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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Yancoal Australia Ltd, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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YANCOAL
兖煤澳大利亚有限公司

# Yancoal Australia Ltd

**ACN 111 859 119**

**兖煤澳大利亞有限公司***

*(Incorporated in Victoria, Australia with limited liability)*

**(Hong Kong stock code: 3668)**

**(Australian stock code: YAL)**

# (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS IN RELATION TO THE COAL SALES TRANSACTIONS (2) FINANCIAL ASSISTANCE IN CONNECTION WITH THE ACQUISITION OF KESTREL COAL GROUP PTY LTD (3) ELECTION OF DIRECTOR AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and Independent Shareholders**

Ignite Capital

**Independent Expert to the Independent Board Committee and Independent Shareholders**

LONERGAN EDWARDS & ASSOCIATES LIMITED

A letter from the Board is set out on pages 6 to 22 of this circular and a letter from the Independent Board Committee of the Company, containing its recommendation to the Independent Shareholders, is set out on pages 23 to 24 of this circular. A letter from Ignite Capital (Asia Pacific) Limited containing its advice to the Independent Board Committee and Independent Shareholders is set out on pages 37 to 59 of this circular. The Company's Independent Board Committee appointed Lonergan Edwards & Associates Limited to prepare an Independent Expert's Report providing an opinion as to whether the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to the Independent Shareholders of the Company in accordance with ASX Listing Rule 10.5.10. A letter from the Independent Expert containing its advice to the Independent Board Committee is set out on pages 60 to 100 of this circular. The Independent Expert has concluded that the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to the Independent Shareholders of the Company.

A notice convening an extraordinary general meeting of the Company to be held at GPT Space&Co Darling Park, Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia on Thursday, 10 December 2026 at 11.00 a.m. (AEDT) (being 8.00 a.m. (HKT)) is set out on pages 120 to 130 of this circular. Whether or not you intend to attend and vote at the extraordinary general meeting or any adjourned meeting in person, you are requested to complete and return the relevant enclosed form of proxy in accordance with the instructions printed thereon.

For Shareholders whose ordinary shares in the Company are traded on The Stock Exchange of Hong Kong Limited, please complete the Hong Kong proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited. Please read and follow the instructions, including the deadline, on the Hong Kong proxy form to lodge the form. For Shareholders whose ordinary shares in the Company are traded on the Australian Securities Exchange, please complete the Australia proxy form and return it to the Company's branch share registrar in Australia, Computershare Investor Services Pty Limited. Please read and follow the instructions, including the deadline, on the Australia proxy form to lodge the form. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

* *for identification purpose only*

2 November 2026

# CONTENTS


*Page*

**DEFINITIONS** . . . . . 1

**LETTER FROM THE BOARD** . . . . . 6

A. INTRODUCTION . . . . . 6

B. THE COAL SALES TRANSACTIONS . . . . . 7

1. INTRODUCTION . . . . . 7

2. AGGREGATE ANNUAL CAPS FOR THE 2027 YANKUANG ENERGY FRAMEWORK AGREEMENT FOR COAL SALES AND THE 2027 YIT FRAMEWORK AGREEMENT FOR COAL SALES . . . . . 11

3. PROPOSED COAL SALES AGREEMENTS, PROPOSED MOU AND INDEPENDENT EXPERT'S REPORT . . . . . 12

4. REASONS FOR, AND BENEFITS OF, THE COAL SALES TRANSACTIONS . . 13

5. RECOMMENDATIONS . . . . . 13

6. INTERNAL CONTROL MEASURES . . . . . 15

7. HONG KONG LISTING RULES IMPLICATIONS . . . . . 15

8. INFORMATION ABOUT THE PARTIES . . . . . 16

9. INDEPENDENT BOARD COMMITTEE . . . . . 18

10. INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT EXPERT . . . . . 18

C. FINANCIAL ASSISTANCE IN CONNECTION WITH THE ACQUISITION OF KESTREL COAL GROUP PTY LTD . . . . . 19

D. ELECTION OF DIRECTOR – MS. PING NIE . . . . . 20

E. EGM . . . . . 21

F. GENERAL . . . . . 22

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE** . . . . . 23

**ADDITIONAL INFORMATION REQUIRED UNDER ASX LISTING RULES** . . . . 25

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER** . . . . . 37

**REPORT FROM THE INDEPENDENT EXPERT** . . . . . 60

**APPENDIX I – EXPLANATORY MEMORANDUM** . . . . . 101

**APPENDIX II – GENERAL INFORMATION** . . . . . 114

**NOTICE OF EXTRAORDINARY GENERAL MEETING** . . . . . 120

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

| | |
|---|---|
| **"2023 Yankuang Energy Framework Agreement For Coal Sales"** | the 2023 Yankuang Energy framework agreement for coal sales entered into between the Company and Yankuang Energy on 14 September 2023 in relation to the sale of coal by the Yancoal Group to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) |
| **"2023 YIT Framework Agreement For Coal Sales"** | the 2023 YIT framework agreement for coal sales entered into between the Company and YIT on 14 September 2023 in relation to the sale of coal by the Yancoal Group to YIT and/or its associates (excluding the Yankuang Energy Group) |
| **"2026 Yankuang Energy Framework Agreement For Coal Sales"** | the 2026 Yankuang Energy framework agreement for coal sales between the Company and Yankuang Energy in relation to the sale of coal by the Yancoal Group to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) for the period from 1 November 2026 to 31 December 2026 |
| **"2026 YIT Framework Agreement For Coal Sales"** | the 2026 YIT framework agreement for coal sales between the Company and YIT in relation to the sale of coal by the Yancoal Group to YIT and/or its associates (excluding the Yankuang Energy Group) for the period from 1 November 2026 to 31 December 2026 |
| **"2027 Yankuang Energy Framework Agreement For Coal Sales"** | the 2027 Yankuang Energy framework agreement for coal sales between the Company and Yankuang Energy in relation to the sale of coal by the Yancoal Group to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) for a term commencing on 1 January 2027 and ending on 31 December 2029 |
| **"2027 YIT Framework Agreement For Coal Sales"** | the 2027 YIT framework agreement for coal sales between the Company and YIT in relation to the sale of coal by the Yancoal Group to YIT and/or its associates (excluding the Yankuang Energy Group) for a term commencing on 1 January 2027 and ending on 31 December 2029 |
| **"Acquisition"** | the acquisition of Kestrel Coal Group Pty Ltd, which was announced by the Company on 14 April 2026 |
| **"ASX"** | the Australian Securities Exchange |

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| **"ASX Listing Rules"** | the official listing rules of the ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of the ASX, each as amended from time to time, except to the extent of any express written waiver by the ASX |
| **"Board"** | the board of Directors |
| **"Coal Sales Transactions"** | the coal sales transactions contemplated under the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the Proposed Coal Sales Agreements and the Proposed MOU) |
| **"Company"** | Yancoal Australia Ltd, a company incorporated under the laws of Australia with limited liability, whose shares are listed on the ASX and the Hong Kong Stock Exchange |
| **"connected person"** | has the meaning ascribed to it under the Hong Kong Listing Rules |
| **"controlling shareholder"** | has the meaning ascribed to it under the Hong Kong Listing Rules |
| **"Corporations Act"** | the Corporations Act 2001 (Cth) of Australia |
| **"Current Framework Agreements"** | the 2026 Yankuang Energy Framework Agreement For Coal Sales and the 2026 YIT Framework Agreement For Coal Sales |
| **"Director(s)"** | the director(s) of the Company |
| **"EGM"** | the 2026 extraordinary general meeting of the Company to be held at GPT Space&Co Darling Park, Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia on Thursday, 10 December 2026 at 11.00 a.m. (AEDT) (being 8.00 a.m. (HKT)) (or any adjustment thereof), for the Independent Shareholders to consider, and if thought fit, to approve the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU, the provision of Financial Assistance, and the election of Ms. Ping Nie as a non-executive Director of the Company |

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| **"Excluded Persons"** | has the meaning given in the Voting Exclusion Statement |
| **"HII"** | Shandong Energy (Hainan) Intelligent International Technology Co., Ltd, a company with limited liability incorporated under the laws of PRC |
| **"Hong Kong"** | the Hong Kong Special Administrative Region of the PRC |
| **"Hong Kong Listing Rules"** | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as amended from time to time |
| **"Hong Kong Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"Independent Board Committee"** | the independent board committee of the Company comprising all of the Independent Directors |
| **"Independent Directors"** | Mr. Gregory James Fletcher, Ms. Debra Anne Bakker and Mr. Peter Andrew Smith |
| **"Independent Expert" or "Lonergan Edwards"** | Lonergan Edwards & Associates Limited |
| **"Independent Financial Adviser" or "Ignite Capital"** | Ignite Capital (Asia Pacific) Limited |
| **"Independent Shareholders"** | the Shareholders whose votes in favour of the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU are not to be disregarded |
| **"Kestrel Coal Mine"** | the Kestrel coal mine, an underground longwall metallurgical coal mine located in the Bowen Basin, in central Queensland, Australia |
| **"Latest Practicable Date"** | 26 October 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication |
| **"Notice of Meeting"** | the notice of the EGM accompanying this circular |

| | |
|---|---|
| **"PRC"** | the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| **"Proposed Coal Sales Agreements"** | the agreements for the sale of coal entered into between the Company and each of YIT, YLHK and HII, respectively, pursuant to the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales |
| **"Proposed MOU"** | the memorandum of understanding entered into between the Company and SETI pursuant to the 2027 YIT Framework Agreement For Coal Sales |
| **"Resolution(s)"** | the resolution(s) set out in the Notice of Meeting |
| **"SFO"** | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| **"SETI"** | Shandong Energy Group Theme International Trading Co., Ltd, a company with limited liability incorporated under the laws of the PRC |
| **"Shandong Energy"** | Shandong Energy Group Company Limited* (山東能源集團有限公司), a company with limited liability reformed and established under the laws of the PRC on 12 March 1996, the controlling shareholder of Yankuang Energy and the ultimate controlling shareholder of the Company |
| **"Shares"** | the shares of the Company |
| **"Shareholder(s)"** | holder(s) of Share(s) |
| **"subsidiary(ies)"** | has the meaning ascribed thereto under the Hong Kong Listing Rules |
| **"Target"** | Kestrel Coal Group Pty Ltd, a company incorporated in Australia with limited liability |
| **"Target Group"** | the Target and its subsidiaries |

| | |
|---|---|
| **"Voting Exclusion Statement"** | the voting exclusion statement accompanying the Resolution(s) as set out in the Notice of Meeting |
| **"Yancoal Australia Sales"** | Yancoal Australia Sales Pty Ltd, a company with limited liability incorporated under the laws of Australia |
| **"Yancoal Group"** | the Company and its subsidiaries |
| **"Yankuang Energy"** | Yankuang Energy Group Co. Limited* (兗礦能源集團股份有限公司), a joint stock company established in the PRC with limited liability, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively |
| **"Yankuang Energy Group"** | Yankuang Energy and its subsidiaries (excluding the Yancoal Group) |
| **"YIT"** | Yancoal International Trading Co., Ltd. (兗煤國際貿易有限公司), a company limited by shares incorporated under the laws of Hong Kong |
| **"YLHK"** | Yankuang Lucky (HK) Limited, a company with limited liability incorporated under the laws of Hong Kong |
| **"%"** | per cent. |

* *for identification purpose only*

**Yancoal Australia Ltd**
**ACN 111 859 119**
**兗煤澳大利亞有限公司***
*(Incorporated in Victoria, Australia with limited liability)*
**(Hong Kong stock code: 3668)**
**(Australian stock code: YAL)**

*Executive Director:*
Mr. Ning YUE

*Non-executive Directors:*
Mr. Gang RU *(Chair)*
Mr. Jiuhong WANG
Mr. Xiaolong HUANG
Mr. Zhiguo ZHAO
Ms. Ping NIE

*Independent Non-executive Directors:*
Mr. Gregory James FLETCHER
Ms. Debra Anne BAKKER
Mr. Peter Andrew SMITH

*Registered and Principal Place of Business:*
Level 18 Darling Park 2
201 Sussex Street
Sydney NSW 2000
Australia

2 November 2026

*To the Shareholders*

Dear Sir/Madam,

# (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS IN RELATION TO THE COAL SALES TRANSACTIONS (2) FINANCIAL ASSISTANCE IN CONNECTION WITH THE ACQUISITION OF KESTREL COAL GROUP PTY LTD (3) ELECTION OF DIRECTOR AND (4) NOTICE OF EXTRAORDINARY GENERAL MEETING

## A. INTRODUCTION

Reference is made to (1) the Company's announcement dated 23 October 2026 in relation to the Coal Sales Transactions contemplated under the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU and (2) the Company's announcement dated 14 April 2026 in relation to the acquisition of Kestrel Coal Group Pty Ltd.

The purpose of this circular is to (a) provide the Shareholders with information in respect of the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU; (b) provide the Shareholders with information in respect of the giving of financial assistance by certain Target Group companies (within the meaning of section 260A of the Corporations Act) in connection with the Acquisition of Kestrel Coal Group Pty Ltd; (c) provide the Shareholders with information in respect of the proposed election of Ms. Ping Nie as a Non-executive Director of the Company; and (d) to give the Shareholders the Notice of Meeting at which resolutions will be proposed to approve the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (and the transactions contemplated thereunder), the Proposed Coal Sales Agreements, the Proposed MOU, the provision of the financial assistance in connection with the Acquisition and the election of Ms. Ping Nie as a Director of the Company.

This circular has been prepared in compliance with the applicable requirements under the Hong Kong Listing Rules and the ASX Listing Rules.

## B. THE COAL SALES TRANSACTIONS

### 1. INTRODUCTION

On 23 October 2026, (1) the Company and Yankuang Energy renewed the 2026 Yankuang Energy Framework Agreement For Coal Sales, pursuant to which the Yancoal Group agreed to continue to sell coal to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) (the "**2027 Yankuang Energy Framework Agreement For Coal Sales**"); and (2) the Company and YIT renewed the 2026 YIT Framework Agreement For Coal Sales, pursuant to which the Yancoal Group agreed to continue to sell coal to YIT and/or its associates (excluding the Yankuang Energy Group) (the "**2027 YIT Framework Agreement For Coal Sales**"), in each case for a term commencing on 1 January 2027 and ending on 31 December 2029.

#### (1) Material Terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales

##### *(i) Subject Matter*

The 2027 Yankuang Energy Framework Agreement For Coal Sales sets out the framework for how the coal sales transactions between the parties will be conducted and provides that all transactions in relation to the sale of coal by the Yancoal Group to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) must be (i) in the ordinary and usual course of business of the Yancoal Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better and (iv) in compliance with, among other things, the Hong Kong Listing Rules and applicable laws (which include the ASX Listing Rules). The terms of the actual coal sales transactions will be set out in separate agreements to be entered into by the parties.

The 2027 Yankuang Energy Framework Agreement For Coal Sales will become effective after and subject to the Company obtaining the approval of the Independent Shareholders for the transactions contemplated under the agreement (including the annual caps in respect of such transactions) and the receipt of all regulatory and corporate approvals required by Yankuang Energy for renewing the agreement.

***(ii) Term and Termination***

The 2027 Yankuang Energy Framework Agreement For Coal Sales will commence on 1 January 2027 and will continue up to and including 31 December 2029 (the "**Yankuang Energy Renewed Term**"), unless terminated earlier in accordance with the terms of the agreement. Subject to compliance with the applicable requirements of the Hong Kong Listing Rules and the ASX Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Yankuang Energy Renewed Term or subsequent renewal term, the 2027 Yankuang Energy Framework Agreement For Coal Sales is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Hong Kong Listing Rules and the ASX Listing Rules).

Any renewal of the 2027 Yankuang Energy Framework Agreement For Coal Sales is subject to compliance with the then relevant requirements of the laws, rules and regulations to which either of the Company and Yankuang Energy is subject to.

***(iii) Basis of Consideration***

Taking into consideration the nature of coal, the sale price will be determined with reference (i) to industry index prices, being Argus/McCloskey API 5 Price Index ("**API5**"), which is an internationally recognised, US dollar currency index representing sales and offers from Newcastle for 5,500 kcal/kg NAR coal on a Free On Board basis and which is well-recognised as the basis for pricing coal for sales into China, (ii) coal quality characteristics and (iii) market alternatives to optimise value to the Company. In relation to market alternatives, the Company will consider comparable annual contracts which have been agreed with non-related Chinese end users for the same quality of coal, with deliveries in the same delivery period and for a comparable contract volume. By pricing the coal to be sold under the Proposed Coal Sales Agreements to be entered into pursuant to the 2027 Yankuang Energy Framework Agreement For Coal Sales at the weighted average relativity of coal sold under the comparable annual contracts, the Yancoal Group will be securing term sales at the average market price, and which will not be subject to price discounting below the average market price.

***(iv) Annual Caps and Historical Amounts***

The table below sets out the annual caps and historical transaction amounts under the 2023 and 2026 Yankuang Energy Framework Agreement For Coal Sales for the periods/years indicated.

| | | Actual Transactions | |
|---|---|---|---|
| **Period/Year** | **Annual Cap (US$ million)** | **Amount (US$ million)** | **% of Annual Cap** |
| Two months ended 31 December 2023 | 66.7 | 14.6 | 21.9% |
| Year ended 31 December 2024 | 300.0 | 200.5 | 66.8% |
| Year ended 31 December 2025 | 300.0 | 146.0 | 48.7% |
| 10 months ending 31 October 2026 | 233.3 | – | – |
| 9 months ended 30 September 2026 | – | 135.8 | 58.2% |
| 2 months ending 31 December 2026 | 66.6 | – | – |

**(2) Material Terms of the 2027 YIT Framework Agreement For Coal Sales**

***(i) Subject Matter***

The 2027 YIT Framework Agreement For Coal Sales sets out the framework for how the coal sales transactions between the parties will be conducted and provides that all transactions in relation to the sale of coal by the Yancoal Group to YIT and/or its associates (excluding the Yankuang Energy Group) must be (i) in the ordinary and usual course of business of the Yancoal Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better and (iv) in compliance with, among other things, the Hong Kong Listing Rules and applicable laws (which include the ASX Listing Rules). The terms of the actual coal sales transactions will be set out in separate agreements to be entered into by the parties.

The 2027 YIT Framework Agreement For Coal Sales will become effective after and subject to the Company obtaining the approval of the Independent Shareholders for the transactions contemplated under the agreement (including the annual caps in respect of such transactions) and receipt of all regulatory and corporate approvals required by Yankuang Energy for renewing the agreement.

***(ii) Term and Termination***

The 2027 YIT Framework Agreement For Coal Sales will commence on 1 January 2027 and will continue up to and including 31 December 2029 (the "**YIT Renewed Term**"), unless terminated earlier in accordance with the terms of the agreement. Subject to compliance with the applicable requirements of the Hong Kong Listing Rules and the ASX Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the YIT Renewed Term or subsequent renewal term, the 2027 YIT Framework Agreement For Coal Sales is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Hong Kong Listing Rules and the ASX Listing Rules).

Any renewal of the 2027 YIT Framework Agreement For Coal Sales is subject to compliance with the then relevant requirements of the laws, rules and regulations to which either of the Company and YIT is subject to.

***(iii) Basis of Consideration***

Taking into consideration the nature of coal, the sale price will be determined with reference to (i) industry index prices, being API5 (details of which are set out above), (ii) coal quality characteristics and (iii) market alternatives to optimise value to the Company. In relation to market alternatives, the Company will consider comparable annual contracts which have been agreed with non-related Chinese end users for the same quality of coal, with deliveries in the same delivery period and for a comparable contract volume. By pricing the coal to be sold under the Proposed Coal Sales Agreements to be entered into pursuant to the 2027 YIT Framework Agreement For Coal Sales at the weighted average relativity of coal sold under the comparable annual contracts, the Yancoal Group will be securing term sales at the average market price, and which will not be subject to price discounting below the average market price.

***(iv) Annual Caps and Historical Amounts***

The table below sets out the annual caps and historical transaction amounts under the 2023 and 2026 YIT Framework Agreement For Coal Sales for the periods/years indicated.

| | | Actual Transactions | |
|---|---|---|---|
| **Period/Year** | **Annual Cap (US$ million)** | **Amount (US$ million)** | **% of Annual Cap** |
| Two months ended 31 December 2023 | 133.4 | 38.1 | 28.6% |
| Year ended 31 December 2024 | 600.0 | 417.6 | 69.6% |
| Year ended 31 December 2025 | 600.0 | 299.4 | 49.9% |

| Period/Year | Annual Cap (US$ million) | Actual Transactions Amount (US$ million) | Actual Transactions % of Annual Cap |
|---|---|---|---|
| 10 months ending 31 October 2026 | 466.6 | – | – |
| 9 months ended 30 September 2026 | – | 186.5 | 40.0% |
| 2 months ending 31 December 2026 | 133.3 | – | – |

## 2. AGGREGATE ANNUAL CAPS FOR THE 2027 YANKUANG ENERGY FRAMEWORK AGREEMENT FOR COAL SALES AND THE 2027 YIT FRAMEWORK AGREEMENT FOR COAL SALES

The maximum annual transaction amount to be received by the Yancoal Group from Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) for the three years ending 31 December 2027, 2028 and 2029 will not exceed US$300.0 million, US$300.0 million and US$300.0 million, respectively.

The maximum annual transaction amount to be received by the Yancoal Group from YIT and/or its associates (excluding the Yankuang Energy Group) for the three years ending 31 December 2027, 2028 and 2029 will not exceed US$900.0 million, US$900.0 million and US$900.0 million, respectively.

The annual caps set out above were determined primarily with reference to the following: (i) taking into consideration the business requirements of Yankuang Energy and YIT and the current and last three years review of market pricing for the quality of coal to be supplied, the Company expects to maintain such sales volume in future years pursuant to the respective Proposed Coal Sales Agreements, (ii) the expected additional spot demand for coal from Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) and YIT and/or its associates (excluding the Yankuang Energy Group) over the next three years; (iii) the expected volume of the additional spot opportunities under the Proposed MOU based on the maximum volume set out in the Proposed MOU; and (iv) the estimated sale price for the coal the Company typically charges. Please refer to the section headed "Additional Information Required under ASX Listing Rules" which sets out further details of the Proposed Coal Sales Agreements and the Proposed MOU, including the maximum annual quantity of coal to be sold under each of such agreements and the pricing basis, which have been used in arriving at the annual caps set out above. The annual caps for the transactions to be entered into under the 2027 Yankuang Energy Framework Agreement for Coal Sales and YIT Framework Agreement for Coal Sales referred to above have been arrived at using an assumed price of US$150/mt for API5 standard quality coal. This assumed price was arrived at after taking into account the current forward price of US$110/mt for API5 standard quality coal and adjusting for historical volatility of the API5 coal price that arises due to geopolitical events along with cyclical changes to the supply and demand outlook for thermal coal. The assumed price for

API5 standard quality coal used in arriving at the annual caps under the 2023 and 2026 Yankuang Energy Framework Agreement For Coal Sales and YIT Framework Agreement For Coal Sales was also US$150/mt. However, as the actual price of the coal sold under the 2023 and 2026 Yankuang Energy Framework Agreement For Coal Sales and YIT Framework Agreement For Coal Sales was below US$150/mt, this impacted the percentage utilisation of the annual caps under those framework agreements.

## 3. PROPOSED COAL SALES AGREEMENTS, PROPOSED MOU AND INDEPENDENT EXPERT'S REPORT

Pursuant to the 2027 Yankuang Energy Framework Agreement for Coal Sales and the 2027 YIT Framework Agreement for Coal Sales, the Company proposes to enter into the Proposed Coal Sales Agreements with three trading companies associated with Yankuang Energy and its controlling shareholder Shandong Energy, being YIT, YLHK and HII respectively, among which (i) the coal sales transactions with YLHK for the proposed volume of 2 million tonnes per annum will be made pursuant to the 2027 Yankuang Energy Framework Agreement for Coal Sales and (ii) the coal sales transactions with YIT and HII for the proposed volume of 2 million tonnes per annum each (i.e. a total of 4 million tonnes per annum) will be made pursuant to the 2027 YIT Framework Agreement for Coal Sales.

The Proposed Coal Sales Agreements will provide value to the Yancoal Group as additional sales under term contracts at the average market price will provide a steady revenue flow and certain pricing with lower exposure to the volatility of the spot market and further support production planning, rail scheduling, and port utilisation.

Further, pursuant to the 2027 YIT Framework Agreement for Coal Sales, the Company proposes to enter into the Proposed MOU with a trading company associated with Yankuang Energy and its controlling shareholder Shandong Energy, being SETI, pursuant to which the coal sales transactions with SETI for the proposed volume of up to 2 million tonnes per annum of additional spot opportunities will be made pursuant to the 2027 YIT Framework Agreement for Coal Sales.

The Proposed Coal Sales Agreements and the Proposed MOU will be subject to the Independent Shareholders' approval at the EGM pursuant to the requirements of the ASX Listing Rules. Details of the Proposed Coal Sales Agreements and the Proposed MOU as required under ASX Listing Rules are set out in the section headed "Additional Information Required under ASX Listing Rules".

The ASX Listing Rules require that the circular includes an independent expert's report that sets out whether the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to the Independent Shareholders. The Company has appointed Lonergan Edwards to prepare the Independent Expert's report providing an opinion as to whether the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to the Independent Shareholders, which is set out in the Report from the Independent Expert.

## 4. REASONS FOR, AND BENEFITS OF, THE COAL SALES TRANSACTIONS

The Company's principal business activity is the production of thermal and metallurgical coal. Yankuang Energy, a controlling shareholder of the Company, is engaged in the business of mining, preparation, processing and sales of coal and coal chemicals. YIT is engaged in the business of sales of coal and coal chemicals. Each of Yankuang Energy and YIT has been a consistent and reliable customer of the Company in the PRC.

The Company believes that through supplying coal to Yankuang Energy (including its subsidiaries but excluding the Yancoal Group) and YIT (including its associates but excluding the Yankuang Energy Group) in the Company's ordinary and usual course of business, the Company could benefit from (i) a stable source of offtake of coal from Yankuang Energy and YIT during the three years ending 31 December 2027, 2028 and 2029 and (ii) the Yancoal Group's production ability to supply 6 million tonnes per year to Yankuang Energy and YIT.

The Proposed MOU will enable the Company to respond to spot opportunities to supply up to 2 million tonnes of Kestrel coking coal or third party coal in the coming years to increase the profitability of the Company. The Proposed MOU will provide the Company with sufficient head room under the applicable requirements to grow the business and increase the profit for the Company.

## 5. RECOMMENDATIONS

The Directors (excluding the Independent Directors, whose views are set out in the Letter from the Independent Board Committee of this circular) have considered the reasons for, and benefits of, the Coal Sales Transactions and the basis for arriving at the annual caps referred to above and are of the view that the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the relevant annual caps thereunder), the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable. The Coal Sales Transactions are in the ordinary and usual course of business of the Yancoal Group, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. Accordingly, such Directors recommend that you vote in favour of the Resolutions to be proposed at the EGM to approve the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU.

The Independent Board Committee, having taken into account the recommendations from Ignite Capital, the Independent Financial Adviser, and Lonergan Edwards, the Independent Expert, considers that the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the relevant annual caps thereunder), the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable, the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the Resolutions to be proposed at the EGM to approve the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU.

Mr. Ning Yue, Mr. Gang Ru, Mr. Jiuhong Wang, Mr. Xiaolong Huang and Mr. Zhiguo Zhao declared that they hold certain positions in Yankuang Energy or Shandong Energy. However, the articles of association of the Company does not preclude such Directors from voting. In addition, although the Board has established the Independent Board Committee to perform the duties as set out in the section headed "9. Independent Board Committee" below, which the Independent Board Committee has done, and the Independent Board Committee has also unanimously approved those documents and has unanimously recommended the Independent Shareholders to vote in favour of the Resolutions, as is reflected in the Letter from the Independent Board Committee, taking into consideration that none of the above Directors (i) receives substantial remuneration or some other benefit from the Coal Sales Transactions, or (ii) is a director of two companies which transact with each other under the Coal Sales Transactions and receives director's fees from both companies and the remuneration is performance-related in a way which is relevant to the transactions, or (iii) considers that adopting a particular stance on the matter would jeopardise his future remuneration or career prospects with his employer, the Board is of the view that the none of the above Directors has a material interest in the Coal Sales Transactions, and none of them should abstain from voting on the relevant resolutions of the Board. Accordingly, none of the Directors abstained from voting on the relevant resolutions of the Board approving the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the relevant annual caps thereunder), the Proposed Coal Sales Agreements and the Proposed MOU.

The Chair of the meeting intends to vote all available proxies in favour of the Resolutions. The Chair of the meeting intends to vote undirected proxies in favour of the Resolutions.

## 6. INTERNAL CONTROL MEASURES

The Company has a system to monitor its connected transactions and the renewal of connected transactions, which includes maintaining and regularly updating the list of connected persons of the Company, maintaining a list of connected transactions including details in relation to their expiration dates, checking the contracting party in each transaction to confirm whether it is a connected person, monitoring the value of transactions that are identified as connected transactions against the threshold for triggering disclosure and shareholder approval requirements under the Hong Kong Listing Rules, ensuring that relevant business departments are regularly updated in relation to the renewal of connected transactions, and monthly review of continuing connected transactions to ensure the transaction amounts will not exceed the respective annual caps. Specifically in relation to the Coal Sales Transactions, the terms of the 2027 Yankuang Energy Framework Agreement for Coal Sales, the 2027 YIT Framework Agreement for Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU have been communicated to the relevant business departments to ensure they comply strictly with their terms and transactions thereunder are monitored on a monthly basis. The Board considers that the above internal control measures are sufficient to safeguard the interests of the Company and its Shareholders as a whole.

## 7. HONG KONG LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Yankuang Energy is a controlling shareholder of the Company, holding approximately 62.26% of the total issued Shares. Accordingly, Yankuang Energy is a connected person of the Company and the transactions contemplated under the 2027 Yankuang Energy Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As at the Latest Practicable Date, YIT is a wholly-owned subsidiary of Shandong Energy, the controlling shareholder of Yankuang Energy. Accordingly, YIT is a connected person of the Company by virtue of being an associate of Yankuang Energy and the transactions contemplated under the 2027 YIT Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the Coal Sales Transactions will be entered into by the Company with parties who are connected with one another, the Coal Sales Transactions are required to be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the aggregate annual caps for the Coal Sales Transactions is more than 5%, such continuing connected transactions will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## 8. INFORMATION ABOUT THE PARTIES

### (i) The Company

The Company's principal business activity is the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. The shares of the Company have been listed on the Australian Securities Exchange and the Hong Kong Stock Exchange since 2012 and 2018, respectively.

### (ii) Shandong Energy

Shandong Energy is a controlling shareholder of Yankuang Energy, holding approximately 52.86% of the shares in Yankuang Energy as of the Latest Practicable Date. Shandong Energy is one of the largest coal mining and energy companies in China. Shandong Energy (former Yankuang Group Co., LTD., renamed as Shandong Energy Group Co., Ltd. in April 2021), is a company with limited liability reformed and established under the laws of the PRC in 1996. Shandong Energy is a large state-owned energy enterprise in Shandong Province, China.

Shandong Energy focuses on six pillar industries of mining, high-end chemicals, electric power, new energy and new materials, high-end equipment manufacturing, and modern logistics and trade. It is a highly-internationalized coal enterprise, 22nd among China's Top 500 Companies and 82nd among Fortune Global 500 in 2025.

### (iii) Yankuang Energy

Yankuang Energy is principally engaged in the business of mining, high-end chemicals and new materials, new energy, high-end equipment manufacturing, and intelligent logistics. Yankuang Energy's main products are steam coal for use in large-scale power plants, coking coal for metallurgical production, prime quality low sulphur coal for use in pulverized coal injection and chemical products methanol, acetic acid etc. The H Shares and A Shares of Yankuang Energy are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. Shandong Energy is the controlling shareholder of Yankuang Energy.

### (iv) YIT

YIT was established in 2011 and is principally engaged in the business of sales of coal and coal chemicals in the PRC. As at the Latest Practicable Date, YIT is a wholly owned subsidiary of Shandong Energy.

**(v) HII**

HII was established in September 2018 and is owned as to 49.83% by Shandong Energy, as to 43.39% by Hainan Taizhong Group, as to 5.67% by Yankuang Energy Group Co., Ltd and as to 1.11% by China Huaneng Group Fuel Co., Ltd. To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, Hainan Taizhong Group and China Huaneng Group Fuel Co., Ltd are third parties independent of the Company. HII's main business models include bulk commodity trading, intelligent trading finance services (i.e., ability to accept RMB) and warehouse logistics. HII has an extensive sales channel in the Southern part of China (i.e., Hainan and surrounding provinces) and provides various services that could not be provided by Yancoal in China.

**(vi) YLHK**

YLHK engages in domestic and international trading and logistics of bulk commodities including iron ore, coal, steel and steel scrap. YLHK has a registered capital of RMB200 million with 51% of its share capital owned by Yankuang Energy and 49% owned by Century Lucky Group Corporation. To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, Century Lucky Group Corporation is a third party independent of the Company.

In 2025, YLHK traded a total of 3.22 million tonnes of iron ore, 3.675 million tonnes of coal and 3.337 million tonnes of steel (including steel scrap). YLHK has extensive relationships with power plants, general industry customers and steel plants in China.

**(vii) SETI**

SETI was established in July 2024. Shandong Energy Group Co., Ltd. holds 51% of the shares, while Deep Source Holdings Limited holds 49%. The registered capital is HK$800 million. The company's main business is low-risk, large-scale, end-to-end international and domestic trade of bulk commodities, including black metals, scrap steel, steel products, coal and coke etc. In light of business development, it will opportunistically engage in trade of chromium, manganese, pig iron, methanol, ethane and other commodities.

## 9. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, comprising all the Independent Directors, has been established as required under the Hong Kong Listing Rules and consistent with usual Australian practice and the expectations of Australian regulators.

The Independent Board Committee has been established by the Board to:

- consider, negotiate and, if thought fit, approve the entry into the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Energy Framework Agreement For Coal Sales and entry into the Proposed Coal Sales Agreements and the Proposed MOU for consideration by the Independent Shareholders;

- consider and advise the Independent Shareholders on the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU;

- appoint an independent expert (as required by Listing Rule 10.5.10 of the ASX Listing Rules);

- appoint an independent financial adviser (as required by Chapter 14A of the Hong Kong Listing Rules); and

- oversee the preparation of this circular and the Notice of Meeting.

## 10. INDEPENDENT FINANCIAL ADVISER AND INDEPENDENT EXPERT

Ignite Capital has been appointed, in accordance with the Hong Kong Listing Rules, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, in each case, on the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales.

Lonergan Edwards has been appointed, in accordance with the ASX Listing Rules, as the Independent Expert to provide a report to the Independent Board Committee and the independent Shareholders in respect of the Proposed Coal Sales Agreements and the Proposed MOU.

## C. FINANCIAL ASSISTANCE IN CONNECTION WITH THE ACQUISITION OF KESTREL COAL GROUP PTY LTD

Reference is made to the Company's announcement dated 14 April 2026 in relation to the acquisition of Kestrel Coal Group Pty Ltd (the "**Target**"). As disclosed in the announcement:

- the Company (as buyer) has entered into a sale and purchase agreement with EMR Capital Advisors Pty Ltd, Kestrel Coal (EMR) Limited, Adaro Capital Limited and EMR Capital Management Limited to acquire a 100% interest in the Target, which, through the Target Group, holds an 80% interest in the unincorporated joint venture that owns the Kestrel Coal Mine, a large-scale, long-life metallurgical coal asset located in Queensland's Bowen Basin, with the remaining 20% interest held by Mitsui Kestrel Coal Investment Pty Limited;

- the Company has agreed to pay an upfront cash consideration of US$1.85 billion for the Acquisition, which is payable on completion, plus contingent cash consideration up to a maximum of US$550 million in total, payable annually over a five-year period from completion, subject to fulfillment of certain conditions;

- the Company intends to fund the Acquisition as follows: (i) the upfront cash consideration will be funded by the Company's available cash and a US$1.2 billion five-year syndicated acquisition loan facility; and (ii) the contingent cash consideration will be funded by cash flows generated by the business of the Yancoal Group enlarged by the Acquisition over the first five years post-completion; and

- a US$200 million, five-year committed working capital facility is also in place to support the Company's liquidity requirements over this period.

The Company is a borrower under certain facility agreements and ancillary finance documents (the "**Finance Documents**") for an aggregate facility limit of A$1,500,000,000 and US$1,400,000,000. As one of the conditions to the Finance Documents, each of the companies within the Target Group, upon completion of the Acquisition, is required to act as a guarantor for the performance of the Company's obligations thereunder and also provide security over part or all of their assets to secure amounts owed by the Company thereunder (the "**Financial Assistance**"). Completion of the Acquisition occurred on 1 October 2026.

The Financial Assistance by the Target Group constitutes the provision of financial assistance in connection with the Acquisition, within the meaning of Part 2J.3 of the *Corporations Act 2001* (Cth) (the "**Corporations Act**"). Under section 260B(1) of the Corporations Act, the Financial Assistance must be approved by the shareholders of each Target Group company giving the assistance by special resolution at a general meeting, or a resolution agreed to, at a general meeting, by all ordinary shareholders. In addition, as the Company is a listed corporation on the ASX and will be the ultimate Australian holding company of each Target Group company upon completion of the Acquisition, the Financial Assistance must also be approved by the Shareholders of the Company by special resolution pursuant to section 260B(2) of the Corporations Act.

The Board has resolved to propose the Financial Assistance for the Shareholders' consideration and approval at the EGM. For details of the financing arrangements (including the Financial Assistance) under the Finance Documents and the requirements for shareholders' approval by special resolution under the Corporations Act, please refer to the Explanatory Memorandum set out in Appendix I to this circular.

The Directors unanimously recommend that the Shareholders vote in favour of the Resolution to approve the provision of the Financial Assistance at the EGM.

## D. ELECTION OF DIRECTOR – MS. PING NIE

Ms. Ping Nie, (聶平), was appointed as a Non-executive Director of the Company on 19 August 2026. As her appointment as a Director was made by the Board, pursuant to rule 8.1(c) of the Company's Constitution, Ms. Nie will hold office as a Director until the conclusion of the next general meeting following her appointment, being the EGM. Ms. Nie, being eligible, has offered herself for election as a Non-executive Director of the Company at the EGM.

Ms. Nie, aged 49, joined China Cinda Asset Management Co., Ltd. in 2001 and has held a number of positions, including Division Director in the Investment and Financing Department, Asset Management Department, Investment and Asset Management Department, and Strategic Customer Department III; Assistant General Manager of the Heilongjiang Branch; and Deputy General Manager of Strategic Customer Department IV. Ms. Nie has primarily focused on investment business and possesses extensive expertise in mergers and acquisitions and corporate restructuring. Ms. Nie graduated from Xi'an Jiaotong University with a bachelor's degree in economics.

Ms. Nie entered into a letter of appointment with the Company for an unlimited term commencing on 19 August 2026, subject to any provisions of the letter of appointment and the Company's Constitution. Ms. Nie will not receive any director's fee or remuneration package as a Non-executive Director. Ms. Nie does not own any shares in the Company and does not have any interest in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Ms. Nie is a member of the Company's Strategy and Development Committee. Save as disclosed above, Ms. Nie (i) does not hold any other position with the Company or other members of the Yancoal Group; (ii) has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iii) does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company (other than being a nominee director of China Cinda Asset Management Co., Ltd., which is a substantial shareholder of the Company).

Save as disclosed above, Ms. Nie has confirmed that there are no other matters that need to be brought to the attention of the shareholders of the Company in relation to her appointment and there is no other information that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

The Directors (including the Independent Directors, with Ms. Nie abstaining) recommend that Shareholders vote in favour of the resolution to elect Ms. Nie as a Non-executive Director of the Company.

**E. EGM**

A notice convening the EGM to be held at GPT Space&Co Darling Park, Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia on Thursday, 10 December 2026 at 11.00 a.m. (AEDT) (being 8.00 a.m. (HKT)) is set out in this circular.

A form of proxy for use by the Shareholders at the EGM is enclosed. Whether or not you intend to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon. For Shareholders whose ordinary shares in the Company are traded on the Hong Kong Stock Exchange, please complete the Hong Kong proxy form and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited. Please read and follow the instructions, including the deadline, on the Hong Kong proxy form to lodge the form.

For Shareholders whose ordinary shares in the Company are traded on the ASX, please complete the Australia proxy form and return it to the Company's branch share registrar in Australia, Computershare Investor Services Pty Limited. Please read and follow the instructions, including the deadline, on the Australia proxy form to lodge the form. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of the Shareholders at the EGM must be taken by poll. An announcement on the poll results will be published by the Company on the date of the EGM in the manner as prescribed under the Hong Kong Listing Rules.

Yankuang Energy, which are interested in an aggregate of approximately 62.26% of the total issued Shares of the Company as at the Latest Practicable Date, will abstain from voting on the Resolutions regarding the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU at the EGM.

Save for the above, as far as the Directors are aware having made all reasonable enquiries, no other Shareholders are required to abstain from voting on the Resolutions to be proposed regarding the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements, the Proposed MOU, the provision of the Financial Assistance and the election of Ms. Ping Nie as a Director at the EGM.

## F. GENERAL

Your attention is drawn to (i) the Letter from the Independent Board Committee, (ii) the Letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and Independent Shareholders in connection with the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales, (iii) the Report from the Independent Expert on the Proposed Coal Sales Agreements and the Proposed MOU providing its opinion as to whether the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable and (iv) the Explanatory Memorandum set out in Appendix I to this circular.

By order of the Board
**Yancoal Australia Ltd**
**Gang RU**
*Chairman*

**Yancoal Australia Ltd**
**ACN 111 859 119**
**兗煤澳大利亞有限公司***
*(Incorporated in Victoria, Australia with limited liability)*
**(Hong Kong stock code: 3668)**
**(Australian stock code: YAL)**

2 November 2026

*To the Independent Shareholders*

Dear Sir/Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS IN RELATION TO THE COAL SALES TRANSACTIONS**

We have been appointed as the Independent Board Committee for the purposes set out under the section headed "9. Independent Board Committee" in the Letter from the Board to this circular. In particular, we have considered the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales, the Proposed Coal Sales Agreements and the Proposed MOU, and will advise you:

- on whether the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU are in the ordinary and usual course of business of the Company, has been entered into on normal commercial terms, and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

- of our recommendation in relation to how you should vote on the Resolutions.

We wish to draw your attention to the Letter from the Board set out in the circular to the Shareholders of the Company dated 2 November 2026 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Ignite Capital has been appointed, in accordance with the Hong Kong Listing Rules, as the Independent Financial Adviser to give recommendations to the Independent Board Committee and the Independent Shareholders in respect of the above matters. We also wish to draw your attention to the Letter from the Independent Financial Adviser in the Circular.

Lonergan Edwards has been appointed, in accordance with the ASX Listing Rules, as the Independent Expert to provide a report to the Independent Board Committee and the Independent Shareholders in respect of the above matters. We also wish to draw your attention to the Report from the Independent Expert in the Circular. Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

Having carefully considered the information set out in the letter from the Board, the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales, the advantages and disadvantages of the Proposed Coal Sales Agreements and the Proposed MOU and their relative weight in relation to the circumstances of the Company, the opinion of the Independent Financial Adviser in relation thereto and the opinion of the Independent Expert in relation thereto, we are of the opinion that the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU are in the ordinary and usual course of business of the Company, have been entered into on normal commercial terms (with a framework established by the Independent Board Committee to ensure the parties deal with each other at arms' length on an ongoing basis), the terms would be reasonable in the circumstances had the parties been dealing at arms' length (or more favourable to the Company than such terms) and the terms therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we therefore unanimously recommend that Shareholders (other than any Excluded Persons as noted in the Voting Exclusion Statement) vote in favour of the Resolutions to be proposed at the EGM to approve the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU.

None of us have any material personal interests in the outcome of the Resolution.

Each of us intends to vote any Shares which we hold or control in favour of the Resolution.

Yours faithfully,

| **Mr. Gregory James FLETCHER** | **Ms. Debra Anne BAKKER** | **Mr. Peter Andrew SMITH** |
|---|---|---|
| *Independent Non-executive Director* | *Independent Non-executive Director* | *Independent Non-executive Director* |

This section forms part of the circular and contains the additional information required by the ASX Listing Rules. This section should be read in conjunction with the Notice of Meeting and the rest of the circular.

## 1. ADDITIONAL BACKGROUND INFORMATION

On 25 August 2026, the Company renewed the 2023 Yankuang Energy Framework Agreement For Coal Sales and the 2023 YIT Framework Agreement For Coal Sales by entering into the Current Framework Agreements.

These Current Framework Agreements did not require approval under ASX Listing Rule 10.1 or Chapter 14A of the Hong Kong Listing Rules because the price payable under those agreements over their term was less than 5% of the Company's equity interests and the highest applicable percentage ratio in respect of the aggregate annual caps for the continuing connected transactions under those agreements was less than 5%, respectively.

The Current Framework Agreements will expire on 31 December 2026 and, subject to the approval of the Independent Shareholders, the Company proposes to renew the Current Framework Agreements (i.e., the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales).

Subject to the approval of the Independent Shareholders, the Company proposes to enter into the Proposed Coal Sales Agreements which will fall under the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (as applicable).

In light of the impending expiry of the Current Framework Agreements, the Yancoal Board formed the Independent Board Committee for the purposes set out under the section headed "9. Independent Board Committee" in the Letter from the Board to this circular.

## 2. DETAILS REGARDING THE PROPOSED COAL SALES AGREEMENTS

### (i) Overview of the Proposed Coal Sales Agreements

Subject to the Resolution being passed, Yancoal proposes to enter into each of the Proposed Coal Sales Agreements to supply 2 million tonnes of Australian thermal coal per annum over a term of 3 years to each of YIT, YLHK and HII.

Each of the parties intend to purchase coal in the 5100-5500 NAR category which is well accepted by Chinese customers. Whilst similar grade coal is exported to India and Southeast Asia, China remains the most commercial market for this quality of coal.

YIT, YLHK and HII will not sell to Yancoal's existing customers and intend to sell this coal in China to Chinese customers who cannot accept international business terms and/or require purchases under typical domestic conditions i.e. RMB payment terms, extended credit and delivered to plant costings. Yancoal will not take on this risk and therefore this market opportunity exists for Yancoal to increase market share in China via this alternative route.

YIT, YLHK and HII have concluded business with Yancoal and other international producers and unlike other traders they are willing to accept Yancoal's Standard Coal Sales Contract as the base contract.

The key terms of the Proposed Coal Sales Agreements with YIT, YLHK and HII are outlined below:

**(ii) Proposed Coal Sales Agreement with YIT**

| | |
|---|---|
| **Product** | Australian thermal coal<br><br>Product A: 5500 NAR<br><br>Product B: 5250 NAR<br><br>Product C: 5100 NAR |
| **Term** | 3 years (starting on 1 January 2027). Each year being a 12-calendar month period |
| **Conditions Precedent** | Conditions Precedent include:<br><br>1. Receipt of all regulatory approvals required by Yancoal to enter into the 2027 YIT Framework Agreement For Coal Sales, and to set the Annual Caps, including, but not limited to, receipt of approval from the ASX and HKEX (as may be required);<br><br>2. Receipt of shareholder approval by Yancoal to enter into the 2027 YIT Framework Agreement For Coal Sales, and to set the Annual Caps (as may be required); and<br><br>3. Receipt of all approvals required by YIT to enter into the 2027 YIT Framework Agreement For Coal Sales (as may be required). |
| **Total Quantity** | 6,000,000 metric tonnes over the Term |

| | |
|---|---|
| **Annual Quantity** | 2,000,000 metric tonnes |
| **Price** | The Contract Price per metric tonne of each Shipment shall be the average Market Index for all published days of the calendar month in which the laycan for that shipment commences, adjusted by the Annual Relativity applicable for the relevant Delivery Period and the relevant Product (A, B or C), FOB at NCIG or PWCS Terminal, Newcastle Australia Basis 5,500 kcal/kg net as received with fractions pro-rata. |
| **Termination Rights** | Either party may terminate by notice to the other party if any of the Conditions Precedents are not satisfied or have not been satisfied on or before 31 December 2026. |
| **Base Contract** | In accordance with Yancoal standard terms and conditions |

**(iii) Proposed Coal Sales Agreement with HII**

| | |
|---|---|
| **Product** | Australian thermal coal<br><br>Product A: 5500 NAR<br><br>Product B: 5250 NAR<br><br>Product C: 5100 NAR |
| **Term** | 3 years (starting on 1 January 2027). Each year being a 12-calendar month period |
| **Conditions Precedent** | Conditions Precedent include:<br><br>1. Receipt of all regulatory approvals required by Yancoal to enter into the 2027 YIT Framework Agreement For Coal Sales, and to set the Annual Caps, including, but not limited to, receipt of approval from the ASX and HKEX (as may be required);<br><br>2. Receipt of shareholder approval by Yancoal to enter into the 2027 YIT Framework Agreement For Coal Sales, and to set the Annual Caps (as may be required); and<br><br>3. Receipt of all approvals required by YIT to enter into the 2027 YIT Framework Agreement For Coal Sales (as may be required). |

| | |
|---|---|
| **Total Quantity** | 6,000,000 metric tonnes |
| **Annual Quantity** | 2,000,000 metric tonnes |
| **Price** | The Contract Price per metric tonne of each Shipment shall be the average Market Index for all published days of the calendar month in which the laycan for that shipment commences, adjusted by the Annual Relativity applicable for the relevant Delivery Period and the relevant Product (A, B or C), FOB at NCIG or PWCS Terminal, Newcastle Australia Basis 5,500 kcal/kg net as received with fractions pro-rata. |
| **Termination Rights** | Either party may terminate by notice to the other party if any of the Conditions Precedents are not satisfied or have not been satisfied on or before 31 December 2026. |
| **Base Contract** | In accordance with Yancoal standard terms and conditions |

**(iv) Proposed Coal Sales Agreement with YLHK**

| | |
|---|---|
| **Product** | Australian thermal coal<br><br>Product A: 5500 NAR<br><br>Product B: 5250 NAR<br><br>Product C: 5100 NAR |
| **Term** | 3 years (commencing 1 January 2027). Each year being a 12-calendar month period |

| | |
|---|---|
| **Conditions Precedent** | Conditions Precedent:<br><br>1. receipt of all regulatory approvals required by Yancoal to enter into the 2027 Yankuang Energy Framework Agreement For Coal Sales, and to set the Annual Caps, including but not limited to, receipt of approval from the ASX and HKEX (as may be required);<br><br>2. receipt of shareholder approval by Yancoal to enter into the 2027 Yankuang Energy Framework Agreement For Coal Sales, and to set the Annual Caps (as may be required);<br><br>3. receipt of all regulatory approvals required by Yankuang Energy to enter into the 2027 Yankuang Energy Framework Agreement For Coal Sales, including, but not limited to, receipt of approval from the HKEX and SSE (as may be required); and<br><br>4. receipt of shareholder approval by Yankuang Energy to enter into the 2027 Yankuang Energy Framework Agreement For Coal Sales (as may be required) |
| **Total Quantity** | 6,000,000 metric tonnes |
| **Annual Quantity** | 2,000,000 metric tonnes |
| **Price** | The Contract Price per metric tonne of each Shipment shall be the average Market Index for all published days of the calendar month in which the laycan for that shipment commences, adjusted by the Annual Relativity applicable for the relevant Delivery Period and the relevant Product (A, B or C), FOB at NCIG or PWCS Terminal, Newcastle Australia Basis 5,500 kcal/kg net as received with fractions pro-rata. |
| **Termination Rights** | Either party may terminate by notice to the other party if any of the Conditions Precedents are not satisfied or have not been satisfied on or before 31 December 2026. |
| **Base Contract** | In accordance with Yancoal standard terms and conditions |

## 3. DETAILS REGARDING THE PROPOSED MOU

### (i) Overview of the Proposed MOU

Subject to the Resolution being passed, Yancoal proposes to enter into the Proposed MOU covering additional spot opportunities to supply up to 2 million tonnes of Kestrel coking coal or third party coal per annum over a term of 3 years to 31 December 2029.

Unlike the Proposed Coal Sales Agreements, these opportunities cannot be predetermined with respect to product, volume, timing or pricing, as they arise opportunistically in response to changing market conditions and commercial opportunities during the term of the 2027 YIT Framework Agreement For Coal Sales.

The purpose of the Proposed MOU is therefore to establish a governance framework that enables the Company to respond efficiently to such opportunities while ensuring that each transaction is undertaken in the ordinary course of business, on normal commercial terms and in the best interests of the Company and its Shareholders.

The key terms of the Proposed MOU with SETI are outlined below:

### (ii) Proposed MOU with SETI

| | |
|---|---|
| **Product** | Kestrel coking coal or third party coking coal or third party thermal coal |
| **Term** | 3 years (starting on 1 January 2027). Each year being a 12-calendar month period |
| **Conditions Precedent** | Conditions Precedent:<br>1. receipt of all regulatory approvals required by Yancoal to enter into the 2027 YIT Framework Agreement For Coal Sales, and to set the Annual Caps, and to enter into the Proposed MOU, including, but not limited to, receipt of approval from the ASX and HKEX (as may be required);<br>2. receipt of shareholder approval by Yancoal to enter into the 2027 YIT Framework Agreement For Coal Sales, and to set the Annual Caps, and to enter into the Proposed MOU (as may be required); and<br>3. receipt of all approvals required by YIT to enter into the 2027 YIT Framework Agreement For Coal Sales (as may be required). |

| | |
|---|---|
| **Total Quantity** | Up to 2,000,000 metric tonnes per annum over the Term |
| **Price** | The price of 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 the transaction. Prior to entering into any transaction under the Proposed MOU, the Marketing Team will canvass existing customers and potential buyers to determine the party offering the best overall commercial outcome. A sale to a related party will only proceed where the Marketing Team determines that the proposed transaction is commercially equivalent to, or more favourable than, the next best reasonably available alternative.<br><br>Having carefully considered the advantages and disadvantages of the Proposed MOU and its relative weight in relation to the circumstances of the Company and the opinion of the Independent Expert as set out under paragraph 139 of the Report from Lonergan Edwards contained in this circular, the Board (including the Independent Board Committee) is of the view that the different determination basis between the Proposed Coal Sales Agreement and the Proposed MOU is fair and reasonable and in the interest of the Company and its shareholder as a whole. |
| **Base Contract** | In accordance with Yancoal standard terms and conditions or in line with third party coal purchase contracts |

## 4. KEY CONSIDERATIONS IN RESPECT OF THE RESOLUTION

### (i) Key considerations

In considering the Resolution, Independent Shareholders are encouraged to consider the following matters:

- The Independent Board Committee has overseen the renewal of the Current Framework Agreements and entry into the Proposed Coal Sales Agreements and the Proposed MOU and is satisfied that those documents reflect arms' length commercial terms that are fair and reasonable and in the interests of the Company and the Independent Shareholders.

- The 2027 Framework Agreements, the Proposed Coal Sales Agreements and the Proposed MOU could benefit the Company given each of YIT, YLHK, HII and SETI:

  - are prepared to accept the Company's standard terms and conditions, which other traders in China and Asia are not always willing to accept; and

  - have agreed that they will not seek to market the coal purchased under the Proposed Coal Sales Agreements and the Proposed MOU to the Company's direct customers in China. The effect of this aspect of the agreement is that YIT, YLHK, HII and SETI will sell the purchased coal to Chinese customers who are reluctant to accept international business terms and/or prefer to make purchases under typical domestic terms (such as payments in local currency, extended credit terms and delivery inclusive pricing).

- If the Resolution is not approved:

  - the Company would lose secured supply contracts for up to 6.0 Mtpa of coal production over the next three years;

  - the Company would have to seek other customers (including in the Chinese market) and would not be able to ship product in the large quantities covered by the Proposed Coal Sales Agreements and the Proposed MOU; and

  - there are unlikely to be any constraints on the purchasers on-selling the coal in competition to the Company's other sales.

- The information and context set out in the Letter from the Board, all of which is endorsed by the Independent Board Committee.

- The information set out in the independent expert's report from Lonergan Edwards and the letter from Ignite Capital.

- The key benefits, and the key risks, identified below.

**(ii) Key Benefits**

The Proposed Coal Sales Agreements and the Proposed MOU will be a benefit to the Company for the following (non-exhaustive) reasons:

- the parties to the Proposed Coal Sales Agreements and the Proposed MOU are reliable partners of the Company;

- the Company believes that through supplying coal to YIT, YLHK, HII and SETI in the Company's ordinary and usual course of business, the Company could further expand its business operations in the Chinese market and generate revenue;

- YIT, YLHK, HII and SETI are able to contract with many customers in China that have not been engaged with the Company directly and are not familiar with international business terms and conditions and are able to take on the risk with respect to payment and delivery terms;

- the price achieved for the majority of the product being sold will generally be based on an adjustment to API5 Price Index as agreed by the parties in writing from time to time;

- term contracts provide the Company with security of a known delivery schedule removing the risk of unknown sales in position management; and

- for the Proposed MOU, the governance controls described above ensure that each transaction satisfies the arm's length test on a cargo-by-cargo basis, with the related party receiving no preferential pricing or allocation.

**(iii) Key Risks**

The key risks to the Proposed Coal Sales Agreements and the Proposed MOU are changes in Chinese government coal import policy and changes in Australia export policy, which may restrict or prohibit the export or import of coal between the two countries. An additional risk in terms of the Proposed MOU is the availability of spot coal at favourable commercial terms.

## 5. RESOLUTION – APPROVAL FOR ENTRY INTO THE PROPOSED COAL SALES AGREEMENTS AND THE PROPOSED MOU

**(i) Background**

At the EGM, Shareholders will be asked to approve the entry by the Company (directly or via Yancoal Australia Sales Pty Ltd (Yancoal Australia Sales) or any of its subsidiaries) into the Proposed Coal Sales Agreements and the Proposed MOU for the purposes of ASX Listing Rule 10.1.

The Resolution must be passed as an ordinary resolution and will therefore be passed if supported by a simple majority of votes cast at the EGM. This excludes votes cast by or on behalf of Shareholders in the Company who are excluded in accordance with the Voting Exclusion Statement set out in the Notice of Meeting enclosed with this Circular.

If the Resolution is passed, the Company will be able to proceed with entering into the Proposed Coal Sales Agreements and the Proposed MOU. If the Resolution is not passed, the Company will not proceed with entering into the Proposed Coal Sales Agreements and the Proposed MOU.

**(ii) Requirements under ASX Listing Rule 10.1**

ASX Listing Rule 10.1 provides that a listed entity must not acquire or agree to acquire a substantial asset from, or dispose of or agree to dispose of a substantial asset to:

- 10.1.1 a related party;
- 10.1.2 a child entity;
- 10.1.3 a person who is, or was at any time in the 6 months before the transaction, a substantial (10%+) holder in the entity;
- 10.1.4 an associate of a person referred to in ASX Listing Rules 10.1.1 to 10.1.3; or
- 10.1.5 a person whose relationship with the entity or a person referred to in ASX Listing Rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the issue or agreement should be approved by shareholders,

unless it obtains the approval of its shareholders.

Each of YIT, YLHK, HII and SETI are considered to be related parties of the Company by virtue of the fact that they are each controlled by a related party of the Company.

Under ASX Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration being paid or received by the entity for it is (or in ASX's opinion is) 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX.

As the value of the consideration to be received by the Company under the Framework Agreements, over their term, is expected to exceed 5% of the equity interests of the Company, the Company considers that entry into the Proposed Coal Sales Agreements and the Proposed MOU will involve the disposal of a substantial asset, being inventory (specifically coal) for the purposes of ASX Listing Rule 10.1.

**(iii) Information required by ASX Listing Rule 10.5**

For the purposes of ASX Listing Rule 10.5, the information below is provided in relation to the Resolution:

| | |
|---|---|
| **The name of the person from whom the entity is acquiring the substantial asset or to whom the entity is disposing of the substantial asset** | The Company is disposing of substantial assets to YIT, YLHK, HII and SETI. |
| **Which category in ASX Listing Rules 10.1.1 – 10.1.5 the person falls into and why** | YIT, YLHK, HII and SETI fall within ASX Listing Rules 10.1.1 as they are related parties of the Company by virtue of the fact that they are each controlled by a related party of the Company.<br><br>YLHK is controlled by Yankuang Energy, which is a controlling shareholder of the Company.<br><br>YIT and HII are controlled by Shandong Energy, a controlling shareholder of Yankuang Energy.<br><br>SETI is controlled by Shandong Energy, a controlling shareholder of Yankuang Energy. |
| **Details of the asset being acquired or disposed of** | The asset being disposed of by the Company is inventory, specifically coal, that will be supplied by the Company to YIT, YLHK, HII and SETI under each of the Proposed Coal Sales Agreements and the Proposed MOU. |
| **The consideration for the acquisition or disposal** | Please refer to section 2 above for a summary of the consideration under each Proposed Coal Sales Agreement and the Proposed MOU. |
| **In the case of a disposal, the intended use of funds (if any) received for the disposal** | As the Company's primary business is the production of thermal and metallurgical coal, the Company views the assets as being inventory and intends to use the funds in its ordinary and usual course of business. |

| | |
|---|---|
| **The timetable for completing the acquisition or disposal** | If the Resolution is passed, the Proposed Coal Sales Agreements and the Proposed MOU will be entered into for a period of 3 years commencing on 1 January 2027. Accordingly, the disposals will complete by approximately 31 December 2029. |
| **If the acquisition or disposal is occurring under an agreement, a summary of any other material terms of the agreement** | Please refer to section 2 above for a summary of the material terms of the Proposed Coal Sales Agreements and the Proposed MOU. |
| **Voting exclusion statement** | Please refer to the Notice of Meeting for the details of the voting exclusions. |
| **A report on the transaction from an independent expert** | Please refer to the Independent Expert's Report in this circular. |

*The following is the full text of the letter of advice from Ignite Capital to the Independent Board Committee and the Independent Shareholders in relation to the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales, the Coal Sales Transactions (including the Proposed Coal Sales Agreements and the Proposed MOU) and the relevant annual caps, which has been prepared for the purpose of inclusion in the Circular.*




Unit A, 15th Floor, CMA Building
64-66 Connaught Road Central
Central, Hong Kong

2 November 2026

*To: The Independent Board Committee and the Independent Shareholders of Yancoal Australia Ltd*

Dear Sir or Madam,

## RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND RELATED PARTY TRANSACTIONS IN RELATION TO THE COAL SALES TRANSACTIONS

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (collectively, the "**Framework Agreements**"), the Coal Sales Transactions (including the Proposed Coal Sales Agreements and the Proposed MOU) and the relevant annual caps, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 2 November 2026 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 25 August 2026 in relation to the Coal Sales Transactions contemplated under the Framework Agreements, the Proposed Coal Sales Agreements and the Proposed MOU.

With reference to the Letter from the Board, on 23 October 2026, (1) the Company and Yankuang Energy renewed the 2026 Yankuang Energy Framework Agreement For Coal Sales, pursuant to which the Yancoal Group agreed to continue to sell coal to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group); and (2) the Company and YIT renewed the 2026 YIT Framework Agreement For Coal Sales, pursuant to which the Yancoal Group agreed to continue to sell coal to YIT and/or its associates (excluding the Yankuang Energy Group), in each case for a term commencing on 1 January 2027 and ending on 31 December 2029. The Framework Agreements set out the overarching framework governing the Coal Sales Transactions between the relevant parties, while the terms of the actual coal sales transactions will be set out in separate agreements to be entered into by the relevant parties.

Pursuant to the Framework Agreements, the Company proposes to enter into the Proposed Coal Sales Agreements with three trading companies associated with Yankuang Energy and its controlling shareholder, Shandong Energy, being YIT, YLHK and HII. Further, pursuant to the 2027 YIT Framework Agreement For Coal Sales, the Company proposes to enter into the Proposed MOU with SETI, pursuant to which the Yancoal Group may enter into spot and short-term Export Supply Contracts in respect of additional spot opportunities involving an aggregate volume of up to 2 million tonnes of coal per annum (the "**MOU Maximum Annual Volume**").

The Framework Agreements renew the Current Framework Agreements, being:

(i) the 2026 Yankuang Energy Framework Agreement For Coal Sales entered into between the Company and Yankuang Energy on 25 August 2026 in relation to the sale of coal by the Yancoal Group to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) for the period from 1 November 2026 to 31 December 2026; and

(ii) the 2026 YIT Framework Agreement For Coal Sales entered into between the Company and YIT on 25 August 2026 in relation to the sale of coal by the Yancoal Group to YIT and/or its associates (excluding the Yankuang Energy Group) for the period from 1 November 2026 to 31 December 2026.

**HONG KONG LISTING RULES IMPLICATIONS**

With reference to the Letter from the Board, as at the Latest Practicable Date, Yankuang Energy is a controlling shareholder of the Company, holding approximately 62.26% of the total issued Shares. Accordingly, Yankuang Energy is a connected person of the Company and the transactions contemplated under the 2027 Yankuang Energy Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As at the Latest Practicable Date, YIT is a wholly-owned subsidiary of Shandong Energy, the controlling shareholder of Yankuang Energy. Accordingly, YIT is a connected person of the Company by virtue of being an associate of Yankuang Energy and the transactions contemplated under the 2027 YIT Framework Agreement For Coal Sales constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the Coal Sales Transactions will be entered into by the Company with parties that are connected with one another, the Coal Sales Transactions are required to be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the aggregate annual caps for the Coal Sales Transactions is more than 5%, such continuing connected transactions will be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

## THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Gregory James Fletcher, Ms. Debra Anne Bakker and Mr. Peter Andrew Smith, being all the Independent Directors, was established to consider and to advise the Independent Shareholders on the terms of the Framework Agreements, the Coal Sales Transactions contemplated thereunder (including the Proposed Coal Sales Agreements and the Proposed MOU), and the relevant annual caps. We, Ignite Capital, have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Yancoal Group, Yankuang Energy, Shandong Energy, YIT, YLHK, HII, SETI or any other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the current appointment, we have not acted as a financial adviser or an independent financial adviser to the Company. Apart from the normal independent financial advisory fees in connection with the current appointment, no arrangements exist whereby we have received or will receive any fees or benefits from the Yancoal Group, Yankuang Energy, Shandong Energy, YIT, YLHK, HII, SETI or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Hong Kong Listing Rules.

## BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the Framework Agreements;

(ii) the Company's annual report for the financial year ("**FY**") ended 31 December 2024 (the "**2024 Annual Report**");

(iii) the Company's annual report for FY2025 (the "**2025 Annual Report**");

(iv) the Proposed Coal Sales Agreements;

(v) the Proposed MOU; and

(vi) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Yancoal Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which makes any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial condition and affairs of the Yancoal Group or its future prospects.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules and the ASX Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Framework Agreements, the Coal Sales Transactions contemplated thereunder (including the Proposed Coal Sales Agreements and the Proposed MOU), and the relevant annual caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Framework Agreements, the Coal Sales Transactions contemplated thereunder (including the Proposed Coal Sales Agreements and the Proposed MOU), and the relevant annual caps, we have taken into consideration the following principal factors and reasons:

### 1. Information of the Parties

***The Company***

The Company's principal business activity is the production of thermal and metallurgical coal for use in the power generation and steel industries in Asian markets. The shares of the Company have been listed on the Australian Securities Exchange and the Hong Kong Stock Exchange since 2012 and 2018, respectively.

***Shandong Energy***

Shandong Energy is a controlling shareholder of Yankuang Energy, holding approximately 52.86% of the shares in Yankuang Energy as of the Latest Practicable Date. Shandong Energy is one of the largest coal mining and energy companies in China. Shandong Energy (formerly known as Yankuang Group Co., Ltd, and renamed as Shandong Energy Group Co., Ltd. in April 2021), is a company with limited liability reformed and established under the laws of the PRC in 1996. Shandong Energy is a large state-owned energy enterprise in Shandong Province, China.

Shandong Energy focuses on six pillar industries of mining, high-end chemicals, electric power, new energy and new materials, high-end equipment manufacturing, and modern logistics and trade. It is a highly-internationalized coal enterprise, 22nd among China's Top 500 Companies and 82nd among Fortune Global 500 in 2025.

***Yankuang Energy***

Yankuang Energy is principally engaged in the business of mining, high-end chemicals and new materials, new energy, high-end equipment manufacturing, and intelligent logistics. Yankuang Energy's main products are steam coal for use in large-scale power plants, coking coal for metallurgical production, prime quality low sulphur coal for use in pulverized coal injection and chemical products methanol, acetic acid etc. The H Shares and A Shares of Yankuang Energy are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. Shandong Energy is the controlling shareholder of Yankuang Energy.

***YIT***

YIT was established in 2011 and is principally engaged in the business of sales of coal and coal chemicals in the PRC. As at the Latest Practicable Date, YIT is a wholly owned subsidiary of Shandong Energy.

***HII***

HII was established in September 2018 and is 49.83% owned by Shandong Energy, 43.39% owned by Hainan Taizhong Group, 5.67% owned by Yankuang Energy Group Co., Ltd and 1.11% owned by China Huaneng Group Fuel Co., Ltd. To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, Hainan Taizhong Group and China Huaneng Group Fuel Co., Ltd are third parties independent of the Company. HII's main business models include bulk commodity trading, intelligent trading finance services (i.e., ability to accept RMB) and warehouse logistics. HII has an extensive sales channel in the Southern part of China (i.e., Hainan and surrounding provinces) and provides various services that could not be provided by Yancoal in China.

***YLHK***

YLHK engages in domestic and international trading and logistics of bulk commodities including iron ore, coal, steel and steel scrap. YLHK has a registered capital of RMB200 million with 51% of its share capital owned by Yankuang Energy and 49% owned by Century Lucky Group Corporation. To the best of the Company's knowledge, information and belief, and having made all reasonable enquiries, Century Lucky Group Corporation is a third party independent of the Company.

In 2025, YLHK traded a total of 3.22 million tonnes of iron ore, 3.675 million tonnes of coal and 3.337 million tonnes of steel (including steel scrap). YLHK has extensive relationships with power plants, general industry customers and steel plants in China.

***SETI***

Shandong Energy Group Theme International Trading Co., Ltd. was established in July 2024. Shandong Energy Group Co., Ltd. holds 51% of the shares, while Deep Source Holdings Limited holds 49%. The registered capital is 800 million Hong Kong dollars. The company's main business is low-risk, large-scale, end-to-end "international and domestic trade of bulk commodities", including black metals scrap steel, steel products, coal and coke etc. In light of business development, it will opportunistically engage in trade of chromium, manganese, pig iron, methanol, ethane and other commodities.

**2. Reasons for and benefits of the Coal Sales Transactions**

With reference to the Letter from the Board, the Company's principal business activity is the production of thermal and metallurgical coal. Yankuang Energy, a controlling Shareholder, is engaged in the business of mining, preparation, processing and sales of coal and coal chemicals. YIT is engaged in the business of sales of coal and coal chemicals. Each of Yankuang Energy and YIT has been a consistent and reliable customer of the Company in the PRC.

The Company believes that through supplying coal to Yankuang Energy (including its subsidiaries but excluding the Yancoal Group) and YIT (including its associates but excluding the Yankuang Energy Group) in the Company's ordinary and usual course of business, the Company could (i) benefit from a stable source of offtake of coal from Yankuang Energy and YIT during the three years ending 31 December 2027, 2028 and 2029 (the "**Relevant Period**"); and (ii) utilise the Yancoal Group's production ability to supply up to 8 million tonnes per year to Yankuang Energy and YIT.

***Industry and market background***

We noted from the report titled "Coal 2025: Analysis and forecast to 2030"[1] published by the International Energy Agency in December 2025 that coal consumption in the PRC was projected to remain broadly stable at approximately 4,953 million tonnes in 2025, representing approximately 56% of global coal consumption. We also noted that power generation remained the principal driver of coal consumption in the PRC. These data indicate that the PRC continues to represent a sizeable market for coal, notwithstanding that its overall coal consumption is expected to remain broadly stable.

We further noted from the 2025 Annual Report that PRC accounted for approximately 24% of the Yancoal Group's coal sales revenue in FY2025 and was one of its major markets by end-destination of coal sold. We understand that the PRC is a major import market for the 5,000 to 5,500 kcal/kg NAR thermal coal produced by the Yancoal Group, which is the principal category of coal proposed to be supplied under the Proposed Coal Sales Agreements. We therefore consider that the Proposed Coal Sales Agreements are in line with the Yancoal Group's existing geographical market exposure and the characteristics of the thermal coal produced by the Yancoal Group.

[1] Source: https://www.iea.org/reports/coal-2025/demand

***Benefits of the Proposed Coal Sales Agreements***

Based on our discussions with the Management, we understand that the Yancoal Group generally seeks to place a substantial proportion of its coal production under term contracts. Such contracts provide greater certainty over offtake and delivery schedules and facilitate production planning, rail and port logistics and inventory management, while reducing the Yancoal Group's exposure to fluctuations in spot demand. The Proposed Coal Sales Agreement with YLHK will be entered into pursuant to the 2027 Yankuang Energy Framework Agreement For Coal Sales, while the Proposed Coal Sales Agreements with YIT and HII will be entered into pursuant to the 2027 YIT Framework Agreement For Coal Sales. Accordingly, the Proposed Coal Sales Agreements are expected to provide the Yancoal Group with a stable source of demand for its thermal coal during the Relevant Period.

We further understand that YIT, YLHK and HII have established domestic sales channels and logistics capabilities to serve customers in the PRC requiring RMB settlement, extended credit terms or delivery-inclusive pricing, which may not be acceptable to the Yancoal Group. Such sales are not intended to target the Yancoal Group's existing direct customers. Accordingly, the Proposed Coal Sales Agreements are expected to broaden the Yancoal Group's customer reach in the PRC without requiring it to assume the same level of additional credit, currency and logistics risks associated with domestic sales.

We have reviewed the historical delivery data made available to us in respect of the existing coal sales arrangements for the period from 1 November 2023 to 31 August 2026 and noted that the Yancoal Group has maintained established trading relationships with the relevant counterparties, with recurring deliveries observed during the period under review. Such historical trading relationships and delivery records demonstrate continuing demand from the relevant counterparties and provide support for the proposed annual contracted quantity under the Proposed Coal Sales Agreements.

***Benefits of the Proposed MOU***

Separately, pursuant to the 2027 YIT Framework Agreement For Coal Sales, the Proposed MOU provides a framework under which the Yancoal Group may enter into spot and short-term Export Supply Contracts with SETI up to the MOU Maximum Annual Volume. The relevant coal may be sourced from the Yancoal Group's mines in Australia, including Kestrel, or from third-party mines, and may include Kestrel coking coal or third-party coking or thermal coal.

Unlike the aggregate annual contracted quantity of 6 million tonnes of thermal coal under the Proposed Coal Sales Agreements, the MOU Maximum Annual Volume does not represent a committed annual offtake quantity. The Proposed MOU does not impose any binding obligation on the parties to enter into any Export Supply Contract, and the commercial terms of each spot or short-term transaction will be separately negotiated and agreed.

We consider that the Proposed MOU provides the Yancoal Group with additional flexibility to pursue spot and short-term sales or trading opportunities as and when commercially attractive opportunities arise, without requiring the Yancoal Group to commit to any minimum transaction volume. The Proposed MOU is therefore complementary to, but commercially distinct from, the stable offtake arrangements under the Proposed Coal Sales Agreements.

***Consistency with the principal business and production capacity of the Yancoal Group***

According to the Company's annual reports for the five financial years ended 31 December 2025, revenue generated from the sale of coal accounted for more than 97% of the Yancoal Group's total revenue for each of those financial years. Accordingly, the Coal Sales Transactions are consistent with the principal business and revenue-generating activities of the Yancoal Group.

As set out in the Letter from the Board, the Proposed Coal Sales Agreements provide for the sale of an aggregate of 6 million tonnes of thermal coal per annum, representing approximately 12% of the Yancoal Group's saleable coal production of approximately 51 million tonnes (on a 100% basis) in FY2025. Having considered the scale of such production and the historical delivery records under the existing coal sales arrangements, we consider that the Yancoal Group has sufficient production capacity to supply the aggregate annual contracted quantity under the Proposed Coal Sales Agreements.

***Our views***

In view of the above, in particular, (i) the importance of the PRC as a major market by end-destination of coal sold for the Yancoal Group and the suitability of the relevant thermal coal products for the PRC market; (ii) the stable source of offtake provided by the Proposed Coal Sales Agreements; (iii) the established domestic sales channels and logistics capabilities of YIT, YLHK and HII; (iv) the historical trading relationships and delivery records with the relevant counterparties; (v) the additional operational flexibility provided by the Proposed MOU; and (vi) the consistency of the Coal Sales Transactions with the principal business of the Yancoal Group and the Yancoal Group's sufficient production capacity to supply the contracted quantity under the Proposed Coal Sales Agreements, we consider that the Framework Agreements and the Coal Sales Transactions contemplated thereunder (including the Proposed Coal Sales Agreements and the Proposed MOU) are in the interests of the Company and the Shareholders as a whole.

## 3. Principal Terms of the Framework Agreements, the Proposed Coal Sales Agreements and the Proposed MOU

***2027 Yankuang Energy Framework Agreement For Coal Sales***

The material terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales are summarised below.

*(i) Subject Matter*

The 2027 Yankuang Energy Framework Agreement For Coal Sales sets out the framework for how the coal sales transactions between the parties will be conducted and provides that all transactions in relation to the sale of coal by the Yancoal Group to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) must be (i) in the ordinary and usual course of business of the Yancoal Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better and (iv) in compliance with, among other things, the Hong Kong Listing Rules and applicable laws (which includes the ASX Listing Rules). The terms of the actual coal sales transactions will be set out in separate agreements to be entered into by the parties.

The 2027 Yankuang Energy Framework Agreement For Coal Sales will become effective after and subject to the Company obtaining the approval of the Independent Shareholders for the transactions contemplated under the agreement (including the annual caps in respect of such transactions) and the receipt of all regulatory and corporate approvals required by Yankuang Energy for renewing the agreement.

*(ii) Term and Termination*

The 2027 Yankuang Energy Framework Agreement For Coal Sales will commence on 1 January 2027 and will continue up to and including 31 December 2029 (i.e. the Yankuang Energy Renewed Term), unless terminated earlier in accordance with the terms of the agreement. Subject to compliance with the applicable requirements of the Hong Kong Listing Rules and the ASX Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the Yankuang Energy Renewed Term or subsequent renewal term, the 2027 Yankuang Energy Framework Agreement For Coal Sales is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Hong Kong Listing Rules and the ASX Listing Rules).

Any renewal of the 2027 Yankuang Energy Framework Agreement For Coal Sales is subject to compliance with the then relevant requirements of the laws, rules and regulations to which either of the Company and Yankuang Energy is subject to.

*(iii) Basis of Consideration*

Taking into consideration the nature of coal, the sale price will be determined with reference to (i) industry index prices, being API5, which is an internationally recognised, US dollar currency index representing sales and offers from Newcastle for 5,500 kcal/kg NAR coal on a Free On Board basis and which is well-recognised as the basis for pricing coal for sales into China, (ii) coal quality characteristics and (iii) market alternatives to optimise value to the Company. In relation to market alternatives, the Company will consider comparable annual contracts which have been agreed with non-related Chinese end users for the same quality of coal, with deliveries in the same delivery period and for a comparable contract volume. By pricing the coal to be sold under the Proposed Coal Sales Agreements to be entered into pursuant to the 2027 Yankuang Energy Framework Agreement For Coal Sales at the weighted average relativity of coal sold under the comparable annual contracts, the Yancoal Group will be securing term sales at the average market price, and which will not be subject to price discounting below the average market price.

*(iv) Historical Amounts*

The aggregate annual transaction amounts received by the Yancoal Group from Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) for the sale of coal for the two months ended 31 December 2023 ("**2M2023**"), the two years ended 31 December 2024 and 2025 and the nine months ended 30 September 2026 ("**9M2026**") under the 2023 Yankuang Energy Framework Agreement For Coal Sales were approximately US$14.6 million, US$200.5 million, US$146.0 million and US$135.8 million, respectively.

***2027 YIT Framework Agreement For Coal Sales***

The material terms of the 2027 YIT Framework Agreement For Coal Sales are summarised below.

*(i) Subject Matter*

The 2027 YIT Framework Agreement For Coal Sales sets out the framework for how the coal sales transactions between the parties will be conducted and provides that all transactions in relation to the sale of coal by the Yancoal Group to YIT and/or its associates (excluding the Yankuang Energy Group) must be (i) in the ordinary and usual course of business of the Yancoal Group, (ii) on an arm's length basis, (iii) on normal commercial terms or better and (iv) in compliance with, among other things, the Hong Kong Listing Rules and applicable laws (which includes the ASX Listing Rules). The terms of the actual coal sales transactions will be set out in separate agreements to be entered into by the parties.

The 2027 YIT Framework Agreement For Coal Sales will become effective after and subject to the Company obtaining the approval of the Independent Shareholders for the transactions contemplated under the agreement (including the annual caps in respect of such transactions) and receipt of all regulatory and corporate approvals required by YIT for renewing the agreement.

*(ii) Term and Termination*

The 2027 YIT Framework Agreement For Coal Sales will commence on 1 January 2027 and will continue up to and including 31 December 2029 (i.e. the YIT Renewed Term), unless terminated earlier in accordance with the terms of the agreement. Subject to compliance with the applicable requirements of the Hong Kong Listing Rules and the ASX Listing Rules or, alternatively, any waivers obtained from strict compliance with such requirements, upon expiration of the YIT Renewed Term or subsequent renewal term, the 2027 YIT Framework Agreement For Coal Sales is automatically renewed for a successive period of three years thereafter (or such other period permitted under the Hong Kong Listing Rules and the ASX Listing Rules).

Any renewal of the 2027 YIT Framework Agreement For Coal Sales is subject to compliance with the then relevant requirements of the laws, rules and regulations to which either of the Company and YIT is subject to.

*(iii) Basis of Consideration*

Taking into consideration the nature of coal, the sale price will be determined with reference to (i) industry index prices, being API5 (details of which are set out above), (ii) coal quality characteristics and (iii) market alternatives to optimise value to the Company. In relation to market alternatives, the Company will consider comparable annual contracts which have been agreed with non-related Chinese end users for the same quality of coal, with deliveries in the same delivery period and for a comparable contract volume. By pricing the coal to be sold under the Proposed Coal Sales Agreements to be entered into pursuant to the 2027 YIT Framework Agreement For Coal Sales at the weighted average relativity of coal sold under the comparable annual contracts, the Yancoal Group will be securing term sales at the average market price, and which will not be subject to price discounting below the average market price.

*(iv) Historical Amounts*

The aggregate annual transaction amounts received by the Yancoal Group from YIT and/or its associates (excluding the Yankuang Energy Group) for 2M2023, the two years ended 31 December 2024 and 2025 and 9M2026 under the 2023 YIT Framework Agreement For Coal Sales were approximately US$38.1 million, US$417.6 million, US$299.4 million and US$186.5 million, respectively.

***Proposed Coal Sales Agreements***

The principal terms of the Proposed Coal Sales Agreements are set out in the section headed "**ADDITIONAL INFORMATION REQUIRED UNDER ASX LISTING RULES**" in the Circular. Set out below is a summary of the key terms relevant to our analysis.

The Proposed Coal Sales Agreement with YLHK will be entered into pursuant to the 2027 Yankuang Energy Framework Agreement For Coal Sales, while the Proposed Coal Sales Agreements with YIT and HII will be entered into pursuant to the 2027 YIT Framework Agreement For Coal Sales. The coal to be supplied principally comprises Australian thermal coal with calorific values of 5,500, 5,250 and 5,100 kcal/kg NAR. The sale price will be determined by reference to API5, the Annual Relativity and the relevant coal quality characteristics.

***Proposed MOU***

The principal terms of the Proposed MOU are set out in the section headed "**ADDITIONAL INFORMATION REQUIRED UNDER ASX LISTING RULES**" in the Circular. Set out below is a summary of the key terms relevant to our analysis.

The Proposed MOU will be entered into pursuant to the 2027 YIT Framework Agreement For Coal Sales. Pursuant to the Proposed MOU, the Yancoal Group may enter into spot and short-term Export Supply Contracts with SETI during the Relevant Period up to the MOU Maximum Annual Volume. The relevant coal may be sourced from the Yancoal Group's mines in Australia, including Kestrel coking coal or coking or thermal coal sourced from third-party mines.

The price of coal under each Export Supply Contract will be negotiated and agreed separately on an arm's length basis with reference to prevailing coal market conditions. As set out in the Circular and as advised by the Management, prior to entering into any transaction under the Proposed MOU, the Yancoal Group's marketing team will canvass existing customers and potential buyers to determine the party offering the best overall commercial outcome. A transaction with SETI will only proceed where the proposed terms are considered commercially equivalent to, or more favourable than, the next best reasonably available alternative. The contract for each delivery will be entered into on the Yancoal Group's standard terms and conditions or on terms consistent with the relevant third-party coal purchase contract, as applicable.

The Proposed MOU does not impose any binding obligation on the parties to enter into any Export Supply Contract. Accordingly, the MOU Maximum Annual Volume represents the maximum annual transaction volume contemplated under the Proposed MOU rather than a committed annual offtake quantity.

## 4. Annual caps

### *4.1. Historical annual caps*

*2023 Yankuang Energy Framework Agreement For Coal Sales*

The historical transaction amounts and corresponding utilisation rates under the 2023 Yankuang Energy Framework Agreement For Coal Sales for 2M2023, FY2024, FY2025 and 9M2026 are as follows:

| | **2M2023** *(US$ Million)* | **FY2024** *(US$ Million)* | **FY2025** *(US$ Million)* | **9M2026** *Note 1* *(US$ Million)* |
|---|---|---|---|---|
| Historical transaction amounts | 14.6 | 200.5 | 146 | 135.8 |
| Existing annual cap | 66.7 | 300 | 300 | 233.3 |
| Utilisation rate | 21.9% | 66.8% | 48.7% | 58.2% |

*Note:* The historical transaction amount and corresponding utilisation rate for 9M2026 were based on the unaudited management accounts of the Company for 9M2026 and the historical approved annual cap for ten months ending 31 October 2026. The relevant data is presented for illustrative comparison purposes only.

As shown in the above table, the historical transaction amounts under the 2023 Yankuang Energy Framework Agreement For Coal Sales amounted to approximately US$14.6 million, US$200.5 million, US$146.0 million and US$135.8 million for 2M2023, FY2024, FY2025 and 9M2026, respectively. The corresponding utilisation rates were approximately 21.9%, 66.8%, 48.7% and 58.2%, respectively, with the utilisation rate for 9M2026 presented for illustrative comparison purposes only.

Based on the information provided by the Management, we noted that the historical transaction volumes for FY2024, FY2025 and, on an annualised basis, 9M2026 remained broadly consistent with, or exceeded, the relevant annual contracted quantity of 2 million tonnes contemplated under the relevant coal sales arrangement entered into pursuant to the 2023 Yankuang Energy Framework Agreement For Coal Sales.

Notwithstanding the relatively stable transaction volumes, the actual average selling prices for FY2024, FY2025 and 9M2026 were below the reference price of US$150 per tonne adopted in determining the relevant annual caps, with the average selling price for FY2025 being lower than that for FY2024. Accordingly, the utilisation rates for FY2024, FY2025 and 9M2026 primarily reflected the difference between the actual average selling prices and the reference price adopted in determining the relevant annual caps, rather than a material shortfall in transaction volume.

*2023 YIT Framework Agreement For Coal Sales*

The historical transaction amounts and corresponding utilisation rates under the 2023 YIT Framework Agreement For Coal Sales for 2M2023, FY2024, FY2025 and 9M2026 are as follows:

| | **2M2023** *(US$ Million)* | **FY2024** *(US$ Million)* | **FY2025** *(US$ Million)* | **9M2026** *Note 1* *(US$ Million)* |
|---|---|---|---|---|
| Historical transaction amounts | 38.1 | 417.6 | 299.4 | 186.5 |
| Existing annual cap | 133.4 | 600 | 600 | 466.6 |
| Utilisation rate | 28.6% | 69.6% | 49.9% | 40.0% |

*Note:* The historical transaction amount and corresponding utilisation rate for 9M2026 were based on the unaudited management accounts of the Company for 9M2026 and the historical approved annual cap for ten months ending 31 October 2026. The relevant data is presented for illustrative comparison purposes only.

As shown in the above table, the historical transaction amounts under the 2023 YIT Framework Agreement For Coal Sales amounted to approximately US$38.1 million for 2M2023, approximately US$417.6 million for FY2024, approximately US$299.4 million for FY2025 and approximately US$186.5 million for 9M2026. The corresponding utilisation rates were approximately 28.6%, 69.6%, 49.9% and 40.0%, respectively, with the utilisation rate for 9M2026 presented for illustrative comparison purposes only.

Based on the information provided by the Management, we noted that the transaction volumes for FY2024 and FY2025 were approximately 4.7 million tonnes and 4 million tonnes, respectively, and therefore remained broadly consistent with, or exceeded, the aggregate annual contracted quantity of 4 million tonnes contemplated under the relevant coal sales arrangements entered into pursuant to the 2023 YIT Framework Agreement For Coal Sales. On an annualised basis, the transaction volume for 9M2026 was below the aggregate annual contracted quantity of 4 million tonnes.

The Management explained that YIT historically purchased coal on a spot basis and was not subject to a fixed contractual obligation to purchase a minimum volume of coal. Due to the prevailing market conditions in early 2026, YIT did not enter into an annual contract for FY2026 and instead entered into spot contracts during 9M2026. Accordingly, its transaction volume during 9M2026 was dependent on prevailing market conditions and YIT's purchase requirements.

Notwithstanding such transaction volumes, the actual average selling prices for FY2024, FY2025 and 9M2026 were below the reference price of US$150 per tonne adopted in determining the relevant annual caps, with the average selling price for FY2025 being lower than that for FY2024. Accordingly, the utilisation rates for FY2024 and FY2025 primarily reflected the difference between the actual average selling prices and the reference price adopted in determining the relevant annual caps, rather than a material shortfall in transaction volume. For 9M2026, the utilisation rate of approximately 40.0% reflected both the lower annualised transaction volume under the MOU sales arrangements and the actual average selling price being below the reference price of US$150 per tonne.

***4.2. Proposed annual caps***

The proposed annual caps under the 2027 Yankuang Energy Framework Agreement For Coal Sales (the "**Yankuang Energy Annual Caps**") for the Relevant Period are as follows:

| | **FY2027** | **FY2028** | **FY2029** |
|---|---|---|---|
| | *(US$ Million)* | *(US$ Million)* | *(US$ Million)* |
| Yankuang Energy Annual Cap | 300 | 300 | 300 |

The proposed annual caps under the 2027 YIT Framework Agreement For Coal Sales (the "**YIT Annual Caps**") for the Relevant Period are as follows:

| | **FY2027** | **FY2028** | **FY2029** |
|---|---|---|---|
| | *(US$ Million)* | *(US$ Million)* | *(US$ Million)* |
| YIT Annual Cap | 900 | 900 | 900 |

*Basis of determination of the Yankuang Energy Annual Caps and the YIT Annual Caps*

With reference to the Letter from the Board, the annual caps set out above were determined primarily with reference to the following: (i) taking into consideration the business requirements of Yankuang Energy and YIT and the current and last three years review of market pricing for the quality of coal to be supplied, the Company expects to maintain such sales volume in future years pursuant to the respective Proposed Coal Sales Agreements, (ii) the expected additional spot demand for coal from Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) and YIT and/or its associates (excluding the Yankuang Energy Group) over the next three years; (iii) the expected volume of the additional spot opportunities under the Proposed MOU based on the maximum volume set out in the Proposed MOU; and (iv) the estimated sale price for the coal the Company typically charges. Please refer to the section headed "**ADDITIONAL INFORMATION REQUIRED UNDER ASX LISTING RULES**" which sets out further details of the Proposed Coal Sales Agreements and the Proposed MOU, including the maximum annual quantity of coal to be sold under each of such agreements and the pricing basis, which have been used in arriving at the annual caps set out above. The annual caps for the transactions to be entered into under the 2027 Yankuang Energy Framework Agreement for Coal Sales and YIT Framework Agreement for Coal Sales referred to above have been arrived at using an assumed price of US$150/mt for API5 standard quality coal. This assumed price was arrived at after taking into account the current forward price of US$110/mt for API5 standard quality coal and adjusting for historical volatility of the API5 coal price that arises due to geopolitical events along with cyclical changes to the supply and demand outlook for thermal coal. The assumed price for API5 standard quality coal used in arriving at the annual caps under the 2023 and 2026 Yankuang Energy Framework Agreement For Coal Sales and YIT Framework Agreement For Coal Sales was also US$150/mt. However, as the actual price of the coal sold under the 2023 and 2026 Yankuang Energy Framework Agreement For Coal Sales and YIT Framework Agreement For Coal Sales was below US$150/mt, this impacted the percentage utilisation of the annual caps under those framework agreements.

## 5. Our analysis

### *5.1. Annual caps*

In assessing the fairness and reasonableness of the Yankuang Energy Annual Caps and the YIT Annual Caps, we have reviewed the information provided by the Management and discussed with the Management the bases and assumptions adopted in determining such annual caps.

We noted that the Yankuang Energy Annual Caps of US$300 million and the YIT Annual Caps of US$900 million for each year of the Relevant Period were determined based on: (i) annual volume assumptions of 2 million tonnes and up to 6 million tonnes under the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales, respectively; and (ii) a reference coal price of US$150 per tonne (the "**Reference Price**"). The annual volume assumption of 2 million tonnes under the 2027 Yankuang Energy Framework Agreement For Coal Sales represents the annual contracted quantity under the Proposed Coal Sales Agreement with YLHK. The annual volume assumption of up to 6 million tonnes under the 2027 YIT Framework Agreement For Coal Sales comprises an aggregate annual contracted quantity of 4 million tonnes under the Proposed Coal Sales Agreements with YIT and HII and the MOU Maximum Annual Volume.

In comparison with the previous arrangement, the Yankuang Energy Annual Caps remain unchanged, with both the current and previous annual caps being determined based on an annual volume assumption of 2 million tonnes and the Reference Price of US$150 per tonne. The YIT Annual Caps, however, increase from US$600 million to US$900 million per annum, primarily reflecting the inclusion of the MOU Maximum Annual Volume, in addition to the aggregate annual contracted quantity of 4 million tonnes under the Proposed Coal Sales Agreements with YIT and HII. Accordingly, the aggregate annual caps under the Framework Agreements increase from US$900 million to US$1,200 million per annum.

*(a) Annual volume*

2027 Yankuang Energy Framework Agreement For Coal Sales

In respect of the annual volume assumption of 2 million tonnes under the 2027 Yankuang Energy Framework Agreement For Coal Sales, we noted that the relevant Proposed Coal Sales Agreement with YLHK provides for the same annual contracted quantity. As discussed under the section headed "Historical annual caps" above, the historical transaction volumes for FY2024, FY2025 and, on an annualised basis, 9M2026 remained broadly consistent with, or exceeded, the proposed annual contracted quantity. Accordingly, we consider that the annual volume assumption of 2 million tonnes is supported by the relevant contractual arrangement and the historical transaction volumes.

Proposed Coal Sales Agreements with YIT and HII

In respect of the aggregate annual contracted quantity of 4 million tonnes under the Proposed Coal Sales Agreements with YIT and HII, we noted that the historical transaction volumes under the 2023 YIT Framework Agreement For Coal Sales were approximately 4.7 million tonnes and 4 million tonnes for FY2024 and FY2025, respectively. Such historical transaction volumes were broadly consistent with, or exceeded, the proposed aggregate annual contracted quantity of 4 million tonnes and therefore provide support for the volume assumption. However, on an annualised basis, the transaction volume for 9M2026 remained below the proposed aggregate annual contracted quantity of 4 million tonnes.

As discussed under the section headed "Historical annual caps" above, YIT historically purchased coal on a spot basis and was not subject to a fixed contractual obligation to purchase a minimum volume of coal. In contrast, the Proposed Coal Sales Agreements with YIT and HII provide for an annual contracted quantity of 2 million tonnes each during the Relevant Period. We consider that such term contractual arrangements provide the Yancoal Group with a greater degree of certainty and visibility over its coal offtake and sales during the Relevant Period.

Having considered (i) the historical transaction volumes for FY2024 and FY2025; and (ii) the greater degree of certainty over offtake provided by the Proposed Coal Sales Agreements, including the replacement of YIT's previous spot-based purchasing arrangement with a term contractual arrangement, we consider that the proposed aggregate annual contracted quantity of 4 million tonnes is reasonable.

MOU Maximum Annual Volume

The MOU Maximum Annual Volume represents the maximum annual transaction volume contemplated under the Proposed MOU rather than a committed annual offtake quantity. As the relevant transactions will arise on a spot or short-term basis, the specific product mix, transaction volume and timing of such transactions cannot be determined in advance. We understand that the MOU Maximum Annual Volume is intended to provide the Yancoal Group with sufficient flexibility to pursue commercially attractive sales or trading opportunities as and when they arise. Given that the Proposed MOU does not require the parties to enter into any minimum transaction volume and each transaction will be subject to the applicable pricing and internal control procedures, we consider that the MOU Maximum Annual Volume provides operational flexibility without obliging the Yancoal Group to undertake transactions unless commercially acceptable terms are available. The Management further advised that the MOU Maximum Annual Volume represents approximately 5% of the Yancoal Group's total managed sales volume.

Having considered (i) the terms of the Proposed Coal Sales Agreements; (ii) the historical transaction volumes under the existing coal sales arrangements; (iii) the greater degree of certainty over offtake provided by the Proposed Coal Sales Agreements; and (iv) the non-committed and opportunity-based nature of the MOU Maximum Annual Volume and the fact that 2 million tonnes represents approximately 5% of the Yancoal Group's total managed sales volume, we consider that the annual volume assumptions adopted in determining the Yankuang Energy Annual Caps and the YIT Annual Caps are reasonable.

*(b) Reference Price*

Based on our discussions with the Management, we understand that the Reference Price of US$150 per tonne was adopted as a common price assumption for the purpose of determining the Yankuang Energy Annual Caps and the YIT Annual Caps and remains unchanged throughout the Relevant Period. We further note that the same reference price was adopted in determining the annual caps under the 2023 Yankuang Energy Framework Agreement For Coal Sales and the 2023 YIT Framework Agreement For Coal Sales. The Reference Price is an assumption adopted solely for annual cap-setting purposes and does not represent the actual transaction price or a forecast of the selling price of coal during the Relevant Period. The actual transaction prices will be determined in accordance with the applicable pricing mechanisms and prevailing market conditions.

The Management further explained that the Reference Price was adopted having regard to the volatility of coal prices and the uncertainty arising from geopolitical and market developments, which make future coal prices difficult to predict. Obtaining revised annual caps would also involve additional time and costs. Accordingly, the Reference Price includes headroom to accommodate potential increases in coal prices and provide operational flexibility during the Relevant Period.

Proposed Coal Sales Agreements

When we reviewed the historical weekly API5 data from January 2021 up to July 2026, we noted that the Reference Price of US$150 per tonne represents headroom of approximately US$46.8 per tonne, or approximately 45.3%, over the average API5 of approximately US$103.2 during the period under review, which is equivalent to approximately 1 standard deviation above the average API5. We also noted that API5 ranged from approximately US$53.9 per tonne to approximately US$284.2 per tonne during the period under review, with the maximum API5 being approximately 5.3 times the minimum API5. Whilst the Reference Price is higher than the historical average API5 during the period under review, we consider that such headroom is reasonable for annual cap-setting purposes, having regard to (i) the significant historical fluctuations in API5, as demonstrated by the range and standard deviation set out above; (ii) the possibility that coal prices may increase during the three-year term of the Framework Agreements; and (iii) the difficulty in forecasting coal prices over such period due to changing market and geopolitical conditions.

We noted from the website of Argus Media that API5 was launched in May 2012 and is a key physical coal benchmark representing the price of Australian thermal coal with a calorific value of 5,500 kcal/kg NAR exported from Newcastle on a free-on-board basis. Given that the Proposed Coal Sales Agreements principally relate to Australian thermal coal with calorific values of 5,500, 5,250 and 5,100 kcal/kg NAR, we consider API5 to be an appropriate benchmark for assessing the reasonableness of the Reference Price for annual cap-setting purposes in respect of the aggregate annual contracted quantity of 6 million tonnes under the Proposed Coal Sales Agreements.

Proposed MOU

We noted that the MOU Maximum Annual Volume may comprise Kestrel coking coal or coking or thermal coal sourced from third-party mines. As advised by the Management, the majority of the coal sales contemplated under the Proposed MOU are expected to comprise thermal coal. Given the limited opportunities to sell coking coal into the PRC on a spot basis, coking coal sales are expected to represent only a limited proportion of the transactions under the Proposed MOU.

Having considered the expected product mix under the Proposed MOU and the relatively small proportion of the Yancoal Group's total managed sales volume represented by the MOU Maximum Annual Volume, we consider that the Reference Price of US$150 per tonne is reasonable for annual cap-setting purposes in respect of the Proposed MOU.

*Our views*

Having considered the annual volume assumptions and the Reference Price adopted in determining the Yankuang Energy Annual Caps and the YIT Annual Caps, including the factors discussed above, we consider that the Yankuang Energy Annual Caps and the YIT Annual Caps are fair and reasonable.

Shareholders should note that the Yankuang Energy Annual Caps and the YIT Annual Caps relate to future transactions and were determined by reference to assumptions which may or may not remain valid throughout the Relevant Period. The annual caps do not represent forecasts of the transaction amounts or revenue to be generated from the Coal Sales Transactions. Accordingly, we express no opinion as to the extent to which the actual transaction amounts will correspond with the relevant annual caps.

### *5.2. Pricing mechanism*

*Proposed Coal Sales Agreements*

As set out in the Letter from the Board, the transaction prices under the Proposed Coal Sales Agreements will be determined with reference to API5, the relevant coal quality characteristics and available market alternatives.

We understand that the pricing mechanism under the Proposed Coal Sales Agreements will comprise API5 and the Annual Relativity applicable to the relevant coal product. The Annual Relativity will be determined by reference to the weighted average of the adjustment to the API5 reflected in comparable annual contracts entered into between the Yancoal Group and independent customers in the PRC.

Under the previous coal sales arrangements, the applicable price adjustment was fixed for the relevant contractual period. Accordingly, if the relativity to API5 reflected in comparable contracts with independent customers subsequently increased, the Yancoal Group would be unable to adjust the transaction price upward to capture the higher market relativity. Conversely, if the prevailing market relativity decreased, the fixed transaction price could become less competitive and may affect the relevant connected counterparty's willingness to purchase coal. Under the Proposed Coal Sales Agreements, the Annual Relativity will be updated annually by reference to comparable annual contracts with independent customers, allowing the applicable relativity to be adjusted upward or downward to reflect prevailing market conditions more closely.

We consider that the Annual Relativity mechanism reduces the risk of the transaction prices diverging from the pricing terms available in comparable independent transactions and supports the continued competitiveness of the Proposed Coal Sales Agreements.

*Review of the Annual Relativity mechanism*

We noted that the Annual Relativity for each relevant coal product will be calculated based on the weighted average of the adjustment to the API5 under comparable annual contracts entered into by the Yancoal Group with independent Chinese end-user customers for the same coal quality and delivery period. The calculation will also be verified by an independent external auditor appointed by the Company.

As the Annual Relativity is determined by reference to the pricing terms of comparable transactions with independent customers and will be updated annually, we consider that the mechanism provides a reasonable basis for ensuring that the transaction prices under the Proposed Coal Sales Agreements remain aligned with prevailing arm's length market terms.

*Proposed MOU*

The pricing mechanism under the Proposed MOU differs from that under the Proposed Coal Sales Agreements, as the relevant transactions may involve different types and sources of coal and will be entered into on a spot or short-term basis. The price of coal under each Export Supply Contract will be separately negotiated and agreed on an arm's length basis with reference to prevailing coal market conditions.

As set out in the Letter from the Board, prior to entering into any transaction under the Proposed MOU, the Yancoal Group's marketing team will canvass existing customers and potential buyers to identify the option offering the best overall commercial outcome. A transaction with SETI will only proceed where the terms offered by SETI are commercially equivalent to, or more favourable than, the next best reasonably available alternative. Each cargo will also be supported by documented commercial justification.

As advised by the Management, the Yancoal Group's marketing team will approach the global market and solicit bids for the spot availability of coal. The Management will consider at least two comparable bids from independent third parties and assess the available alternatives having regard to a range of commercial factors before entering into any transaction under the Proposed MOU.

Having considered the market canvassing process and the comparison against at least two comparable bids from independent third parties, we consider that the pricing mechanism under the Proposed MOU is fair and reasonable and provides a reasonable basis for assessing whether the terms offered by SETI are commercially equivalent to, or more favourable than, the next best reasonably available alternative.

*Historical implementation of the existing pricing controls*

To assess the historical implementation of the pricing controls under the previous arrangements, we randomly selected one transaction from each of 2M2023, FY2024, FY2025 and 9M2026 under each of the 2023 Yankuang Energy Framework Agreement For Coal Sales and the 2023 YIT Framework Agreement For Coal Sales. We obtained and reviewed the relevant internal approval records and supporting documents for the selected transactions.

From our review, we noted that API5 was used in determining the transaction price and the applicable price adjustment was applied consistently with the relevant pricing terms. We also noted that the transaction prices were compared against the prices offered by independent third parties or the prices adopted in recent transactions between the Yancoal Group and independent third parties.

We also reviewed the 2024 Annual Report and the 2025 Annual Report and noted that the Independent Directors and the auditor of the Company had conducted the annual reviews required under Chapter 14A of the Hong Kong Listing Rules in respect of the continuing connected transactions, including the transactions conducted under the previous framework agreements, for FY2024 and FY2025.

*Our views*

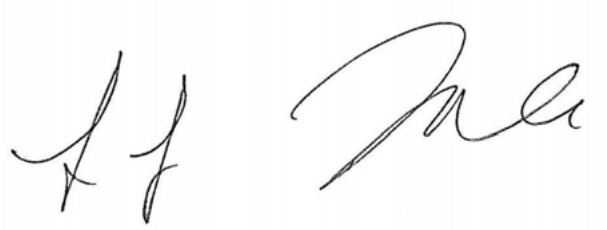
Having considered (i) the use of API5 and the Annual Relativity under the Proposed Coal Sales Agreements; (ii) the annual update of the Annual Relativity by reference to comparable contracts with independent customers; (iii) the market canvassing process, the comparison against at least two comparable bids from independent third parties and the relevant commercial factors to be taken into account under the Proposed MOU; (iv) the relevant internal review and approval procedures; and (v) the historical implementation of the pricing controls under the 2023 Yankuang Energy Framework Agreement For Coal Sales and the 2023 YIT Framework Agreement For Coal Sales, we consider that the respective pricing mechanisms applicable to the Coal Sales Transactions under the Framework Agreements are fair and reasonable and provide appropriate safeguards to ensure that the transactions contemplated thereunder will be conducted on an arm's length basis and on normal commercial terms.

**OPINION AND RECOMMENDATION**

Based on the above principal factors and reasons, we are of the view that the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales, the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable and on normal commercial terms, and that the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales (including the transactions contemplated thereunder and the relevant annual caps), the Proposed Coal Sales Agreements and the Proposed MOU.

Yours faithfully,
For and on behalf of
**Ignite Capital (Asia Pacific) Limited**



| **Li Lan** | **Tin Ming Kit** |
|---|---|
| *Managing Director* | *Director* |

*Mr. Li Lan is a Managing Director of Ignite Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 20 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.*

*Mr. Tin Ming Kit is a Director of Ignite Capital and is licensed under the SFO as a licensed person to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Tin has over 20 years of investment banking and corporate finance experience in Hong Kong and has participated in and completed various initial public offerings, corporate financial advisory and independent financial advisory transactions.*

*The following is the full text of the letter of report from Lonergan Edwards & Associates Limited, the Independent Expert of the Company, which has been prepared pursuant to the requirements of the ASX Listing Rules.*

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.
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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 52.86% of shares in Yankuang Energy.

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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), 5,250 (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.

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**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

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# 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** |

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# 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.

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# 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.

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# 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

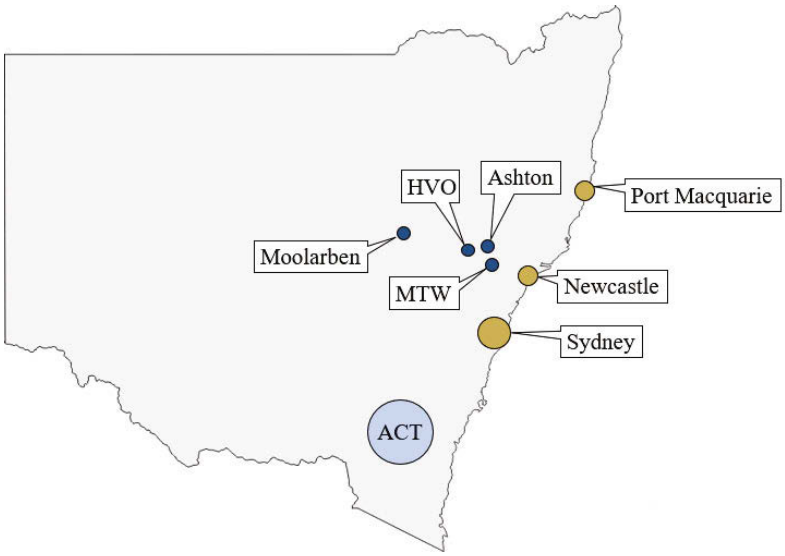
66 The higher ash coal products which will be supplied under the Proposed Coal Sales Agreements will principally be sourced from the Moolarben Mine as well as the MTW and HVO Mines, and will be shipped to HII, YLHK and YIT from the Port of Newcastle. These three mines are Yancoal's major coal producing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

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**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.

17

**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

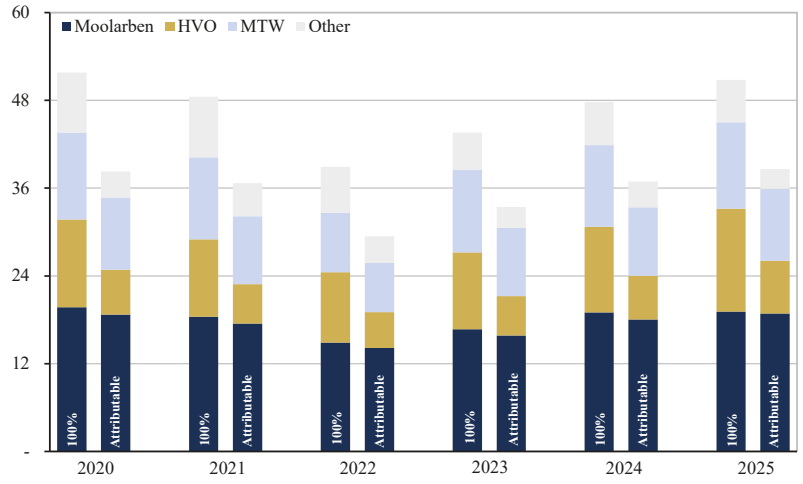
HVO South to 2042 within the existing mining leases was approved by the Independent Planning Commission on 30 September 2026.

## 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.

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# 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.

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| 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.

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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/

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| 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.

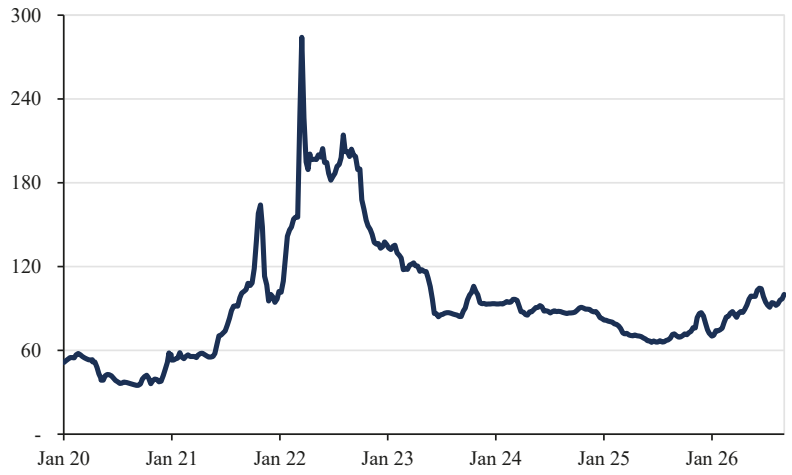
111 Coal contracts typically have price adjustments for energy content and other coal characteristics. Typically, thermal coal produced in the Hunter Valley tends to have higher CV values and is priced against indices such as the globalCOAL NEWC Index (GC NEWC Index). In contrast, coal produced west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

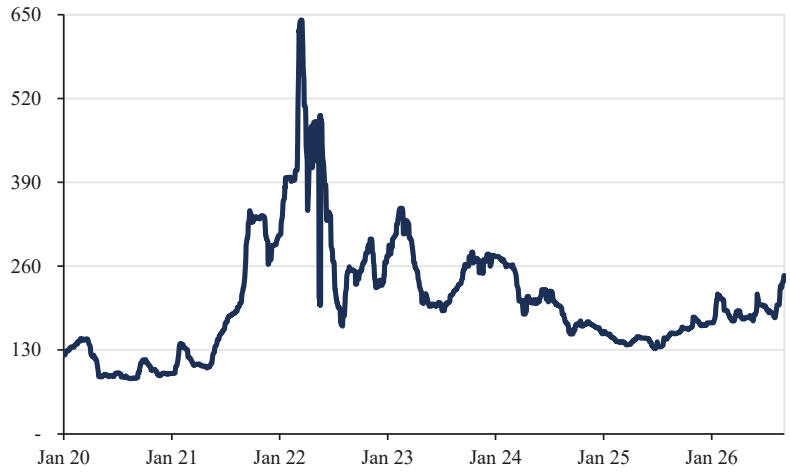
(d) from late 2022 and into 2023, coal prices declined as coal production increased, supply chains improved, Europe rebuilt energy inventories, LNG availability recovered and concerns over immediate energy shortages eased; and

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.

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# 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.

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# 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 – 5,500 NAR

(ii) Product B – 5,250 NAR

(iii) Product C – 5,100 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.

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**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.

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**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.

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**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.

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**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 |

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 |

## EXPLANATORY MEMORANDUM

**Yancoal Australia Ltd (ACN 111 859 119) (the Company)**

This Explanatory Memorandum has been prepared in connection with a resolution proposed to be passed as a special resolution of the Company to approve the giving by certain subsidiaries of the Company of financial assistance within the meaning of section 260A of the Corporations Act (the **Financial Assistance Resolution**).

This Explanatory Memorandum and the other attachments to the notice of general meeting (the **Notice**) which it accompanies are important documents. Please read them carefully.

### 1 BACKGROUND TO THE REQUIREMENT FOR FINANCIAL ASSISTANCE RESOLUTION

#### 1.1 Restrictions on companies giving financial assistance

Pursuant to section 260A(1) of the Corporations Act a company may financially assist a person to acquire shares (or units of shares) in the company or a holding company of the company only if:

(a) giving the assistance does not materially prejudice:

(1) the interests of the company or its shareholders; or

(2) the company's ability to pay its creditors; or

(b) the assistance is approved by shareholders under section 260B of the Corporations Act; or

(c) the assistance is exempted under section 260C of the Corporations Act.

The requirements for shareholder approval under section 260B of the Corporations Act are described in section 1.2.

#### 1.2 Shareholder approval of financial assistance

Under section 260B(1) of the Corporations Act, for a company to financially assist a person to acquire shares (or units of shares) in itself or a holding company of which it is a subsidiary, the financial assistance must be approved by its shareholders by:

(a) a special resolution passed at a general meeting of the company, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or

(b) a resolution agreed to, at a general meeting, by all ordinary shareholders.

If, immediately after the acquisition, the company will be a subsidiary of another:

- domestic corporation that is listed in Australia (**Listed Australian Holding Company**); or

- domestic corporation that is not listed in Australia and is not itself a subsidiary of another domestic corporation (**Ultimate Australian Holding Company**),

then the financial assistance must also be approved by a special resolution passed under section 260B(2) (in the case of a Listed Australian Holding Company) or section 260B(3) (in the case of an Ultimate Australian Holding Company) of the Corporations Act at a general meeting of that corporation.

### 1.3 Approval by shareholders of the Company under section 260B(2)

The purpose of this Explanatory Memorandum is to explain in further detail the proposed Financial Assistance Resolution set out in the Notice which must be passed under section 260B(2) of the Corporations Act to enable certain subsidiaries of the Company of which the Company is the Listed Australian Holding Company to financially assist the Company in connection with the Acquisition (each as described below).

## 2 THE ACQUISITION

The Company has purchased the entire issued share capital of Kestrel Coal Group Pty Ltd (ACN 624 655 518) (the **Target**) under the terms of the share sale agreement dated 14 April 2026 between EMR Capital Advisors Pty Ltd (ACN 158 369 450) (in its capacity as investment manager and attorney for each of the EMR Bare Trusts Beneficiaries), Kestrel Coal (EMR) Limited (registration number 333815), Adaro Capital Limited and the Company (the **Acquisition**).

On completion of the Acquisition, the Company became the Listed Australian Holding Company of the Target and its subsidiaries (**Target Group**).

## 3 FUNDING ARRANGEMENTS

### 3.1 Overview

The Company is a borrower under credit facilities in an aggregate principal amount of A$850,000,000 and US$1,400,000,000 (the **Syndicated Facilities**) provided under the syndicated facility agreement dated 24 November 2025 between, among others, the Company, the parties listed in Part I of Schedule 1 thereto as Original Obligors, the parties listed in Part II of Schedule 1 thereto as Original Financiers, the Commonwealth Bank of Australia (ABN 48 123 123 124) (**CBA**) as

Agent and CBA Corporate Services (NSW) Pty Limited (ABN 25 072 765 434) (**CBA Corporate Services**) as Security Trustee, as amended on 23 April 2026 by the document entitled 'First Amendment Deed (SFA)' dated 15 April 2026 between, among others, the Company, the parties listed in Part 1 of Schedule 1 thereto as Initial Guarantors, the parties listed in Part 2 of Schedule 1 thereto as New Financiers, CBA as Agent and CBA Corporate Services as Security Trustee (the **Syndicated Facility Agreement**).

**3.2 Syndicated Facilities**

***(a) Facility limit and term***

The Syndicated Facilities have a combined limit of A$850,000,000 and US$1,400,000,000 and are divided into the following separate facilities:

- three bank credit support document facilities (**Credit Support Facilities**) aggregating A$850,000,000 with a maturity date of 28 November 2030;

- a facility (**Acquisition Facility**) for an amount of up to US$1,200,000,000 with a maturity date of 29 September 2031; and

- a facility (**Working Capital Facility**) for an amount of up to US$200,000,000, with a maturity date of 29 September 2031.

The Acquisition Facility is an amortising term loan and any amounts repaid may not be redrawn.

Amounts repaid under the Working Capital Facility may be redrawn during the term of the facility.

One or more additional facilities may also be established in accordance with the terms of the Syndicated Facility Agreement provided that certain conditions are met.

***(b) Purpose***

The Syndicated Facilities have been or may be drawn for the following purposes:

(1) the Credit Support Facilities are only available for the issuance of letters of credit, bank guarantee, performance bonds or other similar instruments (**Credit Support Documents**), either through redesignation of existing Credit Support Documents or the issue of new Credit Support Documents required by the Group. They are not available for cash advances;

(2) the Acquisition Facility has been used and is available to fund the Acquisition, any costs in connection with the Acquisition and to refinance certain indebtedness of the Target Group; and

(3) the Working Capital Facility is available for working capital and general corporate purposes of the Group.

***(c) Borrower***

The Syndicated Facilities are provided to the Company as borrower. Certain of the Company's subsidiaries are party to the Syndicated Facility Agreement as original obligors.

**3.3 Surety Facilities**

On 24 November 2025, the Company (as borrower), together with certain subsidiaries of the Company (as original obligors), entered into the following:

(a) a surety bond facility agreement with Allianz Australia Insurance Limited (ACN 000 122 850) with a facility limit of A$200,000,000;

(b) a surety bond facility agreement with Swiss RE International SE (ARBN 138 873 211) with a facility limit of A$50,000,000; and

(c) a surety bond facility agreement with Liberty Mutual Insurance Company, Australia Branch (ABN 61 086 083 605), trading as Liberty Specialty Markets with a facility limit of A$400,000,000,

(each a **Surety Facility Agreement** and together, the **Surety Facility Agreements**) in each case with a tenor of 5 years and for the purpose of refinancing or replacing certain of its existing surety bonds and to support ongoing obligations or requirements to procure surety bonds in connection with brownfield mine sites.

The rights of the parties under each Surety Facility Agreement are subject to the terms and conditions of the Common Terms Deed.

**3.4 Common terms deed**

The rights and obligations of the parties to the Syndicated Facility Agreement and each Surety Facility Agreement (each a **Facility Agreement** and together the **Facility Agreements**) are subject to the terms and conditions of the document entitled 'Common Terms Deed Poll' dated 24 November 2025 between the Company, the parties named and described in Schedule 2 thereto as Initial Obligors and CBA as CTDP Agent, as amended on 23 April 2026 by the document entitled 'First Amendment Deed (CTDP and GSD)' dated 15 April 2026 between, among others, the Company, the parties listed in Schedule 1 thereto as Initial Guarantors, CBA as CTDP Agent and CBA Corporate Services as Security Trustee (the **Common Terms Deed**).

The Common Terms Deed includes events of default, review events, undertakings, representations and warranties from the borrower and guarantors consistent with facilities of the nature of the Facility Agreements or as required by the lenders due to the particular circumstances of this transaction and the financing arrangements under the Facility Agreements. The undertakings include the following, given by the Company on a joint and several basis together with the Existing Guarantors and the Target Guarantors:

(a) a negative pledge;

(b) undertakings not to dispose of assets;

(c) undertakings to comply with certain financial covenants;

(d) undertakings not to provide any financial accommodation or give any guarantees in respect of any financial accommodation;

(e) undertakings not to enter into arrangements other than on arms' length terms; and

(f) in each case subject to agreed exceptions.

**3.5 Hedging Agreements**

The Company has entered into hedging arrangements with Commonwealth Bank of Australia and may from time to time enter into further hedging agreements with hedge counterparties (the **Hedging Agreements**).

**3.6 Guarantees**

The Common Terms Deed contains guarantees and indemnities in respect of the Facilities and related hedging. It is a condition of the Common Terms Deed that, subject to agreed exceptions**,** the Target Guarantors will accede to the Common Terms Deed and each Facility Agreement as guarantors and obligors and accede to the Security Trust Deed as obligors.

**3.7 Security**

The Existing Guarantors have provided security over some or all of their assets to CBA Corporate Services as security trustee (**Security Trustee**) to hold on trust for the 'Beneficiaries' (under and as defined in the Security Trust Deed) to secure amounts owing under the Finance Documents. This security trust is governed by a security trust deed dated 24 November 2025 (**Security Trust Deed**). Such 'Beneficiaries' under the Security Trust Deed include, among others, each lender or issuing bank or surety under a Facility Agreement, each hedge counterparty under a Hedging Agreement, the "Agent" under the Syndicated Facility Agreement, the 'CTDP Agent' under the Common Terms Deed and the Security Trustee. It is a condition of the Common Terms Deed that (subject to agreed exceptions) the Target Guarantors provide security over their assets to the Security Trustee upon accession to the guarantee arrangements described above. In addition, it is a condition under the Security Trust Deed that the Company ensure that each person that becomes a guarantor under the Common Terms Deed also accedes to the Security Trust Deed as an obligor.

## 4 FINANCIAL ASSISTANCE

### 4.1 Accession to the Finance Documents

It is proposed that, pursuant to the terms of each Facility Agreement, the Common Terms Deed and the Security Trust Deed, the Target Guarantors accede as guarantors to each Facility Agreement and the Common Terms Deed and as obligors to the Security Trust Deed, pursuant to:

(a) an accession deed under the Common Terms Deed (which includes accession to each Facility Agreement); and

(b) an accession deed under the Security Trust Deed,

(each a **Subsidiary Deed of Accession**).

Upon execution of each of the Subsidiary Deeds of Accession, the Target Guarantors would (among other things) become bound by the guarantees, indemnities and undertakings and give the representations and warranties referred to above.

In addition, it is proposed that the Target Guarantors will grant security over their assets and undertakings (subject to agreed exceptions) to the Security Trustee as security for the obligations of the borrower and guarantors under the Finance Documents (the **Security**). The Security may take the form of a general security deed over all present and after-acquired property of the relevant Target Guarantor and/or such other form as may be agreed with the relevant financiers.

### 4.2 Other support

In addition, the Target Guarantors may, or may be required to:

- transfer assets to, or assume other liabilities and obligations (including liabilities and obligations under guarantees and indemnities on a joint and several basis together with the Existing Guarantors) of, the Company or other subsidiaries or related parties of the Company;

- make available directly or indirectly their cash flows (whether through dividends, capital distributions, intercompany loans or otherwise) or other resources in order to enable the Company and the other guarantors to comply with their payment and other obligations in respect of the Financing and the Acquisition (including to fund any purchase price adjustments);

- netting, setting off or forgiving intercompany balances owing between a Target Guarantor and any other member of the Group (including the Company);

- consent or agree to amendments to the Finance Documents, including amendments that make their obligations more onerous;

- provide additional support which may include incurring additional obligations and/or providing additional guarantees, mortgages and/or charges on the same or different terms to the Security; and

- provide other financial assistance in connection with the Acquisition including, without limitation, in connection with any refinancing.

Other subsidiaries of the Target may in the future also provide or be required to provide financial assistance in connection with the Acquisition in the same form as that to be provided by the Target Guarantors or in another form.

## 5 FINANCIAL ASSISTANCE RESOLUTION

### 5.1 Financial assistance approvals

The entry by the Target Guarantors into, and the performance by each Target Guarantor of its rights and obligations under the Subsidiary Deeds of Accession, the Finance Documents and the Security and the participation by each Target Guarantor in the funding arrangements and other transactions, all as described above, constitutes the giving of financial assistance in connection with the Acquisition, within the meaning of Part 2J.3 of the Corporations Act.

Pursuant to section 260B of the Corporations Act, it is proposed that the giving by the Target Guarantors of the financial assistance be approved by:

(a) a resolution agreed to by all ordinary shareholders of each Target Guarantor pursuant to section 260B(1) of the Corporations Act; and

(b) the Financial Assistance Resolution pursuant to section 260B(2) of the Corporations Act.

The approval referred to in paragraph 5.1(b) will also approve the giving of financial assistance by other subsidiaries of the Target if required in the future.

The approvals referred to in paragraphs 5.1(a) will be sought from the shareholders of each Target Guarantor in accordance with section 260B(1) of the Corporations Act. Where financial assistance is required to be given by Australian subsidiaries of the Target other than the Target Guarantors in the future, the approval of shareholders of the relevant subsidiaries under section 260B(1) of the Corporations Act will be sought at that time.

**5.2 Reasons for giving financial assistance**

The reason for the giving of the financial assistance described above is to enable the Company to comply with certain of its obligations under the Finance Documents.

If such obligations are not complied with an 'Event of Default' will occur under the Finance Documents and the funding under the Finance Documents may be required to be repaid.

The giving of the financial assistance described above also benefits the Target Guarantors, as it is able to assist the Company to raise money in order to later provide the Company's subsidiaries, including the Target Guarantors, with finance on better terms than would be available to the Target Guarantors on a standalone basis and to repay existing indebtedness of the Target Guarantors.

**5.3 Effect of financial assistance**

As the Company (and each other Existing Guarantor) is already liable for the amounts payable under the Finance Documents and each have provided security for their liability under the Finance Documents, the giving of the financial assistance described in this memorandum by the Target Guarantors is unlikely to have any adverse effect on the Company or its ability to pay its creditors, except that the operations of the Target Guarantors will be restricted by the representations and undertakings given by them under the Finance Documents.

The substantial effect of the financial assistance on the Target Guarantors is that each Target Guarantor will have guaranteed (together with the Company and all other guarantors) all amounts payable under the Finance Documents and granted security for such obligations over its assets and undertaking. The operations of the Target Guarantors will also be restricted by the representations and undertakings given by them under the Finance Documents.

The directors of the Company do not currently believe that either the Company or any of the Existing Guarantors are likely to default in their obligations under the Finance Documents.

As a consequence of the matters described above, the directors of the Company believe the giving of financial assistance by each Target Guarantor is not materially prejudicial to the interests of each Target Guarantor or its shareholders.

**5.4 Advantages of the proposed resolution**

The advantage to the Company of the proposed resolution is that the Target Guarantors will be able to accede to the Finance Documents and so avoid an Event of Default occurring under the Finance Documents. If an Event of Default occurred, the financiers may require immediate repayment of the amounts due under the Finance Documents and the Security Trustee would be able to enforce the security it holds over the assets of the Company and the other Existing Guarantors. This may include a disposal of the shares acquired by the Company in the Target at less than the value that the Company would otherwise expect to be achieved.

The advantages of the proposed resolution to the Target Guarantors include:

(a) the Company will be able to maintain its ownership of the Target Group. The directors of the Company believe that this is in the interests of the Target Guarantors because:

- the Target Guarantors will have greater access to funding in the bank and capital markets as a result of integration in the Group;
- the Target Guarantors will benefit from synergies, cost savings and greater growth potential through that integration with the Group;
- the Target Guarantors will be able to retain existing management expertise and will have access to new management expertise provided by the Company and its affiliates;

(b) the directors of the Company believe that the Financing is the most efficient form of financing available to finance the Acquisition;

(c) the Target Guarantors will have access to additional working capital indirectly by greater access to funds available in the market; and

(d) the Target Guarantors will be able to assist the Company to raise money in order to later provide the Company's subsidiaries, including the Target Guarantors, with finance on better terms than would be available to the Target Guarantors on a standalone basis and to repay existing indebtedness of the Target Guarantors.

The directors of the Company believe that approving the transactions contemplated by this Explanatory Memorandum is in the interests of the Company.

**5.5 Disadvantages of the proposed resolution**

As the Company (and each other Existing Guarantor) is already liable for and has provided security over its assets to secure the amounts due under the Finance Documents, the directors of the Company do not believe there are any disadvantages to the Company of the proposed resolution, except that the operations of the Target Guarantors will be restricted by the representations and undertakings given by them under the Finance Documents.

The disadvantages of the proposed resolution for the Target Guarantors include the following:

(a) they will become liable for the amounts due under the Finance Documents;

(b) their assets will be subject to security and their operations will be restricted by the representations and warranties and undertakings given by them under the Finance Documents;

(c) the Company and/or the other Existing Guarantors may default under the Finance Documents, following which:

(1) the financiers may make a demand under the guarantees provided by the Target Guarantors requiring immediate repayment of the amounts due under the Finance Documents; and

(2) the Security Trustee may enforce the guarantee and/or security granted by the Target Guarantors to recover the amounts due.

A demand made under the guarantees may result in the winding up of the Target Guarantors and a sale of the Target Guarantors' assets by the Security Trustee upon an enforcement of the Security may result in a return to the Company (and ultimately its shareholders) significantly lower than could have been achieved by the Company had those assets been sold in the ordinary course of business or had the Target Guarantors continued trading.

### 5.6 Passing the Financial Assistance Resolution

The Financial Assistance Resolution is set out in the Notice that accompanies this Explanatory Memorandum.

The Financial Assistance Resolution will be passed if at least 75% of the Shareholders vote in favour of the resolution.

The Shareholders may vote either for or against the Financial Assistance Resolution.

## 6 RECOMMENDATION

Based on information available at this time, the directors of the Company believe that the Acquisition and the giving of financial assistance by each Target Guarantor is not materially prejudicial to the interests of each Target Guarantor or its shareholders, or the ability of each of the Target Guarantors to pay its creditors.

However, the directors consider it prudent and consistent with good business practice to seek Shareholders' approval.

The directors unanimously recommend that the Shareholders vote in favour of the Financial Assistance Resolution to approve the giving of financial assistance.

## 7 PRIOR NOTICE TO AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION

As required by section 260B(5) of the Corporations Act, copies of the Notice and this Explanatory Memorandum as sent to the Shareholders were lodged with the Australian Securities & Investments Commission prior to their dispatch to the Shareholders.

## 8 DISCLOSURE

The directors consider that this Explanatory Memorandum contains all information known to the Company that would be material to the Shareholders in deciding how to vote on the proposed resolution other than information which it would be unreasonable to require the Company to include because it has been previously disclosed to the Shareholders of the Company.

## 9 GLOSSARY

In this Explanatory Memorandum, unless defined otherwise:

| Term | Meaning |
|---|---|
| **Acquisition** | is defined in section 2. |
| **Acquisition Facility** | is defined in section 3.2(a). |
| **CBA** | is defined in section 3.1. |
| **CBA Corporate Services** | is defined in section 3.1. |
| **Common Terms Deed** | is defined in section 3.4. |
| **Company** | Yancoal Australia Ltd (ACN 111 859 119). |
| **Corporations Act** | the *Corporations Act 2001* (Cth). |
| **Credit Support Documents** | is defined in section 3.2(b)(1). |
| **Credit Support Facilities** | is defined in section 3.2(a). |
| **Existing Guarantor** | the Company and each subsidiary of the Company that is an existing guarantor under any of the Finance Documents. |
| **Explanatory Memorandum** | this document. |

| | |
|---|---|
| **Facilities** | each facility under each Facility Agreement. |
| **Facility Agreement** and **Facility Agreements** | is defined in section 3.4. |
| **Finance Documents** | each Facility Agreement, the Common Terms Deed, each Hedging Agreement, the Security Trust Deed, the related guarantees and security documents and all other related documents. |
| **Financial Assistance Resolution** | is defined at the commencement of this Explanatory Memorandum. |
| **Financing** | the funding arrangements provided under the Finance Documents. |
| **Group** | the Company and its subsidiaries. |
| **Hedging Agreement** | is defined in section 3.5. |
| **Listed Australian Holding Company** | is defined in section 1.2. |
| **Notice** | is defined at the commencement of this Explanatory Memorandum. |
| **Security** | is defined in section 4.1. |
| **Security Trustee** | is defined in section 3.7. |
| **Security Trust Deed** | is defined in section 3.7. |
| **Shareholder** | each person who is registered in the register of members as the holder of fully paid ordinary shares in the capital of the Company, from time to time. |
| **Subsidiary Deeds of Accession** | is defined in section 4.1. |
| **Surety Facility Agreement** and **Surety Facility Agreements** | is defined in section 3.3. |

| | |
|---|---|
| **Syndicated Facilities** | is defined in section 3.1. |
| **Syndicated Facility Agreement** | is defined in section 3.1. |
| **Target** | is defined in section 2. |
| **Target Group** | is defined in section 2. |
| **Target Guarantor** | each of:<br>the Target;<br>Kestrel Coal Holdings Pty Ltd (ACN 624 151 113);<br>Kestrel Coal Midco Pty Ltd (ACN 624 242 628);<br>Kestrel Coal Subsidiary Pty Ltd (ACN 624 243 689);<br>Kestrel Coal Resources Pty Ltd (ACN 624 245 325);<br>Kestrel Coal Sales Pty Ltd (ACN 010 486 307); and<br>Kestrel Coal Pty Ltd (ACN 079 044 689). |
| **Ultimate Australian Holding Company** | is defined in section 1.2. |
| **Working Capital Facility** | is defined in section 3.2(a). |

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules and the ASX Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests of Directors and Chief Executive of the Company

As at the Latest Practicable Date, the interests or short positions (as applicable) of the Directors and the Chief Executive of the Company in the Shares and debentures of the Company and any interests or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, are as follows:

**The Company**

| Name of Executive or Director | Number of Shares and Underlying Shares | Nature of Interest | Approximate Percentage |
|---|---|---|---|
| Ning Yue | 159,738[(1)] | Beneficial owner | 0.0121% |
| Gregory James Fletcher | 2,100 | Beneficial owner | 0.00016% |
| Debra Anne Bakker | 9,000 | Beneficial owner | 0.00068% |
| Sharif Burra (CEO) | 732,239[(2)] | Beneficial owner | 0.0555% |

*Notes:*

(1) This includes 55,488 Shares beneficially owned by Mr. Ning Yue and 104,250 deferred share rights issued to Mr. Ning Yue by the Company pursuant to the short term incentive plan under the overarching equity incentive plan (the "**Equity Incentive Plan**") of the Company (which was approved by the Company's shareholders at the annual general meeting on 30 May 2018) on 11 June 2026. If such deferred share rights vest and are exercised and settled in Shares, Mr. Ning Yue will become entitled to receive 1 Share for each deferred share right. For details, please refer to the announcement of the Company dated 15 June 2026.

(2) This includes 481,127 Shares beneficially owned by Mr. Sharif Burra and 251,112 performance share rights issued to Mr. Sharif Burra by the Company pursuant to the 2026 long term incentive plan under the Equity Incentive Plan on 8 September 2026. If such performance share rights vest and are exercised and settled in Shares, Mr. Sharif Burra will become entitled to receive 1 Share for each such performance share right. For details, please refer to the announcement of the Company dated 8 September 2026.

**Associated Corporations of the Company**

| Name of Executive or Director | Name of Associated Corporation | Number of Shares and Underlying Shares | Nature of Interest | Approximate Percentage |
|---|---|---|---|---|
| Jiuhong Wang | Yankuang Energy | 235,560 | Beneficial owner | 0.002347% |
| Xiaolong Huang | Yankuang Energy | 412,000 | Beneficial owner | 0.004105% |
| Zhiguo Zhao | Yankuang Energy | 100,000 | Beneficial owner | 0.000996% |

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Chief Executive of the Company have an interest and/or short position (as applicable) in the Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

**(b) Interest of Persons Other Than Directors and Chief Executive of the Company**

As at the Latest Practicable Date, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position (as applicable) in the Shares or underlying Shares which were recorded in the register required to be kept under section 336 of the SFO:

| Name of Shareholder | Capacity | Number of Shares Held or Interested | Approximate Percentage |
|---|---|---|---|
| Yankuang Energy | Beneficial interest | 822,157,715 | 62.26% |
| Shandong Energy[(1)] | Interest in controlled entity | 822,157,715 | 62.26% |
| Cinda International HGB Investment (UK) Limited | Beneficial interest | 92,343,745 | 6.99% |
| Central Huijin Investment Ltd | Interest in controlled entity | 92,343,745 | 6.99% |
| China Agriculture Investment Limited | Interest in controlled entity | 92,343,745 | 6.99% |
| International High Grade Fund B, L.P | Interest in controlled entity | 92,343,745 | 6.99% |

| Name of Shareholder | Capacity | Number of Shares Held or Interested | Approximate Percentage |
|---|---|---|---|
| Cinda International GP Management Limited | Interest in controlled entity | 92,343,745 | 6.99% |
| China Cinda (HK) Asset Management Co., Ltd[(2)] | Interest in controlled entity | 92,343,745 | 6.99% |
| Cinda International Holdings Limited | Interest in controlled entity | 92,343,745 | 6.99% |
| Cinda Securities Co., Ltd | Interest in controlled entity | 92,343,745 | 6.99% |
| China Cinda (HK) Holdings Company Limited | Interest in controlled entity | 92,343,745 | 6.99% |
| China Cinda Asset Management Co., Ltd | Interest in controlled entity | 92,343,745 | 6.99% |
| Cinda Securities (HK) Holdings Limited | Interest in controlled entity | 92,343,745 | 6.99% |

*Notes:*

(1) Shandong Energy is deemed to be interested in the 822,157,715 Shares which Yankuang Energy is interested in as beneficial owner as it is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Yankuang Energy.

(2) Cinda International HGB Investment (UK) limited, an indirect wholly owned subsidiary of China Cinda Asset Management Co., Ltd, is interested in 92,343,745 Shares which are held via various accounts and nominees. China Cinda Asset Management Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda International Holdings Limited, Cinda Securities Co., Ltd, China Cinda (HK) Asset Management Co., Ltd, Cinda International GP Management Limited, International High Grade Fund B, L.P., China Agriculture Investment Limited and Cinda Securities (HK) Holdings Limited are each deemed to be interested in the 92,343,745 Shares which Cinda International HGB Investment (UK) Limited is interested in as beneficial owner.

Save as disclosed above, as at the Latest Practicable Date, none of the substantial shareholders or other persons (other than the Directors and Chief Executive of the Company) had any interest or short position in the shares and/or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

As at the Latest Practicable Date, so far as the Directors were aware, each of Mr. Ning Yue, Mr. Gang Ru, Mr. Jiuhong Wang, Mr. Xiaolong Huang and Mr. Zhiguo Zhao held certain positions in Yankuang Energy or Shandong Energy, each of which had an interest in 62.26% of the total Shares as at the Latest Practicable Date and is deemed to be interested in such Shares under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Yancoal Group which is not determinable by the Yancoal Group within one year without payment of compensation other than statutory compensation.

## 4. DIRECTORS' INTERESTS IN THE YANCOAL GROUP'S ASSETS, CONTRACTS OR ARRANGEMENTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to or which were proposed to be acquired, disposed of by or leased to any member of the Yancoal Group, since 31 December 2025, the date to which the latest published audited financial statements of the Yancoal Group were made up.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Yancoal Group.

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates were interested in any business apart from the Yancoal Group's businesses which competed or was likely to compete, either directly or indirectly, with the Yancoal Group's businesses.

## 6. MATERIAL ADVERSE CHANGE

Other than publicly disclosed by the Company, the Directors are not aware of any material adverse change in the financial position or trading prospects of the Yancoal Group since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up.

## 7. QUALIFICATION OF EXPERT AND CONSENT

The following is the qualification of the professional advisers who have given opinion or advice, which is contained in this circular:

**(a) Ignite Capital**

| Name | Qualification |
|---|---|
| Ignite Capital | a corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO |

Ignite Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinions and/or the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, (i) Ignite Capital did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Yancoal Group or are proposed to be acquired or disposed of by or leased to any member of the Yancoal Group; and (ii) Ignite Capital did not have any shareholding interests in any member of the Yancoal Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Yancoal Group.

**(b) Lonergan Edwards**

| Name | Qualification |
|---|---|
| Lonergan Edwards & Associates Limited (ABN 53 095 445 560) | Lonergan Edwards holds Australian Financial Services Licence No. 246532, which authorises it to provide a broad range of financial services |

Lonergan Edwards has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinions and/or the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, (i) Lonergan Edwards did not have any interest, either direct or indirect, in any assets which had been, since 31 December 2025, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Yancoal Group or are proposed to be acquired or disposed of by or leased to any member of the Yancoal Group; and (ii) Lonergan Edwards did not have any shareholding interests in any member of the Yancoal Group and it did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any members of the Yancoal Group.

## 8. MISCELLANEOUS

This circular has been prepared in both English and Chinese. In the event of inconsistency, the English version of this circular shall prevail over the Chinese version.

## 9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the Company (http://www.yancoal.com.au) for a period of 14 days from the date of this circular (both days inclusive):

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the Letter from the Independent Board Committee in this circular;

(b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the Letter from the Independent Financial Adviser in this circular;

(c) the report from the Independent Expert, the text of which is set out in the Report from the Independent Expert in this circular;

(d) the written consent of Ignite Capital referred to in paragraph 7 of this Appendix;

(e) the written consent of Lonergan Edwards referred to in paragraph 7 of this Appendix;

(f) the 2027 Yankuang Energy Framework Agreement For Coal Sales and the 2027 YIT Framework Agreement For Coal Sales;

(g) the Proposed Coal Sales Agreements;

(h) the Proposed MOU; and

(i) this circular.

**Yancoal Australia Ltd**
**ACN 111 859 119**
**兗煤澳大利亞有限公司***
*(Incorporated in Victoria, Australia with limited liability)*
**(Hong Kong stock code: 3668)**
**(Australian stock code: YAL)**

# NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Shareholders ("**EGM**") of Yancoal Australia Limited ("**Yancoal**" or the "**Company**") will be held at GPT Space&Co Darling Park, Ground Floor, Tower 1, 201 Sussex Street, Sydney NSW 2000, Australia on Thursday, 10 December 2026 at 11.00 a.m. (AEDT) (being 8.00 a.m. (HKT)).

The circular of the EGM (the "**Circular**") provides additional information on matters to be considered at the EGM.

## ORDINARY RESOLUTIONS

The purpose of this EGM is to consider and, if thought fit, pass the Resolutions set out below in relation to the renewal by the Company of the 2027 Yankuang Energy Framework Agreement For Coal Sales (as defined below) and the 2027 YIT Framework Agreement For Coal Sales (as defined below) and the entry into by the Company of three arrangements for the sale of coal, with three trading companies associated with the Company's majority shareholder, Yankuang Energy Group Co., Limited ("**Yankuang Energy**", together with its subsidiaries (excluding the Yancoal Group), "**Yankuang Energy Group**") and its controlling shareholder Shandong Energy Group Co., Ltd ("**Shandong Energy**"), being Yancoal International Trading Co., Ltd ("**YIT**"), Yankuang Lucky (HK) Limited ("**YLHK**") and Shandong Energy (Hainan) Intelligent International Technology Co., Ltd ("**HII**") respectively (the "**Proposed Coal Sales Agreements**"), and a memorandum of understanding for the sale of coal with Shandong Energy Group Theme International Trading Co., Ltd ("**SETI**") (the "**Proposed MOU**").

Information on the Resolutions is set out below and in the Circular (of which this Notice of Meeting forms a part).

**1. Resolution – Renewal of the 2027 Yankuang Energy Framework Agreement For Coal Sales**

To consider and, if thought fit, pass the following as an **Ordinary Resolution**:

"***THAT***

(a) *the renewal of the 2027 Yankuang Energy Framework Agreement For Coal Sales (the "**2027 Yankuang Energy Framework Agreement For Coal Sales**") between the Company and Yankuang Energy pursuant to which the Yancoal Group has agreed to continue to sell coal to Yankuang Energy and/or its subsidiaries (excluding the Yancoal Group) during the period from 1 January 2027 to 31 December 2029, and all transactions contemplated thereunder, be and are hereby approved; and*

(b) *the directors of the Company (the "**Directors**") or a duly authorised committee of the board of Directors (the "**Board**") be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the 2027 Yankuang Energy Framework Agreement For Coal Sales and all transactions contemplated thereunder and are in the interests of the Company."*

**2. Resolution – Renewal of the 2027 YIT Framework Agreement For Coal Sales**

To consider and, if thought fit, pass the following as an **Ordinary Resolution**:

"***THAT***

(a) *the renewal of the 2027 YIT Framework Agreement For Coal Sales (the "**2027 YIT Framework Agreement For Coal Sales**") between the Company and YIT pursuant to which the Yancoal Group has agreed to continue to sell coal to YIT and/or its associates (excluding the Yankuang Energy Group) during the period from 1 January 2027 to 31 December 2029, and all transactions contemplated thereunder, be and are hereby approved; and*

(b) *the Directors or a duly authorised committee of the Board be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivery of all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the 2027 YIT Framework Agreement For Coal Sales and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the 2027 YIT Framework Agreement For Coal Sales and all transactions contemplated thereunder and are in the interests of the Company.*"

**3. Resolution – Approval for entry into the Proposed Coal Sales Agreements and the Proposed MOU**

To consider and, if thought fit, pass the following as an **Ordinary Resolution**:

"***THAT***

(a) *for the purposes of ASX Listing Rule 10.1 and for all other purposes, entry by the Company (directly or via Yancoal Australia Sales Pty Ltd or any of its subsidiaries) into the Proposed Coal Sales Agreements and the Proposed MOU on the terms described in the circular accompanying this Notice of Meeting, be and are hereby approved; and*

(b) *the Directors or a duly authorised committee of the Board be and are hereby authorised to do all such acts and things (including, without limitation, signing, executing (under hand or under seal), perfecting and delivering all agreements, documents and instruments) which are in their opinion, necessary, appropriate, desirable or expedient to implement or to give effect to the terms of the Proposed Coal Sales Agreements and the Proposed MOU and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith that are, in the opinion of the Directors, not material to the terms of the Proposed Coal Sales Agreements and the Proposed MOU and all transactions contemplated thereunder and are in the interests of the Company.*"

**Voting Exclusion Statement for Resolution 3:**

In accordance with ASX Listing Rule 10.5.9 and 14.11, the Company will disregard any votes cast on the Resolution by or on behalf of any of the following (the "**Excluded Persons**"):

- YIT, YLHK, HII and SETI and any person who will obtain a material benefit as a result of the Company's entry into the Proposed Coal Sales Agreements and the Proposed MOU (except a benefit solely by reason of being the holder of ordinary securities in the Company); or

- any associate of those persons (as defined under the ASX Listing Rules) including the Company's majority shareholder, Yankuang Energy Group Co., Limited ("**Yankuang Energy**").

However, this does not apply to a vote cast in favour of the Resolution if it is cast by:

- a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with directions given to the proxy or attorney to vote on the Resolution in that way; or

- the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or

- a Shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

    - o the beneficiary provides written confirmation to the Shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and

    - o the Shareholder votes on the Resolution in accordance with directions given by the beneficiary to the Shareholder to vote in that way.

**Independent Expert's Report for the purposes of Rule 10.1 of the ASX Listing Rules**

Yancoal's Independent Board Committee appointed Lonergan Edwards & Associates Limited to prepare an Independent Expert report providing an opinion as to whether the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to the holders of the Company's ordinary shares whose votes in favour of the Proposed Coal Sales Agreements and the Proposed MOU are not to be disregarded (the "**Independent Shareholders**"), in accordance with Rule 10.5.10 of the ASX Listing Rules.

**The Independent Expert has concluded that the Proposed Coal Sales Agreements and the Proposed MOU are fair and reasonable to the Independent Shareholders of the Company.**

A copy of the Independent Expert's Report is set out in the "Report from the Independent Expert" in the Circular and is also available at the Company's website at https://www.yancoal.com.au/page/en/investors/. A hard copy of the Independent Expert's report can be requested by Shareholders from the Company via Computershare by email web.queries@computershare.com.au or by calling Computershare at 1300 850 505 from within Australia or +61 3 9415 4000 from outside of Australia at no cost to Shareholders. Shareholders are encouraged to read and carefully consider the Independent Expert's report.

**4. Resolution – Election of Ms. Ping Nie as a Non-executive Director**

To consider and, if thought fit, pass the following as an **Ordinary Resolution**:

"***THAT***

*Ms. Ping Nie, who was appointed as a Director on 19 August 2026, and being eligible, offers herself for election, be elected as a Non-executive Director of the Company.*"

**SPECIAL RESOLUTION**

The purpose of this EGM is to consider, and if thought fit, pass the Resolution set out below in relation to the entry by the Target Guarantors into, and the performance by each Target Guarantor of its rights and obligations under the Subsidiary Deeds of Accession, the Finance Documents and the Security and the participation by each Target Guarantor in the funding arrangements and other transactions in connection with the Acquisition (the "**Provision of Financial Assistance**"), all as described in Appendix I to the Circular. Unless otherwise stated, capitalised terms used in this section shall have the same meanings as those defined in Appendix I to the Circular.

**5. Resolution – Approval for the Provision of Financial Assistance by the Target Guarantors**

To consider and, if thought fit, pass the following as a **Special Resolution**:

"***THAT***

*For the purposes of section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the financial assistance to be provided by Kestrel Coal Group Pty Ltd (ACN 624 655 518) and its subsidiaries from time to time in connection with the Acquisition (and any subsequent refinancing) as described in the explanatory memorandum accompanying the notice of meeting dated 2 November 2026.*"

## INFORMATION FOR SHAREHOLDERS

### Observe the EGM online and submit questions

All shareholders are encouraged to:

- submit any questions ahead of the EGM to either the Company or the auditor; and
- appoint the Chairman as proxy with directions on how to vote in each item of business to ensure that each Shareholder's vote is cast and counted with certainty. The Chairman is required to follow your instructions.

Further information on how to appoint a proxy to vote on your behalf is described under the heading "Proxies and Attorneys" under this section "Information for Shareholders". Please pay particular attention to this section in order to correctly appoint a proxy. Shareholders who wish to observe the EGM through a live webcast and submit questions in real time can visit https://meetnow.global/MZ24RFU.

Registration will open 1 hour before the start of the meeting. Details on how to observe and submit questions online are available at www.yancoal.com.au/page/en/investors.

Shareholders are urged to submit questions ahead of the EGM to the Company through submitting a completed form which accompanied the Notice of Meeting, or by way of email to shareholder@yancoal.com.au and/or media@yancoal.com.au.

### In-Person Attendance

Shareholders are also reminded to observe good personal hygiene at all times during the EGM. To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the venue so as to ensure the health and safety of the attendees at the EGM and compliance with applicable laws.

An electronic copy of the presentation by the Chairman or any Director will be lodged with the ASX and HKEx and will be made available on the Company's website before the EGM commences.

**Eligibility to Vote and Record Time**

In order to qualify for attending and being eligible to vote at the EGM convened by this Notice of Meeting:

(a) in respect of those shareholders whose ordinary shares in the Company are traded on the Australian Securities Exchange, you must be a registered holder of Yancoal shares as at 7:00 p.m. (AEDT) (being 5:00 p.m. (HKT)) on Friday, 4 December 2026 (the **Record Time**); and

(b) as a practical matter, in respect of those shareholders whose ordinary shares in the Company are traded on The Stock Exchange of Hong Kong Limited, all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 6:30 p.m. (AEDT) (being 4:30 p.m. (HKT)) on Friday, 4 December 2026 being the closing time of the office of Computershare Hong Kong Investor Services Limited.

The Corporations Regulations 2001 and the ASX Settlement Operating Rules of Australia require that the time to determine who holds ordinary securities in the Company for the purposes of a meeting of its shareholders may not be more than 48 hours before that meeting. However, in order for the Company to comply with requirements arising from its dual-primary listing on the Australian Securities Exchange and The Stock Exchange of Hong Kong Limited, the stipulated Record Time for the Company's EGM will be set as outlined above, which will fall on the fourth business day (being business days in Hong Kong) before the EGM. This is earlier than what shareholders and investors of the Company in Australia may be accustomed to.

Therefore, to be eligible to attend and vote at the EGM, a Shareholder must be a registered holder of the Company's ordinary securities by no later than the Record Time. If a Shareholder's name is not on the Company's register of members as at the Record Time, that Shareholder will be ineligible to attend and vote at the EGM. All share transfers registered after the Record Time will be disregarded in determining the voting entitlements of holders of ordinary securities in the Company at the EGM.

In this Notice of Meeting, references to shareholders are references to holders of ordinary shares in the Company.

**Voting**

A shareholder that is an individual may attend and vote in person at the EGM. Please arrive 20 minutes prior to the start of the EGM to facilitate the registration process. Otherwise, a shareholder may appoint a proxy or, if he or she holds two or more shares, up to two proxies to attend and vote on his/her behalf, as outlined below. A shareholder or proxy that is a body corporate may appoint an individual to act as its representative to vote at the EGM in accordance with section 250D of the Corporations Act. The appropriate 'Certificate of Appointment of Corporate Representative' should be produced prior to admission to the EGM. A form of the certificate may be obtained from www.computershare.com.

If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the principal or branch register of members of the Company in respect of the joint holding.

**Proxies and Attorneys**

(1) If you are entitled to vote but do not wish to attend the EGM, you may appoint a proxy to attend and vote on your behalf. A body corporate that is a shareholder may also appoint a proxy to attend and vote on its behalf. A proxy need not be a shareholder.

(2) If you are entitled to cast two or more votes, you are entitled to appoint up to two proxies to attend the EGM and vote on your behalf and you may specify the proportion or number of votes each proxy is appointed to exercise. If the appointment does not so specify, each proxy may exercise half the votes. Fractions of votes will be disregarded.

(3) Where a shareholder appoints 2 proxies or 2 attorneys, neither proxy nor attorney is entitled to vote on a show of hands, and on a poll, each proxy or attorney may only exercise votes in respect of those shares or voting rights the proxy or attorney represents.

(4) To be effective, the Company must receive the completed proxy form and, if the form is signed by the shareholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) **by no later than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 11:00 a.m. (AEDT) (being 8:00 a.m. (HKT)) on Tuesday, 8 December 2026**. Any proxy form received after that time will not be valid for the EGM.

(5) The completion and return of the proxy form shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

(6) The proxy form accompanying the Notice of Meeting can be used to appoint a proxy.

(7) Proxy forms (and any power of attorney or certified copy of that power under which they are signed) may be lodged with Computershare:

**For shareholders whose ordinary shares in the Company are traded on the Australian Securities Exchange**

**(a) by mail, to:**

Computershare Investor Services Pty Limited
GPO Box 242, Melbourne VIC 3001 Australia

**(b) by facsimile:**

1800 783 447 (within Australia)
+61 3 9473 2555 (outside Australia)

**(c) online via www.investorvote.com.au**

You will need your Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**), postcode and control number as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website.

A proxy cannot be appointed electronically by a person appointed by a shareholder under a Power of Attorney or similar authority.

Intermediaries with access to Intermediary Online through Computershare Investor Services Pty Limited should lodge their votes through www.intermediaryonline.com.

**For shareholders whose ordinary shares in the Company are traded on The Stock Exchange of Hong Kong Limited**

**(a) by mail, to:**

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

**(b) by facsimile:**

+ 852 2865 0990/+852 2529 6087 (within Hong Kong)
+61 3 9473 2555 (outside Hong Kong)

**Other alternatives**

Alternatively, proxy forms may be lodged with the Company:

**(a) by mail, to the attention of the Company Secretary, at:**

Yancoal Australia Ltd Level 18, Darling Park Tower 2, 201 Sussex Street Sydney NSW 2000 Australia

**(b) by facsimile, to the attention of the Company Secretary, on:**

+ 61 2 8583 5399

(8) Proxies given by corporate holders of ordinary shares must be executed in accordance with their constitutions, or signed by a duly authorised officer or attorney.

(9) A proxy may decide whether to vote on any motion, except where the proxy is required by law to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction.

(10) If your appointed proxy does not attend the EGM or does not vote on a poll in accordance with your directions, the Chairman of the EGM will become your proxy and will vote in accordance with any of your directions.

(11) If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit (subject to any applicable voting exclusions).

(12) The appointment of a proxy or attorney is not revoked by the appointer attending and taking part at the EGM, but if the appointer votes on a resolution, the proxy or attorney is not entitled to vote, and must not vote, as the appointer's proxy or attorney on the resolution.

(13) If the Chairman of the EGM is your proxy and you do not specify how your proxy is to vote on an item of business, then by completing and submitting a proxy form you will be expressly authorising the Chairman to exercise your proxy as the Chairman sees fit. If you wish to appoint the Chairman as proxy with a direction how to vote on an item of business, you should specify this by completing the "For", "Against" or "Abstain" boxes on the proxy form.

(14) The Chairman of the EGM intends to vote all undirected proxies in favour of each item of business.

**Questions and Comments by Shareholders**

The Chairman of the EGM will allow a reasonable opportunity for shareholders to ask questions about or make comments relevant to the items of business and on the management of the Company at the EGM. Shareholders may also submit a written question to the Board. Your questions should relate to matters that are relevant to the business of the EGM.

A list of those relevant written questions will be made available to shareholders attending the EGM. Please send any relevant questions for the Board by 5:00 p.m. (AEDT) (2:00 p.m.) (HKT)) on Thursday, 26 November 2026 to:

- Computershare (contact details provided above); or

- Yancoal Australia Ltd at its registered office, Level 18, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000, Australia, marked for the attention of the Company Secretary.

During the course of the EGM, the Chairman will endeavour to address as many of the more frequently raised shareholder questions as reasonably practicable and, where appropriate. However, there may not be sufficient time available at the EGM to address all questions. Please note that individual responses may not be sent to shareholders.

**Required Majority**

The resolutions described in Items 1, 2, 3 and 4 of this Notice of Meeting are ordinary resolutions. Each will be passed if more than 50% of votes cast by shareholders entitled to vote on the resolution are cast in favour of the resolution. Note that voting exclusions apply to Resolutions 1, 2 and 3. The resolution described in Item 5 of this Notice of Meeting is a special resolution. It will be passed if at least 75% of votes cast by shareholders entitled to vote on the resolution are cast in favour of the resolution.

**Chinese Translation**

The translation into Chinese language of this Notice of Meeting is for reference only. In case of any inconsistency, the English version shall prevail.

By order of the Board
**Yancoal Australia Ltd**
**Gang RU**
*Chairman*

Sydney, 2 November 2026