg to 5,500 kcal/kg thermal coal products to be sold under the Proposed Coal Sales Agreements as determined by the price and quantities under the agreements.

122 LEA notes that the pricing under the Proposed Coal Sales Agreements with HII, YLHK and YIT references a commonly used price index. However, the Proposed MOU does not provide for a specific contracted price, instead referring to the price being negotiated at arm's length and agreed between the parties in accordance with the conditions of the coal market (at the time of the sale).

123 Accordingly, when assessing the fairness of the Proposed Coal Sales Agreements and the Proposed MOU, we have considered the pricing terms of the Proposed Coal Sales Agreements and the Proposed MOU and whether these terms will result in market based arm's length prices being achieved.

VI Evaluation of the Proposed Coal Sales Agreements and the Proposed MOU

The Proposed Coal Sales Agreements and Proposed MOU

124 A summary of the key terms of the Proposed Coal Sales Agreements and the Proposed MOU is set out below.

Proposed Coal Sales Agreements

125 The key terms of the Proposed Coal Sales Agreements with HII, YLHK and YIT pursuant to the 2027 Framework Agreements are largely consistent[25], noting that, in addition to the key terms set out below, these all incorporate Yancoal's standard terms and conditions. A summary of the key terms is as follows:

(a) **annual tonnage** – 2 Mtpa, being 500,000 metric tonnes per quarter

(b) **term** – three years from 1 January 2027

(c) **product / coal quality** – Australian thermal coal with the following products / CV:

(i) Product A – 5500 NAR

(ii) Product B – 5250 NAR

(iii) Product C – 5100 NAR.

The buyer may request a switch of quantity between Product A (the default product) and Product B and Product C across the period of the contract term with appropriate notification and agreement by Yancoal.

If the actual CV of a shipment is different to the base product (but above the rejection limit for the product), the price for the shipment will be adjusted as follows:

$$Contract\ price\ x\ \frac{Actual\ NCV}{Base\ CV}$$

(d) **price** – the average market index (i.e. the API5 Index) for all published days in the calendar month in which the laycan[26] for the shipment commences, adjusted by the Annual Relativity applicable for the relevant delivery period and the relevant product. The Annual Relativity adjustment for each Product (A, B or C) is an independently audited value derived from comparable arm's length contracts from non-related Chinese end user buyers with contracted sales volume of 500,000 tonnes (or above) for the same delivery period. The calculation is based on the weighted average of the adjustment to the API5 Index

25 Noting there is a minor difference between contracts on one of the quality factors.

26 Laycan is a shipping and commodities contract term that stands for "Laydays / Cancelling" (or "Laydays and Cancelling Date"). It defines the date the ship can arrive in port for loading and the last date the ship must arrive and be ready (otherwise the contract can be cancelled).

(e) **delivery basis** – FOB

(f) **payment term** – irrevocable letter of credit payable at sight for HII and YLHK and telegraphic transfer for YIT.

Proposed MOU

126 The term sheet that underpins the Proposed MOU (to be entered into between Yancoal and SETI pursuant to the 2027 Framework Agreements) contains the following key terms:

(a) Yancoal will sell and deliver to the buyer coal sourced from Yancoal's current mines, the Kestrel Mine, or coal sourced from third parties, which on an annual basis will accumulate to up to 2 Mtpa (pro rata to time allowed under the Annual Caps)

(b) the price of the coal will be negotiated at arm's length and agreed between the parties in accordance with the conditions of the coal market at the time of negotiating the sale

(c) the contract for each delivery will incorporate Yancoal's standard terms and conditions or be in line with third party coal purchase contracts prevailing at the time of the sale.

Trading terms and competition

127 As HII, YLHK and YIT all conduct international trading operations, these companies are prepared to accept Yancoal's standard terms and conditions. Other traders in China (and in Asia) will not always willing to accept Yancoal's Standard Coal Sales Contract as the contract basis.

128 Further, HII, YLHK and YIT have agreed that they will not seek to market the coal purchased under the Proposed Coal Sales Agreements to Yancoal's direct customers in China. HII, YLHK and YIT will sell the purchased coal to Chinese customers who are reluctant to accept international business terms, who are currently precluded from buying from Yancoal (such as those who are too small to purchase a full shipment, or have limited shipping capability) and/or prefer to make purchases under typical domestic terms (e.g. payments in local currency, extended credit terms, delivery inclusive pricing).

Fairness

129 In our evaluation of the Proposed Coal Sales Agreements and Proposed MOU we have initially considered the fairness of the proposed arrangements. Pursuant to RG 111, a related party transaction per Chapter 2E of the Corporations Act and ASX Listing Rule 10 is "fair" if the value of the financial benefit (in this case the sale proceeds) to be received by the entity from the related party is equal to or greater than the value of the asset:

(a) in the case of the Proposed Coal Sales Agreements – 5,500 kcal/kg, 5,250 kcal/kg and 5,100 kcal/kg coal produced by Yancoal being sold to the related parties

(b) in the case of the Proposed MOU – the spot price of the relevant coal product that is the subject of an individual purchase transaction under the Proposed MOU.

130 In the circumstances of Yancoal, in forming our view on the value of the coal being sold to HII, YLHK and YIT under the Proposed Coal Sales Agreements, and to SETI under the Proposed MOU, we have had particular regard to the value that could be realised if (in the alternative) Yancoal sold the products to other customers, either pursuant to offtake agreements or on the spot market.

Proposed Coal Sales Agreements

131 As noted above, the price to be received by Yancoal for the sale of 5,500 kcal/kg, 5,250 kcal/kg and 5,100 kcal/kg coal under the Proposed Coal Sales Agreements is to be based on the API5 Index for all published days in the calendar month in which the laycan for the shipment commences adjusted for the Annual Relativity applicable for the relevant product in the relevant delivery period.

132 The Argus / McCloskey's Coal Price Index Report published each Friday includes the API5 Index and is calculated as an average of the Argus and McCloskey price assessments for free on board Newcastle 5,500 kcal/kg NAR coal. The API5 Index price assessment is the key price reference used for thermal coal supply agreements in the Australian and Chinese markets. The API5 Index is used in physical and over-the-counter contracts. The API5 Index price is a highly liquid and robust benchmark price for coal sales[27]. Yancoal has used the API5 Index extensively in previous term sales and as a basis for spot sales into China for more than 10 years.

133 Thus, the reference to the API5 Index seeks to reflect a current market price for 5,500 kcal/kg coal (at the time of the shipment). Prima facie, we would therefore expect the API5 Index to provide a credible reference point for the pricing of 5,500 kcal/kg coal. The Annual Relativity adjustment will reflect the weighted average pricing adjustments to the API5 Index price for term contracts negotiated with arm's length parties in China and will likely reflect a positive adjustment applied to the index price as a result of the premium pricing Yancoal has been able to achieve on third party term contracts (where security of supply has been important to the customer and the quality and consistency of the Yancoal product).

134 The price of the lower calorific coal (i.e. the 5,250 kcal/kg and 5,100 kcal/kg coal) is less than the API5 Index due to the lower CV of the coal (meaning that end buyers of this product require higher volumes to generate equivalent energy) and the higher ash content (which impacts power plant efficiency and increases waste for the end buyer). However, this arrangement is consistent with market practice, with lower-CV thermal coal typically priced at a discount to the API5 Index to reflect differences in energy content.

135 The Annual Relativity adjustment is a different pricing mechanism than that adopted for the term contracts under the 2023 Framework Agreements. These contracts adopted a fixed premium to the index pricing for the three-year contract term which, with the benefit of hindsight and volatility in coal prices, resulted in the fixed premium being below the premiums achieved by Yancoal from non-related Chinese customers in FY25 and FY26. The adoption of a more contemporaneous market based pricing adjustment based on third party contracts enables the annual pricing terms of the Proposed Coal Sales Agreements to reflect the current market outlook. Under the proposed Annual Relativity adjustment, the contract price will reflect the weighted average of the premiums negotiated with third party Chinese customers for each product.

136 The Annual Relativity adjustment for each Product (A, B and C) will be verified by Yancoal's external auditor. This verification process will take place after 15 December in the year preceding the annual contract (15 December being the final date for agreement of Comparable

27 Source: https://www.argusmedia.com/en/methodology/key-prices/api-5-coal.

Annual Contracts[28]) and the auditor will be requested to attest that the weighted average relativity adjustment has been calculated in accordance with the terms of the Proposed Coal Sales Agreements.

137 Accordingly, the sale of coal by reference to the API5 Index with an Annual Relativity adjustment as contained in the Proposed Coal Sales Agreements between Yancoal and each of HII, YLHK and YIT should be unlikely to give rise to any significant difference in sales proceeds received from related parties as compared to third parties over the same delivery term.

Proposed MOU

138 In the case of the pricing for the Proposed MOU, reference to spot prices (from which the API5 Index or other relevant indices are derived) and other bids / offers available contemporaneously in the market by canvassing existing customers and other potential buyers to determine the best overall commercial outcome[29] is, in our opinion, indicative of market based arm's length pricing.

Opinion

139 Having regard to the market based arm's length pricing and contract terms consistent with contracts entered into with third parties, in our opinion, **the Proposed Coal Sales Agreements and the Proposed MOU are "fair" to Yancoal Shareholders** whose votes in favour of the transaction are not to be disregarded under Listing Rule 14.11 based on the guidelines set out in RG 111.

Reasonableness

140 Pursuant to RG 111, the Proposed Coal Sales Agreements are "reasonable" if they are "fair". Consequently, in our opinion, **the Proposed Coal Sales Agreements and Proposed MOU are also "reasonable" to Yancoal Shareholders** whose votes in favour of the transaction are not to be disregarded under Listing Rule 14.11.

Summary of advantages and disadvantages

141 Whilst we have assessed the Proposed Coal Sales Agreements and Proposed MOU as "fair" and "reasonable" (under RG 111), we have also considered the relative advantages, disadvantages and the factors inherent in the proposed arrangements. Our observations in this regard are summarised below.

Advantages

142 As the contracted Proposed Coal Sales Agreements with HII, YLHK and YIT contain contracted quantities, we have considered how these quantities would impact sales of Yancoal product. Yancoal has capacity to produce 19 Mtpa of coal from Moolarben Mine in the range of 4,700 kcal/kg to 5,750 kcal/kg (with an average of 5,450 kcal/kg). The Company's MTW and HVO Mines produce approximately 1 to 2 Mtpa of 5,400 kcal/kg to 5,600 kcal/kg coal. We understand that Yancoal targets 70% to 80% of sales as being under contract and, since the resumption of trading with China, have secured several long term contracts with third

---

28 Contracts concluded with unrelated / unconnected customers in China for a period equal to or greater than 12 months for the same quality of coal; being delivered in the same delivery period; and with a volume greater than 0.5 Mtpa.

29 We note that a sale to a SETI will only proceed where the Yancoal marketing team determines that the proposed transaction is commercially equivalent to, or more favourable than, the next best reliably available alternative.

party Chinese customers. The Proposed Coal Sales Agreements provide contractual certainty over 6 Mtpa (circa 40% of production) of 5,100 kcal/kg to 5,500 kcal/kg grade coal produced by the Moolarben and other Hunter Valley mines and enable the Company to manage planned production, rail and shipping schedules.

143 The Proposed Coal Sales Agreements with HII, YLHK and YIT enable the Company to:

(a) sell a relatively large proportion of its coal to companies which have historically exhibited low counterparty risk

(b) remove additional administration that would otherwise be required with managing a large number of spot purchases; and

(c) provide greater flexibility as regards selling its remaining coal of a similar quality.

144 The Proposed MOU provides Yancoal with an opportunity to increase its trading operations on terms that are commercially equivalent to, or more favourable than, the next best reasonably available alternative.

145 Now that China has lifted its ban on the importation of Australian coal, the Proposed Coal Sales Agreements and the targeted annual tonnage of 2 Mtpa under the Proposed MOU enable Yancoal to increase its market share of Australia's exports into China, the largest coal market in the world (by a significant margin) and a valuable market for Yancoal product.

Disadvantages

146 As the pricing is based on market indices (API5 Index), third party contract pricing arrangements (via the Annual Relativity adjustment for the Proposed Coal Sales Agreements), the conditions of the coal market at the time of any transactions under the Proposed MOU and the contract terms are consistent with Yancoal's standard terms and conditions, there are no apparent disadvantages.

Other factors

147 If the Proposed Coal Sales Agreements are not approved, Yancoal would lose secured supply contracts for 6 Mtpa of production over the next three years. An increase in uncontacted tonnes may result in excess stock quantities, disruption to production and shipping operations and the Company becoming an anxious seller. Under this scenario Yancoal would need to seek other customers in China or other markets and may not be able to ship product in the large quantities covered by the Proposed Coal Sales Agreements. Nor would there be any constraints on the Chinese third party purchasers on-selling the coal in competition to Yancoal's other sales.

148 If the Proposed MOU is not approved, Yancoal loses the opportunity to increase its trading operations by up to 2 Mtpa. The Proposed MOU also provides Yancoal with a potential market for the metallurgical coal produced by the Kestrel Mine.

149 The Independent Directors unanimously recommend that Yancoal shareholders vote in favour of the Proposed Coal Sales Agreements and Proposed MOU.

Appendix A

A Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532, which authorises it to provide a broad range of financial services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

Financial Services Guide

3 LEA has been engaged by Yancoal to provide general financial product advice in the form of an IER in relation to the Proposed Coal Sales Agreements and the Proposed MOU. The *Corporations Act 2001* (Cth) (Corporations Act) requires that LEA include this Financial Services Guide (FSG) with our IER.

4 This FSG is designed to assist retail clients in their use of the general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

General financial product advice

5 The IER contains general financial product advice only and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

6 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $85,000 plus GST.

7 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

8 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of

performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

9 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

10 If you have a complaint, please raise it with us first. LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000

11 We will endeavour to satisfactorily resolve your complaint in a timely manner. Please note that LEA is only responsible for the preparation of this IER. Complaints or questions about the Circular should not be directed to LEA as it is not responsible for the preparation of this document.

12 If we are not able to resolve your complaint to your satisfaction within 30 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Compensation arrangements

13 LEA has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of the Corporations Act.

Appendix B

B Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Ms Julie Planinic and Mr Jorge Resende, who are each authorised representatives of LEA. Ms Planinic and Mr Resende have over 28 years and 24 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Independent Directors of Yancoal to accompany the Circular to be sent to Yancoal Shareholders. It is not intended that this report serve any purpose other than as an expression of our opinion as to whether or not the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to Yancoal Shareholders.

4 LEA expressly disclaims any liability to any Yancoal Shareholder who relies or purports to rely on our report for any other purpose and to any other party who relies or purports to rely on our report for any purpose whatsoever.

Interests

5 At the date of this report, neither LEA, Ms Planinic nor Mr Resende have any interest in the outcome of the Proposed Coal Sales Agreements or the Proposed MOU. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

6 LEA has not had within the previous two years, any business or professional relationship with Yancoal[30] (or any of the related parties) or any financial or other interest that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Coal Sales Agreements and the Proposed MOU.

7 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

8 LEA had no part in the formulation of the Proposed Coal Sales Agreements or the Proposed MOU. Its only role has been the preparation of this report.

30 For completeness of disclosure, LEA has previously prepared an IER for Yancoal with respect to the 2023 Framework Agreements.

Appendix B

Indemnification

9 As a condition of LEA's agreement to prepare this report, Yancoal agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Yancoal which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

10 LEA consents to the inclusion of this report in the form and context in which it is included in the Circular.

Appendix C

C Glossary

Term	Meaning
2023 Framework Agreements	Framework Agreements between Yancoal and each of Yankuang Energy and YIT for the sale of coal for the period 1 November 2023 to 31 October 2026
2027 Framework Agreements	Framework Agreements between Yancoal and each of Yankuang Energy and YIT for the sale of coal for the period 1 January 2027 to 31 December 2029
AFCA	Australian Financial Complaints Authority
Annual Caps	The maximum annual transaction amount to be received by Yancoal from Yankuang Energy and/or its subsidiaries (excluding Yancoal) for the term of the 2027 Framework Agreements
Annual Relativity	The weighted average adjustment applicable to the API5 Index price applied to contracts with non-related Chinese customers for large volume orders of the same products in the same delivery period
API5 Index	Argus / McCloskey's All-Published Index 5
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Circular	Circular sent to Yancoal shareholders, which includes the Notice of Meeting
Comparable Annual Contracts	Contracts concluded with unrelated / unconnected customers in China for a period equal to or greater than 12 months for the same quality of coal; being delivered in the same delivery period; and with a volume greater than 0.5 Mtpa.
Corporations Act	*Corporations Act 2001* (Cth)
Current Framework Agreements	Framework Agreements dated 14 September 2023 between Yancoal and each of Yankuang Energy and YIT for the sale of coal for the period 1 November 2026 to 31 December 2026
CV	Calorific value
CY	Calendar year
DCF	Discounted cash flow
DISER	Department of Industry, Sciences, Energy and Resources
FOB	Free on board
FSG	Financial Services Guide
FY	Financial year
GAR	Gross as received
GC NEWC Index	globalCOAL NEWC Index
HII	Shandong Energy (Hainan) Intelligent International Technology Co., Ltd
HKEX	The Stock Exchange of Hong Kong Limited
HVCCC	Hunter Valley Coal Chain Co-ordinator Limited
HVO	Hunter Valley Operations mine
IER	Independent expert's report
Independent Directors	The Directors of Yancoal that are not associated with Yankuang Energy
JV	Joint venture
kcal/kg	Kilocalories per kilogram
kg	Kilogram
km	Kilometre
Laycan	Laydays / Cancelling – the date the ship can arrive in port for loading and the last date the ship must arrive and be ready
LEA	Lonergan Edwards & Associates Limited

Appendix C

Term	Meaning
LNG	Liquefied natural gas
Mt	Million tonnes
Mtpa	Million tonnes per annum
MTW	Mount Thorley Warkworth mine
NAR	Net as received
NCIG	Newcastle Coal Infrastructure Group
NCV	Net calorific value
NSW	New South Wales
OIA	Operational Integration Agreement
PCI	Pulverised coal injection
PLV HCC Index	Platts Low Vol Hard Coking Coal Index
Product A	5,500 kcal/kg
Product B	5,250 kcal/kg
Product C	5,100 kcal/kg
Proposed Coal Sales Agreements	Three coal sale agreements proposed to be entered into between Yancoal and each of HII, YLHK and YIT
Proposed MOU	The proposed memorandum of understanding between Yancoal and SETI
PWCS	Port Waratah Coal Services Limited
QLD	Queensland
RG 111	Regulatory Guideline 111 – *Content of expert reports*
SETI	Shandong Energy Group Theme International Trading Co., Ltd
Shandong Energy Group	Shandong Energy Group Co. Ltd
US	United States of America
WA	Western Australia
WICET	Wiggins Island Coal Export Terminal
Yancoal / the Company	Yancoal Australia Ltd
Yancoal Shareholders	Yancoal shareholders not associated with Yankuang Energy
Yankuang Energy	Yankuang Energy Group Co., Ltd
YIT	Yancoal International Trading Co., Ltd
YLHK	Yankuang Lucky (HK) Limited